



PRESS RELEASE
For immediate release

COGECO
ANNOUNCES ITS FINANCIAL RESULTS FOR THE FIRST QUARTER
OF FISCAL YEAR 2003

Montreal, January 13, 2003 - COGECO Inc. announced today its financial results for the first quarter of fiscal year 2003.

Cable Sector

- Revenue generating unit growth of 30,977 comprised of 2,809 additional basic service, 18,250 high-speed Internet and 9,918 digital service customers.
- Slight improvement in Operating Income ⁽¹⁾ margin over the same period last year.

Media Sector

- RYTHME-FM increased its audience rating by 40% and solidified its status as the number 2 radio station in Montreal.
- Revenue nearly tripled and Operating Income increased by 43% over the same period last year, thanks to the acquisition of TQS at the end of the second quarter of 2002.

OPERATING RESULTS

Financial highlights for the three months ended November 30 are:

	(unaudited)		
(\$000s except percentages and per share data)	2002	2001	%
	\$	\$	Change
Revenue	151,512	125,968	20.3
Operating Income ⁽¹⁾	50,169	46,849	7.1
Net income			
Basic	\$ 3,407	\$ 2,710	25.7
Excluding unusual items ⁽²⁾	3,407	4,053	(15.9)
Cash Flow ⁽³⁾	\$ 33,170	\$ 31,651	4.8
Capital expenditures and deferred charges	40,937	42,779	(4.3)
Per share data			
Net income	\$ 0.21	\$ 0.17	23.5
Net income excluding unusual items	0.21	0.25	(16.0)
Cash Flow	2.04	1.95	4.6

- (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 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.
- (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.

Consolidated revenue for the first quarter of fiscal year 2003 increased by \$25.5 million or 20.3% compared to the same period last year. Both the cable and media sectors contributed to the increased revenue. Cable revenues increased by 1.3% driven by increased penetration of high-speed Internet, digital and basic services. The media sector generated a 194% increase in revenue stemming from the TQS acquisition and organic growth.

Operating income before depreciation and amortization increased by 7.1% for the first quarter of fiscal 2003 compared to the same period last year. Both sectors contributed to the increase.

Three months ended November 30,			
(\$000s except percentages)			
	2002	2001	% Change
Depreciation and amortization			
Property, plant and equipment	\$ 23,238	\$ 21,034	10.5
Deferred charges	3,609	2,130	69.4
Total	<u>\$ 26,847</u>	<u>\$ 23,164</u>	<u>15.9</u>
Financial expense	<u>\$ 15,908</u>	<u>\$ 14,037</u>	<u>13.3</u>

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased during the first quarter of fiscal 2003 compared to the same period last year. For the Cable sector, 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 related to subsidies from the greater sales of home terminal devices to customers. For the Media sector, the increased depreciation and amortization results mainly from the TQS acquisition.

FINANCIAL EXPENSE

Financial expense has increased as a result of the Cable sector's higher average interest rate on Senior Secured Notes issued in November 2001, the higher debt level over last year that resulted from fiscal 2002 capital expenditures exceeding Cash Flow and the lower usage of non-cash working capital items during the first quarter of 2003. However, management expects that 2003 capital expenditures and deferred charges should be fully financed by Cash Flow.

UNUSUAL ITEMS

The Company recorded no unusual items during the first quarter of 2003. During the same period last year, as part of an overall cost reduction plan, the Cable sector further reduced its staffing and consequently recorded a cash charge of \$4.9 million as an unusual item.

NET INCOME

For the first quarter of fiscal 2003 net income excluding unusual items amounted to \$3.4 million, or \$0.21 per share, compared to \$4.1 million or \$0.25 per share last year. Net income for the first quarter of fiscal 2003 amounted to \$3.4 million or \$0.21 per share compared to \$2.7 million or \$0.17 per share for the same period last year.

CASH FLOW

	Three months ended November 30,		
	2002	2001	% Change
(\$000s except percentages)			
Operating Activities			
Cash Flow	\$ 33,170	\$ 31,651	4.8
Net changes in non-cash working capital items	(47,771)	(35,203)	(35.7)
Unusual items	--	(4,925)	--
	<u>(14,601)</u>	<u>(8,477)</u>	<u>(72.2)</u>
Investing Activities	\$ (40,937)	\$ (42,533)	(3.8)
Financing Activities	\$ 21,949	\$ 31,730	(30.8)

Cash flow from operating activities includes Cash Flow, net changes in non-cash working capital items and unusual items. For the first quarter of fiscal 2003, Cash Flow is higher than last year by \$1.5 million essentially due to the Media sector. Net changes in non-cash working capital items decreased by \$12.6 million compared to last year. This is essentially the result of the Cable sector's semi-annual interest payments on Senior Secured Notes, during the quarter, which were accrued at the end of the previous quarter. Refer to the "Unusual items" section above for the cash flow impact.

For the first quarter of fiscal 2003, investing activities, related to capital expenditures and deferred charges that essentially resulted from subsidies on the sales of home terminal devices to customers, decreased from \$42.5 million to \$40.9 million. Last October, Cogeco Cable announced that it would limit the level of its annual capital expenditures and deferred charges program for fiscal 2003 to Cash Flow. Cogeco Cable believes that it can achieve the expected growth with its existing cable infrastructure in place and with the lower short-term requirements for additional bandwidth. In the first quarter of fiscal 2003, Cash Flow did not entirely finance capital expenditures and deferred charges as a non-recurring cost of \$8.5 million in equipment to introduce VOD was made. Subsidies due to sales of home terminal devices and other costs to expand the customer base amounted to a total of \$6.2 million, and the launch of VOD and other items added an extra \$0.6 million. However, the Company expects that it will achieve positive free cash flow during the third quarter of 2003 and for the rest of fiscal 2003.

The amount drawn from the term facilities increased by \$23.0 million during the first quarter of fiscal 2003, as a result of capital expenditures and deferred charges exceeding Cash Flow, as described above, as well as due to the first quarter's reduced usage of non cash-working capital items. The remainder was financed by operating lines of credit. The situation was essentially the same in the first quarter of the last fiscal year. On November 1, 2001, Cogeco Cable issued, pursuant to a private placement, Senior Secured Notes for a gross amount of approximately \$414 million with the proceeds applied to reduce its bank debt.

CABLE SECTOR

CUSTOMER STATISTICS

Changes in the corporate marketing structure effected last March are already producing positive results. Improved media presence and a more targeted message, coupled with a higher level of customer service, explain revenue generating units' growth of 30,977 this quarter compared to 19,626 during the same period last year. This organic growth came from basic, high-speed Internet and digital customer additions.

The number of basic service customers increased for the first time since March 2001, rising by 2,809 or 0.3% during the first quarter of fiscal 2003. During the same quarter last year, Cogeco Cable had lost 9,693 basic service customers.

As at November 30, 2002, the number of customers to the high-speed Internet access service stood at 176,442, an increase of 18,250 customers or 11.5% during the first quarter. Including 4,088 pending orders, the number of high-speed Internet customers would amount to 180,530 compared to 162,886 at August 31, 2002. Even with the price increase discussed below, this growth compared favourably with that of the same period last year when 16,351 customers were added to the base. Internet Lite was introduced last summer and is only offered to our customers as a retention tool. There are 1,570 Internet Lite and 262 Internet Pro customers included in the end of quarter figure. As at November 30, 2002, high-speed Internet penetration as a percentage of basic service in areas served was 24.4%. With this quarter's high-speed Internet customer additions, Cogeco Cable is on course to meet its goal of adding 55,000 high-speed Internet customers by the end of fiscal 2003.

Moreover, an additional 11,797 digital terminals were put in service by the end of the first quarter of fiscal 2003 raising the total number of installed terminals to 156,747, an 8.1% increase. As at November 30, 2002, digital terminal penetration as a percentage of basic service in areas served was 19.1%. Cogeco Cable is on course to reach its fiscal 2003 target of adding 25,000 digital terminals.

As at November 30, 2002, 256,668 customers had subscribed to Cogeco Cable's offering of bundled services, representing 30.6% of basic customers, up from 241,686 customers as at August 31, 2002. 44% of customers subscribing to the service bundles had the digital service.

Three months ended November 30,

(\$000s except percentages)

	2002	2001	% Change
Revenue	\$ 115,101	\$ 113,583	1.3
Network fees	35,552	35,330	0.6
Other operating costs	35,016	34,786	0.7
Management fees – COGECO Inc.	2,302	2,272	1.3
Operating income	42,231	41,195	2.5
Operating margin	36.7%	36.3%	

REVENUE

For the first quarter of fiscal 2003, consolidated revenue increased by \$1.5 million or 1.3% compared to the same period last year. This growth resulted mainly from the improved penetration rate for high-speed Internet access, digital services and basic service customers as discussed in the “Customer Statistics” section. In addition, a monthly rate increase of \$5.00 per high-speed Internet customer was implemented during the fourth quarter of fiscal 2002. On a yearly basis, this increase will amount to \$5.7 million of additional revenue. Finally, monthly rate increases of approximately \$2.50 per customer, due to basic rate deregulation, were implemented in August 2002 for Quebec customers subscribing to the basic service only, which will generate \$1.8 million of additional annual revenue in 2003. The average basic rate is approximately \$20.60 per month for the Quebec customer base.

In addition, the monthly basic rate is being increased during January 2003 by an average of \$2.75 per customer located in Ontario while the rate for discretionary tiers is being decreased by approximately the same amount on a per customer basis. The basic rate will average approximately \$20.75 per month for the Ontario customer base compared to at least \$20.99 for a DTH satellite customer. Approximately 116,000 Ontario customers subscribing to the basic service only, have not been affected by any significant price increase in the past 6 years. On a yearly basis, this increase will improve revenue and operating income will increase by approximately \$2.4 million. For fiscal 2003, the Ontario basic rate deregulation will increase revenue and operating income by \$1.4 million.

NETWORK FEES

Network fees increased by \$0.2 million during the quarter compared to the same period last year. This increase results from rate increases from specialty TV providers, higher programming costs related to new digital services launched in September 2001, and the continuous enlargement in customer subscription to bundles creating extra costs of \$1.5 million. However, the costs to service the high-speed Internet customer base have been reduced since the Corporation terminated its business relationship with Excite@Home to become a fully independent service provider, thus resulting in a net saving of \$1.3 million compared to the first quarter of fiscal 2002.

OTHER OPERATING COSTS

Other operating costs increased by \$0.2 million during the quarter compared to the same period last year. This is mainly due to the cost related to the reassessment and the increased operating costs of the customer management systems, the higher cost of pole attachment and staff's salary increases and bonuses. This increase has been essentially offset by the cost reduction program effected at the end of the first quarter of fiscal 2002. It is management's expectation that the other operating cost level will remain at least the same for the future quarters of the current fiscal year.

Effective January 6, 2003, the Canadian Radio-Television Communications Commission (CRTC) has modified its requirements with respect to the allocation of funds between the Canadian program fund and community programming for Class 1 licences with less than 20,000 customers. Essentially the new requirements provide the Corporation with the choice of not contributing to a Canadian program fund and increasing the commitment to the local community programming up to the threshold level. This change will result in additional savings of \$0.6 million for fiscal 2003 stemming from decreased network fees of \$1.1 million and an increase in other operating costs of \$0.5 million.

OPERATING INCOME

Operating income before depreciation and amortization increased by 2.5% for the first quarter of fiscal 2003 compared to the same period last year as a result of costs increasing less than revenue growth. Cogeco Cable's focus on improving its operating margin before depreciation and amortization resulted in the margin increasing from 36.3% to 36.7% in the first quarter of fiscal 2003.

LAUNCH OF VIDEO-ON-DEMAND (VOD)

Last October, Cogeco Cable launched its VOD service. Last December, the service was being offered to 45% of homes passed and, by the end of next month (February 2003), it will be offered to 70% of homes passed. Numerous agreements with service providers were signed including Alliance Atlantis which will supply its catalogue of both current and older releases. In addition, customers now have a choice of approximately 200 titles amounting to nearly 250 hours of programming.

MEDIA SECTOR

Three months ended November 30,

(\$000s except percentages)

	2002	2001	% Change
Revenue	\$ 36,411	\$ 12,385	194.0
Operating costs	29,327	7,419	295.3
Operating income	7,084	4,966	42.7
Operating margin	19.5%	40.1%	

REVENUE

Radio

RYTHME FM improved its audience rating by 40% in the fall of 2002 over the same period two years ago according to BBM audience rating measurements in the 12+ age group. This translates into a 14.6% market share for the fall 2002 period in the 25-54 age group among the Montreal Franco area. This represents an improvement over the 12.8% market share for the same period last year. The station is second in popularity in most age groups.

FM 93 Quebec has achieved a 13.1% market share for the Fall 2002 compared to 19.1% for the same period last year according to the BBM in the 25-54 age group in the Quebec Central area. Changes in the radio station were implemented in order to curtail market share erosion and assure further improvement in the future.

Revenue from the radio segment increased by 7.3% in the first quarter compared to the same period last year.

Television

The TQS network continued its excellent performance achieving a 15.3% market share for the Fall of 2002 according to BBM audience rating measurements in the 18-49 age group (Province of Quebec - French population). This represents an improvement over the 14.4% market share achieved over the same period last year.

Revenue from the Television segment increased by 306.7%, 281.3% of which was fuelled by the TQS acquisition at the end of the second quarter of 2002. Organic growth of 6.6% stemmed from improved advertising sales, a growing audience share, more effective sales force and the positioning of TQS as a global network for the Province of Quebec.

OPERATING COSTS

Operating costs increased by 295% the majority of which was fuelled by the TQS acquisition.

OPERATING INCOME

Operating Income increased by 42.7% in the first quarter of fiscal year 2003 compared to the same period last year, the majority of which is attributable to the TQS acquisition. The operating margin decreased from 40.1% to 19.5% due to the recently acquired TQS network's lower operating margin that results from it bearing most of the TV programming costs. In the first quarter of 2003, TQS Inc. recorded a charge of \$0.3 million related to stock-based compensation plans, further reducing the operating margin. In 2002, a similar charge was recorded in the fourth quarter. The radio segment's Operating Income has increased by 19.5% compared to the same period last year.

DIVIDEND DECLARATION

At its meeting of January 10, 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 February 7, 2003, to shareholders on record on January 24, 2003.

NORMAL COURSE ISSUER BID

COGECO announced its normal course issuer bid with respect to acquiring up to 250,000 Subordinate Voting Shares for cancellation. Purchases pursuant to the notice did not commence before November 19, 2002, and will not continue beyond November 18, 2003.

RISK FACTORS AND UNCERTAINTIES

Since the August 31, 2002 year-end, there have been no material changes in the uncertainties and main risk factors facing COGECO. Uncertainties and main risk factors are described in the Company's 2002 Annual Report.

FORWARD-LOOKING FINANCIAL EXPECTATIONS

The forward-looking statements below involve risks and uncertainties. A number of factors related to technology, markets, competition and regulation including those described in the uncertainties and main risk factors section of the Company's Annual report will affect future results. Therefore, actual results may be materially different from those expressed or implied by such forward-looking statements.

The Company is maintaining its financial guidelines for fiscal 2003.

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides approximately 1,155,000 units of cable distribution and telecommunication services to approximately 1,380,000 households passed in its service areas. 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 Quebec City. 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 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.

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Conference Call: Discussion of quarterly results on January 13, 2003, at 4:30 p.m. ET
Broadcast via the Internet at www.cogeco.com

COGECO INC.

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Cable Statistics

	November 30, 2002	August 31, 2002
Homes Passed		
Ontario	944,411	940,565
Quebec	436,824	434,929
	1,381,235	1,375,494
Revenue Generating Units		
Ontario	840,644	815,572
Quebec	314,691	308,786
	1,155,335	1,124,358
Basic Service Customers		
Ontario	598,740	596,155
Quebec	240,437	240,213
	839,177	836,368
Extended Basic Customers		
Ontario	482,992	479,182
Quebec	165,834	164,849
	648,826	644,031
Pay-TV Service Customers		
Ontario	90,848	88,571
Quebec	28,951	27,913
	119,799	116,484
Internet Service Customers		
High-Speed Cable Modem		
Ontario	148,045	131,480
Quebec	28,397	26,712
	176,442	158,192
Digital Customers		
Ontario	93,859	87,937
Quebec	45,857	41,861
	139,716	129,798
Digital Terminals		
Ontario	108,105	100,746
Quebec	48,642	44,204
	156,747	144,950
Bundled Services Customers		
Ontario	200,415	186,147
Quebec	56,253	55,539
	256,668	241,686

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended November 30	
<i>(In thousands of dollars, except per share data)</i>	2002	2001
	(unaudited)	(unaudited)
Revenue	\$ 151,512	\$ 125,968
Operating costs	101,343	79,119
Operating income before depreciation and amortization	50,169	46,849
Depreciation and amortization	26,847	23,164
Income before undernoted items	23,322	23,685
Unusual items (note 2)	-	4,925
Financial expense	15,908	14,037
Income before income taxes and the following items	7,414	4,723
Income taxes		
Current	1,830	1,844
Future	830	1,183
	2,660	3,027
Non-controlling interest	1,347	(1,014)
Net income	\$ 3,407	\$ 2,710
Earnings per share (note 6)		
Basic	\$ 0.21	\$ 0.17
Diluted	0.21	0.16

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(In thousands of dollars)</i>	Three months ended November 30	
	2002	2001
	(unaudited)	(unaudited)
Balance at beginning	\$ 228,491	\$ 191,487
Net income	3,407	2,710
Excess of price paid over the attributed value of subordinate voting shares redeemed	(10)	-
Dividends on multiple voting shares	(97)	(97)
Dividends on subordinate voting shares	(756)	(755)
Balance at end	\$ 231,035	\$ 193,345

COGECO INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	November 30	August 31
	2002	2002
	(unaudited)	(audited)
Assets		
Fixed assets	\$ 792,990	\$ 782,981
Deferred charges	43,294	39,653
Broadcasting licenses and customer base	1,042,498	1,042,498
Goodwill	27,925	27,925
Broadcasting rights	25,892	18,620
Accounts receivable	76,295	64,934
Income tax receivable	9,798	9,986
Prepaid expenses	4,584	5,165
	\$ 2,023,276	\$ 1,991,762
Liabilities and Shareholders' equity		
Liabilities		
Bank indebtedness	\$ 38,233	\$ 4,644
Long-term debt and Term facilities (note 4)	870,426	846,358
Deferred credit	3,900	4,830
Accounts payable and accrued liabilities	105,375	131,968
Deferred and prepaid income	14,538	17,852
Future income tax liabilities	170,827	169,997
Non-controlling interest	474,427	473,080
	1,677,726	1,648,729
Shareholders' equity		
Capital stock (note 5)	114,515	114,542
Retained earnings	231,035	228,491
	345,550	343,033
	\$ 2,023,276	\$ 1,991,762

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three months ended November 30	
<i>(In thousands of dollars)</i>	2002	2001
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income	\$ 3,407	\$ 2,710
Unusual items net of related income taxes and non-controlling interest	-	1,343
Net income from recurring operations	3,407	4,053
Items not affecting cash and cash equivalents		
Depreciation and amortization	26,847	23,164
Amortization of long-term financing costs	440	430
Future income taxes	830	1,183
Future income taxes related to unusual items	-	1,513
Non-controlling interest	1,347	(1,014)
Portion of unusual items attributable to non-controlling interest	-	2,069
Other	299	253
Cash flow from operating activities before undernoted items	33,170	31,651
Unusual items	-	(4,925)
Change in non-cash working capital items	(47,771)	(35,203)
	(14,601)	(8,477)
Cash flow from investing activities		
Acquisition of fixed assets	(34,128)	(37,709)
Increase in deferred charges	(6,809)	(5,070)
Other	-	246
	(40,937)	(42,533)
Cash flow from financing activities		
Increase in long-term debt	23,122	434,105
Repayment of long-term debt	(283)	(401,523)
Purchase of subordinate voting shares for cancellation	(37)	-
Dividends on multiple voting shares	(97)	(97)
Dividends on subordinate voting shares	(756)	(755)
	21,949	31,730
Net change in cash and cash equivalents	(33,589)	(19,280)
Cash and cash equivalents at beginning	(4,644)	2,155
Cash and cash equivalents at end	\$ (38,233)	\$ (17,125)

COGECO INC.

Notes to Consolidated Financial Statements

November 30, 2002

(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, 2002 and August 31, 2002 as well as its results of operations and its cash flow for the three month period ended November 30, 2002 and 2001.

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.

2. Unusual items

During the first quarter of 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.

3. 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 November 30,</i>	Cable		Media		Head Office and eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
Revenue	\$ 115,101	\$ 113,583	\$ 36,411	\$ 12,385	\$ -	\$ -	\$ 151,512	\$ 125,968
Operating costs	72,870	72,388	29,327	7,419	(854)	(688)	101,343	79,119
Operating income before depreciation and amortization	42,231	41,195	7,084	4,966	854	688	50,169	46,849
Depreciation and amortization	25,642	22,655	1,171	471	34	38	26,847	23,164
Income before other items	16,589	18,540	5,913	4,495	820	650	23,322	23,685
Unusual items	-	4,925	-	-	-	-	-	4,925
Financial expense	15,528	13,823	78	895	302	(681)	15,908	14,037
Income taxes	443	1,467	1,781	764	436	796	2,660	3,027
Net assets employed ⁽¹⁾	\$ 1,771,691	\$ 1,728,472	\$ 120,605	\$ 43,659	\$ 11,067	\$ 12,737	\$ 1,903,363	\$ 1,784,868
Acquisition of fixed assets	32,683	37,375	1,445	334	-	-	34,128	37,709

(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

November 30, 2002

(unaudited)

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

4. Long-term debt and Term facilities

	Maturity	Interest rate	November 30 2002 (unaudited)	August 31 2002 (audited)
Parent company				
Term Facility	2005	4.63 ⁽¹⁾	\$ 22,000	\$ 19,000
Other	-	-	3,461	3,273
Subsidiaries				
Term Facility	2007	4.38 ⁽¹⁾	149,000	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 ⁽²⁾	234,750	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	6.70 – 11.32	2,154	2,407
Preferred shares ⁽³⁾	2006	-	5,720	5,720
Other	-	-	3,341	3,138
			\$ 870,426	\$ 846,358

(1) Average interest rate on debt as of November 30, 2002, including stamping fees.

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

(3) 5,720,000 preferred shares 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually.

5. Capital Stock

Authorized, an unlimited number

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 2002 (unaudited)	August 31 2002 (audited)
Issued		
1,849,900 multiple voting shares	\$ 12	\$ 12
14,402,853 subordinate voting shares (14,406,253 as at August 31, 2002)	114,503	114,530
	\$ 114,515	\$ 114,542

COGECO INC.

Notes to Consolidated Financial Statements

November 30, 2002

(unaudited)

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

5. Capital Stock (continued)

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

	November 30 2002 (unaudited)		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	-	-	21,440	210
Purchase of shares for cancellation	(3,400)	(27)	(300)	(3)
Balance at end	14,402,853	\$ 114,503	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 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 month period ended November 30, 2002 would have been reduced to the following pro forma amounts:

Net income		
As reported		\$ 3,407
Pro forma		3,326
Basic earnings per share		
As reported		\$ 0.21
Pro forma		0.20
Diluted earnings per share		
As reported		\$ 0.21
Pro forma		0.20

As at November 30, 2002, 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 \$4.275 to \$37.50 and at various dates up to October 19, 2011.

COGECO INC.

Notes to Consolidated Financial Statements

November 30, 2002

(unaudited)

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

6. Earnings per share

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

	Three months ended November 30	
	2002 (unaudited)	2001 (unaudited)
Net income	\$ 3,407	\$ 2,710
Weighted average number of multiple voting and subordinate voting shares outstanding	16,256,057	16,235,013
Effect of dilutive stock options	52,494	223,790
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,308,551	16,458,803
Earnings per share		
Basic	\$ 0.21	\$ 0.17
Diluted	0.21	0.16