



**PRESS RELEASE**  
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## **COGECO ENJOYS IMPROVED RESULTS THANKS TO COGECO CABLE**

**Montréal, December 9, 2004** – During fiscal 2004, COGECO Inc. enjoyed improved results over fiscal 2003.

COGECO's Operating Income stood at \$214.5 million, up 9.8% over the previous year due to a \$27.6 million increase in the cable sector but partially reduced by a \$7.4 million decline in the media sector.

In fiscal 2004, the cable subsidiary saw improved retention and acquisition of basic-service customers. After recording a loss of 15,711 basic-service customers in 2003, Cogeco Cable grew this customer base by 3,198 in 2004.

In the broadcasting sector, TQS faced a difficult start to the fiscal year. However, the RYTHME FM network continued to grow thanks to the summer 2004 launch of two new stations in the Mauricie and Estrie regions.

“COGECO's results, especially those of its cable sector, continue to improve. The number of basic-service customers is on the rise, and we have achieved positive customer retention and acquisition for the first time since 1999”, stated Louis Audet, President and CEO of COGECO.

COGECO's revenues totaled \$648.1 million, a \$34.4 million (5.6%) increase. Cogeco Cable's revenues grew \$37.3 million (7.6%), and in the media sector, they slid \$2.7 million (2.2%). The cable and media sectors made positive contributions to Free Cash Flow, which amounted to \$47.2 million compared to \$12.4 million in fiscal 2003. However, certain accounting changes made to the cable subsidiary such as shortened estimated useful lives of residential equipment, changes to corporate tax rates in Ontario and the application of new accounting practices resulted in a net loss of \$10.6 million for the Company.

### **Media Sector**

In fiscal 2004, the RYTHME FM network extended its coverage area in the province of Québec. In addition to its Québec City station, which hit the airwaves in fiscal 2003, RYTHME FM has coverage in the Mauricie and Estrie regions since summer 2004. Management feels that the network is progressing normally in these markets. Furthermore, according to summer 2004 BBM ratings, 105.7 RYTHME FM in Montréal has continued to enjoy solid results and has positioned itself as a leader among Montréal's 25-54 demographic.

Last September, FM 93 altered its identity, became 93<sup>3</sup>, and now delivers a new line of programming, one centered on classic rock and opinion, to the Québec City region. Management is closely monitoring the progress of this new business plan.

TQS did not meet its objectives due to significant, first-half television programming expenses and because of lower-than-expected advertising revenues, both of which generated results that were below those expected at the start of the year. However, in second-half 2004, the implementation of better-targeted investments and stringent cost controls corrected the problem and helped TQS to record Operating Income for that period.

## **Cable Sector**

The cable sector's revenues rose 8% to \$526.5 million, and its Operating Income reached \$203.2 million, the rewards of rising revenues, stricter cost control, and effective marketing. Free Cash Flow stood at \$43.5 million in fiscal 2004, exceeding the \$13 to \$18 million objectives and the year-earlier performance, which was \$2.4 million. Operating Margin increased from 35.9% in fiscal 2003 to 38.6% in fiscal 2004.

In addition to greater retention and acquisition of basic-service customers (which partially owes to improved customer service, ever-improving product and service offerings, and effective targeted marketing), High-Speed Internet (HSI) connections grew 19% during the fiscal year to 245,026 connections. The number of digital service customers also enjoyed significant growth, jumping 28% over 2003 to 208,436, while digital terminals numbered around 240,071, a 31% increase over the previous year.

During the fiscal year, Cogeco Cable's offering improved in several areas:

- A new line of digital terminals including the Motorola DCT 6208 terminal, a dual-tuner HD-DVR (high definition and digital video-recorder).
- A digital terminal rental program.
- Twice the volume of video-on-demand viewing options (from 400 hours to 800 hours).

"We are very satisfied with the cable sector's results. They are mostly attributable to sustained focus on satisfying clients, targeted investments in leading technologies, new and attractive services, and effective marketing. Our HSI service is the fastest on the market, and we intend on maintaining this competitive edge, as it is highly valued by our customer base. As for our video offering, our services are in full expansion, and the quality available is becoming an increasingly sought asset", added Mr. Audet.

## **2005, a Year of Consolidation**

This past year, Cogeco Cable conducted digital telephony tests with approximately 1,000 customers. The tests proved satisfactory, compelling the Company to finalize its plan to launch digital telephony in 2005.

In the coming months, HD television services will be deployed to the remainder of Cogeco Cable's territory. Subscription video-on-demand (SVOD) has been available in Ontario since last November and will soon be available to most clients in Québec. SVOD will be updated, improved, and perfected on a regular basis to allow for even greater personalization of the viewing experience. In addition, in November 2004, Cogeco Cable concluded a partnership with F-Secure Corporation by which Cogeco Cable will offer free top-end security products (updated automatically and without charge) to its HSI *Standard* and *Pro* customers. The partnership positions Cogeco Cable's HSI service as the fastest and most secure service of its kind on the market. *Lite* customers will be able to purchase the service for \$8 a month.

Cogeco Cable shall continue to deliver leading-edge products and services that satisfy client expectations. Starting in 2005, for example, digital telephony will be offered to clients, and home networking is a service that Cogeco plans on offering during the year.

In the broadcasting sector, the Québec City station, 91.9 of the RYTHME FM network will be welcoming a seasoned announcer and regional favourite, Mario Grenier, for the afternoon drive time slot. 93<sup>3</sup> will continue to rely on Classic Rock, which, according to public reaction, is much appreciated.

TQS, for its part, continues to demonstrate its ability to innovate. Its news-with-commentary format and current issues debates have enjoyed great success since the start of fiscal 2005, as audience ratings enjoy a steady incline. A new show,  *Casting* , will air in winter 2005.  *Casting*  explores the lives of 13 young actors supported by the scripts of aspiring scriptwriters and set in a real university.  *SOS Beauté*  is a docu-reality show that will tell the stories of 12 everyday women who want to make changes to every aspect of their personality. Yet to be aired,  *SOS Beauté*  is already a success, as 8,200 people have already applied to be on the show, the most applicants of any televised show in Québec.

In fiscal 2005, COGECO expects this growth to continue. The Company also expects improvements in profitability and Free Cash Flow and to generate net income of approximately \$12 million and Free Cash Flow between \$51 and \$56 million.

## **ABOUT COGECO**

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides about 1,227,000 revenue-generating units to approximately 1,423,000 households in its service territory. Through its two-way broadband cable infrastructure, Cogeco Cable provides its residential and commercial customers with analog and digital video and audio services, as well as high-speed Internet access. Through its Cogeco Radio-Television subsidiary, COGECO holds a 60% interest and operates the TQS network, six TQS television stations, and three French CBC affiliated television stations in partnership with CTV Television. Cogeco Radio-Television also wholly owns and operates RYTHME FM radio stations in Montreal, Québec City, Sherbrooke and Trois-Rivières as well as 93<sup>3</sup> in Québec City. COGECO's subordinate voting shares are listed on the Toronto Stock Exchange (CGO.SV). The subordinate voting shares of Cogeco Cable are also listed on the Toronto Stock Exchange (CCA.SV).

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Source: COGECO Inc.  
Pierre Gagné  
Vice President, Finance and Chief Financial Officer  
Tel.: (514) 874-2600

Information: Media  
Marie Carrier  
Director, Corporate Communications  
Tel.: (514) 874-2600