



PRESS RELEASE
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COGECO improves its results thanks to its cable sector

Montréal, October 18, 2004 – Today COGECO Inc. (TSX: CGO.SV) announced its financial results for the fourth quarter and fiscal year ended August 31, 2004.

"For the fourth quarter of 2004, COGECO posted an improvement in results compared to the same period in 2003. Revenue and operating margin reported an increase due to the excellent performance of the cable sector, resulting in 40% growth in net income," explained Louis Audet, Chief Executive Officer of COGECO Inc.

The cable sector: the growth vehicle

"For fiscal 2004, Cogeco Cable posted a significant increase in its major performance indicators. We have recorded better performance in terms of acquiring and retaining customers. As such, we are recognizing a 28% and 19% increase in our digital and Internet customers, respectively, and the first gain in basic-service customer since 1998. This trend secures our expectations and we are optimistically looking forward to fiscal 2005," adds Mr. Audet.

Radio-television sector: promising changes

"For its part, COGECO's broadcasting affiliate, Cogeco Radio-Télévision Inc. (CRTI), experienced a more difficult financial year due to a volatile advertising market and higher television programming expenses in the first half of the fiscal year. However, television programming expenses were lower and better managed and were sustained through tight cost control beginning in the second half of the fiscal year, enabling us to anticipate better profitability for fiscal 2005," continued Louis Audet.

"With Free Cash Flow totalling \$47.2 million for fiscal 2004, COGECO significantly exceeded its objectives. However, certain accounting changes such as the decrease in the useful lives of residential equipment, changes to the Ontario income tax rate, and the application of new accounting practices, resulted in a net loss," concluded Mr. Audet.

FINANCIAL HIGHLIGHTS

(in millions \$, except percentages and customer statistics)	<u>Original Target</u> ⁽¹⁾	<u>Actual Results</u>	<u>Actual vs Target</u>
Cable Sector			
Revenue growth	4% to 5%	8%	Exceeded
Operating income before amortization growth	8% to 10%	16%	Exceeded
Gain (loss) of basic-service customers	(11,000) to (13,000)	3,198	Exceeded
Digital terminal additions	33,000 to 38,000	56,984	Exceeded
High-speed Internet additions	35,000 to 40,000	39,847	Achieved
Media Sector			
Revenue growth (decline)	10% to 13%	(2)%	Not achieved
Operating income before amortization growth (decline)	(8)% to 2%	(41)%	Not achieved
COGECO net income (loss)	8	(10.6)	Not achieved ⁽²⁾
COGECO Free Cash Flow ⁽³⁾	18 to 23	47.2	Exceeded

(\$000s, except percentages and per share data)	Three months ended August 31, (unaudited)			Years ended August 31, (audited)		
	<u>2004</u>	<u>2003</u> (restated ⁽¹⁾)	<u>%</u> <u>Change</u>	<u>2004</u>	<u>2003</u> (restated ⁽¹⁾)	<u>%</u> <u>Change</u>
Revenue	\$ 154,652	\$ 150,398	2.8	\$ 648,101	\$ 613,675	5.6
Operating income before amortization	55,862	50,924	9.7	214,504	195,362	9.8
Net income (loss)	2,117	1,509	40.3	(10,600)	6,751	--
Cash flow from operations	43,010	35,597	20.8	155,411	129,712	19.8
Less:						
Capital expenditures and increase in deferred charges	<u>36,838</u>	<u>26,180</u>	40.7	<u>108,234</u>	<u>117,347</u>	(7.8)
Free Cash Flow ⁽³⁾	6,172	9,417	(34.5)	47,177	12,365	--
Per share data						
Basic net income (loss)	\$ 0.13	\$ 0.09	44.4	\$ (0.65)	\$ 0.42	--
Cash flow from operations	2.63	2.19	20.1	9.51	7.98	19.2

- (1) During the third quarter of fiscal 2004, Cogeco Cable, a subsidiary of the Company, adopted new accounting standards regarding the timing of revenue recognition and certain related costs and the classification of certain items such as revenue, expense or capitalized costs. These changes were made on a retroactive basis in accordance with Abstracts 141 and 142 issued by the Canadian Institute of Chartered Accountants' (CICA) Emerging Issues Committee (EIC). Fiscal 2004 initial financial targets have all been adjusted to reflect the impact of these changes and were modified on the basis of the difference between the 2004 financial results before and after adoption of new accounting standards. See "Changes in Accounting Policies" of the accompanying Management's Discussion and Analysis (MD&A) for a detailed description of these new accounting standards implemented on a retroactive basis.
- (2) Net income objectives were not achieved as a result of non-cash adjustments in the cable sector for amortization and income taxes described under "Fixed Charges" and "Income Taxes" of the accompanying MD&A.
- (3) Free Cash Flow is defined as cash flow from operations less capital expenditures (including assets acquired under capital leases – as per Note 7 in the accompanying financial statements - not reflected in the statements of cash flow) and increase in 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, market conditions, competition and regulations including factors described in the section "Uncertainties and Main Risk Factors" of this analysis and the Company's 2003 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 MD&A included in the Company's annual report and financial statements and the notes thereto.

CHANGES IN ACCOUNTING POLICIES

During the third quarter of fiscal 2004, the Company adopted the CICA's EIC Abstracts 141 and 142 issued in December 2003, regarding the timing of revenue recognition and certain related costs and the classification of certain items such as revenue, expense or capitalized costs. Consequently, COGECO adopted the following changes in the cable sector:

- Installation revenues are now deferred and amortized over the average life of a customer, which is four years. Previously, these revenues were recognized immediately as they were considered a partial recovery of direct selling costs incurred. Upon billing, the portion of unearned revenue is now recorded as deferred and prepaid income.
- The costs to reconnect customers are now recorded as deferred charges up to a maximum amount not exceeding the revenue generated by the reconnect activity, which are included in installation revenues, and amortized over the average life of a customer, which is four years. Previously, these costs, which include materials, direct labour and certain overhead charges, were capitalized to fixed assets and generally amortized over a period of five years.
- Revenue from the sale of home terminal devices at a subsidized price, which were recorded as a partial recovery of costs, are now recorded as equipment revenue with an equal amount included in operating costs.
- The portion of advertising expense incurred to expand the digital and high-speed Internet customer base that used to be recorded as a deferred charge is now recorded as an operating cost.

As a result of the above changes, operating income before amortization was adjusted downward by \$8 million and \$7.7 million in fiscal 2004 and 2003, respectively. The adjustments related to the reversal of capitalized advertising expense and reconnection costs amounted to \$3.7 million and \$1.2 million in fiscal 2004 and \$3.5 million and \$2.7 million in fiscal 2003. COGECO has decided to apply these changes retroactively to enhance the comparability of its financial disclosure. The changes had the following impact on our financial results, cash flow and financial position:

Three months ended August 31,

(\$000s, except percentages and per share data)

	2004		2003	
	Before adoption	After adoption	Before restatement	After restatement
Revenue	\$ 153,947	\$ 154,652	\$ 148,836	\$ 150,398
Operating income before amortization	58,128	55,862	52,947	50,924
<i>Operating margin</i>	37.8%	36.1%	35.6%	33.9%
Amortization	32,788	33,758	29,019	29,815
Income taxes	3,311	1,472	2,968	2,247
Non-controlling interest	4,925	4,077	3,206	1,933
Net income	2,666	2,117	2,334	1,509
Basic net income per share	0.16	0.13	0.14	0.09

Years ended August 31,

(\$000s, except percentages and per share data)

	2004		2003	
	Before adoption	After adoption	Before restatement	After restatement
Revenue	\$ 641,374	\$ 648,101	\$ 603,774	\$ 613,675
Operating income before amortization	222,482	214,504	203,097	195,362
<i>Operating margin</i>	34.7%	33.1%	33.6%	31.8%
Amortization	141,062	145,204	111,616	114,692
Income taxes	45,535	38,973	11,484	8,676
Non-controlling interest	(15,500)	(18,874)	7,026	2,171
Net income (loss)	(8,416)	(10,600)	9,899	6,751
Basic net income (loss) per share	(0.51)	(0.65)	0.61	0.42
Capital expenditures and increase in deferred charges	\$ 113,883	\$ 108,234	\$ 124,237	\$ 117,347
Free Cash Flow	49,506	47,177	13,210	12,365

August 31,

(\$000s)

	2004		2003	
	Before adoption	After adoption	Before restatement	After restatement
Fixed assets	\$ 768,031	\$ 716,444	\$ 792,453	\$ 750,641
Deferred charges	36,748	50,768	41,057	55,096
Deferred and prepaid income	16,240	32,607	15,452	29,490
Future income tax liabilities	215,152	196,379	172,613	160,405
Non-controlling interest	465,145	443,818	480,122	462,169
Retained earnings	223,022	209,188	234,903	223,253

Please refer to the attached supplemental information for 2004 and 2003 restated quarterly financial results.

OPERATING RESULTS

Revenue for the fourth quarter rose by \$4.3 million, or 2.8% compared to the same period last year. Cable revenues, driven by improved high-speed Internet access penetration as well as rate

hikes, went up by \$6.6 million or 5.2%. Media revenues declined by \$2.3 million or 9.5%, mainly due to volatile advertising markets, a continued decline in audience market share for the 93.3 radio station in Québec City and lower investments in television programming.

Operating income before amortization climbed 9.7% for the fourth quarter compared to the same period last year. The cable sector contributed to an increase of \$6 million and the media sector to a decline of \$0.7 million.

FIXED CHARGES

(\$000s, except percentages)	Three months ended August 31,			Years ended August 31,		
	2004	2003 (restated)	% Change	2004	2003 (restated)	% Change
Amortization	\$ 33,758	\$ 29,815	13.2	\$ 145,204	\$ 114,692	26.6
Financial expense	\$ 14,305	\$ 15,124	(5.4)	\$ 59,578	\$ 62,776	(5.1)

Excluding the financial impact of a change in the useful lives of certain long-term cable assets described below, amortization in the fourth quarter and in fiscal 2004 amounted to \$32.2 million and \$125.1 million, respectively. Increased amortization mainly stems from capital expenditures linked to high-speed Internet and digital services in the cable sector.

Effective September 1, 2003, the estimated useful life of home terminal devices rented by Cogeco Cable's customers was revised downward since unit costs, converted into Canadian dollars, declined significantly during the last year. The estimated useful life of cable modems was revised from seven to three years and the estimated useful life of digital terminals was revised from seven to five years. The change in the useful life of home terminal devices and certain other long-term cable assets resulted in an increase of \$1.6 million and \$20.1 million in amortization expense for the fourth quarter and fiscal 2004, respectively.

Financial expense decreased compared to the same periods last year. The reason for this decline is that the level of Indebtedness (defined as bank indebtedness and long-term debt) is lower due to Free Cash Flow generated and lower short-term interest rates on the Term Facilities.

INCOME TAXES

Income taxes for the fourth quarter amounted to \$1.5 million compared to \$2.2 million for the same period last year. Excluding the financial impact of non-cash adjustments described below, income taxes for the fourth quarter and for fiscal 2004 amounted to \$2.1 million and \$13.5 million, respectively, compared to \$2.2 million and \$8.7 million for the same periods one year earlier. The increase in income taxes for fiscal 2004 was mainly attributable to growth in operating income before amortization in the cable sector.

Last November, the Ontario government announced that corporate income tax rates would not decline in the future but would instead rise to 14% effective January 1, 2004. Prior to this announcement, the tax rate was expected to decline from 11% in 2004 to 8% in 2007. As a result, a restated \$32.5 million non-cash adjustment was recorded by the cable sector in the first quarter for future income tax liabilities. This amount was partly offset by a non-cash reduction of future income tax liabilities of \$0.6 million and \$7 million for the fourth quarter and fiscal 2004,

respectively. This reduction of future income taxes is related to the decline in the carrying value of home terminal devices and certain other long-term cable assets.

NET INCOME (LOSS)

Net income for the fourth quarter amounted to \$2.1 million, or \$0.13 per share, compared to \$1.5 million, or \$0.09 per share for the same period in 2003. This increase was primarily due to the strong growth in operating income before amortization in the cable sector. Net loss for fiscal 2004 amounted to \$10.6 million, or \$0.65 per share, compared to net income of \$6.8 million, or \$0.42 per share for the same period last year. The net loss for fiscal 2004 is due to COGECO's 39% share of Cogeco Cable's non-cash adjustments for amortization and income taxes, as previously mentioned.

CASH FLOW AND LIQUIDITY

(\$000s)	Three months ended August 31,		Years ended August 31,	
	2004	2003 (restated)	2004	2003 (restated)
Operating Activities				
Cash flow from operations	\$ 43,010	\$ 35,597	\$ 155,411	\$ 129,712
Changes in non-cash working capital items and long-term deferred and prepaid income	35,614	40,863	1,797	13,650
	<u>\$ 78,624</u>	<u>\$ 76,460</u>	<u>\$ 157,208</u>	<u>\$ 143,362</u>
Investing Activities ⁽¹⁾	<u>\$ (35,854)</u>	<u>\$ (25,985)</u>	<u>\$ (105,085)</u>	<u>\$ (116,546)</u>
Financing Activities	<u>\$ (42,770)</u>	<u>\$ (50,475)</u>	<u>\$ (52,123)</u>	<u>\$ (26,816)</u>

(1) Excludes assets acquired under capital leases.

For the fourth quarter, cash flow from operations was \$7.4 million or 20.8% more than last year, mainly as a result of growth in operating income before amortization in the cable sector. Changes in non-cash working capital items and long-term deferred and prepaid income declined by \$5.2 million compared to last year essentially because accounts payable and accrued liabilities increased by a lesser amount in the fourth quarter of fiscal 2004.

Investing activities related to capital expenditures and the increase in deferred charges, including assets acquired under capital leases, rose by \$10.7 million during the fourth quarter mainly as a result of an increase in expenditures related to digital terminals. The number of digital terminals rented by Cogeco Cable's customers increased as a result of an attractive rental plan launched in the fourth quarter and a greater number of terminals purchased at year-end. During fiscal 2004, capital expenditures and the increase in deferred charges, including assets acquired under capital leases, declined by \$9.1 million. The fiscal 2004 variances were mainly attributable to the following factors:

- Capital expenditures related to scalable infrastructure in the cable sector declined by \$8.7 million due to the initial investment of \$7.7 million incurred in fiscal 2003 to introduce video-on-demand.

- The cable network upgrade program was reduced by \$6.2 million, since management intended to test low-cost digital terminals in an all-digital conversion scenario. Despite reduced investments in the upgrade program, customer growth has been generally stronger in fiscal 2004. In fiscal 2005, management will continue to evaluate all-digital conversion scenarios since doing so may optimize the use of bandwidth in a more cost-effective manner. In conducting these evaluations, consideration will be given to low-cost digital terminals, other techniques and customer reaction. Pending a satisfactory conclusion to this analysis, management will resume, in fiscal 2005, its upgrade program without impairing its projected Free Cash Flow growth trend.
- The \$7.8 million increase in customer premise equipment in the cable sector mainly results from a rise in expenditures related to digital terminals. The number of digital terminals rented to customers increased as a result of an attractive rental plan launched during the fourth quarter and a greater number of terminals purchased at year-end.
- Overall capital expenditures in the media sector declined by \$1.3 million to reach \$4.9 million.

Free Cash Flow of \$6.2 million and \$47.2 million was generated during the fourth quarter and fiscal 2004, respectively, as a result of increasing cash flow from operations for both periods partly offset by capital expenditures and deferred charges.

During the fourth quarter, long-term debt and bank indebtedness declined by \$42.1 million essentially due to an increase in non-cash working capital items and long-term deferred and prepaid income of \$35.6 million, and Free Cash Flow of \$6.2 million. For the same period last year, long-term debt and bank indebtedness declined by \$50 million essentially due to an increase in non-cash working capital items and long-term deferred and prepaid income of \$40.9 million, and Free Cash Flow of \$9.4 million.

At the request of Cogeco Cable, and in light of the reduction of Indebtedness resulting from Free Cash Flow, the total commitment under its Term Facility was reduced from \$400 million to \$270 million in January 2004. As at August 31, 2004, the cable subsidiary had utilized \$58 million of its Term Facility and COGECO had drawn \$22 million of its \$40 million Term Facility. Going forward, COGECO and Cogeco Cable have sufficient capacity to finance foreseeable growth and expect to continue to generate Free Cash Flow to further reduce its leverage ratios.

FINANCIAL POSITION

Since August 31, 2003, there have been significant changes on the balance sheet in fixed assets, Indebtedness, future income tax liabilities, non-controlling interest and shareholders' equity.

Fixed assets declined by \$34.2 million as amortization exceeded capital expenditures. As mentioned above, an increase in amortization of \$20.1 million was recorded mainly as a result of a change in the estimated useful lives of home terminal devices in the cable sector.

At August 31, 2004, the Company performed an impairment test of broadcasting licenses, customer base and goodwill value and concluded that no impairment existed.

Indebtedness declined by \$47 million mostly due to generated Free Cash Flow of \$47.2 million and an increase of \$1.8 million in non-cash working capital items and long-term deferred and prepaid income. Future income tax liabilities increased by \$36 million primarily because of the income tax adjustment described under the "Income Taxes" section. The \$18.4 million decrease in non-controlling interest represented mainly the 61% share of Cogeco Cable's net loss. Finally,

shareholders' equity declined by \$13.3 million mainly on account of Cogeco Cable's net loss. COGECO owns a 39% interest in Cogeco Cable. As previously mentioned, this loss is derived from non-cash adjustments for amortization and income taxes totaling \$45.6 million in fiscal 2004.

CABLE SECTOR

Customer Statistics

	<u>August 31, 2004</u>	<u>Net additions (losses)</u>				<u>% Penetration ⁽¹⁾</u>	
		<u>Fourth Quarter</u>		<u>Fiscal Year</u>		<u>August 31,</u>	
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue-generating units ⁽²⁾	1,277,317	15,732	6,998	88,948	64,011	NA	NA
Basic-service customers	823,855	(2,493)	(6,536)	3,198	(15,711)	NA	NA
High-speed Internet customers ⁽³⁾	245,026	5,190	9,442	39,847	46,987	34.2	28.5
Digital terminals ⁽⁴⁾	240,071	16,211	5,504	56,984	38,137	29.8	22.8
Bundled-service customers ⁽⁵⁾	356,268	13,061	12,167	68,188	46,394	43.2	35.1

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

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

(3) Together with pending orders, the number would amount to 250,029 compared to 242,634 as at May 31, 2004.

(4) 82% of terminals as at August 31, 2004 were purchased compared to 77% a year earlier.

(5) Bundles including basic service, discretionary tiers, multiple outlets with the option to include pay television, the advantages of digital service and high-speed Internet service. 52% of bundled-service customers had a digital service.

Expansion of revenue-generating units in the fourth quarter was higher than the same period last year due to increased digital-service customer growth and lower basic-service customer loss. The strong growth in digital-service customers is mainly attributable to the success of an attractive digital terminal rental plan launched last June and August in Ontario and Québec, respectively and the addition of MoviePix to the digital service in Ontario.

High-speed Internet customer additions were lower than last year due to a slowing demand as the penetration rate increases. To stimulate demand in a more mature Ontario market, Cogeco Cable has started offering the Lite service since last July on an acquisition basis to the more cost-conscious customer. However, the Lite service is only offered on a retention basis in the less mature Québec market.

Operating Results

	<u>Three months ended August 31,</u>			<u>Years ended August 31,</u>		
	<u>2004</u>	<u>2003</u>	<u>%</u>	<u>2004</u>	<u>2003</u>	<u>%</u>
(\$000s, except percentages)		<u>(restated)</u>	<u>Change</u>		<u>(restated)</u>	<u>Change</u>
Revenue	\$ 133,053	\$ 126,483	5.2	\$ 526,480	\$ 489,194	7.6
Operating costs	78,500	77,446	1.4	315,208	305,716	3.1
Management fees - COGECO Inc.	263	788	(66.6)	8,026	7,869	2.0
Operating income before amortization	54,290	48,249	12.5	203,246	175,609	15.7
Operating margin	40.8%	38.1%		38.6%	35.9%	

Revenue

Revenue for the fourth quarter rose by \$6.6 million or 5.2% compared to the same period last year. This growth is mainly attributable to increases in the basic-service customer rate and the improved high-speed Internet access penetration rate, as mentioned in the "Customer Statistics" section. An average monthly rate increase of approximately \$0.74 per basic-analog-service customer has been implemented effective June 15 in Ontario and August 1 in Québec, respectively. These selective rate increases have resulted in greater basic rate harmonization across our cable systems. A monthly digital basic rate hike of \$4 was also implemented in Québec. In addition, the monthly rate for the pay television package rose by \$3, and other limited selective tier service rate increases have been implemented in Ontario.

Operating Costs

Network fees for the fourth quarter have increased compared to the same period in 2003. This rise is due to improved penetration of bundled services and program-supplier fee increases. Revenue-generating unit growth of 7% year-over-year resulted in greater customer care expenses. However, operating costs as a percentage of revenue was lower mainly because of a decline in marketing expenses.

Operating Income before Amortization

Operating income before amortization improved by 12.5% in the fourth quarter compared to the same period in 2003, as a result of revenue growth, continued cost control and effective marketing. Cogeco Cable's operating margin jumped from 38.1% to 40.8%.

MEDIA SECTOR

Operating Results

	Three months ended August 31,			Years ended August 31,		
	2004	2003	% Change	2004	2003	% Change
Revenue	\$ 21,643	\$ 23,915	(9.5)	\$ 121,797	\$ 124,481	(2.2)
Operating costs	18,935	20,527	(7.8)	111,308	106,615	4.4
Operating income before amortization	2,708	3,388	(20.1)	10,489	\$ 17,866	(41.3)
Operating margin	12.5%	14.2%		8.6%	14.4%	

Revenue

Television and radio revenues have declined by 9.7% and 8.4%, respectively for the fourth quarter due to volatile advertising markets, a continued decline in audience market share for the 93.3 radio station in Québec City and lower investments in television programming.

Operating Income before Amortization

The decline in operating income before amortization for the fourth quarter is mainly attributable to a \$0.5 million gain on the sale of a minority interest in Stornoway Communications recorded in 2003. For the year, the important investment in television programming in the first quarter, combined with lower than expected revenue growth, has provoked the decline. However, stringent cost controls for the ensuing months have prevented any further decline.

DIVIDEND DECLARATION

At its October 15, 2004 meeting, the Board of Directors of COGECO declared a quarterly dividend of \$0.0525 per share for subordinate and multiple voting shares, payable on November 12, 2004, to shareholders on record on October 29, 2004.

FISCAL 2005 FINANCIAL GUIDANCE

Cable Sector

The cable sector is maintaining its fiscal 2005 financial and customer base guidance. Cogeco Cable anticipates gaining up to 2,500 basic-service customers, 32,000 to 37,000 high-speed Internet customers and 40,000 to 45,000 digital terminals by August 31, 2005. Cogeco Cable expects to achieve the following growth objectives: 4% to 5% for revenue, 8% to 10% for operating income before amortization, 2% for amortization (computed by excluding the financial impact of a change in the useful life of certain long-term assets in fiscal 2004) and a 3% decline for financial expense. Management expects cash flow from operations will finance capital expenditures and deferred charges planned at \$114 million. Based on those forecasts, the cable sector should generate Free Cash Flow of \$45 to \$50 million.

Media Sector

The media sector is revising downward its revenue guideline but is maintaining its operating income before amortization guideline. Revenue should amount between \$125 million and \$126 million (early guidance was \$127 to \$129 million), a growth rate of about 3%. Operating income before amortization should remain between \$11.5 million and \$13 million, leading to an operating margin of 9% to 10%. Amortization should be flat and capital expenditures and deferred charges are planned at \$5 to \$6 million.

Consolidated Financial Guidelines

Based on the above forecasts, a net income of \$12 million and Free Cash Flow of \$51 million to \$56 million should be generated.

RISK FACTORS AND UNCERTAINTIES

The following risk factors and uncertainties facing COGECO serve as an update to the ones described in the Company's 2003 annual report.

COGECO is currently conducting a detailed review and assessment of its business processes and information systems with a view to meeting new certification requirements in connection with its interim and annual financial statements. This review, which is carried out by the Company's financial control group with external support from a large professional accounting firm, may lead to

recommendations on improvements or changes to certain processes or information systems which, in turn could involve unforeseen capital or operating expenditures, if and when such recommendations are issued.

Cable Sector

Market Conditions and Competition

Bell Canada, the incumbent telephone company in most of Ontario and Québec, has applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for regional licences in each province to offer broadband video distribution services over its telephone plant using VDSL (Video Digital Subscriber Line) technology. This development may result in an additional competitive alternative being made available in the Oakville, Burlington and Hamilton area where Bell Canada plans to launch its new VDSL distribution service. Bell Canada's parent company, BCE, which also owns the largest DTH satellite distributor in Canada, Bell ExpressVu, would thus be in a position to combine the satellite and wireline broadband operations of its two business units for competitive advantage.

Cogeco Cable has conducted VoIP (voice over Internet Protocol) market trials and intends to launch wireline telephone services in 2005. Cogeco Cable will be competing with several new entrants in the residential telephone market that also use VoIP technology. VoIP telephony will offer the possibility of more flexible service configurations and lower costs than traditional switched telephony. However, VoIP is relatively new and it remains uncertain as to whether, and if so at what rate, customers will chose VoIP as a supplement or as a replacement to their existing telephone service.

Distribution systems will evolve towards integrated IP platforms with more efficient data transfer techniques and protocols, together with more information and entertainment content, including IP-based video programming services, altogether made available to end users via high-speed Internet connections. As this evolution takes place, the traditional role of broadband operators as preferred retailers of video programming services and their core business of video distribution could change because of competition from video content suppliers distributing directly to customers via IP transmission platforms.

Regulation

Several regulatory proceedings now pending before the CRTC, including proceedings on the regulatory framework for VoIP telephony, the bundling of broadcasting and telecommunication services, the use of advertising availabilities on non-Canadian programming services, and the distribution of high-definition signals of pay and specialty television programming services, have the potential to significantly affect the competitive position of Cogeco Cable, its operations and its financial condition depending on the final outcomes.

Cost of Sales and Operating Costs

The CRTC has recently modified the carriage status of TSN (The Sports Network), RDS (Réseau des Sports) and CMT (Country Music Television). TSN and RDS are currently carried by Cogeco Cable as part of the basic cable service at a prescribed maximum wholesale rate. Should the CRTC decision stand, Cogeco Cable could face a request to move these two sports services back to a discretionary tier and pay higher wholesale fees to CTV Specialty Services Inc. Cogeco Cable and others have applied to the Federal Court of Appeal for leave to appeal this CRTC decision, but the outcome is not known at this time.

The distribution of certain video and audio programming services entails the payment of fees to various copyright collectives pursuant to tariffs set by the Copyright Board under the authority of the *Copyright Act* (Canada). Tariffs proposed by copyright collectives for retransmission of distant signals, pay audio services distributed to residential customers, and for background music services distributed to commercial establishments are still under review by the Copyright Board.

Contract renewals with electric distribution utilities are currently pending for approximately 42% of the poles used by Cogeco Cable in Ontario. The Canadian Cable Television Association has applied on behalf of its members to the Ontario Energy Board (OEB) to have pole rates set for electric distribution utilities that the OEB regulates in Ontario, but the outcome of this proceeding will not be known for some time. Cogeco Cable expects that its average cost per pole will likely rise in the next few years but cannot determine the extent of the increase at this time. Relations with most suppliers of support structures are considered satisfactory, with interim arrangements being negotiated in Ontario pending the final determination of the OEB.

Labour Relations

The collective agreement in the Québec Division expired on December 31, 2002, and negotiations for a renewal term are ongoing. Approximately 28% of Cogeco Cable's aggregate workforce is covered by this collective agreement. While labour relations are considered satisfactory, the impact of renewal terms will not be known until negotiations are concluded. While either party could be in a position to take labour action within fiscal 2005, management does not anticipate any labour disruptions at this time.

Media Sector

Market Conditions and Competition

The provincial educational network Télé-Québec is under review by the Government of Québec, but it is not known at this time whether its mandate will be significantly varied, and whether this would have a material impact on conventional television network market shares as a result. TQS plans to schedule new untried programs in the Winter of 2005, including a major drama program series known as "*Casting*". The recent use of portable people meters (PPM) for television audience measurement may change the relative audience and advertising share of competing television networks.

Three applications for licences to carry on national multi-channel subscription radio services are currently pending before the CRTC. Depending on the final outcome of this proceeding, conventional over-the-air radio services could face increased competition for listeners and for radio advertising budgets of national advertisers. The Company recently launched two new FM stations extending the RYTHME FM music format to the Sherbrooke and Trois-Rivières markets. There is no assurance market shares and returns projected for these stations will actually be met.

The radio market environment in Québec City presents a significant added challenge for the Company. The programming of station 93.3 was reformatted to adult rock and opinion and rebranded last September. Along with this change, Mr. Robert Gillet returned as the station's morning man after having served a sentence following a highly publicized criminal trial. After heavily losing commercial advertising contracts on the 93.3 outlet, the Company's radio subsidiaries requested and obtained from the Québec Superior Court a provisional injunction on September 16, 2004 to prevent a local radio competitor and related individuals from, among other things, intimidating 93.3's customers. Litigation is still ongoing between the parties, and the timing and extent of renewed commitments from commercial advertisers on 93.3 is uncertain at this time.

Operating Costs

The Company's television and radio subsidiaries are striving to keep operating costs under tight control. However, the fiercely competitive state of television and radio markets requires rapid changes to program production or acquisition decisions, which may in turn require additional financial resources to be invested in programming without the assurance that projected audience and revenue will be realized.

Labour Relations

The collective agreement involving television producers for the local television stations in Trois-Rivières and the collective agreement involving the employees of the RYTHME FM radio station in Montréal are outstanding at this time. Labour relations are considered satisfactory with all collective bargaining groups within the media sector.

Initial Put and Call Options (TQS)

The agreement between the shareholders of 3947424 Canada Inc. ("TQS Holdco"), the entity that owns TQS Inc., provides the right for a subsidiary of Bell Globemedia Inc. ("BGM") to notify CRTI, during a six-month period starting on February 15, 2005, of its offer to sell all its shares in TQS Holdco to CRTI for an all-cash consideration calculated as the fair market value of TQS Holdco multiplied by the ratio of shares owned by BGM to total shares issued and outstanding in the capital of TQS Holdco, and multiplied by 1.15. CRTI may elect to acquire BGM's shares within 90 days following receipt of the put notice by delivering a put exercise notice to BGM. If CRTI elects not to exercise or fails to exercise its put option, BGM may within 90 days following such election of failure to exercise by CRTI, deliver a call notice to CRTI to purchase all the shares of CRTI in TQS Holdco for an all-cash consideration calculated as the fair market value of TQS Holdco multiplied by the ratio of shares owned by CRTI to total shares issued and outstanding in the capital of TQS Holdco, and multiplied by 1.30. The shareholders agreement provides for similar put and call options starting on February 15, 2007.

ABOUT COGECO

COGECO is a diversified communications company. Through its Cogeco Cable subsidiary, COGECO provides about 1,277,000 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 Montréal, Québec City, Trois-Rivières and Sherbrooke as well as 93.3 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).

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

Analyst Conference Call: **October 18, 2004, at 11:00 a.m. ET**
Via the Internet at www.cogeco.ca/investors
Via telephone: 1-800-289-0544, confirmation # 812147
Members of the media are invited to participate in listen-mode only.

Supplemental Quarterly Financial Information

Quarters ended ⁽¹⁾ (in thousands of dollars, except percentages and per share data)	Fiscal 2004				Fiscal 2003			
	Nov. 30 (restated)	Feb. 29 (restated)	May 31	Aug. 31	Nov. 30 (restated)	Feb. 28 (restated)	May 31 (restated)	Aug. 31 (restated)
Revenue	\$166,913	\$158,145	\$168,392	\$154,652	\$155,091	\$150,505	\$157,681	\$150,398
Operating income before amortization	50,214	49,021	59,407	55,862	48,026	44,549	51,862	50,924
<i>Operating margin</i>	30.1%	31.0%	35.3%	36.1%	31.0%	29.6%	32.9%	33.9%
Amortization	44,517	33,606	33,323	33,758	27,596	28,447	28,834	29,815
Financial expense	15,247	15,213	14,813	14,305	15,908	15,903	15,841	15,124
Income taxes	30,640	1,815	5,046	1,472	1,882	1,065	3,482	2,247
Non-controlling interest	(24,800)	(557)	2,409	4,077	64	(830)	1,003	1,933
Net income (loss)	(15,391)	(1,143)	3,816	2,117	2,576	(36)	2,702	1,509
Cash flow from operations	\$34,421	\$33,855	\$44,127	\$43,010	\$31,027	\$28,019	\$35,068	\$35,597
Net income (loss) per share	\$(0.94)	\$(0.07)	\$0.23	\$0.13	\$0.16	\$(0.00)	\$0.17	\$0.09

(1) The addition of quarterly information may not correspond to the annual total given rounding.

COGECO INC.

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Cable Statistics

	August 31, 2004	August 31, 2003
Homes Passed		
Ontario	972,964	954,912
Quebec	450,292	442,574
	1,423,256	1,397,486
Revenue-Generating Units		
Ontario	923,046	861,790
Quebec	354,271	326,579
	1,277,317	1,188,369
Basic Service Customers		
Ontario	584,686	584,864
Quebec	239,169	235,793
	823,855	820,657
Discretionary Service Customers		
Ontario	463,217	466,090
Quebec	178,022	173,730
	641,239	639,820
Pay-TV Service Customers		
Ontario	80,567	83,739
Quebec	32,246	29,875
	112,813	113,614
High-Speed Internet Service Customers		
Ontario	203,692	171,406
Quebec	41,334	33,773
	245,026	205,179
Digital Customers		
Ontario	134,668	105,520
Quebec	73,768	57,013
	208,436	162,533
Digital Terminals		
Ontario	161,731	122,998
Quebec	78,340	60,089
	240,071	183,087
Bundled Service Customers		
Ontario	265,278	221,452
Quebec	90,990	66,628
	356,268	288,080

COGECO INC.
CONSOLIDATED STATEMENTS OF INCOME

<i>(In thousands of dollars, except per share data)</i>	Three months ended August 31		Twelve months ended August 31	
	2004 <i>(unaudited)</i>	2003 <i>(restated)</i> <i>(unaudited)</i>	2004 <i>(restated)</i> <i>(audited)</i>	2003 <i>(restated)</i> <i>(audited)</i>
Revenue	\$ 154,652	\$ 150,398	\$ 648,101	\$ 613,675
Operating costs	98,790	99,474	433,597	418,313
Operating income before amortization	55,862	50,924	214,504	195,362
Amortization	33,758	29,815	145,204	114,692
Operating income	22,104	21,109	69,300	80,670
Financial expense	14,305	15,124	59,578	62,776
Income before income taxes and the following items	7,799	5,985	9,722	17,894
Income taxes (note 3)	1,472	2,247	38,973	8,676
Non-controlling interest	4,077	1,933	(18,874)	2,171
Loss on dilution resulting from shares issued by a subsidiary	122	-	122	-
Share in the results of a company subject to significant influence	11	296	101	296
Net income (loss)	\$ 2,117	\$ 1,509	\$ (10,600)	\$ 6,751
Earnings (loss) per share (note 6)				
Basic	\$ 0.13	\$ 0.09	\$ (0.65)	\$ 0.42
Diluted	0.13	0.09	(0.65)	0.41

COGECO INC.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(In thousands of dollars)</i>	Twelve months ended August 31	
	2004 (restated) (audited)	2003 (restated) (audited)
Balance at beginning		
As previously reported	\$ 234,903	\$ 228,491
Changes in accounting policies (note 1)	(11,650)	(8,502)
As restated	223,253	219,989
Net income (loss)	(10,600)	6,751
Excess of price paid over the attributed value of subordinate voting shares redeemed	(34)	(74)
Dividends on multiple voting shares	(388)	(388)
Dividends on subordinate voting shares	(3,043)	(3,025)
Balance at end	\$ 209,188	\$ 223,253

COGECO INC.
CONSOLIDATED BALANCE SHEETS

<i>(In thousands of dollars)</i>	August 31, 2004	August 31, 2003 (restated)
	(audited)	(audited)
Assets		
Current		
Accounts receivable	\$ 57,210	\$ 63,533
Income tax receivable	304	40
Prepaid expenses	5,529	3,892
Broadcasting rights	28,428	29,996
	91,471	97,461
Investments	359	460
Fixed assets	716,444	750,641
Deferred charges	50,768	55,096
Broadcasting licenses and customer base	1,042,498	1,042,498
Goodwill	27,925	27,925
	\$ 1,929,465	\$ 1,974,081
Liabilities and Shareholders' equity		
Liabilities		
Current		
Bank indebtedness	\$ 4,551	\$ 3,035
Accounts payable and accrued liabilities	143,996	149,870
Deferred and prepaid income	22,778	21,559
Current portion of long-term debt (note 4)	2,603	2,260
	173,928	176,724
Long-term debt (note 4)	772,332	821,175
Deferred and prepaid income	9,829	7,931
Pension plan liabilities and accrued employee benefits	8,132	7,311
Future income tax liabilities	196,379	160,405
Non-controlling interest	443,818	462,169
	1,604,418	1,635,715
Shareholders' equity		
Capital stock (note 5)	115,621	115,113
Retained earnings	209,188	223,253
Contributed surplus - stock-based compensation (note 1)	238	-
	325,047	338,366
	\$ 1,929,465	\$ 1,974,081

COGECO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(In thousands of dollars)</i>	Three months ended August 31		Twelve months ended August 31	
	2004	2003	2004	2003
	(unaudited)	(restated) (unaudited)	(restated) (audited)	(restated) (audited)
Cash flow from operating activities				
Net income (loss)	\$ 2,117	\$ 1,509	\$ (10,600)	\$ 6,751
Items not affecting cash and cash equivalents				
Amortization	33,758	29,815	145,204	114,692
Amortization of deferred financing costs	315	406	1,542	1,658
Future income taxes (note 3)	2,623	2,001	35,974	3,611
Non-controlling interest	4,077	1,933	(18,874)	2,171
Other	120	(67)	2,165	829
Cash flow from operations	43,010	35,597	155,411	129,712
Change in non-cash working capital items and long-term deferred and prepaid income (note 7a)	35,614	40,863	1,797	13,650
	78,624	76,460	157,208	143,362
Cash flow from investing activities				
Acquisition of fixed assets (note 7b))	(29,962)	(22,247)	(84,375)	(93,355)
Increase in deferred charges	(5,953)	(3,825)	(21,276)	(23,278)
Other	61	87	566	87
	(35,854)	(25,985)	(105,085)	(116,546)
Cash flow from financing activities				
Increase (decrease) in bank indebtedness	(9,823)	(13,145)	1,516	(1,609)
Increase in long-term debt	-	-	3,500	-
Repayment of long-term debt	(32,255)	(36,868)	(54,583)	(22,307)
Issue of subordinate voting shares	151	635	535	661
Purchase of subordinate voting shares for cancellation	-	(127)	(61)	(164)
Dividends on multiple voting shares	(97)	(97)	(388)	(388)
Dividends on subordinate voting shares	(761)	(756)	(3,043)	(3,025)
Issue of subordinate voting shares by a subsidiary to non-controlling interest, net of issue costs	15	1	401	134
Purchase of subordinate voting shares for cancellation by a subsidiary	-	(118)	-	(118)
	(42,770)	(50,475)	(52,123)	(26,816)
Net change in cash and cash equivalents and cash and cash equivalents at end	\$ -	\$ -	\$ -	\$ -

See supplemental cash flow information in note 7.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

1. Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly the financial position of COGECO Inc. as at August 31, 2004 and 2003 as well as its results of operations and its cash flow for the three and twelve month periods ended August 31, 2004 and 2003.

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.

These interim consolidated financial statements have not been subject to a review by the Company's external auditors.

Amortization of long-term assets

Effective September 1, 2003, the Company's subsidiary, Cogeco Cable Inc., reviewed the useful life of its decoders and modems, commonly referred to as home terminal devices, and of certain other long-term assets. The useful life of decoders was changed from seven to five years while the useful life of modems was changed from seven to three years. These changes in accounting estimates, applied prospectively, increased amortization expense by \$ 1.6 million and \$ 20.1 million for the three and twelve month periods ended August 31, 2004.

Stock-based compensation and other stock-based payments

On September 1, 2003, the Company and its subsidiaries early adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3870, *Stock-based Compensation and Other Stock-based Payments*, which defines, among other things, recognition, measurement and disclosure standards for stock-based compensation. The standard requires the Company to use a fair value based method for all options granted. The Company, as permitted by CICA Handbook section 3870, has chosen to apply the new recommendations on a prospective basis. Prior to September 1, 2003, the Company accounted for stock-based compensation by measuring compensation cost for employee stock options as the excess, if any, of the quoted market price of the subordinate voting shares at the date of grant over the amount an employee must pay to acquire these shares, and included in the notes to the financial statements pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. Any consideration paid by employees on exercise of stock options was credited to capital stock. Effective September 1, 2003, the Company adopted the fair value based method and began accounting for stock options by measuring the compensation cost for options granted on or after September 1, 2003 by using the Binomial option pricing model. As a result of applying these new recommendations, compensation expense of \$63,000 and \$238,000 was recorded for the three and twelve month periods ended August 31, 2004. Supplementary information required under the new recommendations is presented in note 5.

Impairment of long-lived assets

In December 2002, the CICA issued Handbook section 3063, *Impairment of long-lived assets* which modifies existing guidance on long-lived assets impairment measurements and establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. The new standards require that an impairment loss be recognized when the carrying amount of an asset exceeds the sum of the undiscounted cash flow expected from this asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. The Company applied these new recommendations effective September 1, 2003, and concluded that no impairment existed.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

1. Basis of Presentation (continued)

Hedging relationships

In December 2001, the CICA issued Accounting Guideline 13 ("AcG-13"), *Hedging relationships*, which establishes the criteria for identification, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The Emerging Issues Committee also issued in June 2002, EIC-128, *Accounting for trading speculative or non-hedging derivative financial instruments*, which establishes that a derivative financial instrument that does not qualify for hedge accounting under AcG-13 should be recognized on the balance sheet at fair value, with changes in fair value recognized in net income. The Company adopted the recommendations of AcG-13 on September 1, 2003. Since the Company is in compliance with the requirements of AcG-13 for its derivative financial instruments, the adoption of these new recommendations had no impact on the Company's consolidated financial statements.

Generally accepted accounting principles hierarchy

In June 2003, the CICA issued Handbook section 1100, Generally accepted accounting principles, which establishes standards for financial reporting in accordance with generally accepted accounting principles and identifies other sources to be consulted in selecting accounting policies and disclosures when a matter is not dealt with explicitly in the primary source of generally accepted accounting principles. These new recommendations apply to fiscal years beginning on or after October 1, 2003. The Company examined these new recommendations and concluded that, except for the application of the new accounting policies on revenue recognition, there was no impact on its financial statements.

Revenue recognition

On December 17, 2003, the Emerging Issues Committee issued EIC-141, *Revenue recognition*, which provides general interpretative guidance on the application of CICA 3400, *Revenue*, and summarizes the principles set forth in «Staff Accounting Bulletin» No. 101 («SAB 101») published in the United States. In addition, EIC-141 also provides additional guidance on the capitalization of direct incremental costs in connection with up-front revenues. At the same time, the committee also issued EIC-142, *Revenue arrangements with multiple deliverables*, which addresses how to determine when an arrangement involving multiple deliverables contains more than one unit of accounting and if so, how the arrangement consideration should be measured and allocated among each separate unit of accounting.

During the third quarter of fiscal year 2004, the Company's subsidiary, Cogeco Cable Inc., applied these new recommendations and determined that it has multiple revenue arrangements comprised of installation services, sales of home terminal devices and related subscription services. Based on the criteria of EIC-142, the Company's subsidiary determined that the sale of home terminal devices is considered a single unit of accounting of a multiple element arrangement, while installation and related subscription services must be assessed as an integrated package. In addition, certain direct incremental costs in connection with installation revenues may be deferred over the same term as the related revenue. Accordingly, the following changes were adopted retroactively:

- Installation revenues are now deferred and amortized over the average life of a customer, which is four years. Previously, these revenues were recognized immediately as they were considered as a partial recovery of direct selling costs incurred. Upon billing, the portion of unearned revenue is now recorded as deferred and prepaid income;
- The costs to reconnect customers are now recorded as deferred charges up to a maximum amount not exceeding the revenues generated by the reconnect activity, which are included in installation revenue, and amortized over the average life of a customer, which is four years. Previously, these costs, which include materials, direct labor and certain overhead charges were capitalized to fixed assets and generally amortized over a period of five years;

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

1. Basis of Presentation (continued)

- Revenue from the sale of home terminal devices at a subsidized price, which were recorded as a partial recovery of costs, are now recorded as revenue with an equal amount included in operating costs;
- The portion of advertising expense incurred to expand the digital and high-speed Internet customer base that used to be recorded as deferred charges is now recorded as operating costs.

These changes, relating to revenue recognition, have been applied retroactively and had the following impact on the Company's financial statements:

	Three months ended August 31,			
	2004		2003	
	Before adoption (unaudited)	After adoption (unaudited)	Before restatement (unaudited)	After restatement (unaudited)
Revenue	\$ 153,947	\$ 154,652	\$ 148,836	\$ 150,398
Operating costs	95,819	98,790	95,889	99,474
Amortization	32,788	33,758	29,019	29,815
Income taxes	3,311	1,472	2,968	2,247
Non-controlling interest	4,925	4,077	3,206	1,933
Net income	2,666	2,117	2,334	1,509
Earnings per share				
Basic and diluted	\$ 0.16	\$ 0.13	\$ 0.14	\$ 0.09

	Twelve months ended August 31,			
	2004		2003	
	Before adoption (audited)	After adoption (audited)	Before restatement (audited)	After restatement (audited)
Revenue	\$ 641,374	\$ 648,101	\$ 603,774	\$ 613,675
Operating costs	418,892	433,597	400,677	418,313
Amortization	141,062	145,204	111,616	114,692
Income taxes	45,535	38,973	11,484	8,676
Non-controlling interest	(15,500)	(18,874)	7,026	2,171
Net income (loss)	(8,416)	(10,600)	9,899	6,751
Earnings (loss) per share				
Basic	\$ (0.51)	\$ (0.65)	\$ 0.61	\$ 0.42
Diluted	(0.51)	(0.65)	0.61	0.41

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2004***(amounts in tables are in thousands of dollars, except per share data)***1. Basis of Presentation (continued)**

	August 31, 2004		August 31, 2003	
	Before adoption (audited)	After adoption (audited)	Before restatement (audited)	After restatement (audited)
Fixed assets	\$ 768,031	\$ 716,444	\$ 792,453	\$ 750,641
Deferred charges	36,748	50,768	41,057	55,096
Deferred and prepaid income	16,240	32,607	15,452	29,490
Future income tax liabilities	215,152	196,379	172,613	160,405
Non-controlling interest	465,145	443,818	480,122	462,169
Retained earnings	223,022	209,188	234,903	223,253

Consequently, retained earnings has been reduced by \$11.7 million and \$8.5 million as at September 1, 2003 and 2002, respectively.

2. 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:

	Cable		Media		Head Office and eliminations		Consolidated	
	2004	2003 (restated)	2004	2003	2004	2003	2004	2003 (restated)
Three months ended August 31, (unaudited)								
Revenue	\$ 133,053	\$ 126,483	\$ 21,643	\$ 23,915	\$ (44)	\$ -	\$ 154,652	\$ 150,398
Operating costs	78,763	78,234	18,935	20,528	1,092	712	98,790	99,474
Operating income before amortization	54,290	48,249	2,708	3,387	(1,136)	(712)	55,862	50,924
Amortization	32,476	28,989	1,223	754	59	72	33,758	29,815
Operating income	21,814	19,260	1,485	2,633	(1,195)	(784)	22,104	21,109
Financial expense	13,871	14,704	211	97	223	323	14,305	15,124
Income taxes	1,474	2,390	319	91	(321)	(234)	1,472	2,247
Net assets employed ⁽¹⁾	\$ 1,619,540	\$ 1,663,936	\$ 126,688	\$ 125,495	\$ 6,634	\$ 5,290	\$ 1,752,862	\$ 1,794,721
Total assets	1,761,379	1,802,744	160,390	164,388	7,696	6,949	1,929,465	1,974,081
Goodwill	-	-	27,925	27,925	-	-	27,925	27,925
Acquisition of fixed assets	28,358	20,438	1,604	2,040	-	(231)	29,962	22,247

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

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

2. Segmented Information (continued)

Twelve months ended August 31, (audited)	Cable		Media		Head Office and eliminations		Consolidated	
	2004 (restated)	2003 (restated)	2004	2003	2004	2003	2004 (restated)	2003 (restated)
Revenue	\$ 526,480	\$ 489,194	\$ 121,797	\$ 124,481	\$ (176)	\$ -	\$ 648,101	\$ 613,675
Operating costs	323,234	313,585	111,308	106,616	(945)	(1,888)	433,597	418,313
Operating income before amortization	203,246	175,609	10,489	17,865	769	1,888	214,504	195,362
Amortization	140,214	110,234	4,829	4,271	161	187	145,204	114,692
Operating income	63,032	65,375	5,660	13,594	608	1,701	69,300	80,670
Financial expense	57,957	61,113	520	414	1,101	1,249	59,578	62,776
Income taxes	37,269	4,386	1,085	3,217	619	1,073	38,973	8,676
Net assets employed ⁽¹⁾	\$ 1,619,540	\$ 1,663,936	\$ 126,688	\$ 125,495	\$ 6,634	\$ 5,290	\$ 1,752,862	\$ 1,794,721
Total assets	1,761,379	1,802,744	160,390	164,388	7,696	6,949	1,929,465	1,974,081
Goodwill	-	-	27,925	27,925	-	-	27,925	27,925
Acquisition of fixed assets	78,639	87,335	4,913	6,251	823	(231)	84,375	93,355

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

3. Income taxes

	Three months ended August 31		Twelve months ended August 31	
	2004 (unaudited)	2003 (restated) (unaudited)	2004 (restated) (audited)	2003 (restated) (audited)
Current	\$ (1,151)	\$ 246	\$ 2,999	\$ 5,065
Future	2,623	2,001	35,974	3,611
	\$ 1,472	\$ 2,247	\$ 38,973	\$ 8,676

The following table provides the reconciliation between statutory federal and provincial income taxes and the effective consolidated income tax rate:

	Three months ended August 31		Twelve months ended August 31	
	2004 (unaudited)	2003 (restated) (unaudited)	2004 (restated) (audited)	2003 (restated) (audited)
Income tax at combined income tax rate of 33.4 % (34.5 % in 2003)	\$ 2,743	\$ 2,142	\$ 3,216	\$ 6,064
Loss (income) subject to lower tax rates	(559)	(353)	131	(263)
Increase in income taxes as a result of change in substantially enacted tax rates	-	-	32,483	-
Large corporation tax	846	1,952	3,825	4,202
Other	(1,558)	(1,494)	(682)	(1,327)
Income tax at effective income tax rate	\$ 1,472	\$ 2,247	\$ 38,973	\$ 8,676

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2004***(amounts in tables are in thousands of dollars, except per share data)***4. Long-term debt**

	Maturity	Interest rate	August 31, 2004 (audited)	August 31, 2003 (audited)
Parent company				
Term Facility	2007 ⁽¹⁾	4.27 % ⁽²⁾	\$ 22,000	\$ 18,500
Subsidiaries				
Term Facility ⁽³⁾	2007	3.24 ⁽²⁾	58,000	110,000
Senior Secured Debentures Series 1	2009	6.75	150,000	150,000
Senior – Secured Notes				
Series A – US \$150 million	2008	6.83 ⁽⁴⁾	196,950	207,855
Series B	2011	7.73	175,000	175,000
Second Secured Debentures Series A	2007	8.44	125,000	125,000
Deferred credit ⁽⁵⁾	2008	-	41,700	30,795
Obligations under capital leases	2008	5.87 – 9.11	3,225	1,753
Preferred shares ⁽⁶⁾	2006	-	2,920	4,320
Other	-	-	140	212
			774,935	823,435
Less current portion			2,603	2,260
			\$ 772,332	\$ 821,175

(1) COGECO Inc.'s \$40,000,000 Term Facility was extended for an additional year in February 2004.

(2) Average interest rate on debt as of August 31, 2004, including stamping fees.

(3) Cogeco Cable Inc.'s Term Facility committed amount has been reduced to \$270,000,000 in January 2004.

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

(5) The deferred credit represents the amount which would have been payable as at August 31, 2004 and 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.

(6) 2,920,000 preferred shares (4,320,000 in 2003), 5.5% cumulative dividend, redeemable and retractable to a maximum of \$1,400,000 annually.

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

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.

	August 31, 2004	August 31, 2003
	(audited)	(audited)
Issued		
1,849,900 multiple voting shares	\$ 12	\$ 12
14,522,456 subordinate voting shares (14,465,777 as at August 31, 2003)	115,609	115,101
	\$ 115,621	\$ 115,113

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

	Twelve months ended August 31, 2004		Twelve months ended August 31, 2003	
	Number of shares	Amount	Number of shares	Amount
	(audited)		(audited)	
Balance at beginning	14,465,777	\$ 115,101	14,406,253	\$ 114,530
Shares issued for cash under the Employee Stock Purchase Plan and the Stock Option Plan	60,079	535	70,824	661
Purchase of shares for cancellation	(3,400)	(27)	(11,300)	(90)
Balance at end	14,522,456	\$ 115,609	14,465,777	\$ 115,101

COGECO INC.**Notes to Consolidated Financial Statements****August 31, 2004***(amounts in tables are in thousands of dollars, except per share data)***5. Capital Stock (continued)*****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, 2003. The Company did not record any compensation expense for options granted to employees before September 1, 2003. If compensation cost had been recognized using the fair value-based method at the grant date for options granted between September 1, 2001 and August 31, 2003, the Company's net income (loss) and earnings (loss) per share for the three and twelve month periods ended August 31, 2004 and 2003 would have been reduced (increased) to the following pro forma amounts:

	Three months ended August 31		Twelve months ended August 31	
	2004	2003 (restated)	2004	2003 (restated)
	(unaudited)	(unaudited)	(audited)	(audited)
Net income (loss)				
As reported	\$ 2,117	\$ 1,509	\$ (10,600)	\$ 6,751
Pro forma	2,037	1,428	(10,920)	6,427
Basic earnings (loss) per share				
As reported	\$ 0.13	\$ 0.09	\$ (0.65)	\$ 0.42
Pro forma	0.12	0.09	(0.67)	0.40
Diluted earnings (loss) per share				
As reported	\$ 0.13	\$ 0.09	\$ (0.65)	\$ 0.41
Pro forma	0.12	0.09	(0.67)	0.39

As at August 31, 2004, the Company had outstanding stock options providing for the subscription of 506,576 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

August 31, 2004

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

6. Earnings (loss) per share

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

	Three months ended August 31		Twelve months ended August 31	
	2004 (unaudited)	2003 (restated) (unaudited)	2004 (restated) (audited)	2003 (restated) (audited)
Net income (loss)	\$ 2,117	\$ 1,509	\$ (10,600)	\$ 6,751
Weighted average number of multiple voting and subordinate voting shares outstanding	16,355,530	16,252,562	16,343,673	16,254,656
Effect of dilutive stock options ⁽¹⁾	142,481	141,273	-	99,436
Weighted average number of diluted multiple voting and subordinate voting shares outstanding	16,498,011	16,393,835	16,343,673	16,354,092
Earnings (loss) per share				
Basic	\$ 0.13	\$ 0.09	\$ (0.65)	\$ 0.42
Diluted	0.13	0.09	(0.65)	0.41

(1) The weighted average dilutive potential number of subordinate voting shares, which were antidilutive for the twelve month period ended August 31, 2004, amounted to 138,375 shares. Stock options to purchase 194,151 shares (252,100 in 2003) in the twelve month period ended August 31, 2004 were outstanding, but were not included in the computation of diluted earnings per share because the exercise price of the stock options was greater than the average share price of the subordinate voting shares and, therefore, the effect would have been antidilutive.

7. Statements of cash flow

a) Changes in non-cash working capital items and long-term deferred and prepaid income

	Three months ended August 31		Twelve months ended August 31	
	2004 (unaudited)	2003 (restated) (unaudited)	2004 (restated) (audited)	2003 (restated) (audited)
Accounts receivable	\$ 10,444	\$ 11,223	\$ 5,823	\$ 1,263
Income tax receivable	(304)	(352)	(264)	6,143
Prepaid expenses	(2,029)	3,703	(1,637)	1,273
Broadcasting rights	420	(6,691)	1,568	(11,376)
Accounts payable and accrued liabilities	28,244	34,939	(5,874)	17,902
Income tax liabilities	(1,505)	-	-	-
Deferred and prepaid income	1,184	(1,959)	3,117	(1,555)
Other	(840)	-	(936)	-
	\$ 35,614	\$ 40,863	\$ 1,797	\$ 13,650

COGECO INC.

Notes to Consolidated Financial Statements

August 31, 2004

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

7. Statements of cash flow (continued)

b) Other information

	Three months ended August 31		Twelve months ended August 31	
	2004	2003	2004	2003
	(unaudited)	(unaudited)	(audited)	(audited)
Fixed assets acquisitions through capital leases	\$ 923	\$ 108	\$ 2,583	\$ 714
Interest paid	11,111	10,378	58,395	60,447
Income taxes paid (refunded)	658	598	3,263	(1,078)

8. Comparative figures

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