

A n n u a l

i n f o r m a t i o n F o r m

For the 2000 Fiscal Year
December 21, 2000



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I. INCORPORATION

1.1 Incorporation and Articles of Issuer

COGECO Inc. (the “Company” or “COGECO”) is a diversified Canadian communications company operating since 1957 in the field of French-language broadcasting in Quebec and since 1972 in the field of cable television in Canada.

COGECO was incorporated under Part I of the Companies Act (Quebec) on July 24, 1957 and was continued under the authority of Part IA of the same Act by virtue of a certificate of continuance dated November 8, 1984. Certificates of amendment have been issued thereafter to the Company on July 8, 1985, November 7, 1985, December 19, 1988, August 15, 1989, July 11, 1990 and February 15, 1993 to change the composition of its share capital. Following these various changes, the capital of the Company is comprised of subordinate voting shares, multiple voting shares, and of class A and class B preferred shares which may be issued in series.

The July 8, 1985 amendment created an unlimited number of preferred shares at a par value of \$1.00 per share and provided for the convertibility of common shares into preferred shares on a share for share basis at the option of the holder of common shares before the close of business on August 31, 1985.

The November 7, 1985 amendment cancelled the preferred shares created on July 8, 1985 and created an unlimited number of subordinate voting shares, an unlimited number of multiple voting shares, an unlimited number of class A preferred shares and an unlimited number of class B preferred shares, all without par value, and provided for the conversion of all issued and outstanding common shares into subordinate voting shares and multiple voting shares.

The December 19, 1988 amendment created a first series of 800,000 convertible class A preferred shares at an issue price of \$25.00 per share.

The August 15, 1989 amendment created a first series of 7,500,000 convertible class B preferred shares at an issue price of \$9.00 per share.

The July 11, 1990 amendment created a second series of 29,374 convertible class A preferred shares at an issue price of \$25.00 per share.

The February 15, 1993 amendment provided for the mandatory redemption of all the outstanding class B, series 1, preferred shares.

The registered office and the principal executive offices are located at 1 Place Ville Marie, Suite 3636, Montreal, Quebec, H3B 3P2

1.2 Subsidiaries

As at December 21, 2000, the Company had two direct active subsidiaries. Cogeco Radio-Télévision Inc. (“CRTI”) was constituted under the authority of Part IA of the *Companies Act* (Quebec). Cogeco Cable Inc. (“Cogeco Cable”) was constituted under the authority of the *Canada Business Corporations Act*. As at December 21, 2000, the Company held 15,691,100 multiple voting shares of Cogeco Cable, or approximately 87.48% of all the voting rights, and other investors held 22,465,174 subordinate voting shares representing the balance of the voting rights attached to the share capital of Cogeco Cable.

On September 1, 2000, Cogeco Cable completed a corporate reorganization to consolidate the Ontario operations and to rationalize the Quebec operations on a regional basis for more efficient operations. This reorganization involved the amalgamation of several of the subsidiaries of Cogeco Cable (namely, Cogeco Cable Canada Inc., Cogeco Cable Systems Inc., Cableworks Communications Inc. and 1110761 Ontario Inc.) into a new company which will continue to be named Cogeco Cable Canada Inc. (“Cogeco Cable Canada”). Cogeco Cable Canada was amalgamated under the authority of the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Cogeco Cable.

Cogeco Cable Canada then transferred most of its Quebec operating assets to its wholly-owned Quebec subsidiaries which are Cogeco Câble Beauce Inc. (formerly Télédiffusion Sainte-Adèle Inc.), Cogeco Câble Lac St-Jean Inc. (formerly Câble Laurentides Ltée), Cogeco Câble Laurentides Inc. (formerly Télécâble Provincial Inc.), Cogeco Câble

Montréal Inc. (formerly Valleyfield Transvision Inc.), Cogeco Câble Rimouski Inc. (formerly Emtel Inc.), Cogeco Câble Mauricie Inc. (formerly Câblodistribution Le Rocher Inc.), Cogeco Câble Estrie Inc. (formerly Télécâble St-Donat Inc.) and Cogeco Câble Gaspésie Inc. (formerly Câblo Distribution G Inc.), all constituted under the authority of Part IA of the *Companies Act* (Quebec). Médiacâble is also constituted under the authority of Part 1A of the *Companies Act* (Quebec).

Cogeco Cable also owns Cogeco Cable Lindsay Inc. (formerly Lindsay CATV System Limited), Cogeco Cable Halton Inc. (formerly Halton Cable Systems Inc.), Cogeco Cable Belleville Inc. (resulting from the amalgamation of Cablevue (Quinte) and related companies), Morville Holdings Limited and 66.6% of TV Hamilton Limited, all constituted under the authority of the *Ontario Business Corporations Act*.

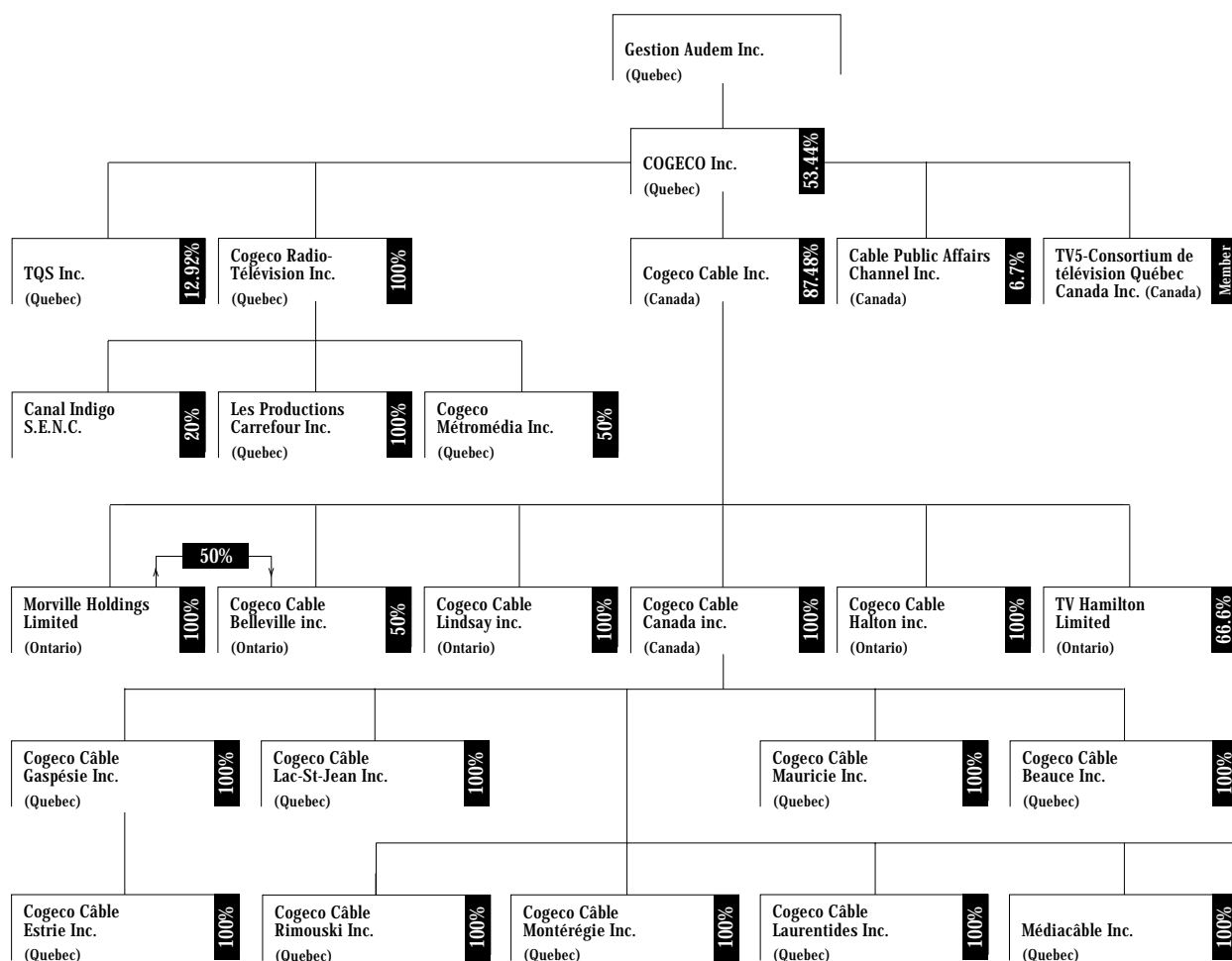
CRTI is a wholly-owned subsidiary of the Company. CRTI is the sole owner of Les Productions Carrefour Inc. (“Carrefour”), a company constituted under the authority of Part IA of the *Companies Act* (Quebec). CRTI holds a 50% interest in Cogeco Métromédia Inc., a company constituted under the authority of Part IA of the *Companies Act* (Quebec).

The Company holds investments in the capital of TQS Inc. and Cable Public Affairs Channel Inc. respectively.

The Company is controlled by Gestion Audem Inc., a holding company constituted under the authority of Part IA of the *Companies Act* (Quebec), which in turn is controlled by Mr. Henri Audet.

1.3 Organization Chart

The following chart shows the various active companies and businesses and certain investments of the COGECO Group together with the percentage of voting rights held therein as at December 21, 2000:



2. General development of the business

The Company's business is to hold and manage various undertakings operating in the field of communications. Operations started in 1957 with the establishment of a television station in Trois-Rivières affiliated to the French network of the Canadian Broadcasting Corporation ("CBC"). The Company expanded its activities into cable television in 1972 and into radio broadcasting in 1987. The Company made its first public share issue on November 8, 1985.

In 1996, Cogeco Cable acquired 25 cable systems serving approximately 300,000 basic service customers in Ontario from Rogers Cablesystems Limited and certain of its affiliates.

In 1996, Publications Dumont (1988) Inc., a then active publishing subsidiary of the Company, completed the sale to Groupe Transcontinental G.T.C. Ltée of substantially all its operating assets consisting mainly of some thirty (30) weekly newspapers circulating in parts of Quebec and Ontario.

In 1997, Cogeco Cable acquired the cable system of Câblodistribution Le Rocher inc., serving approximately 6,300 basic service customers in Grand-Mère, Quebec.

In 1997, the Company acquired a minority interest in TQS Inc., which owns the Television Quatre Saisons ("TQS") network with stations in Montreal and Quebec and a retransmitter in Rimouski.

In 1998, Cogeco Cable completed a cable system swap with Shaw. Pursuant to this exchange, Cogeco Cable acquired cable systems located in Windsor, Chatham, Leamington, Smiths Falls and surrounding areas in the Province of Ontario serving approximately 91,200 basic service customers. In return, Cogeco Cable sold cable systems located in Lethbridge in the Province of Alberta and Kamloops, Courtney/Comox and Powell River in the province of British Columbia serving approximately 65,600 basic service customers. On September 1, 1998, Cogeco Cable Canada acquired the cable systems of Valleyfield Transvision Inc. and Emtel Inc. serving approximately 16,400 basic service customers. On December 17, 1998, Cogeco Cable sold its cable systems located in Weyburn and Estevan, Saskatchewan, serving approximately 7,200 basic service customers.

In 1998, The Company acquired, through CRTI, the television stations CKTV-TV and CFRS-TV in Chicoutimi/Jonquière, respectively affiliated to the French network of the CBC and to the network of TQS.

On May 31, 1999, Cogeco Cable sold its cable system in Chilliwack, British Columbia, serving approximately 20,500 basic service customers.

On September 30, 1999, Cogeco Cable completed the acquisition of Cableworks Communications inc., serving approximately 64,000 basic service customers. In April 1999, Cogeco Cable paid a \$5.3 million cash deposit and made, during 1999-2000, cash payments totaling \$155.4 million, financed from its existing bank credit facilities. The purchase price is subject to certain final adjustments.

On April 20, 2000, Cogeco Cable announced that it had concluded agreements for the purchase of outstanding shares of Câblo Distribution G inc., Télécâble Provincial inc. and Lindsay CATV System Ltd. Several months later, on September 1, 2000, Cogeco Cable finalized these acquisitions for a total purchase price of approximately \$45.6 million, subject to certain final adjustments. Cogeco Cable paid approximately \$18.1 million in cash and the balance by means of an issuance of subordinate voting shares. These acquisitions resulted in the addition of approximately 30,900 basic service customers to Cogeco Cable's customer base.

On June 22, 2000, Cogeco Cable announced that it had signed an agreement with a view to purchasing all shares of Harrowby Communications inc. and a related company, which have approximately 23,400 basic service customers. This transaction has been approved by the CRTC but is subject to the completion of satisfactory due diligence review and other conditions. The total purchase price for this transaction amounts to approximately \$53 million, subject to certain closing adjustments. Cogeco Cable will pay up to \$13 million in cash and the balance by means of the issuance of subordinate voting shares.

On August 24, 2000, Cogeco Cable announced that it had signed an agreement with a view to purchasing all the shares of Cablevue (Quinte) Limited and related companies. These acquisitions represent approximately 32,400 basic service customers. On November 23, 2000, Cogeco Cable finalized this transaction for a total purchase price of approximately \$77 million, subject to certain final adjustments. Cogeco Cable paid approximately \$22.3 million in cash and the balance by means of an issuance of subordinate voting shares.

On October 23, 2000, Cogeco Cable signed agreements to purchase all the outstanding shares of Huntsville Cable Services Limited, Muskoka Cable Systems Limited and Lakeview Cable Limited. These three companies serve approximately 13,700 basic service customers in the localities of Huntsville, Parry Sound, Bracebridge, Gravenhurst, Muskoka Falls, Muskoka Beach, Bala, Baysville, Mactier, Port Carling, Port Sydney and Utterson in Southern Ontario. In a separate transaction, Cogeco Cable also acquired from Muskoka Worldlink Inc. intercity optical fibres interconnecting the systems acquired by Cogeco Cable in the region. These transactions are subject to requisite regulatory approvals, including the prior approval of the Canadian Radio-television and Telecommunications Commission (CRTC), to satisfactory due diligence review by Cogeco Cable and other conditions.

On December 20, 2000, Cogeco Cable announced that it had concluded an agreement with the shareholders of Décibel Inc. with a view to acquiring the cable systems serving approximately 6,600 basic service customers in Nicolet, Quebec and surrounding areas. This transaction is subject to the requisite regulatory approvals, including the prior approval of the CRTC, to satisfactory due diligence review by Cogeco Cable and other conditions.

The Company thus controls and manages a number of cable television and media properties. The development of the Cable Sector is handled through Cogeco Cable, itself a reporting issuer. In connection with the initial public offering of Cogeco Cable in July 1993, the Company has entered into an agreement with its cable subsidiary whereby the Company has undertaken not to purchase and/or operate any cable television systems otherwise than through Cogeco Cable. Cogeco Cable is involved in cable system development and acquisition. Cogeco Cable's Quebec systems are managed as a distinct division, referred to herein as "Cable Quebec", from a main office located in the City of Trois-Rivières, Quebec. Cogeco Cable's Ontario systems are also managed as a distinct division, referred to herein as "Cable Ontario", from a main business office located in the City of Burlington (neighboring Toronto), Ontario.

The major factors that may cause changes in the future development of the business are reviewed in the 2000 Annual Report of the Company from page 7 to 22 under the heading "Management's Discussion and Analysis" which is incorporated herein by reference.

3. Narrative description of the business

3.1 Reportable Industry Segments

The name of the Company is an abbreviation of Compagnie Générale de Communications. The activities of the Company and its subsidiaries are presently limited to the field of communications in Canada and no change is being anticipated in the near future in the general orientation of the Company. The Company offers, through its operating subsidiaries, services in two reportable industry segments: the Cable Sector (section 3.2) and the Media Sector (section 3.3).

3.2 Cable sector

As at August 31, 2000, Cogeco Cable owned cable distribution systems and multipoint distribution systems (MDS) located in the provinces of Ontario and Quebec and serving 806,431 basic service customers, thus making Cogeco Cable the fourth largest multiple system operator (MSO) in Canada based on the number of basic service customers served. The number of households located in Cogeco Cable's licensed service areas and passed by cable is estimated to be 1,197,808, and penetration of basic service is thus 67.3% of households passed by its systems. The number of basic service customers served by Cogeco Cable, on a pro forma basis reflecting acquisitions completed or announced as of December 21, 2000, is approximately 913,000 with 71% of its customer base located in Ontario and the balance in Quebec.

3.2.1 Customers

The following table indicates Cogeco Cable's customer break-down as of August 31, 2000:

	Basic Service Customers	Homes Passed	Penetration Rate %
Cable Ontario	567,944	817,307	69.5%
Cable Québec	238,487	380,501	62.7%
Total	806,431	1,197,808	67.3%

The following table presents the number of customers subscribing to basic service and the penetration rate of basic services, discretionary services, pay television services, digital set-top boxes and high-speed Internet service, from August 31, 1996 to August 31, 2000:

As at August 31,	Basic Service Customers	Basic Service Penetration %	Tier 1 as a % of Basic	Tier 2⁽³⁾ as a % of Basic	Tier 3⁽³⁾ as a % of Basic	Pay T.V. Service as a % of Basic	Digital set-top boxes as a % of Basic	High-speed Internet Customers as a % of basic
1996	440,677	73.7 ⁽¹⁾	78.4	61.5 ⁽²⁾		10.3		
1997	740,702	72.8 ⁽¹⁾	84.0	65.1 ⁽²⁾		9.9		
1998	777,155	70.0	82.9	67.0 ⁽²⁾	38.7 ⁽²⁾	10.5		
1999	765,806	69.4	80.7	68.5 ⁽²⁾	57.6 ⁽²⁾	9.7		
2000	806,431	67.3	80.6	68.6 ⁽⁴⁾	59.4 ⁽⁴⁾	11.0	11.1 ⁽⁵⁾	12.2 ⁽⁵⁾

(1) Following a recount of homes passed, performed until 1997, the number of homes passed was adjusted upward and as a result the calculation of basic service penetration rate was adjusted downward.

(2) Only available on systems located in provinces other than Quebec.

(3) English-language service tier.

(4) Calculated on the basis of basic service customers in Ontario, and customers having access to digital service in Quebec.

(5) Calculated on the basis of the systems where the service is offered.

Historically, the basic service penetration rate in Quebec has been lower than the basic service penetration rate in Ontario. In Quebec, Cogeco Cable operates in areas that are predominantly francophone. In those areas, demand for English programming is low, thereby affecting the demand for cable television.

3.2.2 Service Offering

Cogeco Cable's cable television networks provide the distribution or retransmission to its customers of numerous local and distant television and radio signals originated from various locations, as well as alpha-numeric and other non-programming services. These services are supplied by way of subscription and may include many tiers of services. In order to subscribe to a tier of services, customers must first subscribe to the basic service.

3.2.2.1 Basic Service

Cogeco Cable offers a basic service comprised mainly of local, regional and distant Canadian and American television signals. The number of channels offered and basic monthly fee charged for this service vary depending on the characteristics of each system and market served. The basic service on Cable Ontario's systems typically offers between 35 and 40 channels. The basic cable television service on Cable Quebec's systems typically offers between 16 and 20 channels. Cable Quebec's MDS undertakings offer a basic service of 15 channels for a basic monthly fee of \$21.95. Basic monthly fees of cable undertakings are subject to a maximum amount approved by the CRTC constituting a form of price cap, except for smaller systems.

3.2.2.2 Specialty Service Tiers

Cogeco Cable offers the available specialty television services mostly by way of discretionary tiers comprising a mix of Canadian and non-Canadian services. The distribution and linkage of these television services is regulated by the CRTC, but retail fees for discretionary tiers are not regulated.

Cable Ontario currently offers to its basic service customers on most of its systems located in Ontario three discretionary specialty television service tiers which include on average 30 channels. Cable Quebec offers on most of its systems two discretionary service tiers, which typically include between 19 and 24 channels, to customers subscribing to the analogue service and three discretionary service tiers to customers subscribing to the digital service.

3.2.2.3 Pay Television Services

Cogeco Cable offers pay television services on a discretionary monthly subscription basis to its customers subscribing to the basic service on its systems, except for small systems. The distribution and linkage of these pay television services is regulated by the CRTC, but fees for pay television tiers are not regulated.

3.2.2.4 Pay-Per-View Services

Pay-Per-View (PPV) is a service that allows customers to select and pay for specific programs. Programs are available on several channels with different start times. On August 31, 2000, the pay-per-view service was available in Quebec and Ontario in Cogeco Cable's larger systems.

3.2.2.5 Digital Cable Services

Beginning in September 1999, Cogeco Cable began to deploy digital video compression ("DVC") set-top boxes on its systems. The new DVC boxes are replacing the existing analogue decoders. This technology enables the operator to multiply the number of channels available to customers and empowers customers to choose and bundle their channels. Cogeco Cable has exchanged most of its existing analogue decoders with the new digital set-top boxes during the last fiscal year.

As at August 31, 2000, Cogeco Cable had approximately 79,100 DVC terminals in service. Cogeco Cable Digital Cable Service customers have access to pay television services, PPV services, expanded specialty services, a sophisticated programming navigator and 40 digital quality audio programming alternatives with the ability to buy services of their choice on demand through Cogeco Cable's two-way plant.

On November 24, 2000, the CRTC approved the application by Cogeco Cable Canada for a licence to establish a new Regional French and English video-on-demand (VOD) digital programming service in Ontario and Quebec. This service will enable customers to view on demand, in the comfort of their home, a wide variety of movies and other entertainment content in real time, the videos being accessible to customers from a large library of video content.

3.2.2.6 Internet Services

Cogeco Cable offers high-speed Internet service by cable modem on its larger systems in Quebec and Ontario. In Quebec, Cogeco Cable also offers conventional speed telephone modem service. Cogeco Cable's high-speed Internet service marketed under the Rapidus™ house brand in Quebec and @Home™ brand in Ontario, has increased by 81% during the last fiscal year growing from 39,135 customers on August 31, 1999 to 70,716 customers on August 31, 2000.

On July 8, 1998, the CRTC decided that it would no longer regulate the rates at which cable companies offer retail level Internet services. However the CRTC decided that cable companies would have to provide higher speed access to their facilities for third-party Internet service providers. On July 6, 1999, the CRTC required the four largest cable companies to file a proposed tariff for Third Party Internet Access service (TPIA tariff). On November 8, 1999, Cogeco Cable filed its TPIA tariff and the required economic evaluation. On August 21, 2000, the CRTC approved a per end-user access rate of \$21.50 for Cogeco Cable. On September 20, 2000, Cogeco Cable issued an amended TPIA tariff incorporating the changes requested by the CRTC. Various technical, operational and business issues relating to the commercial implementation of the third party access service are presently being dealt within the CRTC Interconnection Steering Committee (CISC). The CRTC will also hold a further process to address, among others, the issue of points of interconnection rates and service charges.

Until access is provided through interconnection according to an approved tariff by the CRTC, the cable carriers are directed in Decision CRTC 99-11 to resell their own high-speed retail Internet service at a 25% discount from the lowest retail rate charged for this service. No Internet service provider is presently reselling Cogeco Cable's high-speed Internet retail service.

3.2.2.7 Telecommunications Services

Cogeco Cable offers a wide range of telecommunications services to business and institutional customers as a competitive access provider (“CAP”). These services include high-throughput dedicated Internet access gateway services, dedicated transmission circuits for data and voice traffic, and high-capacity synchronous optical network (SONET) OC-12 links with access speeds of up to 622 Mbps.

Cogeco Cable has announced that it will gradually be offering a local and long distance telephone service to its Ontario and Quebec customers, using its inter-city fiber optic network and further leveraging its Internet Protocol (“IP”) network already in place for Internet access.

3.2.3 Monthly Rates (as at August 31, 2000)

Service	Ontario	Quebec
Analogue		
Basic	\$18.18 ⁽¹⁾	\$17.89 ⁽¹⁾
One tier	\$13.99 ⁽²⁾	\$12.48 ⁽¹⁾
Two tiers	\$15.99 ⁽²⁾	\$14.47
Three tiers	\$19.99 ⁽²⁾	na
COGECO Value Pak	\$41.99 ⁽³⁾	\$34.95 ⁽⁴⁾
Pay TV ⁽⁵⁾	\$9.95 – \$17.45	\$14.95 – \$18.95
Pay-per-view (Viewers Choice/CANAL INDIGO)	\$3.99 and above	\$3.99 and above
High-speed Internet: COGECO@HOME/RAPIDUS	\$39.95	\$39.95
COGECO@HOME Value Pak ⁽⁶⁾	\$81.94	\$74.95
Digital		
Basic	na	\$9.99
One tier	na	\$20.99
Two tiers	na	\$24.99
Three tiers	na	\$31.99
Pay TV	\$9.95 – \$17.45	\$10.99
Digital set-top rental	\$9.99	\$9.99
COGECO Digital Value Pak ⁽⁷⁾	\$51.99	\$39.99
COGECO@HOME Digital Value Pak ⁽⁸⁾	\$89.99	\$79.99

(1) Weighted average rate.

(2) In essentially all systems.

(3) Includes basic cable, all three tiers and up to three additional outlets.

(4) Includes basic cable, two tiers and up to three additional outlets.

(5) Pay TV service includes five TMN services (or Super Écran in Québec), US superstations and in some systems in Ontario, the Family Channel and MoviePix.

(6) Includes the Value Pak, the high-speed Internet and cable modem rental.

(7) Includes the Value Pak, Pay tv, 40 digital music channels and a sophisticated programming navigator but excludes the digital set-top rental.

(8) Includes the Digital Value Pak, high-speed Internet and cable modem rental.

3.2.4 Systems

It is Cogeco Cable’s general policy to fully own its cable plant, including head ends, fiber and cable distribution plant, amplifiers and drops. In furtherance of this policy, where Cogeco Cable acquires cable systems that use leased facilities for part of their distribution plant, Cogeco Cable will normally replace such leased facilities with its own upon expiry of the leases. Cogeco Cable has otherwise entered into various lease, licence and other similar agreements for the shared use of support structures and joint use facilities, including cable, strands, poles, ducts and shelters with other telecommunications carriers, utilities and public authorities.

Most systems facilities include a head-end with antenna systems and electronic equipment. Some systems share head-end facilities as a cost reduction strategy. Studio facilities and, for most systems, mobile units for the production of community programming are located in the principal communities served by each system.

During the past fiscal year, Cogeco Cable has further implemented its comprehensive multi-year system rebuild and upgrade plan which was started in 1994. The total capital expenditure program increased from \$136.4 million in 1998-1999 to \$176.6 million in 1999-2000.

While modernization of the Cogeco Cable systems was concentrated, until recently, on the implementation of an infrastructure with 550 MHz capacity or with 750 MHz capacity, depending on the cable system, Cogeco Cable has nevertheless begun to deploy an infrastructure of 860 MHz, for its rebuilds in Hamilton, St. Catharines, Windsor and Burlington/Oakville, in southern Ontario. An infrastructure with 550 MHz capacity allows the transmission of up to 80 equivalent analog channels while an infrastructure of 750 MHz and 860 MHz allows the transmission of respectively up to 110 and 130 equivalent analog channels.

The fact that Cogeco Cable initially deployed optic fiber to optical nodes serving sectors of approximately 2,000 homes does not prevent Cogeco Cable from extending the optic fiber to smaller sectors of approximately 800 to 1,000 homes in the 860 MHz cable systems when traffic and requests for services justify this extra investment. The extension of optic fiber ensures an additional improvement in the quality and reliability of the services offered, and allows higher penetration rates for bi-directional services to be attained.

Cogeco Cable today has a long-distance fiber optic network extending over 3,250 kilometers from Windsor to Campbellton and including 52,000 kilometers of optical fiber. The fiber optic network covering all of Southern Ontario is now equipped with SONET OC-48 transmission capacity. Activation on OC-48 of part of the Burlington/Montreal link and of the majority of Québec's urban centers will be completed during fiscal year 2001.

3.2.5 Licences and Permits

Broadcasting distribution undertakings must hold valid broadcasting licences issued by the CRTC under the authority of the *Broadcasting Act* (Canada) as well as broadcasting certificates pursuant to the *Radiocommunication Act* (Canada). Broadcasting Licences are issued for a maximum term of seven years, and are generally renewed upon application by the licensee except in the case of serious breach. The CRTC has never revoked or failed to renew a licence for an active cable system owned by Cogeco Cable. The operation of broadcasting distribution undertakings is subject to detailed regulation and such undertakings are supervised by the CRTC under the authority of the *Broadcasting Act* (Canada).

3.2.6 Main Facilities

Cable Ontario owns premises at 950 Syscon Road, Burlington, Ontario. Customer services, information services, Internet services and community programming functions are carried out through these premises. The Syscon Road facility is under renovation to increase the total square footage from 26,000 to 100,000. Cable Ontario expects the renovations to be completed by early 2001. The 19,000 square foot Oakville/Burlington facilities, which carry out technical operations, are leased and located at 1200 Burloak Drive, Burlington, Ontario.

The principal offices of Cable Quebec are located at 1630, 6th Street, Trois-Rivières, Quebec. These facilities are leased and occupy approximately 34,000 square feet. The lease expires in 2002 with an option to renew to the year 2007.

3.2.7 Competition

For a number of years, Cogeco Cable has faced competition in the provision of service to residents of multiple unit dwellings such as hotels, apartment buildings, condominiums and row houses. Such systems are commonly referred to a Satellite Master Antenna Television (SMATV) systems and are restricted in the scope of their operation by a CRTC Exemption Order Respecting Master Antenna Television Systems (Public Notice 1994-133, as revised by the CRTC in Public Notice 2000-01).

Cogeco Cable has faced in recent years competition from two DTH satellite distribution services and one terrestrial microwave distribution service licensed by the CRTC, and unauthorized competition from similar non-Canadian satellite services with respect to its core market of broadcasting distribution. As a result of intensifying competition in the field of broadcasting distribution, Cogeco Cable has lost approximately 21,900 basic service customers during the last fiscal year or 2.0% of the Ontario customer base and 4.5% of the Quebec customer base. These losses

occur after three successive years where expected customer losses had not materialized. Competition from satellite distributors has become more aggressive in cabled service areas, and is likely to increase further with the expected addition of local television signals to the service offerings of the satellite distributors through various means.

Competition for higher speed Internet services is also more aggressive and has diversified recently, with new competitors entering the field. The competitive environment for broadcasting distribution and other broadband services is likely to cause further gradual erosion of the traditional cable customer base, create added pressure on margins for bulk service arrangements, and have an impact on the growth rate of higher speed cable modem services in the coming years.

3.3 Media sector

3.3.1 Television Stations

The media sector has six television stations located in Sherbrooke (CKSH-TV, CFKS-TV), in Trois-Rivières (CKTM-TV, CFKM-TV) and in Chicoutimi/Jonquière (CKTV-TV, CFRS-TV). Three stations are affiliated to the French network of the CBC while the other three stations are affiliated to the network of TQS. Each of the business unit located in the City of Trois-Rivières, Sherbrooke and Jonquière has respectively one station affiliated to the CBC network and one station affiliated to the TQS network. The television stations depend to a large extent on the programming of the television networks to which they are affiliated.

Cogeco also holds a minority interest in the capital stock of the TQS Inc. which owns the network, the station CFJP-TV in Montreal, the station CFAP-TV in Quebec and a transmitter CJPC-TV in Rimouski.

Cogeco is a member of TV5, and holds through CRTI, a 20% interest in Canal Indigo, a French-language pay-per-view service.

CRTI in partnership with Canadian television producer Stornoway Communications Inc. have been licensed to operate four digital television services among the new digital specialty services licensed by the CRTC on November 24, 2000. Issues Channel, a new around-the-clock forum for the discussion of matters of public interest and concern to Canadians, was licensed as a Category 1 service with assured distribution on cable and satellite while @work.ca, a service covering all aspects of work, employment and skills, The Pet Network, a channel devoted entirely to pets and their friends, and The Dance Channel, the first channel in North America devoted to the world of dance in all its forms were licensed as a Category 2 service.

3.3.2 Radio stations

The media sector has two FM radio stations which are situated in Laval/Montreal, 105.7 Rythme-FM (CFGL-FM) and Quebec, FM 93 (CJMF-FM). The FM radio stations are independent stations and are not affiliated to any network. Radio stations produce locally most of their own programming.

3.3.3 Production Company

Les Productions Carrefour Inc. ("Carrefour"), a wholly-owned subsidiary of CRTI, produces under contract television programs for general and specialty Quebec networks. Carrefour uses the technical and human resources of the CRTI regional television infrastructures to produce its programs.

3.3.4 Geographic Distribution

The Media Sector serves a number of markets in Quebec. The television stations are located in Trois-Rivières, Sherbrooke and Chicoutimi/Jonquière and the radio stations are located in the Laval/Montreal and Quebec City markets in the Province of Quebec.

3.3.5 Supply Sources

As mentioned previously, the main programming source of television stations is the network to which they are respectively affiliated. The radio stations basically produce their own content.

3.3.6 Licences and Permits

The television and radio stations must hold a valid broadcasting licence pursuant to the *Broadcasting Act* (Canada) as well as a broadcasting certificate pursuant to the *Radiocommunication Act* (Canada). Broadcasting licences are issued for a maximum term of seven years, and are generally renewed upon application by the licensee except in case of serious breach. The operation of broadcasting undertakings is subject to detailed regulation and such undertakings are supervised by the CRTC under the authority of the *Broadcasting Act* (Canada).

3.3.7 Audience and Market Share

Viewers in the distribution area represent the target group that the advertisers wish to reach. In 1999-2000, the television stations of the Group, CKTM/CFKM-TV Trois-Rivières, CKSH/CFKS-TV Sherbrooke and CKTV/CFRS-TV Chicoutimi/Jonquière have consolidated their profitability in mature markets.

Station CJMF-FM 93 Quebec City reaffirmed its leadership as an intelligent and though-provoking commentary station which earned it second place with audiences in the market. 105.7 Rythme FM ranks fifth in Montreal and continues its slow but steady rise in popularity with listeners of the metropolitan area.

3.3.8 Advertisers

The Media Sector provides broadcast information and entertainment programs through its television and radio stations and networks. The programs involve advertising and promotions paid by local, regional and national advertisers. Each station has an extensive list of commercial clients. Advertising contracts are entered into with these clients mostly on a short term basis as required by the clients' needs at the time of booking. The stations and networks also offer commercial production services to advertisers.

3.3.9 Seasonal Variations

The revenue from the Media Sector, which is derived mainly from commercial advertising, may be subject to significant seasonal variations.

3.3.10 Main Facilities

The television and radio stations own their own studios, their transmitters and their antennas located in their respective markets. The studios of CKTM-TV and CFKM-TV are located in a building owned by CRTI and located in the City of Trois-Rivières. The transmitting antennas of these stations are located on land also owned by CRTI and located on Mont Carmel. The studios of CKSH-TV and CFKS-TV are located in a building owned by CRTI and located in the City of Sherbrooke. The transmitting antennas of these stations are located on land owned by the Government of Quebec on top of Mont Orford. The studios of CKTV-TV and CFRS-TV are located in a building owned by CRTI and located in the City of Jonquière. The transmitting antennas of these stations are located on land owned by the government of Quebec on top of Mont Valin.

The studios of 105.7 Rythme FM are located in a building owned by CRTI and located in the City of Laval, while the transmitting antenna of the stations is located on land owned by the City of Montreal on top of Mont Royal. The studios of FM 93 are located in rented premises in the City of Sainte-Foy, and its transmitting antenna is located on land owned by the Government of Quebec on top of Mont Bélair. The installations of 105.7 Rythme FM and FM 93 have been both converted to digital technology for studio operations.

The administration offices of the Media Sector are located at 2830, St-Martin Boulevard East, Laval, Quebec.

3.3.11 Competition

The Media Sector competes with all other advertising media in the markets where it operates its business activities. The allocation of advertising revenue between the various media is influenced by many factors, including general economic conditions, specific characteristics and the evolution of individual markets, advertiser preferences, market penetration, interest in the product offered, and regulatory constraints.

The selective distribution by satellite service providers of the signal of local stations affiliated to television networks that compete with the networks to which the stations of CRTI are affiliated could have a negative impact on the audience and revenue of these stations. The recent licensing of a new group of digital specialty television services and the development of programming services offered via the Internet are likely to gradually add to audience and advertiser media budget fragmentation. Finally, following the recent announcement by Quebecor Inc. that it is putting up for sale its majority interest in the TQS network subject to the acquisition of Le Groupe Vidéotron Ltée and of a majority interest in the TVA network could eventually have an impact on the investment of the Company in the TQS network and on the television stations of CRTI that are affiliated to the TQS network.

3.4 Other Business Aspects

3.4.1 Human Resources

On August 31, 2000 the number of employees of the Company and its subsidiaries totalled 1,445 equivalent full-time employees, including 1,169 for the Cable Sector and 263 for the Media Sector and 13 at the head office in Montreal. 288 employees of the Cable Sector and 197 employees of the Media Sector are subject to collective agreements.

The Cable Sector is involved in 4 collective agreements and the Media Sector in 6 collective agreements. In the Cable Sector, the collective agreement for the employees of Cable Quebec working in the technical department, the design department, the network control centre and the community programming at any of Cable Quebec's establishments expires in 2002. The collective agreement for the employees working in customer service (cable and multimedia), the accounting department, the payroll department and the TV advertising and real estate listings department at its establishment in Trois-Rivières also expires in 2002. The two collective agreements for the employees of Cable Quebec in Alma and Roberval expire in 2003.

In the Media sector, the two collective agreements for the employees of CKTM/CFKM/TV Trois-Rivières expire in 2003. The collective agreement for the employees of CKTV/CFRS-TV Chicoutimi/Jonquière expire in 2001 while the collective agreement for the employees of CKSH/CFKS-TV Sherbrooke expire in 2002. The collective agreement for the employees of 105.7 Rythme-FM and the collective agreement for the employees working at the administration offices of the Media Sector expire in 2001.

3.4.2 Impact of Renegotiation or Termination of Contracts

The Company periodically negotiates the renewal of agreements concerning the use of support structures owned by public utilities. The Company anticipates that renewals will continue to be secured in due course as required. When an agreement cannot be reached, the respective parties can bring the matter to the CRTC under the *Telecommunications Act*.

The Media Sector periodically renegotiates the renewal of the affiliation agreements for its television stations with the CBC and TQS networks. The affiliation agreement for the three television stations affiliated with the French-language television network of the CBC will expire in August 2002. The affiliation agreement for the three television stations affiliated with the TQS network will expire in 2003.

3.4.3 Research and Development

Considering the nature of its activities and the size of its various undertakings, the Company does not allocate a fixed budget for research and development and does not carry on basic research activities. The research and development activities are aimed mainly at the efficient operation and marketing of services by way of adapting the new technologies available on the market.

3.4.4 Environmental Protection Requirements

The nature of the activities is such that the Company is not subject to a significant impact from environmental protection requirements.

3.4.5 Foreign Operations

The Company is not currently involved in any foreign operations and is therefore not directly affected by currency exchange rates, international political factors and other international risks.

4. Selected consolidated financial information

4.1 Selected Financial Information for the Last Five Fiscal Years

The relevant financial information concerning the Company is found in the 2000 Annual Report of the Company on page 40 and 41 under the heading "Ten Year Financial Highlights" which is incorporated herein by reference.

4.2 Selected Financial Information for the Last Eight Quarters

The relevant financial information for each of the eight consecutive quarters ended August 31, 2000 is found in the 2000 Annual Report of the Company on page 39 under the heading "Selected Quarterly Information" which is incorporated herein by reference.

4.3 Dividends

The Company currently has a quarterly dividend policy for dividends payable on subordinate voting shares and multiple voting shares and has paid dividends on participating shares since 1986. In October 1997, the Board of Directors has decided to raise the quarterly dividend from \$0.04 to \$0.05 for participating shares. In October 1998, the Board of Directors has decided to raise the quarterly dividend from \$0.05 to \$0.0525 for participating shares. The Company declared an annual dividend of \$0.21 per share, or \$0.0525 quarterly, during fiscal year 2000 to the holders of participating shares.

5. Management's review of financial situation and operating results

The heading "Management Discussion and Analysis" contained on pages 7 to 22 of the 2000 Annual Report of the Company, is incorporated herein by reference.

6. Market for securities

The Company's subordinate voting shares are listed on The Toronto Stock Exchange under the trading symbol "CGO".

7. Directors and officers

The relevant information on directors and officers of the Company elected during the last annual general meeting of the shareholders held on December 13, 2000 is provided in Schedule 1. The term of office of the directors of the Company will expire at the next annual general meeting of the shareholders, or when their successors are elected or appointed.

8. Additional information

8.1 Statement on Availability of annual information form and Related Documents

The Company shall provide any person or company, upon request to the secretary of the Company:

8.1.1 when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus or a short form prospectus has been filed in respect of a proposed distribution of its securities,

8.1.1.1 one copy of the Company's latest annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

8.1.1.2 one copy of the comparative financial statements of the Company for the Company's most recently completed financial year together with the report of the auditors thereon and one copy of any interim financial statements issued by the Company subsequent to such annual audited financial statements;

8.1.1.3 one copy of the information circular of the Company in respect of the most recent annual meeting of shareholders of the Company which involved the election of directors; and

8.1.1.4 one copy of any other documents filed pursuant to securities legislation which are incorporated by reference into the preliminary short form prospectus or the short form prospectus not mentioned under 8.1.1.1 to 8.1.1.3 above; or

8.1.2 at any other time, the documents referred to in clauses 8.1.1.1, 8.1.1.2 and 8.1.1.3 above, provided that the Company may require the payment of a reasonable charge from such person or company who is not a security holder of the Company.

8.2 Statement on Content of Information Circular and Comparative Financial Statements

Additional information is provided in the latest information circular of the Company dated October 27, 2000, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase the Company's securities. Additional financial information is provided in the comparative financial statements included in the 2000 Annual Report of the Company. A copy of such documents may be obtained upon request from the secretary of the Company.

Schedule 1 to Cogeco Inc. Annual Information form for the 2000 fiscal year

Directors and officers
(as at December 21, 2000)

Name and Office with the Company	Principal Occupation	Director Since	Municipality of Residence
Henri Audet, Eng. D. Sc. C.M.(E) (HR) Director, Chairman Emeritus	Director	1957	Outremont (Quebec)
Louis Audet, Eng., M.B.A. (E) Director, President and Chief Executive, Officer	President and Chief Executive Officer, COGECO Inc.	1984	Westmount (Quebec)
Julie Bolduc, C.A.	Director, Internal Audit and Financial planning	n/a	Montreal (Quebec)
Robert Bonneau, Eng. (A) Director	Corporate Director	1967	Longueuil (Quebec)
Jacqueline L. Boutet, C.M. (A) Director	President, Jacqueline L. Boutet Inc. (Real Estate Company)	1991	Montreal (Quebec)
André Brousseau (A) Director	Corporate Director	1996	Trois-Rivières (Quebec)
Daniel Damov (HR) Director	Corporate Director	1992	Don Mills (Quebec)
Pierre Gagné, M.B.A., C.A. Vice-president, Finance and Chief Financial Officer	Vice-president, Finance and Chief Financial Officer, COGECO Inc.	n/a	Beaconsfield (Quebec)
Christian Jolivet, L.L.B., L.L.M. Director, Legal Affairs and Assistant Secretary	Director, Legal Affairs, and Assistant Secretary, COGECO Inc.	n/a	Montreal (Quebec)
Henri P. Labelle, B. Arch., M.B.A. (A) Director	Architect and Certified Arbitrator	1964	Montreal (Quebec)
Yves Mayrand, LL.L. M.B.A. Vice-President, Legal Affairs and Secretary	Vice President, Legal Affairs and Secretary, COGECO Inc.	n/a	Town of Mount Royal (Quebec)
David McAusland B.C.L., LL.B. (A) Director	Senior Vice president Mergers & Acquisitions and Chief Legal Officer, Alcan Aluminium Limited	1999	Beaconsfield (Quebec)
Maurice Myrand, F.C.A. (E) (HR) Director and Chairman of the Board	Chairman of the Board, COGECO Inc.	1988	Outremont (Quebec)
Jan E. Peeters, Eng., C.M.A. (HR) Director	President, Olameter Inc. (Telemetry)	1998	Montreal (Quebec)
Andrée Pinard, M.B.A., C.A. Treasurer	Treasurer, COGECO Inc.	n/a	Outremont (Quebec)

(A) Member of the Audit Committee

(E) Member of the Executive Committee

(RH) Member of the Human Resources Committee

