Rogers Communications Inc. 1999 annual report

ROGERS™

Rogers Communications Inc.
annual report

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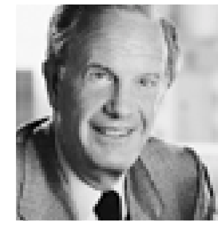
Edward S. Rogers, O.C.
President and Chief Executive Officer
Rogers Communications Inc.



to our shareholders

In May of 1998, my commitment to the shareholders of Rogers Communications was that we would achieve investment-grade status within five years. During 1999 – the single most pivotal year in the company's history – we took a major step toward achieving that goal. As our stock price rose steeply, we reduced our long-term debt from $5.3 billion to $3.6 billion. Concurrently, the value of our marketable securities portfolio increased to over $2 billion. The net effect is a company with a much-improved financial picture in an industry awash in opportunities.

Perhaps more than any other company in Canada, Rogers moved swiftly during 1999 and the early part of 2000 to take advantage of those opportunities.

Rael P. Merson
Executive Vice President and General Manager
The Shopping Channel

Ronan D. McGrath
President Rogers Shared Services and
Chief Information Officer
Rogers Communications Inc.

> Equipped with the country's finest-quality cable and wireless networks, we joined with powerful international partners including AT&T, British Telecom, Ericsson and Microsoft to assure we retain our lead for years to come.

> Rogers Cable's two-way, interactive cable network is being consolidated into the most efficient "clusters" possible through our system swaps with Shaw Communications and our proposed merger with Le Groupe Vidéotron.

> Rogers™ AT&T® Wireless surged strongly ahead with new digital products and simplified calling plans that are attracting thousands of new customers each month.

> Our Internet position is well grounded on a major portal deal with Excite@Home and Shaw Communications, and leveraged with new content businesses from Rogers Media. In the Internet realm, we stand to earn the gains that will accrue to those who offer both content and distribution.

Philip B. Lind
Vice Chairman
Rogers Communications Inc.

M. Lorraine Daly
Vice President, Treasurer
Rogers Communications Inc.

Our primary goal is to deliver, under one trusted brand name, all the services our customers want – be it interactive Web content, Digital Choice Television, Interactive Television, video-on-demand, wireless voice and data, and, eventually, local telephony – through networks of exceptional quality and reach.

Our strategy for getting there is based on three concepts: convergence, clustering and bundling.

Convergence is occurring everywhere you look today. Major global players in communications, Internet and media are merging to form powerful content and distribution giants. These media themselves are converging as digital technology allows voice and data to move fluidly across wireless, wireline, cable and satellite channels.

Rogers embodies these trends like no other competitor. We pride ourselves on having the finest quality networks in the best locations in Canada. In wireless, we own the country's only

Roger D. Keay
Vice President, Technology and Strategic Planning
Rogers Communications Inc.

Charles E. Hoffman
President and Chief Executive Officer
Rogers AT&T Wireless

coast-to-coast wireless voice network, covering 93% of the Canadian population with analog service and 82% with digital service. No one else comes close. In cable, over 92% of our network is now two-way capable — the highest percentage in North America.

The quality of these networks, and their future potential for convergence, is the main appeal for AT&T and British Telecom, who together invested $1.4 billion in our wireless operations during 1999. The same rationale led Microsoft to invest $600 million in Rogers Communications. These strategic partnerships bring us tremendous financial and technological advantages without sacrificing control.

Convergence is about integration. At Rogers, we are integrating our many products and services to the benefit of our customers and advertisers. Rogers@Home and our Digital Choice Television services are being sold through Rogers Video. Rogers AT&T Wireless subscribers are signing on through The Shopping Channel, our fastest-growing media business. Our VIP cable product is advertised in Maclean’s magazine. In all our businesses, we are leveraging, up-selling, and cross-selling in a way that very few companies can.

John H. Tory, Q.C.
President and Chief Executive Officer
Rogers Cable Inc.

Bundling is another of our great advantages. In 1998, Rogers Cable introduced the VIP bundle, a premium service package that gives subscribers a 10% discount off the monthly fee plus 10% off Rogers AT&T Wireless services, Rogers@Home services, Rogers Video rentals and RadioShack merchandise, as well as special prices on Rogers' consumer magazines. Close to 400,000 customers have signed up for VIP and more than half have increased the number of services they buy from us. We will continue to assemble bundles that offer so much value to customers that it will simply not be possible to obtain similar value elsewhere, particularly from single product providers.

Clustering is the final part of our strategy. Historically, Rogers companies worked for market consolidation, and we've always moved decisively when the opportunity presented itself. In 1999, when the CRTC approved the ownership of multiple radio licenses in individual markets, we acquired stations in the Toronto, Ottawa, Calgary and Vancouver markets to fortify our existing holdings. Rogers Media now operates 30 stations nationwide and has greatly increased its ability to offer advertisers broader market penetration.

Charles W. van der Lee
President and Chief Executive Officer
Rogers Video

Anthony P. Viner
President and Chief Executive Officer
Rogers Media Inc.

Our cable system is the most clustered in North America, serving its 2.2 million subscribers from two digital head ends in the most prosperous and densely populated urban areas in Eastern and Western Canada. By swapping systems with Shaw Communications, we will further consolidate our position in Eastern Canada. The proposed merger with Le Groupe Vidéotron in Quebec would create a substantially broader yet equally well-clustered network with exceptional potential for delivering enhanced cable services, including interactive TV, Internet and telephony products.

In coming years, our networks will continue to get more advanced and more efficient. Our products and services will continue to be integrated in even more appealing value propositions for customers. We will continue to build market share by introducing new products and services under a single unified brand name. At a time when the financial markets are placing a deserved premium on integrated communications companies, Rogers is redefining the term in Canada. In 1999, we saw that premium rise dramatically.

Brian Segal
President and Chief Executive Officer
Publishing and On-line Services
Rogers Media Inc.

Alan D. Horn
Vice President, Finance and Chief Financial Officer
Rogers Communications Inc.

In 2000, and beyond, we expect that premium will continue to rise as we deliver on our promise to attain investment grade status.

We are, in short, firing on all cylinders. The credit goes to our employees and a revitalized top management team. In the midst of constant and necessary change, our people have responded commendably. The executive team leading them is, I believe, a group remarkable in its talent and depth, and highly capable of guiding this company to the new levels of prosperity it is bound to achieve.

imagine

Edward S. Rogers, O.C.
President and Chief Executive Officer
Rogers Communications Inc.

financial review

financial highlights

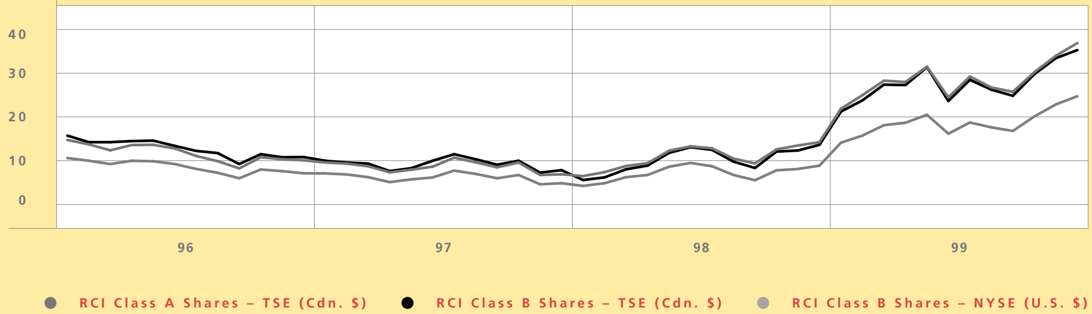
Rogers Communications Inc.

(In millions of dollars) Years ended December 31, 1999 and 1998	1999	1998
Income Statement		
Revenue	$ 3,107.8	$ 2,839.2
Operating profit[1]	893.8	855.1
Net income	840.5	634.8
Loss for the year before non-recurring items	(115.5)	(196.1)
(In dollars)		
Per Share Data		
Loss for the year	$ 4.29	$ 3.39
Loss for the year before non-recurring items	(0.75)	(1.27)
Cash flow from operations[2]	2.61	1.72
(In millions of dollars)		
Changes in Financial Position		
Cash flow from operations[2]	$ 495.2	$ 306.9
Capital expenditures	832.4	658.5
(In millions of dollars) As at December 31		
Balance Sheet		
Total assets	$ 6,371.6	$ 6,384.9
Fixed assets (net)	3,539.2	3,234.6
Long-term debt	3,595.0	5,254.0
Shareholders' equity (deficiency)	1,478.3	(41.5)

[1] Operating income before depreciation and amortization.

[2] Cash flow from operations before changes in working capital amounts.

Monthly Share Prices (dollars)



For the purposes of this discussion, the operations of Rogers Communications Inc. ("Rogers" or "the Company") and the financial figures relating to its operations have been reported in three segments: "Wireless", which refers to Rogers' 51% owned subsidiary Rogers Cantel Mobile Communications Inc., which operates under the brand name Rogers AT&T Wireless; "Cable", which refers to Rogers' wholly-owned subsidiary Rogers Cable Inc.; and "Media", which refers to Rogers' wholly-owned subsidiary Rogers Media Inc. This discussion should be read in conjunction with the detailed Consolidated Financial Statements provided on pages 38 to 67 of this report.

The following discussion contains forward-looking statements regarding the future performance of the Company. All forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information. Please refer to "Cautionary statement regarding forward-looking information" on page 31 of this report for a further discussion.

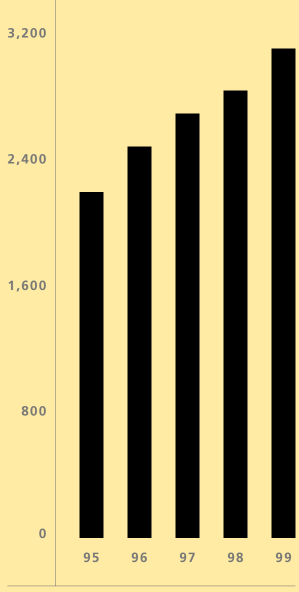
Consolidated financial results

Below are the summary financial results for the years ended 1999 and 1998.

(In millions of dollars) Years ended December 31, 1999 and 1998	1999	1998	% change
Revenue			
Wireless	$ 1,351.7	$ 1,242.9	8.8%
Cable	1,148.5	1,027.0	11.8%
Media	607.6	538.2	12.9%
Telecom	—	31.1	—
Total	$ 3,107.8	$ 2,839.2	9.5%
Operating profit[1]			
Wireless	$ 422.3	$ 395.1	6.9%
Cable	411.2	398.7	3.1%
Media	77.3	65.7	17.6%
Telecom	—	12.7	—
Corporate	(17.0)	(17.1)	0.8%
Total	$ 893.8	$ 855.1	4.5%
Operating profit[1] as a percent of revenue			
Wireless	31.2%	31.8%	
Cable	35.8%	38.8%	
Media	12.7%	12.2%	
Telecom	—	40.7%	
Total	28.8%	30.1%	
Capital expenditures	$ 832.4	$ 658.5	26.4%

[1] Operating income before depreciation and amortization.

Total Revenue
($ in millions)



A. 1999 Overview — consolidated results

Consolidated revenue was $3,107.8 million in 1999, an increase of $268.6 million or 9.5% from $2,839.2 million in 1998. Consolidated operating income before depreciation and amortization ("operating profit") was $893.8 million, an increase of $38.7 million or 4.5% from $855.1 million in 1998.

Consolidated operating income before depreciation and amortization as a percentage of revenue ("operating margin") decreased to 28.8% in 1999 from 30.1% in 1998. The operating margin decline was due primarily to lower operating margins at Cable, and the impact of the sale of the telecom business. Both Wireless and Media reported operating margins similar to those reported in the prior year.

Non-operating income and expense

On August 16, 1999, the Company sold 12,313,435 Class A Multiple Voting shares of Wireless to AT&T Corp. ("AT&T") and British Telecommunications plc ("BT"). Contemporaneously, Wireless issued preferred shares convertible into 15,334,453 Class A Multiple Voting shares and 12,443,324 Class B Restricted Voting shares of Wireless to AT&T and BT. These transactions, which reduced the Company's ownership in Wireless from 79.92% to 51.58%, yielded a combined gain on sale and dilution gain of $1,042.3 million before income taxes.

During the year, the Company sold portions of certain investments, including Series A Common Shares of At Home Corporation ("At Home"), common shares of Bid.com International Inc. ("Bid.com") and common shares of Liberate Technologies, Inc. ("Liberate"). These sales resulted in pre-tax capital gains to the Company of approximately $159.7 million in 1999.

In the third quarter, Rogers repurchased over U.S. $860 million (approximately Cdn. $1,280 million) of U.S. dollar denominated notes and debentures. In association with the repurchase of these U.S. dollar denominated notes and debentures, a non-recurring charge of $210.6 million was recognized. (For details regarding the repurchase, see Notes 5 and 7 of the Notes to Consolidated Financial Statements.)

Investment and other income totalling $42.6 million in 1999 includes interest from General Cable T.V. Limited ("General"), a company controlled by the controlling shareholder of Rogers, as well as a termination payment made by Yahoo! Inc. to end Rogers' involvement in the Yahoo! Canada™ portal.

Fixed charges

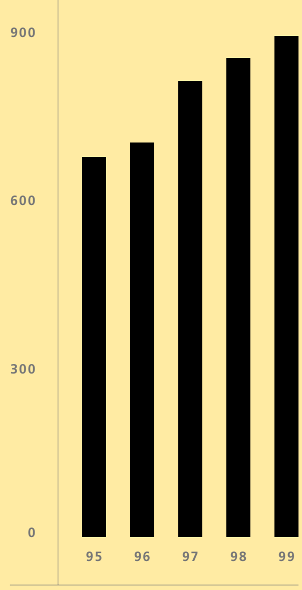
Depreciation and amortization in 1999 increased to $607.5 million in 1999, up 6.7% from $569.6 million in the prior year. This increase was primarily due to continued high capital expenditure levels and the resulting higher fixed asset levels.

Interest expense decreased significantly in 1999 to $440.8 million, a decline of 16.0% from $524.7 million in the prior year. This decline is primarily due to lower average debt balances as a result of the debt repurchases and repayments made during the year. The weighted average rate of interest on the Company's long-term debt (total interest expense as a percent of weighted average debt outstanding) declined slightly from 9.43% in 1998 to 9.34% in 1999.

Net income and loss

Rogers recorded net income of $840.5 million in 1999, or $4.29 per share (after preferred dividends), compared to net income of $634.8 million, or $3.39 per share (after preferred dividends) in 1998. Excluding non-recurring items in both years, Rogers recorded a loss of $115.5 million, or $0.75 per share (after preferred dividends and dividends on convertible preferred securities) in 1999 compared to a loss of $196.1 million or $1.27 per share (after preferred dividends) in 1998. In 1999, the weighted average Class A and Class B common shares outstanding increased to 189.8 million, from 178.6 million in 1998. The number of Shares and Earnings per Share ("EPS") calculations stated above reflect Basic Earnings per Share. Adjusted basic and fully diluted shares and EPS calculations can be found in Consolidated Statements of Income of the Consolidated Financial Statements on page 38 of this report.

Total
Operating Profit*
($ in millions)



* Operating income before depreciation and amortization.

Staffing

As at December 31, 1999, Rogers had 11,612 employees across all of its operating groups, representing an increase of approximately 1,602 persons from the levels reported at December 31, 1998. Employment levels increased in all areas of the Company's operations.

Wireless ended the year with 3,443 employees, an increase of 572 from December 31, 1998. Increased employment levels in sales, customer service and other "customer facing" positions account for substantially all of the increase in employment levels in 1999.

Cable ended the year with 4,831 employees, an increase of 671 from December 31, 1998. Approximately half of the increase in employment levels was in Cable's conventional Cable Television division (primarily in customer and technical service areas), and the remainder in the Company's high-speed Internet and Video Store divisions.

Media ended the year with 2,773 employees, an increase of 225 from December 31, 1998. Media added staff in all areas of its businesses, but particularly in the Broadcasting division as the Company purchased ten radio stations during 1999.

The corporate office and the Company's Shared Services Groups, Rogers Shared Services ("RSS"), increased employment levels by approximately 134 persons in 1999, ending the year with 565 employees between the two divisions.

Total remuneration paid to employees (both full and part-time), before capitalization, in 1999 was $524 million, an increase of $54 million, or 11.5% from $470 million in the prior year.

B. Segmented operations review

B.1 Wireless

1999 Overview — Wireless

For purposes of this discussion, financial figures have been segmented into "Cellular Services" and "Other". The results of Cellular Services include both Digital Personal Communications Services ("Digital PCS") and analog services. Cellular Services revenue includes monthly basic service fees, airtime usage, long-distance charges, optional service charges, system access fees and roaming charges. "Other" operating profit includes Messaging Services, Wireless Data Services and Equipment Sales. Equipment Sales includes the sale of hardware and accessories, both to the Company's independent dealers and its agents.

Wireless

(In millions of dollars) Years ended December 31, 1999 and 1998	1999	1998	% change
Revenue			
Cellular Services	$ 1,121.7	$ 1,045.4	7.3%
Equipment Sales	178.2	150.6	18.3%
Messaging and Data Services	51.8	46.9	10.4%
Total	$ 1,351.7	$ 1,242.9	8.8%
Operating profit[1]			
Cellular Services	$ 410.0	$ 388.3	5.6%
Other	12.3	6.8	80.9%
Total	$ 422.3	$ 395.1	6.9%
Operating profit[1] as a % of revenue			
Cellular Services	36.5%	37.1%	
Other	5.3%	3.4%	
Total	31.2%	31.8%	
Capital expenditures	$ 401.0	$ 301.3	33.1%

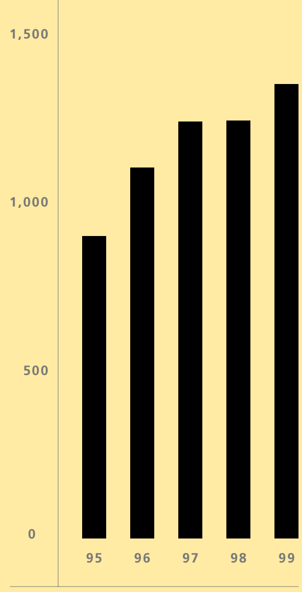
[1] Operating income before depreciation and amortization, and corporate management fees paid to Rogers.

Total revenue from Wireless reached $1,351.7 million in 1999, an increase of $108.8 million or 8.8% from $1,242.9 million in 1998. Operating profit was $422.3 million in 1999, an increase of $27.2 million or 6.9% from $395.1 million in 1998. Operating profit margin was 31.2% in 1999, down from 31.8% in 1998 largely due to the increase in variable acquisition cost arising from the substantial increase in subscriber additions.

Many of the sales and marketing initiatives that were initiated in 1998, and enhanced in 1999, helped produce strong operational results, including the addition of over 415,500 Digital PCS and cellular subscribers in the year, an increase of over 230,000 or 124.6% from 1998. These sales and marketing improvements included:

- Pricing simplification, resulting in a reduced number of price plans and elimination of differential pricing on digital and analog services. In addition, flat rate long-distance offerings were introduced.
- The launch of Digital One Rate pricing plans that eliminated separate long-distance charges and provided customers with a simple low-cost rate no matter where they were in North America, making the continent the local calling area under these plans. Canadian Digital One Rate plans were also introduced that made Canada the local calling area.
- The introduction of a simplified "phone in the box", distributed through a retail network, that reduced the requirement for retail sales staff assistance and allowed the customer to select a price plan over the phone.
- An increase in the overall number of distribution points. Prepaid distribution in particular increased dramatically with the addition of Canada Post, Petro Canada, 7-11, Sears, Home Hardware and others.

Wireless Revenue
($ in millions)



Revenue and usage

Cellular Services revenue in 1999 totalled $1,121.7 million, up $76.3 million or 7.3% from the prior year's total of $1,045.4 million. This increase reflects the growth in cellular subscribers, offset by a continued decline in monthly average revenue per user ("ARPU"). The subscriber growth resulted in an aggregate increase in monthly fees, local airtime, long-distance and optional services revenue of $62.4 million. The balance of the increase in Cellular Services revenue came from increases in roaming revenue and system access fees.

Although Cellular Service revenue increased during the year, the trend towards lower monthly ARPU continued. Monthly ARPU in 1999 was $49, down 9% from $54 in 1998. This trend in monthly ARPU is primarily attributable to the impact of prepaid subscribers that represented 13.5% of the year-end total cellular subscriber base, with a monthly ARPU in 1999 of $11, down 36.5% from $17 in 1998. Post-paid (core) monthly ARPU was $53, down only 3.7% on a year-over-year basis. Average monthly airtime usage per post-paid subscriber increased to 216 minutes in 1999 from 202 minutes in 1998.

In 2000, Wireless will continue to take steps to minimize the decline in monthly ARPU. Sales efforts will be aimed at increasing the number of higher revenue business subscribers through offers such as Digital One Rate that generate a higher than average monthly ARPU. Wireless will also offer additional services and options to its existing customers and look for ways to increase monthly ARPU of existing as well as new prepaid customers.

Customer satisfaction and retention

With a customer base that exceeds 2.6 million Digital PCS, cellular, messaging and wireless data subscribers, and a very competitive operating environment, management recognizes the need to balance the traditional industry focus on acquiring new customers with a greater emphasis on retaining existing customers by earning their satisfaction and loyalty. Management has focused on developing programs that address the broad spectrum of customer satisfaction requirements, from the beginning of the sales cycle to the needs of experienced users.

Beginning in 1998, Wireless launched a number of programs designed to address customer satisfaction and retention. These programs included simplified pricing, increased value in offers and strengthened sales efforts by rebuilding a corporate sales team to solidify the relationships with the corporate account segment.

In 1999, Wireless increased its efforts on all aspects of customer service. This focus resulted in significantly improved customer satisfaction, as measured by monthly satisfaction surveys. These surveys were completed throughout 1999 with a portion of management's compensation tied to improvement in these measures. Customer satisfaction survey results improved substantially in 1999 and are being further enhanced as a result of Wireless' relationship with AT&T and BT. Wireless now has access to worldwide best-practices on churn management and is using this information to improve customer satisfaction and reduce churn.

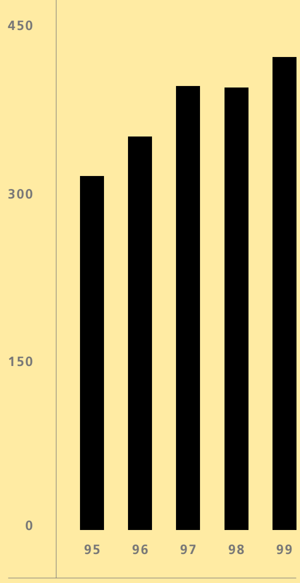
In addition to customer satisfaction and retention initiatives, Wireless embarked on an aggressive employee satisfaction program in 1999. Management believes that employee satisfaction translates directly into improved customer service and satisfaction. Employee satisfaction improved substantially in 1999 and management believes this contributed to the improved customer satisfaction.

The average monthly cellular disconnect or "churn" rate for 1999 of 1.86% compared favourably to carriers around the world and other competitors in the Canadian marketplace. In the early part of 1999, Wireless experienced higher than average churn in the corporate segment as a result of aggressive pricing by its competitors and the lack of strong account relationships. In the latter half of the year, churn in the consumer segment was higher than average as a result of a large number of three-year term customers completing their term and "shopping" new airtime offers and hardware availability in a very competitive environment.

During 1999, Wireless commenced a number of initiatives that will benefit customers in 2000. The most notable initiative was the purchase of a complete billing and customer care system that will be fully implemented in 2000. The benefits of this system include:

- Quicker response to customer enquiries and changes;
- Reduced errors on billing and accounts;
- Greater flexibility in billing and pricing options, including bundles of services; and
- Reduced customer care costs and more effective handling of customer enquiries.

Wireless
Operating Profit*
($ in millions)



* Operating income before provision for restructuring and asset writedowns, depreciation and amortization, and corporate management fees to Rogers.

Another key initiative in 1999 was the development, in co-operation with Cable, of an electronic business site that will allow customers to purchase services and products from both Wireless and Cable. Testing of this site will be completed in the first half of 2000. ShopRogers.com will provide another option for customers to purchase products and services from the Rogers Group of Companies.

In 2000, Wireless will continue to expand upon its 1999 customer satisfaction initiatives with the goals of reducing churn and increasing loyalty. In-store customer service will be added to high-profile locations in each major market. Customer surveys show that many of these initiatives have improved customer satisfaction, which should help reduce churn in 2000.

Sales and marketing

Strong sales momentum achieved in the later part of 1998 continued throughout 1999. Wireless added 415,500 new Digital PCS and cellular subscribers in 1999, net of disconnects, ending the year with 2,153,100 subscribers, a 23.9% increase from 1,737,600 at December 31, 1998. The 415,500 subscriber net additions represent an increase of 230,500, or 124.6%, from 185,000 subscriber net additions in 1998. At December 31, 1999, 884,000 subscribers were on Digital PCS, representing 41.1% of the total cellular subscriber base, and 291,700 were on the prepaid cellular service, "Pay As You Go". The balance of the subscriber base was on post-paid analog plans.

One of the key sales objectives in 1999 was to not only to achieve strong absolute sales levels, but also to maintain a reasonable mix of post-paid subscribers, given their higher monthly ARPU. This goal was largely achieved through focused advertising as well as properly trained and compensated dealers. In 1999, post-paid additions represented 78.6% of total cellular gross additions, (versus 77.9% in 1998) and 58.8% of total cellular net additions (versus 35.2% in 1998).

One of the primary areas of focus for 1999 was to improve existing distribution channels and develop new ones. This focus will continue in 2000 despite the considerable progress that was made in 1999. During 1999, the exclusive dealer distribution channel was stabilized with emphasis placed on both customer satisfaction and sales growth.

Wireless' corporate sales force greatly strengthened its presence in the corporate marketplace in 1999 and began to rebuild relationships in this segment. Corporate customer sales and retention efforts were also strengthened through the Company's relationship with AT&T. Beginning in the latter half of 1999, the Company's corporate sales force was combined with the AT&T Canada sales force. The goal was to improve overall sales, offering combined Wireless and AT&T Canada services and leveraging existing relations with corporate accounts in an efficient way.

The exclusive arrangement with RadioShack to operate Wireless' Mall Stores and their corporate stores produced consistent results throughout 1999. Both Wireless and RadioShack were extremely pleased with the growth and remain committed to the relationship.

In addition to selling Wireless' products and services, certain distribution partners commenced selling other Rogers products and services. In 2000, this initiative will be expanded across more points of distribution in order to offer customers a more comprehensive set of services, including cable and high-speed Internet access service.

Wireless, in conjunction with the other Rogers Companies, participated in the VIP Program. This program allows customers subscribing to a complete cable package to receive discounts of 10% on other Rogers' services, such as wireless or high-speed Internet access. Early results indicate that this type of bundled offer increases customer loyalty and greatly reduces churn. The success of this program to date has given the Company tremendous insight into the power of bundling products and services.

Messaging and Data Services

Messaging and data services revenue increased to $51.8 million in 1999, an increase of $4.9 million or 10.4%, from $46.9 million in 1998. Subscriber growth of 74.0% brought the total number of messaging and data subscribers to 452,000 at December 31, 1999, up from 259,800 at December 31, 1998. Approximately 132,000 of this increase in subscribers is attributable to the acquisition of Shaw Paging in November 1999. This strategic acquisition increased the size of the messaging business and is expected to increase future operating margins through improved economies of scale. The increase in revenue growth is attributed to strong subscriber growth slightly offset by declining messaging and data service prices. Monthly messaging and data ARPU declined to $12, down $2 or 14.3% in 1999, from $14 in 1998.

During 1999, Wireless focused on reducing operating costs in messaging and data services in order to maintain operating profit margins as monthly ARPU declined. Average monthly messaging and data cost per subscriber was $7 in 1999, a decline of $2 per month, or 22.2%, from $9 per month in 1998. Average monthly messaging and data churn decreased to 2.59% in 1999 from 3.23% in 1998.

Other revenue

In 1999, revenue from equipment sales was $178.3 million, up $27.6 million or 18.4% from $150.6 million in the prior year. Equipment is generally provided to Wireless' independent dealers and agents at cost. The increase is due primarily to a greater percentage of digital phones sold to both new and existing customers. Digital phones are generally more expensive than analog phones.

Operating costs

Cellular operating expenses (including cost of sales) totalled $711.7 million in 1999, an increase of $54.6 million or 8.3% from $657.1 million in the prior year. This increase is largely due to increases in variable sales and marketing costs, and customer service and network related costs, which were partially offset by savings in credit and collections costs.

Sales and marketing cost per gross cellular subscriber addition was $452 in 1999, 25.9% lower than the 1998 level of $610. A number of factors accounted for the decrease in sales and marketing expenses per gross subscriber addition, including:

- A reduction in fixed overhead or non-sales-producing activities in the sales and marketing departments;
- A reduction in sales commissions driven by declines in the cost of digital and analog phones; and
- The success of prepaid cellular, which carries essentially no variable acquisition costs.

Cellular operating expenses before sales and marketing costs were $345.1 million in 1999, an increase of $17.6 million or 5.4% from $327.5 million in 1998. This increase is attributed to a larger average customer base in 1999 over 1998, and additional technical service costs offset by lower bad debt expenses. Cellular operating expenses per average subscriber, excluding sales and marketing costs, decreased by $2 or 11.4% to $15 per month in 1999, compared to $17 in 1998.

In 2000, Wireless will continue to look for opportunities to reduce costs in such a manner as not to slow the considerable effort aimed at improving customer service and sales performance. The Company believes that, in such a competitive market, being a low-cost operator is essential.

Operating profit

Operating profit from Cellular Services ("cellular operating profit") was $410.0 million in 1999, an increase of $21.7 million or 5.6% from $388.3 million in the prior year. Cellular operating profit, as a percentage of revenue, was 36.5% compared to 37.1% 1998.

Operating profit from Other operations was $12.3 million in 1999, an increase of $5.5 million or 80.9% from $6.8 million in 1998.

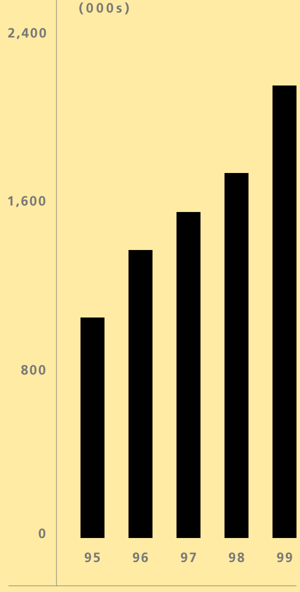
Capital expenditures — Wireless

Capital expenditures totalled $401.0 million in 1999, an increase of $99.7 million or 33.1% from $301.3 million in 1998. Of this total, 57% was for increased cellular network capacity, new coverage, increased signal strength in existing coverage areas, expansion and upgrading of the Mobitex mobile packet data network and new products/services. The remaining 43% was for general capital expenditures, the large majority of which related to the new customer care and billing system that was initiated in 1998 and the Year 2000 compliance project. Other capital spending related to facilities costs including additional call centre capabilities.

Approximately 50% of the $230 million spent on network capital in 1999 was for network capacity expansion including "up-banding" existing sites to 1.9 GHz. An additional 22% of the network capital spending was for in-fill sites and network optimization projects to improve voice quality in existing coverage areas. A total of 83 new cell sites were added in 1999 to expand into new coverage areas, provide increased capacity and improve voice quality in existing areas. With these additional sites, Wireless has continued to construct the cell site infrastructure to allow for rapid and low-cost increases in capacity, for the most part by only adding additional channels. Wireless has provisioned the necessary buffer capacity to accommodate greater than planned subscriber growth and/or higher network usage that may arise in this competitive marketplace.

By year-end 1999, Wireless provided coverage to 93% of the Canadian population, including digital coverage to 82% of the Canadian population. Management believes this extensive and industry-leading digital coverage will increasingly differentiate it from its competitors since the functionality of digital wireless expands to include a number of enhanced features. These features are only available in digital coverage areas.

Digital PCS and Cellular Subscribers (000s)



Wireless's capital spending level is currently budgeted to be approximately $450 million in 2000. Approximately 69% of 2000 capital spending will be directed to network development. Of the network spending, approximately 73% will be for increased digital network capacity (including the continued rollout of 1.9 GHz coverage in key urban areas across Canada) and construction of in-fill sites to further improve voice quality and improve portable-grade coverage.

The infrastructure investments currently being made by Wireless will facilitate the introduction of third generation ("3G") capabilities, which will provide high-speed packet data capability in accordance with the International Telecommunications Union standards. These capabilities will enable a broad variety of advanced wireless services, including video streaming, high-speed mobile Internet access and the extension of high-bandwidth corporate information systems into the mobile wireless environment. In 2000, Wireless expects to deploy Wireless Access Protocol, or "WAP"-based wireless data access capability, throughout its national digital footprint, providing access to a broad variety of information-based services including access to Internet access. These services will be available on both Digital PCS phones and Mobitex data devices.

The other 31% of 2000 capital expenditures are budgeted primarily in the area of information technology with $56 million dedicated to the implementation of the new billing and customer care system. The system will be fully implemented in 2000.

Operating risks and uncertainties — Wireless

New competitive entrants and aggressive pricing have reduced Canadian Digital PCS and cellular pricing to be among the lowest in the industrialized world. Wireless cannot predict whether further price reductions will continue in 2000. Wireless anticipates some re-pricing of its existing base as new lower pricing is offered to customers when their term contracts come to an end.

Wireless cannot anticipate what impact new wireless communication services and lower prices will have on overall market growth. Wireless will compete vigorously for all customer segments and in all markets based on the strengths of its digital and analog networks, strong brands and broad distribution.

In 1998, the Canadian Radio-television and Telecommunications Commission ("CRTC") initiated a proceeding to examine whether wireless carriers should be required to pay monthly charges for the provision of 9-1-1 service. When implemented, a monthly charge per cellular telephone number would be assessed by province. In light of the magnitude of the charges, wireless carriers may be required to pass on these charges directly to customers. The higher charges could amount to approximately $3 million per year for Wireless.

Currently, only long-distance service providers (including cellular service providers) are required to make contribution payments to subsidize the cost of providing local exchange service. However, the CRTC is reviewing the appropriateness of the current contribution regime, including the types of services that should be subject to the contribution levies. A change in scope of the contribution regime could have a significant impact on the amounts that Wireless is required to contribute to basic local service.

In November 1999, Industry Canada announced that it would license an additional 40 MHz of PCS frequency spectrum in the 1.9 GHz band by fall 2000 using an auction process. Wireless expects to fully participate in this process. Industry Canada has initiated a public process to consider the appropriate policies and procedures for this auction, including any restrictions on the eligibility of existing national and regional PCS licensees and new potential entrants to participate in the auction. This will be the first spectrum auction that Wireless has participated in, and an estimate of the cost of the new spectrum is not known at this time. Industry Canada has also indicated that additional PCS spectrum may be licensed in 2001 or when appropriate. It is expected that most future spectrum allocations will be made through the use of auctions.

Wireless may elect to become a Competitive Local Exchange Carrier ("CLEC") nationally or on an exchange by exchange basis. While entering this business could have a positive revenue impact, certain requirements would have to be met that may create additional costs. The financial impact includes the capital outlay required to provide equal access and local number portability, and the risk of long-distance revenue loss and increased subscriber churn.

Since 1996, with the addition of new U.S. entrants in the Canadian marketplace, Wireless' messaging division has experienced increased competition and price decreases. Wireless believes it is well positioned to benefit from the market expansion that increased competition will bring because of its extensive national network and broad distribution. However, there will continue to be downward pressure on prices and margins.

B.2 Cable

1999 Overview — Cable

For purposes of this discussion, the financial results of Cable have been divided into two categories: "Cable Television" and "Video Stores". "Cable Television" includes the results of U.S. and Canadian cable operations. Cable Television includes basic cable service, tier service, digital cable service, high-speed Internet service, converter rental, pay television, pay-per-view, installation and access fees. The discussion below also includes "Core Cable TV", which is a sub-set of Cable Television that excludes the results of the high-speed Internet access operations.

Cable

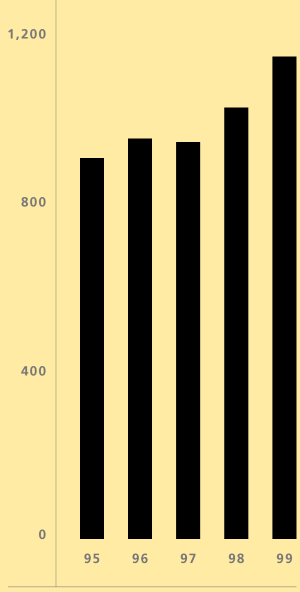
(In millions of dollars) Years ended December 31, 1999 and 1998	1999	1998	% change
Revenue			
Cable Television	$ 970.7	$ 874.6	11.0%
Video Stores	181.0	156.2	15.9%
Interdivisional eliminations[1]	(3.2)	(3.8)	–
Total	$ 1,148.5	$ 1,027.0	11.8%
Operating profit[2]			
Cable Television	$ 398.7	$ 382.7	4.2%
Video Stores	12.5	16.0	(21.9%)
Total	$ 411.2	$ 398.7	3.1%
Operating profit[2] as % of revenue			
Cable Television	41.1%	43.8%	
Video Stores	6.9%	10.3%	
Total	35.8%	38.8%	
Capital expenditures[3]	$ 413.5	$ 310.3	33.3%

1 Intercompany eliminations represent bill payment processing fees and other transactions included in Video Stores revenue and Cable Television operating expense in both years.

2 Operating income before depreciation and amortization, and corporate management fees paid to Rogers. Video Stores operating profit is net of videocassette depreciation.

3 Excluding videocassette purchases.

Cable
Revenue
($ in millions)



Revenue

Cable's revenue (including that of Video Stores) totalled $1,148.5 million in 1999, an increase of $121.5 million or 11.8% from $1,027.0 million in the prior year. Cable Television revenue (which excludes results from Video Stores in both periods and includes Home Security operations in the 1998 result for six months) was $970.7 million, an increase of $96.1 million or 11.0% from $874.6 million in 1998. This increase in Cable Television revenue is due primarily to the following:

- The highly successful Rogers@Home high-speed Internet service contributed approximately half of the increase in revenues. 1999 was the first year the financial results from the service have been included in the Cable Television results. During 1999, over 131,400 customers were added to the high-speed Internet service bringing the total customer base to approximately 185,700. The success of the Rogers@Home product with customers was complemented in 1999 by the growth of multiple sales channels, including a retail store presence, Internet site sales as well as traditional Cable sales and marketing channels.
- Tier revenue increased 19.2% over the prior year's levels, despite a decline of 31,300 tier customers during the year. This revenue increase is due to a $0.90 per month rate increase on all three tiers effective March 1, 1999, and the full-year effect of a rate increase effective March 31, 1998. Improved penetration of the highest revenue tier — tier three — also assisted in improving revenue. At December 31, 1999, over 58.7% of the Basic Cable customer base subscribed to tier three, compared to 50.3% at December 31, 1998. The effect of these changes increased the average monthly tier revenue per tier customer to $13 in 1999, up $2 from $11 in 1998.
- Basic Cable service revenue increased 2.5% over the prior year's levels, primarily due to the effect of a $1.00 per month rate increase on Basic Cable service effective March 1, 1999. Innovative and aggressive sales programs resulted in the loss of only 976 Basic Cable customers during the year despite increased competition. Cable ended the year with 2,236,200 Basic Cable customers.
- In November 1998, Cable introduced the VIP membership program. VIP was the first step into the concept of bundling services and products from within the Rogers Group of Companies and its business partners. In return for subscribing to tier three along with extra outlets, VIP members receive discounted pricing on Cable TV service, Rogers@Home high-speed Internet service, Rogers Video rentals, Rogers AT&T Wireless services, magazine subscriptions, RadioShack brand merchandise and more. At December 31, 1999, there were approximately 388,600 VIP customers, representing a penetration rate of Basic Cable customers of approximately 17.4%.

These revenue increases were partially offset by the following:

- Pay television revenues declined from 1998 as the pay television customer base declined over the first half of 1999. With the introduction of Digital Choice TV in late June 1999 that trend reversed. At December 31, 1999, Cable had 184,900 pay television subscribers, including bulk subscribers, a decline of 4,100 from December 31, 1998. At December 31, 1999, Cable had deployed over 53,600 digital set top boxes since its introduction.
- Service installation revenue per connection decreased resulting in lower total installation revenue than 1998. This is due in part to a proactive response to the competitive environment which fostered the successful Basic Cable, tier three and VIP growth rates.

The net effect of the above was an increase in monthly revenue per cable customer (excluding high-speed Internet service and Video operations) of $2, or 6.7% to $34, as compared to $32 in 1998.

Operating costs

During 1999, total Cable operating costs (including Video Stores) increased by $109.0 million or 17.3% over 1998. The increase was largely due to program supplier fees and operating cost increases in Cable Television, and the first time impact of reporting Rogers@Home operating costs, which had been capitalized as start-up costs in 1998 and exceeded revenues in 1999. Video Stores contributed to the increase in operating costs largely due to the addition of new stores as well as the increased costs associated with the revenue share programs used to increase product availability.

Cable Television's total operating costs increased $80.1 million or 16.3% over 1998. Core Cable TV cost of sales increased $42.2 million or 17.7% in 1999 due to increased penetration of the higher value tiers, program supplier fee rate increases, and the carriage and fees associated with the introduction of new services such as CTV Sportsnet, Report on Business TV and Aboriginal Peoples Television Network. Operating expenses related to the high-speed Internet service were no longer deferred as start-up costs, resulting in a significant increase over 1998. The Company also embarked on a successful marketing and customer acquisition campaign that escalated operating costs in 1999, but will return future revenue streams. Core Cable TV operations were able to gain operational cost savings through process improvement initiatives that were partially offset by an increased focus on customer facing activities which required additional resources in the call centres.

Operating profit

Total Cable operating profit (including Video Stores) increased to $411.2 million in 1999, up $12.5 million or 3.1% from $398.7 million in the prior year. Cable Television operating profit was $398.7 million in 1999, an increase of $16.0 million or 4.2% from $382.7 million in 1998. Cable Television operating profit margin was 41.1% in 1999, compared to 43.8% in 1998. The inclusion of Rogers@Home for the first time has lead to a drop in margins. The Core Cable TV operating profit margin, a key operating measure, was 43.8% in 1999, compared to 44.0% in 1998.

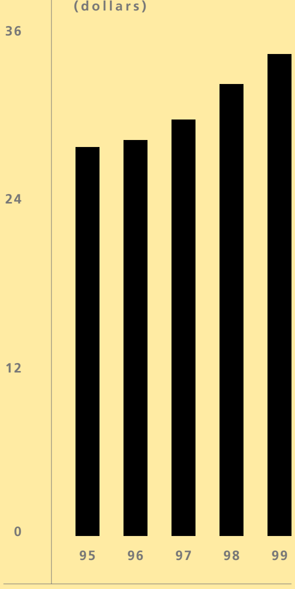
Video Stores

In 1999, Video Stores continued its strategy of aggressively opening new stores in an effort to strengthen its presence, primarily in Cable's licensed service areas. During the year, Video Stores opened 23 stores and closed 8 to end the year with a total of 227 stores, compared to 212 at December 31, 1998.

Video Stores' revenue in 1999 was $181.0 million, an increase of $24.8 million or 15.9%, from $156.2 million in the prior year. Total revenue from the same stores (those open for the full year in both years) increased by 8.2% in 1999. This increase was due solely to rental revenue as same store sell-through revenue was flat. Video Stores' operating profit was $12.5 million in 1999, a decline from $16.0 million in 1998. Video Stores' operating profit margin fell to 6.9% in 1999, from 10.3% in 1998.

Starting in late 1998 and continuing in 1999, Video Stores completed revenue sharing agreements with all of the six major film studios. In exchange for significantly reduced costs for each videocassette, revenue from the videocassette rental is shared with the studio for a limited period of time. By dramatically lowering, or eliminating, the initial investment in each videocassette, Video Stores is able to increase the number of copies available for rental, with little risk, in order to increase customer traffic. These agreements positively affected revenues in 1999 and negatively affected cost of sales as it changed the business model from a primarily fixed to a primarily variable cost approach. Beginning in the second quarter of 1999, revenue sharing payments to the movie studios became a significant component of cost of sales. In addition, Video Stores shortened the period over which the fixed costs of acquiring most newly released videocassettes is expensed to 6 months from up to 36 months. As volumes continue to increase, management expects operating profit margins to improve.

Monthly Cable Revenue per Subscriber (dollars)



Capital expenditures — Cable

Capital expenditures at Cable in 1999 totalled $413.5 million. This amount was higher than expected due to the success of new services, such as digital cable service and Rogers@Home service, which in both cases require the company to invest capital in subscriber equipment in order to deliver the service. Capital expenditures at Cable in 1999 were in the following categories: approximately 41% was for network projects such as rebuild, new area build and head-end equipment; approximately 32% was for general network projects including digital cable network and subscriber equipment, and general information technology projects; and approximately 24% was largely for Rogers@Home subscriber equipment and installation costs.

At December 31, 1999, approximately 92% of Cables' cable television homes passed were two-way capable. Beginning in 2000, Cable is embarking on an ambitious program to further enhance the network. These enhancements, planned to be substantially complete by 2003, will be based on a fibre-to-the-feeder architecture with no more than five amplifiers in cascade and an average node size of 700 homes. All new equipment used will be capable of at least 860 MHz of downstream capacity. The objective of this project is to provide a network capable of supporting a rich and diverse service bundle including Interactive Digital TV, Video on Demand, Commercial Internet service and a Telephony product for residential customers.

Total capital expenditures are budgeted to be approximately $600 million in 2000, excluding videocassette purchases. Approximately 58% of this amount is expected to relate to network capital projects, 13% for signal digitization and subscriber equipment, 14% for Rogers@Home (primarily subscriber equipment), and the remaining amount for IT and general projects.

Risks and uncertainties — Cable

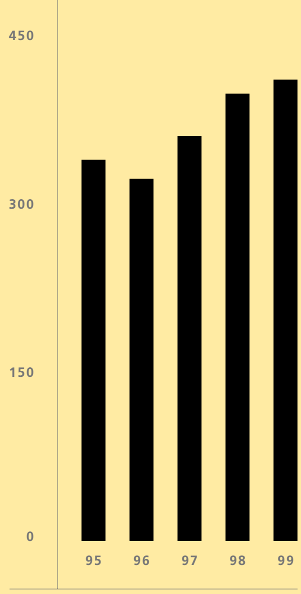
Recent regulatory and public policy trends favour the emergence of a more competitive environment for cable television service providers in Canada. Consequently, Cable faces competition, or potential competition, from a variety of alternative distribution services, including Direct Broadcast Satellite ("DBS"), Satellite Master Antennae Television Systems ("SMATV") and Multi-Channel, Multi-Point Distribution Systems ("MMDS"), Local Multi-Point Communications Systems ("LMCS"), as well as telephone companies ("the Telcos").

Through the use of digital technology, certain of these services may be able to offer a broader array of video programming, including expanded pay-per-view services, than that historically offered by Cable's analog service. Cable believes that by a combination of increasing analog channel capacity in its systems to allow customers to receive a compelling package of cable television programming services at reasonable cost, and the introduction of a range of digital programming services under the Digital Choice TV brand, it is able to offer competitive programming services. Cable's digital service was launched in 1999. Cable also believes that its current analog programming packages are highly competitive with those available from its competitors at this time.

DBS and other digital service offerings are able to deliver a signal of comparable quality to that of a cable system employing extensive use of fibre-optic technology. Cable believes it can compete effectively with either terrestrial or satellite-based service providers, provided the terms and conditions of competition are consistent for all participants, which appears to be the intent of Canadian government policy-makers and the CRTC.

The Broadcasting Distribution Regulations do not allow Cable and its competitors to obtain exclusive contracts in buildings where it is technically feasible to install two or more systems. In buildings where end-user choice is not possible Cable cannot sign exclusive contracts longer than five years in length, whereas its competitors can sign unlimited exclusive contracts.

Cable
Operating Profit*
($ in millions)



* Operating income before provision for restructuring and asset writedowns, depreciation and amortization, and corporate management fees to Rogers.

An increasing component of Cable's capital expenditures will be to support a series of new business opportunities. These businesses include Rogers@Home, Digital Choice TV, Video on Demand and other enhanced services that require advanced subscriber equipment. A substantial component of the capital required to support these businesses will be demand driven. As a result, forecasting capital expenditure levels for Cable will likely become less precise.

Cable has filed proposed cost-based rates for its high-speed Internet access service which are currently being reviewed by the CRTC. Until competing Internet service providers have access to high-speed access services pursuant to an approved tariff, cable operators such as Cable have been directed by the CRTC to provide access to their distribution systems to other Internet service providers for resale at a 25% discount off the lowest retail rate charged by the cable operator for these services.

Cable requires access to support structures (poles and conduits) and municipal rights of way in order to deploy its facilities. Cable enters into contracts with municipalities and support structure owners in order to secure access. Where access cannot be secured, Cable, as a broadcast distribution undertaking, may apply to the CRTC to obtain a right of access under the Telecommunications Act. Cable and other Ontario cable operators were not able to reach an agreement with most Ontario municipal hydroelectric companies for pole access following the termination of their previous agreement in December 1996 and filed an application with the CRTC to gain access to the support structures. In September 1999, the CRTC granted cable operators the right to access poles on the same terms and conditions as are set out in the individual expired agreements, and at a fixed rate of $15.89 per pole per year. The municipal hydroelectric companies have launched an appeal of the CRTC's decision in the Federal Court of Appeal. If successful, this court challenge could remove the ability of the CRTC to regulate access to hydroelectric poles, which could lead to higher rates for pole access.

The CRTC has also initiated a proceeding to consider the appropriate terms and conditions, including rates, of access to municipal property in the City of Vancouver. The CRTC's decision in this proceeding is expected to set the general rules governing access to municipal property throughout Canada. In April 1999, the CRTC issued a decision that permits a Toronto real estate developer to deny a cable operator and a telephone company access to the open trenches in its real estate development. That decision could have a significant impact on Cable's ability to install its facilities in new real estate developments.

B.3 Media

The following table and discussion compare 1999 results with 1998 results for Media. For discussion purposes, Media's financial figures have been segmented into "Publishing", "Broadcasting" and "New Media". Publishing includes the Company's consumer and business publications, as well as its database and trade show businesses. Broadcasting includes both Radio and Television broadcasting, and The Shopping Channel ("The Shopping Channel" or "tSc"), the Company's televised home-shopping service. New Media includes all of the Company's Internet-related businesses.

Media

(In millions of dollars) Years ended December 31, 1999 and 1998	1999	1998	% change
Revenue			
Publishing	$ 279.2	$ 272.6	2.4%
Broadcasting	325.3	263.1	23.6%
New Media	3.1	2.5	24.9%
Total	$ 607.6	$ 538.2	12.9%
Operating profit[1]			
Publishing	$ 28.7	$ 28.6	0.7%
Broadcasting	54.9	42.6	28.7%
New Media	(6.3)	(5.5)	—
Total	$ 77.3	$ 65.7	17.6%
Operating profit[1] **as a % of revenue**			
Publishing	10.3%	10.5%	
Broadcasting	16.9%	16.2%	
Total	12.7%	12.2%	
Capital expenditures	$ 18.2	$ 10.3	

[1] Operating income before depreciation and amortization and corporate management fees paid to Rogers.

1999 Overview — Media

Total revenue for Media was $607.6 million in 1999, an increase of $69.4 million or 12.9% from $538.2 million in 1998. Revenue growth was led by The Shopping Channel, which had another strong year with revenue increasing by 35.6%. Total operating profit was $77.3 million in 1999, an increase of $11.6 million or 17.6% from $65.7 million in 1998.

Publishing

Publishing revenue was $279.2 million in 1999, an increase of $6.6 million or 2.4% over 1998. 1999 was not a strong year for consumer magazine titles due to weaker advertising markets, but this weakness was offset by strong growth in other areas. Advertising revenues for Publishing increased by 1.4% in 1999. Growth in most publishing divisions was offset by declines in advertising volumes at *Maclean's*™ and the *Today's Parent*™ magazine group.

Circulation revenues increased by 3% in 1999, largely reflecting price increases as circulation levels were stable. Publishing was successful in obtaining alternative sources of circulation to offset declining stamp-sheet sales, which were affected by a dramatic reduction in demand across all titles in North America.

Other sources of revenue continue to show the strongest growth, and in particular The Medical Education Network™, a medical database business, increased revenue by 17.9% in 1999. The strong prospects for growth in this area led to the acquisition of the rights to conduct this business outside North America in January 2000. Publishing also acquired two of the franchises licensed to conduct this business in the United Kingdom and internationally early in 2000.

During 1999, Publishing completed a number of acquisitions, including trade show businesses serving the executive travel and meetings and incentives markets, a directory serving the film production industry, and the remaining 40% not previously owned of Canadian Business Media Limited, which publishes magazines and directories and organizes events for the Canadian business community.

During 1999, Publishing launched *MoneySense*™, a consumer magazine designed to assist Canadians with all aspects of their personal financial lives. Management has targeted this magazine to have 100,000 paid subscribers by the end of 2000. This represents the most ambitious launch in the Canadian magazine market in the last decade.

Operating profit for Publishing totalled $28.7 million in 1999, an increase of $0.1 million from $28.6 million in 1998.

Broadcasting

Broadcasting revenue was $325.3 million in 1999, an increase of $62.2 million or 23.6% from $263.1 million in 1998. Approximately 68% of the growth in revenue was from The Shopping Channel, and 16% from radio station acquisitions completed during 1999.

Radio grew significantly in 1999 through the acquisition of new radio licences. Radio revenues grew by $12.7 million in 1999, with $2.6 million or 3% of the growth coming from existing stations. Broadcasting took advantage of the new multiple licence ownership rules, which allow broadcasters to own more than one AM and one FM licence in major markets, by acquiring ten new radio stations. In Ontario, Radio added Toronto-based CISS FM™, Ottawa-based CHEZ FM™, as well as an AM and FM license in neighbouring Smiths Falls. In Alberta, Radio added Calgary-based CKIS FM™ and CFFR AM™, while in British Columbia, Radio purchased the Lower Mainland station CKSR FM™, which broadcasts into the Vancouver market, as well as three AM stations.

CISS FM was re-launched as a Contemporary Hits radio station in February 1999. It debuted with a 8.1 share in the summer (the highest rating ever of a new station) and garnered a 7.6 share of the Toronto market in the Fall BBM ratings period, ranking it as the number four station in Toronto. During the last half of 1999, Radio re-launched three of the newly-acquired FM formats. Early research undertaken by Radio shows that these new formats are performing well.

Growth from the existing portfolio of radio stations was steady during 1999, although there were major regional variations. CHFI FM™ and 680News™ in Toronto had another strong year, with 680News now generating significant profits. Conversely, stations in Vancouver had a difficult year in a highly competitive and stagnant local advertising market.

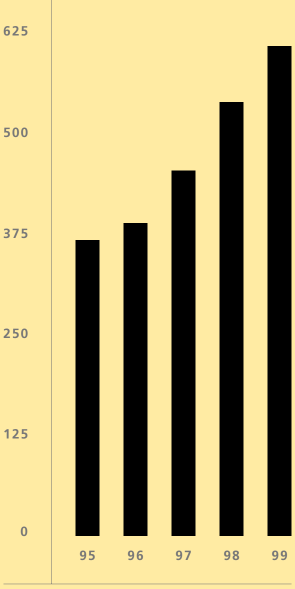
CFMT-TV™, the Company's multilingual television station in Toronto, had another record year with revenue increasing by $3.6 million or 8.5% compared to 1998 – in spite of a flat Toronto TV advertising market. This growth was due to strong ratings based on the station's enhanced programming strategy coupled with a very strong sales effort. CFMT-TV's ability to acquire audience-attractive programming for the Ontario market continued in co-operation with independent television stations in Vancouver and Alberta. CFMT-TV also continued to expand its offerings of multilingual programming in 1999.

During 1999, CFMT-TV applied for a multilingual television station licence covering Vancouver and the Lower Mainland of British Columbia modelled after the Toronto station. The hearing took place in February 2000 and the Company is currently awaiting a decision by the CRTC.

tSc's revenue increased 35.6% over 1998 levels. This marked the fourth year of exceptional growth for this business. Both the number of items shipped and the average item sales price increased compared to last year. The revenue growth came from a number of factors including the launch of a highly successful e-commerce site (tSc.ca), higher sales to repeat customers, increased product variety and return appearances of popular products and celebrities. The launch of the Web site in the late summer of 1999 quickly established tSc as one of Canada's largest electronic retailers with sales of $2.7 million. Progress was also made during the year in expanding off-air sales through a new store in Toronto and the launch of a quarterly catalogue.

Operating profit for Broadcasting totalled $54.9 million in 1999, an increase of $12.3 million or 28.7% from $42.6 million in 1998.

Media Revenue
($ in millions)



New Media

New Media has continued its strategy of investing in the area of interactive media and the Internet. This strategy is based, in part, upon identifying leading global Internet brands, such as Excite@Home, and licensing the brand and access to technology for the Canadian market. New Media's Internet properties include Excite.ca™ (a Canadian Internet portal launched March 2000), Bid.com™ (an on-line auction service), Electric Library Canada™ (an on-line research service targeted to libraries, schools, universities, corporations and government offices), Quicken.ca™ (an on-line personal finance service) and Advisor.ca™ (a service jointly developed by New Media and Publishing) which provides a complementary business-to-business portal targeting professional Canadian financial advisors.

In addition to the Internet properties noted above, New Media intends to continue to nurture new initiatives, from initial planning to commercialization. This includes the development of Internet properties related to the Company's existing Media businesses, such as Women.ca and Internet Radio, as well as the development of new, unrelated Internet properties. The development of these new properties will continue to be fostered both by building properties and through partnerships.

New Media remains in the early stages of its start-up, although it has experienced significant growth since it was created in 1998. New Media revenues totalled $3.1 million in 1999, representing an increase of $0.6 million, or 24.9%, over 1998. Revenues for New Media are derived principally from subscription and advertising revenues. Operating losses totalled $6.3 million in 1999, representing an increase of $0.8 million over 1998.

Capital expenditures — Media

Total Media capital expenditures in 1999 were $18.2 million compared to $10.3 million in 1998. The increase over 1998 was mainly due to the acquisition of the premises occupied by CFMT-TV in Toronto.

Capital expenditures in 2000 are expected to increase significantly from 1999 levels. Major projects include moving the Radio operations in Toronto to the Rogers campus, relocation of the newly acquired radio stations in Ottawa, Calgary and Vancouver so as to maximize synergies, and the acquisition of additional land to enable tSc to expand its warehouse and other infrastructure in Mississauga.

Risks and uncertainties — Media

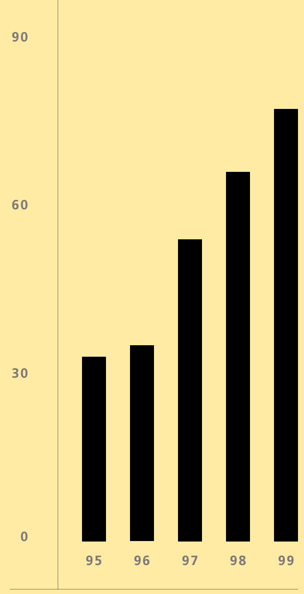
The CRTC's decision on multiple licence ownership for the Canadian radio industry has allowed Media to own up to two AM and two FM licences in a market where there are eight or more licences. The rules have provided Media with the opportunity to grow in major markets and to realize the benefits of synergies and other economies of scale. In February 2000 the CRTC considered at a competitive licencing hearing Rogers' application for a new licence to carry on a multilingual ethnic television programming undertaking in Vancouver. A decision on that application is expected to be released later this year.

The CRTC also issued its policy framework for licensing new digital pay and specialty television services in January 2000. In February 2000, the CRTC issued a call for applications to operate these new digital services. Rogers, both on its own and in association with other parties, has filed several applications with the CRTC. A hearing on these applications will be held in August 2000.

Advertising revenues, which are largely a function of consumer confidence and general economic conditions, remain unpredictable, although the diversity of the group both geographically and in terms of the breadth of media help to provide some stability to the advertising revenue base. It is also well established that advertising dollars migrate to media properties that are leaders in their respective markets when advertising budgets are decreased. Most of Media's radio and magazine properties are leaders in their respective markets. There is no current sign of weakness in the economy that would cause a decline in advertising revenues, and forward bookings for 2000 are comparable to this time last year.

Paper prices are a major cost for Publishing and are unpredictable. Management monitors the trends and forecasts for this commodity carefully and has taken aggressive steps to minimize paper consumption.

Media Operating Profit*
($ in millions)



* Operating income before depreciation and amortization, and corporate management fees to Rogers.

The Canadian magazine industry has for many years benefited from government legislation which was designed to promote Canadian content in magazines, and to prevent the entry into Canada of so-called "split run" magazines, which replace foreign advertisements with advertisements directed at Canadians, but carry little or no Canadian content. In 1997, the World Trade Organization upheld a complaint filed by the United States that certain measures adopted by Canada contravened The General Agreement on Tariffs and Trade ("GATT"). During 1998, the Canadian government repealed the legislation that was in contravention of GATT and worked intensively with the co-operation of the Canadian magazine industry to devise alternative legislation that would both achieve the policy objective and be in compliance with international trade rules.

In May 1999, it was announced that an agreement had been concluded between the Government of Canada and the Government of the United States with regard to the access of foreign periodicals to the Canadian advertising services market. In Canada, the Foreign Publishers Advertising Services Act was enacted in 1999. It allows foreign publishers two limited forms of access to the Canadian advertising market: i) a *de minimis* exemption which will allow foreign publishers to publish up to 12% of ads aimed at the Canadian market immediately, up to 15% in 18 months and 18% 36 months after the date of enactment; and ii) an exemption which will enable foreign publishers to have access to a greater percentage of the Canadian advertising services market, providing they create majority Canadian content and establish a new periodicals business in Canada. Acquisitions of Canadian publishers are not permitted. As Canada's largest and most diversified magazine publisher, the Company has played an active role in assisting the Canadian government to introduce alternative measures. The Company remains confident that its position of strength in the markets it serves will enable it to continue to prosper and to deliver exciting magazines as vehicles for Canadian self-expression.

C. Financial instruments

Rogers structures its borrowings generally on a stand-alone basis. Therefore, borrowings by each of its three business groups and by the parent company are generally secured only by the assets of the respective entities within each group, and such instruments generally do not provide for cross-collateralization or cross-defaults between groups, or guarantees. In 1997, Rogers provided a limited recourse guarantee of Cable's bank credit facilities. Recourse under the guarantee is limited to the pledge of shares of Wireless or other marketable securities having a value of at least $200 million.

Assistance for servicing the parent company's financial obligations generally comes from three sources on, an ongoing basis, including: management fees paid by the operating subsidiaries to the parent company; interest income on, and repayment of, intercompany advances; and other distributions from the operating companies allowable under the terms of their various financial instruments. For details regarding the $3.59 billion of consolidated long-term debt outstanding at December 31, 1999, see Note 7 of the Notes to Consolidated Financial Statements.

Interest rate and foreign exchange management

Rogers manages its exposure to floating interest rates and U.S. dollar foreign exchange fluctuations through the use of interest rate and cross-currency exchange agreements or "swaps". In order to minimize the risk of counterparty default under its swap agreements, Rogers assesses the creditworthiness of its swap counterparties. Currently, 100% of its total swap portfolio is held by financial institutions with a Standard & Poor's rating (or the equivalent) ranging from A+ to AA-.

Rogers targets to maintain fixed interest rates on at least 80% of its outstanding long-term debt. This goal has been maintained for several years through a combined use of interest rate swaps and fixed-rate debt instruments. However, at December 31, 1999, 75.1% of consolidated long-term debt was fixed with respect to interest rates, a decrease from 83.9% at December 31, 1998, due largely to the repurchase of U.S. $860.6 million of fixed-rate debt during 1999. The weighted average interest rate for total long-term debt was 9.3% per annum at December 31, 1999 (i.e. — 9.7% per annum on the fixed-rate portion and 8.3% per annum on the floating rate portion) for a weighted average term of approximately 8.8 years. Currently, management is comfortable with this position.

The incurrence of U.S. dollar denominated debt has caused substantial foreign exchange exposure as Rogers' revenue and assets are almost exclusively denominated in Canadian dollars. In recognition of this, several years ago Rogers established a target of hedging approximately 50% of its foreign exchange exposure (excluding U.S. dollar denominated convertible debt) through the use of cross-currency swaps and, from time to time since 1997, periodic use of short-term foreign exchange options. As at December 31, 1999, Rogers' U.S. dollar denominated long-term debt amounted to U.S. $2.10 billion. At December 31, 1999, excluding U.S. dollar denominated convertible debt due 2005 (U.S. $183.2 million), approximately 67.1% or U.S. $1.3 billion of Rogers' U.S. dollar denominated long-term debt was hedged with respect to foreign exchange, an increase from 47.2% at December 31, 1998. The increase in the degree to which Rogers has hedged its U.S. dollar denominated debt with respect to foreign exchange was the result of maintaining substantially all of the Company's cross-currency swaps despite repurchasing approximately U.S. $860.6 million of its U.S. dollar denominated debt during 1999.

Currently, management is comfortable with its hedged position since there are no material scheduled U.S. dollar denominated unhedged principal repayments due until 2005. Management continually re-evaluates its hedging strategies.

The effect of the existing cross-currency swap agreements is to convert the obligation to service U.S. dollar denominated debt in the amount of U.S. $1.3 billion into Canadian dollar denominated debt at an average exchange rate of 1.3114 Canadian dollars to U.S. $1.00. Excluding the U.S. dollar convertible debt due 2005, Rogers calculates that on the unhedged portion of its U.S. dollar denominated debt, each 1 cent change in the Canadian dollar versus the U.S. dollar results in a change in principal amount of debt and annual interest expense of $6.3 million and $0.6 million, respectively. This yields an approximate 0.7 cent change in consolidated earnings per share. The U.S. dollar convertible debt due 2005, described in more detail in Note 7 of the Notes to Consolidated Financial Statements, has been excluded from the above totals because it is convertible into Class B Non-Voting Shares until its maturity in 2005.

The following table presents a summary of the effect of changes in the foreign exchange rate on the unhedged portion of Rogers' U.S. dollar denominated debt and the resulting change in its debt principal, interest expense and earnings per share. Again, calculations exclude U.S. dollar convertible debt due 2005.

Change in Cdn. $ versus U.S. $[1]	Change in debt principal amounts ($ millions)	Change in interest expense ($ millions)	Earnings per share[2]
1 cent	$ 6.3	$ 0.6	0.7 cents
3 cents	19.0	1.7	2.0 cents
5 cents	31.6	2.8	3.3 cents
10 cents	63.2	5.7	6.7 cents

[1] Canadian equivalent of unhedged U.S. debt if U.S. dollar costs an additional Canadian cent.

[2] Assumes no income tax effect. Includes interest impact and the amortization of the change in principal amounts that would be amortized over the remaining life of the unhedged debt estimated at approximately 9.0 years.

Rogers' U.S. $2.10 billion of U.S. dollar denominated long-term debt, or U.S. $1.92 billion excluding the U.S. dollar convertible debt due 2005, is spread among its different operating entities and the parent company. The following table provides a breakdown by company of the U.S. dollar exposure, excluding U.S. dollar denominated convertible debt of U.S. $183.2 million due 2005, and the percentage of this exposure by business unit that has been hedged as at December 31, 1999.

Business unit	U.S. dollar debt ($ millions)	% hedged
Wireless	$ 899.2	55.1%
Cable	762.6	97.6%
Rogers Corporate[1]	260.0	19.2%
Total	$ 1,921.8	67.1%

[1] Excluding U.S. dollar denominated debt of U.S. $183.2 million due 2005 at December 31, 1999.

D. Financial position

Liquidity and cash flow

This discussion is based upon the Consolidated Statements of Income on page 38 and the Consolidated Statements of Cash Flows on page 39 of the Consolidated Financial Statements.

For many years, Rogers has invested in expanding its existing communications businesses as well as new communications initiatives, all of which are highly capital intensive. Mainly as a result of these large capital expenditures and the significant amount of debt used to help finance them, interest expense has remained high and resulted in cash shortfalls from operations as well as losses from continuing operations for many years.

The Company's cash flow from operations before working capital (defined as net income, offset by adding back all non-cash items such as depreciation and amortization and eliminating all special provisions) increased to $495.2 million in 1999. With a decrease of $129.0 million of working capital during the year, funds provided from operations totalled $366.2 million. In addition, the Company raised the following funds during the year: $1,982.2 million from the issuance of $600.0 million convertible preferred securities and warrants to a subsidiary of Microsoft Corporation and the sale and issuance of subsidiary shares to AT&T and BT for $1,382.2 million; $237.0 million from funds received from the issuance of long-term bank debt; $161.1 million proceeds raised from the sale of assets and investments; as well as $12.4 million of proceeds from the issuance of 1,034,163 Class B Non-Voting shares pursuant to payments under employee share purchase plans and the exercise of employee options. In aggregate, the funds raised in 1999 totalled approximately $2,758.9 million.

These funds were used to: repay $1,710.9 million of long-term debt; purchase $832.4 million of fixed assets; make cash acquisitions and investments of $174.2 million; and make preferred dividend payments of $26.0 million. In total, $2,743.5 million in funds were used, resulting in an increase of $15.3 million in cash and short-term investments less bank advances.

The $1,710.9 million repayment of long-term debt was primarily comprised of: the repurchase of U.S. $860.6 million (approximately Cdn. $1,282 million) of U.S. dollar denominated notes and debentures; the repayment of $237.0 million of bank debt issued during the year as well as the $85.0 million bank debt outstanding at the prior year-end; and a $106.4 million prepayment premium related to the repurchase of U.S. dollar denominated notes and debentures.

The $174.2 million of cash acquisitions and investments was comprised of: the acquisition of several radio stations (as more fully described in Note 2(a) of the Notes to Consolidated Financial Statements) for $81.6 million; the acquisition of the assets of a paging business for $19.8 million; a $15.0 million contribution to a 50:50 joint venture with Excite, Inc.; an $11.7 million investment in Liberate Technologies (see Note 4(c) of the Notes to Consolidated Financial Statements); together with assorted smaller investments in magazines and periodicals, new technology companies and a specialty channel.

The $161.1 million in proceeds from sales of assets consisted of: the sale of 765,223 Series A common shares of At Home for $140.6 million; the sale of 1,016,400 common shares of Bid.com for $18.8 million; and the sale of 10,000 common shares of Liberate Technologies for $1.7 million.

Financing

In April 1999, Rogers exercised its option to redeem the $199,993,000 convertible subordinated debentures due September 1, 1999. As a result of the notice of redemption, holders of approximately 99.6% or $199,272,000 of the principal amount exercised their option to convert the debentures into 9,619,965 Rogers Class B Non-Voting shares with the remaining $721,000 redeemed for cash.

In July 1999, Rogers issued convertible preferred securities with a face value of $600 million to a subsidiary of Microsoft Corporation ("Microsoft"). These convertible preferred securities bear interest at 5.5% per annum, payable quarterly in cash, Rogers Class B Non-Voting shares or additional convertible preferred securities, at the Company's option, and are convertible in whole or in part at any time at Microsoft's option into 28.5714 Rogers Class B Non-Voting shares per $1,000 aggregate principal amount, representing a conversion price of $35.00 per Rogers Class B Non-Voting share. As part of this transaction, Rogers issued to Microsoft 5,333,333 warrants each exercisable on or before August 11, 2002, into one Rogers Class B Non-Voting share at an exercise price of $35.00 per share. For additional details regarding these convertible preferred securities, see Note 8(b) of the Notes to Consolidated Financial Statements.

In August 1999, Rogers sold 12,313,435 Class A Multiple Voting Shares of Wireless to AT&T and BT and, contemporaneously, Wireless issued to AT&T and BT preferred shares convertible into 12,443,324 Class B Restricted Voting shares and 15,334,453 Class A Multiple Voting shares of Wireless. These transactions, which reduced Rogers' ownership in Wireless from 79.92% to 51.58%, yielded net proceeds of $1.382 billion.

The Company used a majority of the proceeds from the Microsoft and AT&T/BT transactions to repurchase U.S. $860.6 million of U.S. dollar denominated long-term debt and to repay $322 million of bank debt. As a result of the repurchase of the U.S. dollar denominated long-term debt, the Company paid a prepayment premium of $106.4 million, incurred a loss from re-designating certain cross-currency interest rate exchange agreements of $4.3 million, and wrote off deferred financing costs of $17.1 million and deferred foreign exchange of $82.7 million, resulting in a net loss on repayment of $210.6 million.

In August 1999, Rogers issued a notice of redemption for its $270 million Series XX Convertible Preferred shares. Upon receipt of the notice of redemption, the holder of the Series XX Convertible Preferred shares (a company controlled by Mr. E.S. Rogers, the controlling shareholder of Rogers) elected to convert the Series XX Convertible Preferred shares into 10,909,090 Class B Non-Voting shares of Rogers.

Of Rogers' total long-term debt of $3.59 billion, total bank debt outstanding at December 31, 1999, was $3.4 million, down from $88.7 million at December 31, 1998. At December 31, 1999, Rogers' bank facilities provided for aggregate credit limits of $1,644.3 million, $1,636.9 million of which was unutilized. Generally, access to these credit facilities is subject to compliance with certain debt to cash flow covenants, and at December 31, 1999, Rogers could have borrowed additional long-term debt in the amount of $1,566.9 million ($784.5 million at Wireless, $604.5 million at Cable and $177.9 million under other credit facilities).

Of all the Rogers debt instruments, the provisions of the bank loan agreements generally impose the most restrictive limitations on the operations and activities of the companies governed by these agreements. The most significant of these restrictions are debt incurrence and maintenance tests, restrictions upon additional investments, sales of assets and distributions to shareholders. Rogers and its subsidiaries are currently in compliance with all of the covenants under their respective debt instruments. See Note 7 of the Notes to Consolidated Financial Statements for additional details.

As mentioned above, there are restrictions on the amount of funds that can be distributed out of the operating companies to the parent company. On December 31, 1999, a total of $724.7 million could have been distributed to the parent company from the operating companies in the form of repayments of intercompany notes.

Rogers' required repayments on all long-term debt in the next five years total $129.6 million, of which $116.4 million is for the repayment of Cable's 9⅝% Senior Notes due 2002. There are no substantive principal repayments due in 2000, 2001, 2003 or 2004. See Note 7 of the Notes to Consolidated Financial Statements for further details on debt repayments.

During 2000, Rogers anticipates operating profit to increase, interest expense to decrease and capital expenditures to increase. Rogers expects that this will result in an increased net cash shortfall from operations in 2000 compared to 1999. In addition, Rogers expects that there will be a net cash shortfall from operations in years subsequent to 2000.

Rogers expects that cash from Wireless' operations, together with additional borrowings available to Wireless under its bank credit facility, will provide Wireless with sufficient financial resources through 2002.

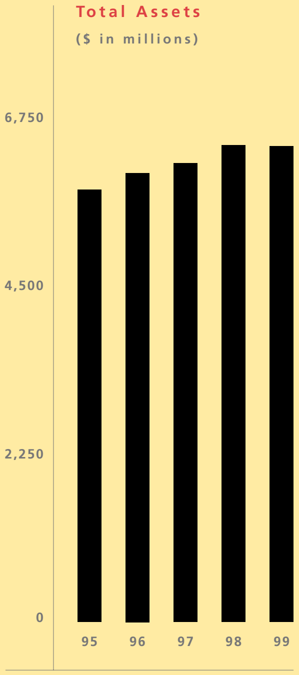
Rogers expects that cash from operations, together with additional borrowings available to Cable under existing credit facilities, will be sufficient to meet Cable's capital and other expenditure requirements through 2000. Rogers expects that subsequent to 2000, Cable will require additional financing to provide sufficient financial resources. Rogers expects such additional financing to be raised by Cable from one or more of the following: the sale of non-core assets and investments by Rogers or one or more of its subsidiaries (including Cable) and the contribution of those proceeds to Cable; public or private debt offerings; or modifications to, or the replacement of, Cable's bank facility.

Rogers expects to fund its financial obligations on an unconsolidated basis in 2000 from the receipt of management fees paid by the operating subsidiaries, interest income on and repayment of intercompany advances, distributions from the operating companies in the form of dividends and from the sale of non-core assets and investments.

Rogers expects that subsequent to 2000, it will have sufficient funds to satisfy its financial obligations on a corporate basis from the receipt of management fees and the servicing of intercompany advances by and via distributions from the operating companies. In addition, additional funds could be obtained from various sources including the issuance of equity, the sale of non-core assets or the issuance of additional debt. Each of these funding sources could be used by Rogers or one or more of its subsidiaries, and a portion of such proceeds transferred to Rogers.

Cautionary statement regarding forward-looking information

The preceding Management's Discussion and Analysis contains forward-looking statements that involve risk and uncertainties. The statements under, but not limited to, the following headings contain such information: "Sales and marketing — Wireless", which describes plans and objectives for Wireless' distribution channels; "Operating costs — Wireless", which describes cost reduction plans; "Capital expenditures — Wireless", "Capital expenditures — Cable" and "Capital expenditures — Media", which describe projected capital spending for 2000; and "Financing", which describes certain anticipated results and liquidity for 2000 and beyond. The Company cautions that the actual future performance will be affected by a number of factors, including, without limitations, technological change which may impact the Company's capital expenditures and results of operations, regulatory change which may affect the Company's competitive strategy, and competitive factors which may alter the timing and amount of the Company's capital expenditures, all of which could adversely affect the Company's revenue expectations and results of operations. Many of these factors are beyond the Company's control, therefore, future events may vary substantially from what the Company currently foresees. The Company wishes to caution readers not to place undue reliance on such forward-looking statements that speak only as of the date made.



Share price and trading volume — the Toronto Stock Exchange (RCI.A voting shares) Cdn. $

Years ended		First quarter	Second quarter	Third quarter	Fourth quarter	Total year
December 1997	High	$ 11.15	$ 11.50	$ 11.95	$ 10.50	$ 11.95
	Low	$ 9.10	$ 7.50	$ 9.10	$ 6.75	$ 6.75
	Close	$ 9.35	$ 10.00	$ 9.10	$ 7.85	$ 7.85
	Volume (000s)	258	157	89	209	713
December 1998	High	$ 9.30	$ 13.80	$ 14.40	$ 14.75	$ 14.75
	Low	$ 5.35	$ 8.25	$ 9.05	$ 8.15	$ 5.35
	Close	$ 8.80	$ 13.30	$ 9.40	$ 14.25	$ 14.25
	Volume (000s)	435	379	95	320	1,229
December 1999	**High**	**$ 30.00**	**$ 35.50**	**$ 33.25**	**$ 39.50**	**$ 39.50**
	Low	**$ 13.90**	**$ 24.50**	**$ 25.10**	**$ 23.95**	**$ 13.90**
	Close	**$ 28.30**	**$ 24.50**	**$ 25.75**	**$ 36.90**	**$ 36.90**
	Volume (000s)	**708**	**303**	**276**	**466**	**1,753**

Share price and trading volume — the Toronto Stock Exchange (RCI.B non-voting shares) Cdn. $

Years ended		First quarter	Second quarter	Third quarter	Fourth quarter	Total year
December 1997	High	$ 10.60	$ 10.10	$ 11.15	$ 10.00	$ 11.15
	Low	$ 8.15	$ 6.75	$ 8.00	$ 5.90	$ 5.90
	Close	$ 8.75	$ 8.65	$ 8.50	$ 6.90	$ 6.90
	Volume (000s)	14,033	32,113	21,661	39,563	107,370
December 1998	High	$ 8.50	$ 14.00	$ 13.65	$ 13.95	$ 14.00
	Low	$ 4.80	$ 7.80	$ 8.35	$ 8.15	$ 4.80
	Close	$ 8.05	$ 13.10	$ 8.35	$ 13.65	$ 13.65
	Volume (000s)	46,427	44,642	25,913	19,227	136,209
December 1999	**High**	**$ 29.25**	**$ 34.80**	**$ 31.75**	**$ 38.75**	**$ 38.75**
	Low	**$ 13.00**	**$ 23.00**	**$ 23.25**	**$ 22.30**	**$ 13.00**
	Close	**$ 27.40**	**$ 23.65**	**$ 24.85**	**$ 35.30**	**$ 35.30**
	Volume (000s)	**102,768**	**63,496**	**47,247**	**26,631**	**240,142**

Share price and trading volume — the New York Stock Exchange (RG non-voting shares) U.S. $

Years ended		First quarter	Second quarter	Third quarter	Fourth quarter	Total year
December 1998	High	$ 6.38	$ 9.50	$ 9.50	$ 8.94	$ 9.50
	Low	$ 3.81	$ 6.13	$ 5.50	$ 5.31	$ 3.81
	Close	$ 6.25	$ 9.50	$ 5.56	$ 8.88	$ 8.88
	Volume (000s)	3,163	7,031	6,150	2,795	19,139
December 1999	**High**	**$ 19.38**	**$ 23.75**	**$ 21.00**	**$ 25.69**	**$ 25.69**
	Low	**$ 8.56**	**$ 16.19**	**$ 16.25**	**$ 15.06**	**$ 8.56**
	Close	**$ 18.13**	**$ 16.19**	**$ 16.81**	**$ 24.75**	**$ 24.75**
	Volume (000s)	**16,790**	**16,412**	**20,956**	**11,969**	**66,127**

Key Wireless statistics

Years ended December 31	1999	1998	1997	1996	1995
Cellular Statistics[1]					
Subscribers	2,153,100	1,737,600	1,552,100	1,369,600	1,049,400
Subscribers to population served	7.98%	6.44%	5.55%	4.97%	4.00%
Average monthly revenue per subscriber	$ 49	$ 54	$ 59	$ 66	$ 73
Average monthly operating expense per subscriber[2]	$ 15	$ 17	$ 19	$ 21	$ 22
Switches	20	20	19	18	17
Cell sites	1,667	1,584	1,462	1,133	862
Messaging and Data Statistics					
Subscribers[3]	452,000	259,800	253,600	242,800	201,800

Key cable television statistics[4]

	1999	1998	1997	1996	1995
Homes in licenced area	2,822,900	2,789,800	2,778,200	2,744,300	2,987,800
Homes passed by cable	2,811,600	2,778,700	2,767,000	2,733,400	2,975,900
Basic Cable subscribers	2,236,200	2,237,200	2,243,700	2,229,600	2,432,300
Basic to homes passed	79.5%	80.5%	81.1%	81.6%	81.7%
Pay television households[5]	184,900	189,000	211,400	240,700	269,300
Pay to basic	8.2%	8.4%	9.4%	10.8%	11.1%
Cable Plus to basic	86.9%	88.2%	88.8%	88.1%	87.9%
Average monthly cable revenue per subscriber[6]	$ 34	$ 32	$ 30	$ 28	$ 28
High-speed Internet subscribers	185,700	54,200	11,900	—	—

Canadian cable subscribers

Breakdown at December 31, 1999	Homes passed	Basic subscribers	Basic subscribers to homes passed	% of subscribers
Ontario				
Greater Toronto Area	1,195,300	967,100	80.9%	43.2%
Ottawa	317,100	248,000	78.2%	11.1%
Southwestern Ontario	521,700	398,500	76.4%	17.8%
Total	2,034,100	1,613,600	79.3%	72.2%
British Columbia				
Vancouver	358,700	275,200	76.7%	12.3%
Greater Vancouver Area	418,800	347,400	83.0%	15.5%
Total	777,500	622,600	80.1%	27.8%
Grand total	2,811,600	2,236,200	79.5%	100.0%

1 Based on a 13 point average. Cellular statistics include core and prepaid.

2 Before sales and marketing expenses.

3 Includes Shaw Paging subscribers acquired November 8, 1999.

4 All cable subscriber statistics exclude the Alaska cable system which had 6,829 subscribers at December 31, 1999.

5 Includes 15,791 bulk subscribers at December 31, 1999.

6 Includes revenues from cable operations (Basic Cable service, tier services, pay television, pay-per-view, installation and converter revenue). These figures exclude Hotel Pay TV, Video Store and high-speed Internet service revenue.

(In thousands of dollars, except per share amounts) Years ended December 31	1999	1998	1997
Income and Cash Flow			
Revenue			
Wireless	$ 1,351,723	$ 1,242,925	$ 1,241,329
Cable	1,148,519	1,027,037	944,820
Media	607,604	538,164	452,930
Telecom	—	31,103	56,243
	3,107,846	2,839,229	2,695,322
Operating income before restructuring charges and asset writedowns and depreciation and amortization			
Wireless	422,328	395,142	395,661
Cable	411,205	398,689	361,046
Media	77,252	65,705	54,076
Telecom	—	12,659	24,527
Corporate	(16,957)	(17,096)	(21,198)
	893,828	855,099	814,112
Non-recurring items, net of income taxes and minority interest	955,971	830,878	(429,171)
Net Income (loss)	$ 840,488	$ 634,769	$ (539,455)
Cash flow from operations[1]	$ 495,200	$ 306,859	$ 356,075
Capital expenditures	$ 832,423	$ 658,479	$ 979,922
Average Class A and Class B shares outstanding (000s) — Basic	189,805	178,580	178,226
Per Share			
Net income (loss) — Basic	$ 4.29	$ 3.39	$ (3.17)
Cash flow from operations[1]	$ 2.61	$ 1.72	$ 2.00
Balance Sheet			
Assets			
Fixed assets	$ 3,539,160	$ 3,234,634	$ 3,298,994
Goodwill, subscribers and licences	1,469,591	1,532,874	1,563,874
Investments	554,241	674,615	449,768
Other assets	808,565	942,730	834,379
	$ 6,371,557	$ 6,384,853	$ 6,147,015
Liabilities and shareholders' equity (deficiency)			
Long-term debt	$ 3,594,966	$ 5,254,044	$ 5,583,353
Accounts payable and other liabilities	1,016,754	1,059,897	953,824
Deferred income taxes	132,251	112,437	127,261
Minority interest	149,278	—	—
Shareholders' equity (deficiency)	1,478,308	(41,525)	(517,423)
	$ 6,371,557	$ 6,384,853	$ 6,147,015

[1] Cash flow from operations before changes in working capital amounts.

1996	1995	1994	1993	1992	1991	1990
$ 1,102,854	$ 899,521	$ 750,420	$ 605,614	$ 516,519	$ 414,262	$ 346,427
953,278	905,662	827,451	581,157	509,405	459,860	423,569
387,828	367,133	286,518	137,315	137,538	131,384	136,386
38,993	23,727	15,360	12,392	8,507	5,957	—
2,482,953	2,196,043	1,879,749	1,336,478	1,171,969	1,011,463	906,382
351,145	315,642	289,921	198,648	129,452	99,605	54,051
322,734	339,729	367,951	246,981	196,429	183,205	154,815
35,062	33,417	23,655	14,725	17,108	13,948	12,088
14,101	12,095	7,839	5,303	3,143	1,706	—
(18,748)	(22,536)	(18,852)	(16,164)	(14,518)	(12,711)	(11,402)
704,294	678,347	670,514	449,493	331,614	285,753	209,552
(134,661)	(136,602)	(41,927)	(103,920)	(24,656)	87,208	6,774
$ (278,370)	$ (283,357)	$ (168,013)	$ (287,049)	$ (180,317)	$ (59,994)	$ (106,426)
$ 258,688	$ 276,498	$ 335,022	$ 180,069	$ 111,240	$ 99,890	$ 64,949
$ 945,098	$ 579,692	$ 406,762	$ 317,537	$ 411,047	$ 289,070	$ 605,143
178,080	177,614	172,767	160,696	152,784	130,179	120,092
$ (1.72)	$ (1.78)	$ (1.16)	$ (1.89)	$ (1.30)	$ (0.76)	$ (1.32)
$ 1.45	$ 1.56	$ 1.94	$ 1.12	$ 0.73	$ 0.77	$ 0.54
$ 2,870,249	$ 2,622,318	$ 2,380,114	$ 1,900,932	$ 1,835,005	$ 1,646,511	$ 1,510,014
1,577,036	1,918,529	1,933,996	839,484	914,907	959,129	954,869
429,052	224,547	513,498	549,601	516,001	446,782	531,829
1,137,978	1,023,567	1,301,019	680,860	829,085	296,327	214,029
$ 6,014,315	$ 5,788,961	$ 6,128,627	$ 3,970,877	$ 4,094,998	$ 3,348,749	$ 3,210,741
$ 4,922,716	$ 4,360,470	$ 4,174,922	$ 2,773,721	$ 2,696,286	$ 2,000,832	$ 1,871,795
824,771	820,225	851,749	443,703	423,330	345,020	325,498
221,388	266,986	283,391	168,974	277,369	270,920	205,835
—	71,323	67,794	—	18,862	43,054	1,026
45,440	269,957	750,771	584,479	679,151	688,923	806,587
$ 6,014,315	$ 5,788,961	$ 6,128,627	$ 3,970,877	$ 4,094,998	$ 3,348,749	$ 3,210,741

quarterly comparison 1999—1998

1999

(In thousands of dollars, except per share amounts)	Dec. 31	Sept. 30	June 30	Mar. 31
Income Statement				
Revenue				
Wireless	$ 381,101	$ 349,283	$ 325,114	$ 296,225
Cable	304,449	290,402	279,061	274,607
Media	176,624	142,192	150,322	138,466
Telecom	—	—	—	—
	862,174	781,877	754,497	709,298
Operating income before depreciation and amortization				
Wireless	99,489	120,346	108,342	94,151
Cable	102,815	106,412	103,266	98,712
Media	29,394	14,130	21,898	11,830
Telecom	—	—	—	—
Corporate	(4,372)	(3,047)	(3,939)	(5,599)
	227,326	237,841	229,567	199,094
Depreciation & amortization	168,234	153,261	145,285	140,739
Operating income	59,092	84,580	84,282	58,355
Interest expense	(88,240)	(110,507)	(118,159)	(123,910)
Other income (expense)	2,660	6,820	953	5,237
Non-recurring items	1,555	833,689	66,989	116,071
Income taxes	(3,300)	(68,151)	6,581	(8,807)
Minority interest	3,905	30,793	—	—
Net income (loss) for the period	(24,328)	777,224	40,646	46,946
Net income (loss) per share — Basic	$ (0.18)	$ 4.14	$ 0.19	$ 0.23
Operating Income Margin %[1]				
Wireless	26.1	34.5	33.3	31.8
Cable	33.8	36.6	37.0	35.9
Media	16.6	9.9	14.6	8.5
Telecom	—	—	—	—
Consolidated	26.4	30.4	30.4	28.1
Other Statistics				
Cash flow from operations[2]	$ 142,763	$ 134,355	$ 111,324	$ 106,758
Capital expenditures	$ 288,449	$ 202,987	$ 177,383	$ 163,604

[1] Before depreciation and amortization.

[2] Cash flow from operations before changes in working capital amounts.

1998

(In thousands of dollars, except per share amounts)	Dec. 31	Sept. 30	June 30	Mar. 31
Income Statement				
Revenue				
Wireless	$ 324,108	$ 315,587	$ 306,167	$ 297,063
Cable	264,133	260,260	254,225	248,419
Media	157,201	124,280	139,852	116,831
Telecom	—	—	15,556	15,547
	745,442	700,127	715,800	677,860
Operating income before depreciation and amortization				
Wireless	91,300	109,873	105,427	88,542
Cable	101,929	102,719	100,211	93,830
Media	20,244	11,739	24,867	8,855
Telecom	—	—	6,646	6,013
Corporate	(2,527)	(3,414)	(6,134)	(5,021)
	210,946	220,917	231,017	192,219
Depreciation & amortization	147,272	142,528	145,172	134,619
Operating income	63,674	78,389	85,845	57,600
Interest expense	(126,779)	(130,349)	(136,843)	(130,766)
Other income (expense)	6,687	7,147	2,444	4,736
Non-recurring items	106,415	(9,486)	705,692	40,862
Income taxes	(17,279)	11,867	6,209	8,704
Minority interest	—	—	—	—
Net income (loss) for the period	32,718	(42,432)	663,347	(18,864)
Net income (loss) per share — Basic	$ 0.14	$ (0.28)	$ 3.68	$ (0.15)
Operating Income Margin %[1]				
Wireless	28.2	34.8	34.4	29.8
Cable	38.6	39.5	39.4	37.8
Media	12.9	9.4	17.8	7.6
Telecom	—	—	42.7	38.7
Consolidated	28.3	31.6	32.3	28.4
Other Statistics				
Cash flow from operations[2]	$ 91,036	$ 97,447	$ 50,173	$ 68,203
Capital expenditures	$ 226,575	$ 128,780	$ 169,017	$ 134,107

[1] Before depreciation and amortization.

[2] Cash flow from operations before changes in working capital amounts.

consolidated statements of income

(In thousands of dollars, except per share amounts) Years ended December 31, 1999 and 1998	1999	1998
Revenue	$ 3,107,846	$ 2,839,229
Operating, general and administrative expenses	2,214,018	1,984,130
Operating income before depreciation and amortization	893,828	855,099
Depreciation and amortization	607,519	569,591
Operating income	286,309	285,508
Interest on long-term debt	440,816	524,737
	(154,507)	(239,229)
Gain on sale and issuance of subsidiary shares (note 2(b)(i))	1,042,322	–
Gain on sale of Rogers Telecom Inc. (note 2(b)(ii))	–	703,564
Gain on sale of assets and investments (notes 2(b) and 4)	159,679	171,076
Loss on early repayment of long-term debt (note 7(f))	(210,587)	(31,157)
Investment and other income	42,560	21,014
Income before income taxes and minority interest	879,467	625,268
Income taxes (recovery) (note 9):		
Current	10,524	10,959
Deferred	63,153	(20,460)
	73,677	(9,501)
Income before minority interest	805,790	634,769
Minority interest	(34,698)	–
Net income	$ 840,488	$ 634,769
Earnings per share (note 10):		
Basic	$ 4.29	$ 3.39
Adjusted basic	4.13	3.39
Fully diluted	3.69	2.92
Weighted average number of Class A Voting and Class B Non-Voting shares outstanding (in thousands):		
Basic	189,805	178,580
Adjusted basic	200,857	178,580
Fully diluted	231,379	219,089

See accompanying notes to consolidated financial statements.

(In thousands of dollars) Years ended December 31, 1999 and 1998	1999	1998
Cash provided by (used in):		
Operating activities:		
Net income	$ 840,488	$ 634,769
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	607,519	569,591
Deferred income tax (reduction)	63,153	(20,460)
Minority interest	(34,698)	–
Gain on sale of subsidiaries, assets and other investments	(1,202,001)	(874,640)
Loss on early repayment of long-term debt	210,587	31,157
Share of income of associated companies, net	255	(326)
Accrued interest due (paid) on repayment of certain notes	8,592	(35,117)
Dividends from associated companies	1,305	1,885
	495,200	306,859
Change in:		
Accounts receivable	(32,865)	44,375
Accounts payable and accrued liabilities and unearned revenue	(61,742)	4,960
Deferred charges	(27,843)	(5,669)
Other assets	(6,598)	(18,891)
	366,152	331,634
Financing activities:		
Issue of long-term debt	237,000	10,000
Repayment of long-term debt	(1,710,880)	(521,461)
Issue of convertible preferred securities and warrants	600,000	–
Issue of capital stock	12,364	1,240
Redemption of capital stock	–	(337)
Dividends on preferred shares and distribution on convertible preferred securities	(25,973)	(29,955)
	(887,489)	(540,513)
Investing activities:		
Additions to fixed assets	(832,423)	(658,479)
Proceeds on the sale and issuance of subsidiary shares, net	1,382,165	–
Proceeds on the sale of Rogers Telecom Inc.	–	600,000
Proceeds on sale of assets and investments	161,123	263,382
Acquisitions of subsidiary companies	(121,552)	(9,443)
Other investments	(52,656)	23,335
	536,657	218,795
Increase in cash and cash equivalents	15,320	9,916
Cash and cash equivalents (deficiency), beginning of year	(1,383)	(11,299)
Cash and cash equivalents (deficiency), end of year	$ 13,937	$ (1,383)
Supplementary cash flow information:		
Income taxes paid	$ 21,858	$ 23,888
Interest paid	492,489	562,948
Disclosure of non-cash transactions:		
Series XX Preferred shares converted into Class B Non-Voting shares	$ 270,000	$ –
Assignment of General Cable T.V. Limited promissory notes as consideration for the redemption of Preferred shares	170,000	130,000
Convertible Subordinated Debentures, due 1999 converted into Class B Non-Voting shares	199,272	–
Convertible Debentures, due 2005 converted into Class B Non-Voting shares	139	–
Class B Non-Voting shares issued as partial consideration for radio station acquisitions	58,236	–
Shares of AT&T Canada Inc. received as partial consideration for the sale of Rogers Telecom Inc.	–	450,000

Cash and cash equivalents (deficiency) are defined as cash and short-term deposits, which have an original maturity of less than 90 days, less bank advances.

See accompanying notes to consolidated financial statements.

consolidated balance sheets

(In thousands of dollars) December 31, 1999 and 1998	1999	1998
Assets		
Fixed assets (note 3)	$ 3,539,160	$ 3,234,634
Subscribers and licences	1,124,856	1,342,360
Goodwill	344,735	190,514
Investments (note 4)	554,241	674,615
Cash and short-term deposits	13,937	—
Accounts receivable, net of allowance for doubtful accounts of $48,628 (1998 — $54,736)	345,397	300,681
Deferred charges (note 5)	217,944	436,314
Other assets (note 6)	231,287	205,735
	$ 6,371,557	$ 6,384,853
Liabilities and Shareholders' Equity (Deficiency)		
Liabilities:		
Long-term debt (note 7)	$ 3,594,966	$ 5,254,044
Bank advances, represented by outstanding cheques	—	1,383
Accounts payable and accrued liabilities	899,423	957,796
Unearned revenue	117,331	100,718
Deferred income taxes	132,251	112,437
	4,743,971	6,426,378
Minority interest	149,278	—
Shareholders' equity (deficiency) (note 8)	1,478,308	(41,525)
	$ 6,371,557	$ 6,384,853

Commitments (note 14)
Contingent liabilities (note 15)
Canadian and United States accounting policy differences (note 16)
Subsequent event (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ted Rogers
Director

Gar Emerson
Director

consolidated statements of deficit

(In thousands of dollars) Years ended December 31, 1999 and 1998	1999	1998
Deficit, beginning of year	**$ (854,134)**	$ (1,458,948)
Net income	**840,488**	634,769
Dividends on preferred shares and distribution on convertible preferred securities, net of income tax recovery of $5,700	**(20,273)**	(29,955)
Deficit, end of year	**$ (33,919)**	$ (854,134)

See accompanying notes to consolidated financial statements.

auditors' report to the shareholders

We have audited the consolidated balance sheets of Rogers Communications Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Canadian generally accepted accounting principles differ in some respects from those applicable in the United States (note 16).

KPMG LLP

KPMG LLP, Chartered Accountants
Toronto, Canada

January 28, 2000, except as to note 17 which is as of February 7, 2000

1. Significant accounting policies

a. Consolidation

The consolidated financial statements include the accounts of Rogers Communications Inc. ("RCI") and its subsidiary companies (collectively the "Company"). Intercompany transactions and balances are eliminated on consolidation.

Investments in associated companies and other business ventures over which the Company is able to exercise significant influence are accounted for by the equity method.

b. Capitalization policy

Fixed assets are recorded at purchase cost. During construction of new assets, direct costs plus a portion of overhead costs are capitalized. Repairs and maintenance expenditures are charged to operations.

c. Depreciation

Fixed assets are depreciated annually over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Diminishing balance	5%
Towers, head-ends and transmitters	Straight line	6⅔% to 10%
Distribution cable, subscriber drops and wireless network equipment	Straight line	6⅔% to 20%
Wireless network radio base station equipment	Straight line	12½%
Computer equipment and software	Straight line	25% and 33⅓%
Customer equipment	Straight line	20%
Leasehold improvements	Straight line	Over term of lease
Other equipment	Mainly diminishing balance	20% to 33⅓%

d. Subscribers, licences and goodwill

The Company amortizes the cost of subscribers and licences related to cable television system and wireless acquisitions using an increasing charge method over 40 years at a discount rate of 4% per annum. During 1999, the Company reduced its ownership interest in its wireless subsidiary and reduced subscribers and licences by $197,863,000, net of accumulated amortization (note 2(b)(i)). Amortization of subscribers and licences for 1999 amounted to $19,081,000 (1998 — $21,795,000). Accumulated amortization of subscribers and licences at December 31, 1999 amounted to $110,565,000 (1998 — $114,649,000).

Goodwill is being amortized over periods of up to 40 years on a straight-line basis from the date of acquisition. Amortization of goodwill for 1999 amounted to $10,572,000 (1998 — $7,021,000). Accumulated amortization of goodwill at December 31, 1999 amounted to $47,326,000 (1998 — $36,490,000).

The Company annually reviews the carrying value of subscribers, licences and goodwill to determine if an impairment has occurred. The Company measures the potential impairment of these intangible assets by comparing the carrying value to the undiscounted value of expected future operating income before depreciation and amortization, and depending on the nature of the asset, interest and income taxes. Based on its review in 1999, the Company does not believe that an impairment of the carrying value of subscribers, licences and goodwill has occurred.

e. Subscriber acquisition costs

The Company expenses commissions, hardware and other associated costs related to new wireless subscribers upon activation.

f. Foreign exchange

Long-term debt denominated in United States dollars is translated into Canadian dollars at the year-end rate of exchange or at the hedge rate of exchange when cross-currency interest rate exchange agreements are in effect. Exchange gains or losses on translating this long-term debt are deferred and amortized on a straight-line basis over the remaining life of the debt. All other exchange gains or losses are included in income.

g. Deferred charges

The costs of obtaining bank and other debt financing are deferred and amortized on a straight-line basis over the effective life of the debt to which they relate.

During the development and pre-operating phases of new businesses, incremental costs are deferred and amortized on a straight-line basis over periods up to five years.

h. Unearned revenue

Unearned revenue includes subscriber deposits and amounts received from subscribers related to services and subscriptions to be provided in future years.

i. Income taxes

The Company records income tax expense using the deferral method. Tax deferred as a result of claiming, for income tax purposes, amounts different from those recorded in the accounts are charged against current operations and recorded in the consolidated balance sheet as deferred income taxes. Timing differences consist principally of tax depreciation in excess of book depreciation and the capitalization of certain costs for accounting purposes which are expensed for tax purposes.

j. Pensions

Pension expense consists of the aggregate of: (a) the actuarially computed costs of pension benefits provided in respect of current year's service; (b) imputed interest on any funding excess; and (c) the amortization over the expected average remaining service life of employees of: (i) the funding excess existing at the beginning of the year; and (ii) any actuarial experience gain or loss during the year.

k. Financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. These instruments include cross-currency interest rate exchange agreements, interest exchange agreements, and, from time to time, foreign exchange option agreements and foreign exchange forward contracts. All such instruments are only used for risk management purposes and are designated as hedges of specific debt instruments. The Company accounts for these financial instruments as hedges and as a result, the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to interest are recognized in interest expense on an accrual basis. Upon redesignation or amendment of a derivative financial instrument, the carrying value of the instrument is adjusted to fair market value. If the related hedged debt instrument has been repaid, then the gain or loss is recorded as a component of the gain or loss on repayment of the debt. Otherwise, the gain or loss is deferred and amortized over the remaining term of the original derivative instrument.

l. Stock-based compensation

The Company has a stock option plan for employees and directors. All stock options issued under this plan have an exercise price equal to the fair market value of the underlying Class B Non-Voting shares on the date of grant. As a result, no compensation expense is recorded on the grant of options under this plan. The Company also has an employee share purchase plan. Compensation expense is recognized in connection with the employee share purchase plan to the extent of the discount provided to employees from the market price on the date of issue. Consideration paid by employees on the exercise of stock options or the purchase of shares is recorded as share capital and contributed surplus. The stock option plan and share purchase plan are described in note 8(a)(iii).

m. Statement of cash flows

Effective January 1, 1999, the Company adopted the new accounting requirements of The Canadian Institute of Chartered Accountants ("CICA") for Cash Flow Statements. Under these new requirements, the Consolidated Statement of Cash Flows provides information with respect to changes in cash and cash equivalents and classifies cash flows during the period arising from operating, financing and investing activities. Previously, the Company presented a Consolidated Statement of Changes in Financial Position, which provided information classified in a similar manner to the new Consolidated Statement of Cash

Flows, except that non-cash transactions were included in the Statement of Changes in Financial Position. The prior year results have been restated to conform with the presentation adopted in the current year. This primarily has resulted in reductions to both cash used for financing activities and cash provided by investing activities in 1998 of $130,000,000 in connection with transactions with General Cable T.V. Limited and a netting of $450,000,000 of the proceeds on the sale of Rogers Telecom Inc. and the associated investment in AT&T Canada Inc. ("AT&T Canada") in cash provided by investing activities.

n. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Acquisitions and divestitures

The Company has completed certain acquisitions and divestitures. The acquisitions were accounted for by the purchase method.

a. Acquisitions

i. 1999

The Company entered into several transactions with Rawlco Communications Ltd. to acquire an FM radio station in Toronto, Ontario, and an AM and FM radio station in Calgary, Alberta. The Company also acquired three AM and an FM radio stations in British Columbia from the Fraser Valley Radio Group and purchased an FM radio station in Ottawa, and an AM and FM radio station in Smiths Falls, Ontario from CHEZ FM Inc. As consideration for these strategic acquisitions, which provide a multiple station presence in certain key markets, the Company paid cash of $81,564,000 and issued 2,312,073 Class B Non-Voting shares having a market value at the transaction dates of $58,236,000.

The Company acquired the assets of a paging business for cash of $19,750,000 and purchased certain video stores, magazines and periodicals for $5,238,000, which included the remainder of the minority interest in Canadian Business Media Ltd.

The Company formed Excite Canada, a 50:50 joint venture partnership with Excite, Inc., to provide Internet services in a localized format to the Canadian marketplace, and contributed net cash of approximately $15,000,000 to the joint venture.

ii. 1998

The Company purchased certain magazines and periodicals for cash of $9,443,000.

Details of the net assets acquired, at fair value, and the consideration given are as follows:

(In thousands of dollars)	1999	1998
Fixed assets	$ 13,583	$ 386
Goodwill	164,560	11,355
Other assets	20,156	2,270
	198,299	14,011
Accounts payable and accrued liabilities	18,511	4,568
Total consideration	$ 179,788	$ 9,443
Consideration comprised of:		
Cash	$ 121,552	$ 9,443
Class B Non-Voting shares	58,236	—
	$ 179,788	$ 9,443

In addition, the Company acquired certain other assets as described in note 4.

b. Divestitures

i. 1999

On August 16, 1999, the Company sold 12,313,435 Class A Multiple Voting shares of its subsidiary, Rogers Cantel Mobile Communications Inc. ("Wireless") to AT&T Corp. ("AT&T") and British Telecommunications plc. ("BT"). Contemporaneously, Wireless issued preferred shares convertible into 15,334,453 Class A Multiple Voting shares and 12,443,324 Class B Restricted Voting shares of Wireless to AT&T and BT. These transactions, which reduced the Company's ownership in Wireless from 79.92% to 51.58%, yielded net proceeds of $1,382,165,000 and generated a combined gain on sale and dilution gain of $1,042,322,000 before income taxes.

ii. 1998

The Company sold its competitive local telecommunications services provider, Rogers Telecom Inc. (a wholly owned subsidiary), to AT&T Canada (formerly MetroNet Communications Corp. ("MetroNet")), for gross proceeds of $1,050,000,000, comprised of cash of $600,000,000 and 12,500,000 Class B Non-Voting shares of MetroNet (note 4(a)). The Company recorded a gain on sale of $703,564,000 before income taxes.

Also in 1998, the Company sold its home security business and its in-hospital direct marketing business for total proceeds of $49,522,000 and recorded a gain on sale of $27,582,000 before income taxes.

In addition, the Company sold certain other assets as described in note 4.

3. Fixed assets

Details of fixed assets, at cost, are as follows:

(In thousands of dollars)	1999	1998
Land and buildings	$ 189,987	$ 178,828
Towers, head-ends and transmitters	264,838	229,097
Distribution cable and subscriber drops	2,056,329	1,883,484
Wireless network equipment	1,570,581	1,490,479
Wireless network radio base station equipment	1,078,990	973,257
Computer equipment and software	668,275	462,946
Customer equipment	210,409	101,528
Leasehold improvements	124,053	120,876
Other equipment	284,770	261,986
	6,448,232	5,702,481
Less accumulated depreciation and amortization	2,909,072	2,467,847
	$ 3,539,160	$ 3,234,634

The Company has a significant ongoing capital expenditure program for the expansion and improvement of its networks. The Company estimates that its capital expenditure program for 2000 will amount to approximately $1.1 billion.

4. Investments

(In thousands of dollars)	1999	1998
AT&T Canada	$ 450,092	$ 450,000
General Cable T.V. Limited (“General”)	—	170,000
Liberate Technologies, Inc. (“Liberate”)	23,409	—
At Home Corporation (“At Home”)	—	1
Terayon Communications Systems, Inc. (“Terayon”)	1	—
Astral Communications Inc. (“Astral”)	1,697	1,697
Bid.com International Inc. (“Bid.com”)	486	1,679
Canadian Satellite Communications Inc. (“CanCom”)	21,148	19,224
Other	57,408	32,014
	$ 554,241	$ 674,615

All investments are carried at cost, except for certain other investments which are carried at equity. Further details of investments are as follows:

a. As partial consideration for the sale of Rogers Telecom Inc. during 1998 (note 2(b)(ii)), the Company received 12,500,000 Class B Non-Voting shares of MetroNet. Effective June 1, 1999, MetroNet acquired AT&T Long Distance Services Company and ACCTel Enterprise, resulting in the Class B Non-Voting shares of MetroNet being exchanged for an equivalent number of Class B deposit receipts of MetroNet. Contemporaneously, MetroNet changed its name to AT&T Canada. As part of the terms of the acquisition, the shareholders of AT&T Canada, including the Company, are guaranteed a minimum share price of $37.50 per share (post-share split) increasing at 16% per annum from June 30, 2000 until a minority shareholder of AT&T Canada exercises its right to acquire all of the shares of AT&T Canada. The disposition of this investment may occur under certain conditions at any time, but in any event, no later than June 30, 2003. In October 1999, AT&T Canada split its Class B deposit receipts on a two-for-one basis. The Company does not intend to hold these shares as a long-term investment and has accounted for this investment on a cost basis.

At December 31, 1999, the Company owned 25,002,100 AT&T Canada Class B deposit receipts which had a quoted market value of $58.00 per deposit receipt.

b. General is controlled by the controlling shareholder of the Company. As consideration for the redemption of all of the Series XVI, Series XVII and Series XXV Preferred shares which were owned by an affiliated company of General, the Company assigned demand convertible promissory notes owing by General with an aggregate principal amount of $170,000,000 and $130,000,000 in 1999 and 1998, respectively. In 1999, the Company received interest of $7,584,000 from General (1998 — $18,860,000). These arrangements, which had the effect of transferring tax deductions for fair value, were reviewed and approved by an independent committee of the Board of Directors.

c. In 1999, the Company acquired 833,333 common shares of Liberate, as part of a consortium of technology, investment and cable companies, for $11,680,000. Liberate is a leading provider of a standards-based software platform that enables the delivery of Internet-enhanced content and applications to a broad range of information appliances, including television set-top boxes, smart phones and hand-held computers. The Company also acquired and subsequently sold 10,000 common shares of Liberate for proceeds of $1,696,000, recording a gain on sale of $1,555,000 before income taxes. The Company entered into an agreement with Liberate to licence Liberate’s client server technology for the delivery of interactive television services. In exchange for the prepayment of certain royalties and fees under the agreement, the Company received 216,666 warrants to purchase Liberate common shares at an exercise price of U.S. $13.80 per share. Of these warrants, 116,666 vested upon signing of the agreement, however, any shares obtained on the exercise of these warrants may only be sold after December 30, 2000. The remaining 100,000 warrants vest over time based on certain conditions relating to subscriber set-top box deployment, with 70,000 warrants vesting automatically by March 2003.

At December 31, 1999, the Company owned 833,333 common shares and 216,666 warrants to purchase common shares of Liberate. The common shares of Liberate had a quoted market value of U.S. $257.00 or $370.93 per share at December 31, 1999. On January 18, 2000, Liberate completed a two-for-one share split.

d. At Home, together with the Company and other Canadian and U.S. cable operators, delivers high speed Internet services over At Home's distribution network and the cable operators' local networks. In 1997, the Company invested in 1,500,000 shares of Series A Common Stock of At Home and warrants to acquire an additional 1,000,000 shares of Series A Common Stock of At Home at an exercise price of U.S. $10.00 per share, exercisable until June 10, 2004.

In 1998, the Company sold the 1,500,000 shares of Series A Common Stock for proceeds of $130,228,000, resulting in a gain on sale of $109,264,000 before income taxes. Also in 1998, the Company received an additional 2,900,000 warrants of At Home at an exercise price of U.S. $10.50 per share.

In 1999, the Company exercised 765,223 warrants, and sold these shares for proceeds of $140,636,000, resulting in a gain on sale of $140,635,000 before income taxes. In June 1999, At Home completed a two-for-one stock split, resulting in the Company holding 6,269,554 warrants, of which 917,714 are exercisable at U.S. $5.00 and 5,351,840 are exercisable at U.S. $5.25. At December 31, 1999, 293,665 of the U.S. $5.00 warrants and 3,414,640 of the U.S. $5.25 warrants had vested.

At December 31, 1999, the Company owned 6,269,554 warrants to purchase At Home Series A Common Stock, of which 3,708,305 had vested. The Series A Common Stock of At Home had a quoted market value of U.S. $42.88 or $61.88 per share at December 31, 1999.

e. During 1999, the Company purchased for nominal consideration 2,000,000 warrants to acquire common shares of Terayon for an aggregate exercise price of U.S. $38,000,000. The common shares of Terayon had a quoted market value of U.S. $62.81 or $90.66 per share at December 31, 1999.

f. During 1998, the Company sold a portion of its investment in Astral for proceeds of $56,179,000 and recorded a gain on sale of $24,055,000 before income taxes. At December 31, 1999, the Company owned 141,300 Class B subordinate voting shares of Astral which had a quoted market value of $29.00 per share.

g. In 1998, the Company acquired 1,500,000 common shares and 100,000 warrants to acquire common shares of Bid.com for $1,900,000. These warrants have an exercise price of $1.40 per share. In 1998, the Company sold 200,000 common shares of Bid.com for proceeds of $656,000 and recorded a gain on sale of $403,000 before income taxes. In 1999, the Company sold 1,016,400 common shares of Bid.com for proceeds of $18,791,000 and recorded a gain on sale of $17,489,000 before income taxes. The Company also exercised warrants to acquire an additional 100,000 common shares of Bid.Com. at an exercise price of $1.40 per share.

At December 31, 1999, the Company owned 383,600 common shares of Bid.com which had a quoted market value of $6.20 per share.

h. At December 31, 1999, the Company owned 2,035,211 common shares of CanCom which had a quoted market value of $27.75 per share.

i. During 1998, the Company sold its investment in subordinated voting shares of Cogeco Cable Inc. ("Cogeco") for proceeds of $27,453,000, resulting in a gain on sale of $10,175,000 before income taxes. The Company also received repayment of a non-interest bearing note receivable from Cogeco with a principal amount of $36,476,000 by way of equal installments in each of 1997 and 1998.

Total investments include securities with a cost of $518,552,000 and an estimated market value of $2,497,983,000.

5. Deferred charges

(In thousands of dollars)	1999	1998
Financing costs	$ 65,300	$ 94,824
Foreign exchange losses	107,890	324,932
Pre-operating costs	29,684	5,133
Other costs	15,070	11,425
	$ 217,944	$ 436,314

Amortization of deferred charges for 1999 amounted to $46,505,000 (1998 — $47,002,000). Accumulated amortization as at December 31, 1999 amounted to $137,940,000 (1998 — $137,000,000).

In connection with the early repayment of certain long-term debt, the Company recorded a loss in 1999 of $210,587,000 (1998 — $31,157,000), including the write-off of deferred foreign exchange costs of $82,740,000 (1998 — $18,648,000) and deferred financing costs of $17,147,000 (1998 — $4,783,000).

6. Other assets

(In thousands of dollars)	1999	1998
Amounts receivable from employees under share purchase plans	$ 4,775	$ 3,973
Mortgages and loans receivable, including $2,356 from officers (1998 — $2,364)	12,428	11,070
Inventories	74,523	49,653
Videocassette inventory	21,664	37,822
Prepaid expenses	46,205	30,977
Brand licence cost, less accumulated amortization of $7,770 (1998 — $5,250)	30,030	32,550
Acquired program rights	11,882	8,455
Other assets	29,780	31,235
	$ 231,287	$ 205,735

7. Long-term debt

(In thousands of dollars)	Interest rate	1999	1998
a. Corporate:			
i. Convertible Debentures, due 2005	5¾%	$ 264,400	$ 271,663
ii. Senior Notes, due 2006	9⅛%	78,866	153,050
iii. Senior Notes, due 2006	10½%	75,000	75,000
iv. Senior Notes, due 2007	8⅞%	283,405	487,718
v. Senior Notes, due 2007	8¾%	165,000	165,000
vi. Convertible Subordinated Debentures, due 1999	7½%	—	199,993
b. Wireless:			
i. Bank loan	Floating	—	76,000
ii. Senior Secured Notes, due 2006	10½%	160,000	160,000
iii. Senior Secured Notes, due 2007	8.30%	267,268	395,509
iv. Senior Secured Debentures, due 2008	9⅜%	433,121	691,813
v. Senior Secured Debentures, due 2016	9¾%	216,140	267,838
vi. Senior Subordinated Notes, due 2007	8.80%	310,310	329,058
c. Cable:			
i. Bank loan	Floating	—	—
ii. Senior Secured Second Priority Notes, due 2002	9⅝%	116,389	322,408
iii. Senior Secured Second Priority Notes, due 2005	10%	411,685	649,225
iv. Senior Secured Second Priority Debentures, due 2007	10%	146,223	216,229
v. Senior Secured Second Priority Debentures, due 2012	10⅛%	172,867	259,447
vi. Senior Secured Second Priority Debentures, due 2014	9.65%	300,000	300,000
vii. Senior Subordinated Debentures, due 2015	11%	163,831	191,313
d. Media:			
Bank loan	Floating	—	9,000
Other:	Various	30,461	33,780
		$ 3,594,966	$ 5,254,044

Further details of long-term debt are as follows:

a. Corporate

i. Convertible Debentures, due 2005

The Company's U.S. $225,000,000 Convertible Debentures (the "Convertible Debentures") mature on November 26, 2005. A portion of the interest equal to approximately 2.95% per annum on the issue price (or 2% per annum on the stated amount at maturity) is paid in cash semi-annually while the balance of the interest will accrue so long as these Convertible Debentures remain outstanding. Each Convertible Debenture has a face value of U.S. $1,000 and is convertible, at the option of the holder at any time, on or prior to maturity, into 34.368 Class B Non-Voting shares. The conversion rate as at December 31, 1999 equates to a conversion price of U.S. $23.70 per share. These Convertible Debentures are redeemable in cash, at the option of the Company, at any time. In 1999, U.S. $94,000 ($139,000) or the equivalent of U.S. $115,000 at maturity, was converted into 3,951 Class B Non-Voting shares.

ii. Senior Notes, due 2006

The Company's U.S. $54,643,000 (1998 — U.S. $100,000,000) Senior Notes mature on January 15, 2006. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2001, at 104.563% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2004. Interest is paid semi-annually.

iii. Senior Notes, due 2006

The Company's $75,000,000 Senior Notes mature on February 14, 2006. Interest is paid semi-annually.

iv. Senior Notes, due 2007

The Company's U.S. $205,357,000 (1998 — U.S. $330,000,000) Senior Notes mature on July 15, 2007. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 2002 at 104.438% of the principal amount, declining ratably to 100% of the principal amount on or after July 15, 2005, plus, in each case, interest accrued to the redemption date. Interest is paid semi-annually.

v. Senior Notes, due 2007

The Company's $165,000,000 Senior Notes mature on July 15, 2007. These senior notes are redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 2002 at 104.375% of the principal amount, declining ratably to 100% of the principal amount on or after July 15, 2005, plus interest accrued to the redemption date. Interest is paid semi-annually.

Each of the Company's senior notes and debentures described above are senior unsecured general obligations of the Company ranking equally with each other.

vi. Convertible Subordinated Debentures, due 1999

In April 1999, the Company exercised its option to redeem the $199,993,000 Convertible Subordinated Debentures due September 1, 1999 for the principal amount plus accrued interest up to and including May 26, 1999. As a result of the Company's notice of redemption, holders of approximately 99.6% or $199,272,000 of the principal amount exercised their option to convert the debentures into 9,619,965 Class B Non-Voting shares, with the remaining $721,000 redeemed for cash.

vii. Liquid Yield Option Notes, due 2013

The Company's Liquid Yield Option Notes ("LYONs") were repaid in 1998. As a result, the Company wrote off deferred financing costs of $3,794,000 and deferred foreign exchange of $18,074,000 relating to these LYONs, resulting in a net loss on repayment of $21,868,000 before income taxes.

b. Wireless

i. Bank loan

At December 31, 1999, Wireless had no amounts outstanding (1998 — $76,000,000) under its $800,000,000 credit facility.

Wireless may borrow under various rates, including the bank prime rate to the bank prime rate plus ¾% per annum, the bankers' acceptance rate plus ¾% to 1½% per annum and the London Interbank Offered Rate ("LIBOR") plus ¾% to 1½% per annum. Access to the credit facility is based on certain maintenance tests.

This credit facility is available on a fully revolving basis until the first date specified below, at which time the facility becomes a revolving/reducing facility and the aggregate amount of credit available under this credit facility will be reduced as follows:

Date of reduction	Reduction at each date (in thousands of dollars)
On January 2:	
2001	$ 120,000
2002	160,000
2003	160,000
2004	160,000
2005	200,000

The credit facility requires that any additional senior debt (other than the bank loan described above) that is denominated in a foreign currency be hedged against foreign exchange fluctuations on a minimum of 50% of such additional senior borrowings in excess of the Canadian equivalent of U.S. $25,000,000.

Borrowings under the credit facility are secured by the pledge of a senior bond issued under a deed of trust which is secured by substantially all the assets of Wireless and certain of its subsidiaries subject to certain exceptions and prior liens.

ii. Senior Secured Notes, due 2006

Wireless' $160,000,000 Senior Secured Notes mature on June 1, 2006. These notes are redeemable at Wireless' option, in whole or in part, at any time subject to a certain prepayment premium.

iii. Senior Secured Notes, due 2007

Wireless' U.S. $196,110,000 (1998 — U.S. $275,000,000) Senior Secured Notes mature on October 1, 2007. These notes are redeemable at Wireless' option, in whole or in part, at any time on or after October 1, 2002 at 104.150% of the principal amount, declining ratably to 100% on or after October 1, 2005, plus in each case, interest accrued to the redemption date.

iv. Senior Secured Debentures, due 2008

Wireless' U.S. $333,170,000 (1998 — U.S. $510,000,000) Senior Secured Debentures mature on June 1, 2008. These debentures are redeemable at Wireless' option, in whole or in part, at any time on or after June 1, 2003 at 104.688% of the principal amount, declining ratably to 100% of the principal amount on or after June 1, 2006 plus, in each case, interest accrued to the redemption date.

v. Senior Secured Debentures, due 2016

Wireless' U.S. $154,900,000 (1998 — U.S. $175,000,000) Senior Secured Debentures mature on June 1, 2016. These debentures are redeemable at Wireless' option, in whole or in part, at any time subject to a certain prepayment premium.

Each of Wireless' senior secured notes and debentures described above is secured by the pledge of a senior bond which is secured by the same security as the security for the bank credit facility described in note 7(b)(i) above and ranks equally with the bank credit facility.

vi. Senior Subordinated Notes, due 2007

Wireless' U.S. $215,000,000 Senior Subordinated Notes mature on October 1, 2007 and are redeemable at Wireless' option, in whole or in part, at any time on or after October 1, 2002 at 104.400% of the principal amount, declining ratably to 100% on or after October 1, 2005 plus, in each case, interest accrued to the redemption date. These subordinated notes are subordinated to all existing and future senior secured obligations of Wireless (including the bank loan, the senior notes and senior debentures) and are not secured by the pledge of a senior bond.

Interest is paid semi-annually on all of Wireless' senior secured notes and debentures and senior subordinated notes.

c. Cable

i. Bank loan

No amounts were outstanding as at December 31, 1999 or 1998 under the Rogers Cable Inc. ("Cable") loan agreement which provides for two separate credit facilities: (a) up to $600,000,000 senior secured revolving credit facility (the "Tranche A Credit Facility") and (b) up to $5,000,000 senior secured revolving credit facility (the "Tranche B Credit Facility" and, together with the Tranche A Credit Facility, the "Bank Facilities").

The Bank Facilities require, among other things, that Cable satisfy certain financial covenants, including the maintenance of certain financial ratios. The interest rates charged on the Bank Facilities range from nil to 2¼% per annum over the bank prime rate or base rate or ¾% to 3% per annum over the bankers' acceptance rate or LIBOR.

The Bank Facilities are secured by the pledge of a senior bond issued under a deed of trust which is secured by substantially all of the assets of Cable and the majority of Cable's wholly owned subsidiary companies, subject to certain exceptions and prior liens. In addition, under the terms of an inter-creditor agreement, the proceeds of any enforcement of the security under the deed of trust will be applied first to repay any obligations outstanding under the Tranche A Credit Facility. Additional proceeds will be applied pro rata to repay all other obligations of Cable secured by senior bonds, including the Tranche B Credit Facility and Cable's senior secured notes and debentures.

RCI has also agreed to provide a guarantee of the Bank Facilities, with recourse limited to the pledge of shares of Wireless or other marketable securities having a value of at least $200,000,000.

The Bank Facilities are available on a fully revolving basis until January 1, 2000, at which time each will be converted to a reducing/revolving facility and the aggregate amount of credit available under the Bank Facilities will be reduced as follows:

Date of reduction	Reduction at each date (in thousands of dollars)
On January 1:	
2000	$ 29,645
2001	60,500
2002	60,500
2003	121,605
2004	151,250
2005	181,500

ii. Senior Secured Second Priority Notes, due 2002

Cable's U.S. $98,103,000 (1998 — U.S. $250,000,000) Senior Secured Second Priority Notes mature on August 1, 2002.

iii. Senior Secured Second Priority Notes, due 2005

Cable's U.S. $291,533,000 (1998 — U.S. $450,000,000) Senior Secured Second Priority Notes mature on March 15, 2005.

iv. Senior Secured Second Priority Debentures, due 2007

Cable's U.S. $110,775,000 (1998 — U.S. $150,000,000) Senior Secured Second Priority Debentures mature on December 1, 2007. The debentures are redeemable at the option of Cable, in whole or in part, at any time on or after December 1, 2002 at 105% of the principal amount, declining ratably to 100% of the principal amount on or after December 1, 2005 plus, in each case, interest accrued to the redemption date.

v. Senior Secured Second Priority Debentures, due 2012

Cable's U.S. $134,785,000 (1998 — U.S. $200,000,000) Senior Secured Second Priority Debentures mature on September 1, 2012. The debentures are redeemable at the option of Cable, in whole or in part, at any time on or after September 1, 2002 at 104% of the principal amount, declining ratably to 100% of the principal amount on or after September 1, 2006 plus, in each case, interest accrued to the redemption date.

vi. Senior Secured Second Priority Debentures, due 2014

Cable's $300,000,000 Senior Secured Second Priority Debentures mature on January 15, 2014. The debentures are redeemable at the option of Cable, in whole or in part, at any time on or after January 15, 2004 at 104.825% of the principal amount, declining ratably to 100% of the principal amount on or after January 15, 2008 plus, in each case, interest accrued to the redemption date.

Each of Cable's senior secured notes and debentures described above is secured by the pledge of a senior bond which is secured by the same security as the security for Cable's Bank Facilities described in note 7(c)(i) above and rank equally in regard to the proceeds of any enforcement of security with Cable's Tranche B Credit Facility.

vii. Senior Subordinated Guaranteed Debentures, due 2015

Cable's U.S. $125,000,000 Senior Subordinated Guaranteed Debentures mature on December 1, 2015. The subordinated debentures are redeemable at the option of Cable, in whole or in part, at any time on or after December 1, 2005 at 105.5% of the principal amount, declining ratably to 100% of the principal amount on or after December 1, 2009 plus, in each case, interest accrued to the redemption date. The subordinated debentures are subordinated in right of payment to all existing and future senior indebtedness of Cable (including the Bank Facilities and the senior secured notes and debentures) and are not secured by the pledge of a senior bond.

viii. Senior Subordinated Notes, due 2000

Cable's U.S. $200,000,000 Senior Subordinated Notes were repaid in 1998. As a result, Cable paid $7,726,000, representing a prepayment premium net of a gain from unwinding certain related cross-currency interest rate exchange agreements, and wrote off deferred financing costs of $989,000 and deferred foreign exchange of $574,000, resulting in a net loss on repayment of $9,289,000.

Interest is paid semi-annually on all of Cable's senior secured notes and debentures and senior subordinated notes and debentures.

d. Media

Bank loan

Rogers Media Inc. ("Media") had no amounts outstanding at December 31, 1999 (1998 — $9,000,000) under its $175,000,000 revolving bank credit facility.

The interest rates charged on this credit facility range from the bank prime rate to the bank prime rate plus 1% per annum and the bankers' acceptance rate plus ⅞% per annum to 1⅞% per annum. The credit facility requires, among other things, the maintenance of certain financial covenants.

The credit facility is secured by floating charge debentures over most of the assets of Media and certain of its subsidiaries, subject to certain exceptions.

The credit facility is available on a fully revolving basis and will be reduced as follows:

Date of reduction	Reduction at each date (in thousands of dollars)
On January 1:	
2001	$ 26,250
2002	35,000
2003	35,000
2004	35,000
2005	43,750

e. Interest exchange agreements

The Company has entered into a number of cross-currency interest rate exchange agreements in order to reduce the Company's exposure to changes in the exchange rate of the U.S. dollar as compared to the Canadian dollar. Total U.S. dollar denominated long-term debt at December 31, 1999 amounted to U.S. $2,104,941,000, of which U.S. $1,289,582,000 or 61.3% is hedged through cross-currency interest rate exchange agreements. The effect of these agreements is to convert the obligation to service U.S. dollar-denominated debt, in the amount of U.S. $1,289,582,000, into Canadian dollar denominated debt at an average exchange rate of Cdn. $1.3114 to U.S. $1.00.

The cross-currency interest rate exchange agreements have the effect of converting the interest rate on U.S. $846,045,000 of long-term debt from an average U.S. dollar fixed interest rate of 9.61% per annum to an average floating interest rate equal to the bankers' acceptance rate plus 3.20% per annum, which totalled 8.29% at December 31, 1999. While this has the effect of converting $1,077,169,000 of fixed rate debt to floating rate debt, the Company has entered into a number of interest exchange agreements ranging in reference interest rates of 10.46% to 12.39% per annum and in maturity dates from February 2000 to August 2001. These interest exchange agreements have the effect of converting $185,000,000 of floating rate obligations of the Company to fixed interest rates based on the range specified above. For the remaining U.S. $443,537,000 of the cross-currency interest rate exchange agreements, the interest rate has been converted from an average U.S. dollar fixed interest rate of 9.58% per annum to an average Canadian dollar fixed interest rate of 10.65% per annum. The total long-term debt at fixed interest rates at December 31, 1999 was $2,699,371,000 or 75.1% of total long-term debt.

The Company's effective weighted average interest rate on all long-term debt as at December 31, 1999, including the effect of the interest exchange agreements and cross-currency interest rate exchange agreements, was 9.34% (1998 — 9.43%).

The obligations under U.S. $1,239,582,000 of the cross-currency interest rate exchange agreements and the interest exchange agreements are secured by substantially all of the assets of the respective subsidiary companies to which they relate and generally rank equally with the other secured indebtedness of such subsidiary companies.

f. Debt repayment

In 1999, the Company repurchased U.S. $860,624,000 of U.S. dollar denominated long-term debt with partial repurchases of: Corporate's Senior Notes due 2006 and 2007; Wireless' Senior Secured Notes due 2007 and Senior Secured Debentures due 2008 and 2016; and Cable's Senior Secured Second Priority Notes due 2002, 2005 and 2007 and Senior Secured Second Priority Debentures due 2012. As a result, the Company paid a prepayment premium of $106,376,000, incurred a loss from redesignating certain cross-currency interest rate exchange agreements of $4,324,000, and wrote off deferred financing costs of $17,147,000 and deferred foreign exchange of $82,740,000, resulting in a net loss on repayment of $210,587,000 (note 5).

g. Principal repayments

As at December 31, 1999, principal repayments due within each of the next five years on all long-term debt are as follows:

(In thousands of dollars)

2000	$ 3,534
2001	2,647
2002	118,678
2003	4,224
2004	493
	129,576
Thereafter	3,465,390
	$ 3,594,966

The provisions of the long-term debt agreements described above impose, in most instances, restrictions on the operations and activities of the companies governed by these agreements. Generally, the most significant of these restrictions are debt incurrence and maintenance tests, restrictions upon additional investments, sales of assets and payment of dividends. In addition, the repayment dates of certain debt agreements accelerate if there is a change in control of the respective companies.

8. Shareholders' equity (deficiency)

(In thousands of dollars)		1999	1998
Capital stock issued, at stated value:			
Preferred shares:			
Held by subsidiary companies:			
105,500	Series XXIII	$ 105,500	$ 105,500
253,500	Series XXVI	253,500	253,500
150,000	Series XXVII	150,000	150,000
30,000	Series XXIX	30,000	30,000
818,300	Series XXX	10,000	10,000
300,000	Series XXXI	300,000	300,000
300,000	Series XXXII	300,000	—
Held by members of the Company's share purchase plans:			
190,584	Series B (1998 — 254,621 shares)	2,401	3,208
179,473	Series E (1998 — 190,670 shares)	3,069	3,260
Held by companies controlled by the controlling shareholder of the Company:			
nil	Series XX (1998 — 13,500,000 shares)	—	270,000
nil	Series XXV (1998 — 170,000 shares)	—	170,000
Common shares:			
56,240,494	Class A Voting shares	72,320	72,320
146,244,892	Class B Non-Voting shares (1998 — 232,794,445 shares, of which 110,340,680 were held by subsidiary companies)	237,616	378,240
		1,464,406	1,746,028
Deduct:			
Amounts receivable from employees under certain share purchase plans, including $1,754 from officers (1998 — $2,204)		4,923	6,056
The cost of Class B Non-Voting shares of the Company held by subsidiary companies		—	453,800
Preferred shares of the Company held by subsidiary companies		1,149,000	849,000
Total capital stock		310,483	437,172
Convertible preferred securities		576,000	—
Warrants to purchase Class B Non-Voting shares		24,000	—
Contributed surplus		601,744	375,437
Deficit		(33,919)	(854,134)
		$ 1,478,308	$ (41,525)

a. Capital stock

i. Preferred shares

Rights and conditions

There are 400,000,000 authorized preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the Board of Directors prior to the issue of such series.

The Series XVI Preferred shares were non-voting, cumulative and were redeemable at $10 per share at the option of the Company. These shares were redeemed by the Company in 1998.

The Series XVII Preferred shares were non-voting, cumulative and were redeemable at $10 per share at the option of the Company. These shares were redeemed by the Company in 1998.

The Series XX Preferred shares were non-voting, redeemable at $20 per share after June 30, 1999 at the option of the Company, carried the right to cumulative dividends at a rate equal to 5% per annum and were convertible into Class B Non-Voting shares at $24.75 per share. These shares were converted into 10,909,090 Class B Non-Voting shares in August 1999.

The Series XXIII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate equal to the bank prime rate plus 1¾% per annum applied to the redemption value.

The Series XXV Preferred shares were non-voting, redeemable at $1,000 per share at the option of the Company and carried the right to cumulative dividends at a rate equal to 87.25% of the bank prime rate per annum applied to the redemption value. These shares were redeemed by the Company in 1999.

The Series XXVI Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate of 11⅛% per annum.

The Series XXVII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate equal to the bank prime rate plus 1¾% per annum.

The Series XXIX Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate equal to the bank prime rate plus 1¾% per annum.

The Series XXX Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to non-cumulative dividends at a rate of 9½% per annum.

The Series XXXI Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate of 9⅝% per annum.

The Series XXXII Preferred shares are non-voting, are redeemable at $1,000 per share at the option of the Company and carry the right to cumulative dividends at a rate of 9.05% per annum.

The Series XXIII, XXVI, XXVII, XXIX, XXX, XXXI and XXXII Preferred shares are held by subsidiaries of the Company. The Series XVI, XVII, XX and XXV Preferred shares were held by companies controlled by the controlling shareholder of the Company.

The Series B and E Convertible Preferred shares are non-voting and are redeemable and retractable under certain conditions. All of these shares are convertible at the option of the holder up to the mandatory date of redemption into Class B Non-Voting shares of the Company at a conversion rate equal to one Class B Non-Voting share for each share to be converted. These shares are entitled to receive, ratably with holders of the Class B Non-Voting shares, cash dividends per share in an amount equal to the cash dividends declared and paid per share on Class B Non-Voting shares.

ii. Common shares

Rights and conditions

There are 200,000,000 authorized Class A Voting shares without par value. The Class A Voting shares may receive a dividend at an annual rate of up to $0.05 per share only after the Class B Non-Voting shares have been paid a dividend at an annual rate of $0.05 per share. The Class A Voting shares are convertible on a one-for-one basis into Class B Non-Voting shares.

There are 1,400,000,000 authorized Class B Non-Voting shares with a par value of $1.62478 per share. The Class A Voting and Class B Non-Voting shares will share equally in dividends after payment of a dividend of $0.05 per share for each class.

iii. Stock option and share purchase plans

(A) *Stock option plan*

The Company provides a stock option plan to key employees and officers to encourage executives to acquire a meaningful equity ownership interest in the Company over a period of time, and as a result, reinforce executives' attention on the long-term interest of the Company and its shareholders. Under the plan, options to purchase Class B Non-Voting shares of the Company may be granted to key employees, directors and officers of the Company and its affiliates by the Board of Directors or by the Company's Management Compensation Committee. There are 17,275,000 options authorized under the plan. The term of each option is ten years; the vesting period is generally four years but may be extended by the Management Compensation Committee. The exercise price for options is the weighted average trading price of the Class B Non-Voting shares of the Company on The Toronto Stock Exchange for the five business days prior to the grant.

In addition, certain key employees and officers of Wireless participate in Wireless' stock option plan. Details of stock options are as follows:

	1999			1998		
	Shares		Weighted average exercise price	Shares		Weighted average exercise price
Outstanding, beginning of year	12,950,150	$	8.29	10,073,088	$	7.16
Granted	2,601,200		29.91	4,903,600		9.89
Exercised	(865,074)		8.31	(154,250)		8.04
Forfeited	(1,001,875)		6.29	(1,872,288)		7.08
Outstanding, end of year	13,684,401	$	12.56	12,950,150	$	8.29
Exercisable, end of year	5,074,494	$	8.75	3,257,356	$	8.85

At December 31, 1999, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

	Options outstanding				Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)		Weighted average exercise price	Number exercisable		Weighted average exercise price
$5.78 to $8.52	8,095,876	7.7	$	6.86	3,781,238	$	7.11
$9.46 to $12.64	2,678,325	8.4		12.05	972,056		11.66
$16.75 to $22.60	694,000	7.3		20.98	321,500		19.23
$25.44 to $34.14	2,216,200	9.8		31.38	—		—
	13,684,401		$	12.56	5,074,794	$	8.75

Compensation expense related to stock options for 1999 was nil (1998 — nil).

(B) Employee share purchase plan

The employee share purchase plan is provided to enable certain employees of the Company and its subsidiaries an opportunity to obtain an equity interest in the Company by permitting them to acquire Class B Non-Voting shares.

The price paid by the employees for the Class B Non-Voting shares is the lesser of 85% of the closing price at which the shares traded on the Toronto Stock Exchange on the trading day immediately prior to the purchase date or the closing price on a date which is approximately one year subsequent to the original issue date.

Under the plan, the Company sold 169,089 Class B Non-Voting shares in 1999 for cash of $5,174,000 (1998 — nil).

iv. During 1999, the Company completed the following capital stock transactions:

(A) All of the issued and outstanding Series XXV Preferred shares were redeemed for $170,000,000;

(B) 6,178 Series B and 2,021 Series E Convertible Preferred shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by $78,000 and $39,000, respectively;

(C) 57,859 Series B and 9,176 Series E Convertible Preferred shares were converted to 66,688 Class B Non-Voting shares with a value of $881,000;

(D) 3,951 and 9,619,965 Class B Non-Voting shares were issued to debenture holders on conversion of U.S. $94,000 of Convertible Debentures, due 2005 (note 7(a)(i)) and $199,272,000 of Convertible Subordinated Debentures, due 1999 (note 7(a)(vi)), respectively;

(E) 13,500,000 Series XX Preferred shares with a value of $270,000,000 were converted into 10,909,090 Class B Non-Voting shares;

(F) 300,000 Series XXXII Preferred shares were issued to a subsidiary company for $300,000,000;

(G) 2,312,073 Class B Non-Voting shares with a value of $58,236,000 were issued as partial consideration for the acquisition of certain radio stations (note 2(a)(i));

(H) 865,074 Class B Non-Voting shares were issued to employees upon the exercise of options for cash of $7,190,000;

(I) 154,803 Class B Non-Voting shares related to the Management Share Purchase Plan held in a trust by a subsidiary company and related to former employees of the Company were cancelled. The capital stock account has been reduced by $1,304,000;

(J) 110,340,680 Class B Non-Voting shares held by subsidiaries of the Company were cancelled on the wind-up of these subsidiaries; and

(K) 169,089 Class B Non-Voting shares were issued to employees pursuant to Employee Share Purchase Plans for cash of $5,174,000.

As a result of the above transactions, $226,307,000 of the issued amounts related to the Class B Non-Voting shares was recorded in contributed surplus.

v. During 1998, the Company completed the following capital stock transactions:

(A) All of the issued and outstanding Series XVI and XVII Preferred shares were redeemed for $130,000,000;

(B) 818,300 Series XXX Preferred shares were issued to a subsidiary company for $10,000,000;

(C) 300,000 Series XXXI Preferred shares were issued to a subsidiary company for $300,000,000;

(D) 44,936 Series B, 13,098 Series C and 33,752 Series E Convertible Preferred shares held by trustees of the Company's share purchase plans and relating to former employees of the Company were cancelled. The capital stock account has been reduced by $566,000, $168,000 and $577,000, respectively;

(E) 12,900 Series B and 10,148 Series E Convertible Preferred shares were redeemed for $163,000 and $174,000, respectively;

(F) 1,217 Series B Convertible Preferred shares were converted to 1,217 Class B Non-Voting shares with a value of $15,000; and

(G) 154,250 Class B Non-Voting shares were issued to employees upon the exercise of options for cash of $1,240,000.

As a result of the above transactions, $1,002,000 of the issued amounts related to the Class B Non-Voting shares was recorded in contributed surplus.

vi. The Articles of Continuance of the Company under the Company Act (British Columbia) impose restrictions on the transfer, voting and issue of the Class A Voting and Class B Non-Voting shares in order to ensure that the Company remains qualified to hold or obtain licences required to carry on certain of its business undertakings in Canada.

The Company is authorized to refuse to register transfers of any shares of the Company to any person who is not a Canadian in order to ensure that the Company remains qualified to hold the licences referred to above.

b. Convertible preferred securities and warrants

In 1999, the Company issued convertible preferred securities ("Preferred Securities") with a face value of $600,000,000 to a subsidiary of Microsoft Corporation ("Microsoft"). These Preferred Securities bear interest at 5½% per annum, payable quarterly in cash, Class B Non-Voting shares or additional Preferred Securities, at the Company's option. The Preferred Securities are convertible in whole, or in part, at any time, at Microsoft's option, into 28.5714 Class B Non-Voting shares per $1,000 aggregate principal amount of Preferred Securities, representing a conversion price of $35.00 per Class B Non-Voting share. The Preferred Securities mature on August 11, 2009, and are callable by the Company on or after August 11, 2004, subject to certain conditions. The Company has the option of repaying the Preferred Securities in cash or Class B Non-Voting shares.

As part of the transaction to issue Preferred Securities, the Company issued to Microsoft 5,333,333 warrants each exercisable into one Class B Non-Voting share of the Company. The warrants are exercisable at any time up to August 11, 2002 at $35.00 per Class B Non-Voting share.

The Company received aggregate proceeds of $600,000,000 for the issue of Preferred Securities and warrants, which have been allocated to Preferred Securities, including the conversion feature, in the amount of $576,000,000 and the warrants in the amount of $24,000,000. Interest on the Preferred Securities is recorded as a charge to deficit, similar to a dividend.

9. Income taxes

Total income tax expense varies from the amounts that would be computed by applying the effective income tax rate to the income before income taxes and minority interest as follows:

(In thousands of dollars)	1999	1998
Effective income tax rate	44.5%	44.5%
Effective income tax expense on the income before income taxes and minority interest	$ 391,363	$ 278,244
Increase (decrease) results from:		
Effect of losses of subsidiaries, the tax effect of which has not been recorded	46,667	35,315
Utilization of losses carried forward not previously recorded	(60,852)	(273,370)
Large Corporations Tax	9,399	8,950
Non-deductible depreciation and amortization	18,739	27,205
Non-deductible long-term debt repayment costs	21,102	8,324
Non-taxable portion of gain on sale of subsidiaries, assets and other investments	(354,627)	(97,709)
Other items	1,886	3,540
Actual income tax	$ 73,677	$ (9,501)

As at December 31, 1999, the Company has approximately the following amounts available to reduce future years' income for income tax purposes, the tax effect of which has not been recorded in the accounts:

(In thousands of dollars)	
Income tax losses expiring in the year ending December 31:	
2000	$ 15,000
2001	72,500
2002	70,900
2003	3,000
2004	256,700
2005	97,500
2006	30,600
	546,200
Depreciation and other expenditures claimed for accounting purposes in excess of amounts recorded for income tax	24,800
	$ 571,000

10. Earnings per share

Basic earnings per share amounts have been calculated based on the weighted average number of Class A Voting and Class B Non-Voting shares outstanding during the year after giving effect to the ownership of the Company's Class B Non-Voting shares by subsidiary companies and after deducting dividends on preferred shares and distributions and accretion on the Preferred Securities.

Adjusted basic earnings per share have been calculated based on the weighted average number of Class A Voting and Class B Non-Voting shares determined above, adjusted to reflect the conversion into Class B Non-Voting Shares of the Company's convertible debentures and convertible preferred shares as if such conversions occurred at the beginning of the year.

Fully diluted earnings per share have been calculated based on the weighted average number of Class A Voting and Class B Non-Voting shares determined above, adjusted to reflect the conversion into Class B Non-Voting shares of the Company's convertible debentures, convertible preferred shares, Preferred Securities, warrants, and the exercise of stock options.

11. Pensions

The Company maintains both contributory and non-contributory defined benefit pension plans which cover most of its employees. The plans provide pensions based on years of service, years of contributions and earnings.

Actuarial estimates prepared as at December 31, 1999 and 1998 were based on projections of employees' compensation levels to the time of retirement and indicate the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market, are as follows:

(In thousands of dollars)	1999	1998
Pension fund assets	$ 358,121	$ 338,214
Accrued pension benefits	204,956	195,470

Pension expense for 1999 was $363,000 (1998 — nil).

12. Segmented information

The Company provides wireless services, cable services, and through a media group, radio and television broadcasting and the publication of magazines and periodicals. All of these operating segments are substantially in Canada. The operating results of the Company's local telecommunications service provider, which was sold in 1998 (note 2(b)(ii)), have been included under the caption "Corporate items and eliminations" in the tables below for 1998. Information by operating segment for the years ended December 31, 1999 and 1998 is as follows:

(In thousands of dollars) December 31, 1999	Wireless	Cable	Media	Corporate items and eliminations	Consolidated totals
Revenue	$ 1,351,723	$ 1,148,519	$ 607,604	$ —	$ 3,107,846
Operating, general and administrative expenses	929,395	737,314	530,352	16,957	2,214,018
Operating income (loss) before the undernoted	422,328	411,205	77,252	(16,957)	893,828
Management fees	9,851	23,156	9,236	(42,243)	—
Depreciation and amortization	285,458	281,037	21,237	19,787	607,519
Operating income	127,019	107,012	46,779	5,499	286,309
Interest expense (income):					
Third party	153,772	183,540	502	103,002	440,816
Intercompany	11,347	73,910	(22,714)	(62,543)	—
Gain on sale of assets and investments	—	(88,469)	(17,489)	(1,096,043)	(1,202,001)
Loss on early repayment of long-term debt	69,331	108,423	—	32,833	210,587
Other items, net	(1,661)	1,004	(25,176)	(16,727)	(42,560)
Income tax expense (recovery)	(69,941)	(74,081)	(994)	218,693	73,677
Minority interest	—	—	—	(34,698)	(34,698)
Net income (loss)	$ (35,829)	$ (97,315)	$ 112,650	$ 860,982	$ 840,488
Capital expenditures, net	$ 400,959	$ 413,463	$ 18,203	$ (202)	$ 832,423
Goodwill acquired	$ 12,455	$ 300	$ 151,805	$ —	$ 164,560
Identifiable assets	$ 2,116,103	$ 2,729,611	$ 564,784	$ 961,059	$ 6,371,557

(In thousands of dollars) December 31, 1998	Wireless	Cable	Media	Corporate items and eliminations	Consolidated totals
Revenue	$ 1,242,925	$ 1,027,037	$ 538,164	$ 31,103	$ 2,839,229
Operating, general and administrative expenses	847,783	628,348	472,459	35,540	1,984,130
Operating income (loss) before the undernoted	395,142	398,689	65,705	(4,437)	855,099
Management fees	9,520	20,725	8,188	(38,433)	–
Depreciation and amortization	274,264	244,952	15,096	35,279	569,591
Operating income (loss)	111,358	133,012	42,421	(1,283)	285,508
Interest expense (income):					
Third party	170,677	220,632	–	133,428	524,737
Intercompany	14,749	11,303	(14,807)	(11,245)	–
Gain on sale of assets and investments	–	(140,937)	(30,139)	(703,564)	(874,640)
Loss on early repayment of long-term debt	–	9,289	–	21,868	31,157
Other items, net	(42)	2,162	76	(23,210)	(21,014)
Income tax expense (recovery)	4,529	(40,234)	1,103	25,101	(9,501)
Net income (loss)	$ (78,555)	$ 70,797	$ 86,188	$ 556,339	$ 634,769
Capital expenditures, net	$ 301,287	$ 310,278	$ 10,309	$ 36,605	$ 658,479
Goodwill acquired	$ –	$ –	$ 11,355	$ –	$ 11,355
Identifiable assets	$ 2,023,813	$ 2,655,679	$ 347,796	$ 1,357,565	$ 6,384,853

13. Financial instruments

a. Fair values

The Company has determined the fair values of its financial instruments as follows:

i. Cash and short-term deposits, accounts receivable, amounts receivable from employees under share purchase plans, mortgages and loans receivable, bank advances, accounts payable and accrued liabilities, foreign exchange option agreements and foreign exchange forward contracts

The carrying amounts in the consolidated balance sheet approximate fair values because of the short-term nature of these instruments.

ii. Investments

The fair values of investments which are publicly traded are determined by the closing market values for each of the investments (note 4). The fair values of other investments approximate their carrying amounts.

iii. Long-term debt

The fair values of each of the Company's long-term debt instruments are based on the current trading values.

iv. Interest exchange agreements

The fair values of the Company's interest exchange agreements and cross-currency interest rate exchange agreements are based on values quoted by the counterparties to the agreements.

The estimated fair values of the Company's long-term debt and related interest exchange agreements as at December 31, 1999 and 1998 are as follows:

(In thousands of dollars)	1999		1998	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt	$ 3,765,096	$ 3,914,892	$ 5,545,228	$ 5,822,058
Interest exchange agreements	—	11,072	—	27,151
Cross-currency interest rate exchange agreements	(170,130)	(168,516)	(291,184)	(375,667)
	$ 3,594,966	$ 3,757,448	$ 5,254,044	$ 5,473,542

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

b. Other disclosures

i. The credit risk of the interest exchange agreements and cross-currency interest rate exchange agreements arises from the possibility that the counterparties to the agreements may default on their obligations under the agreements in instances where the agreements have positive fair value to the Company. The Company assesses the creditworthiness of the counterparties in order to minimize the risk of counterparty default under the agreements. All of the portfolio is held by financial institutions with a Standard & Poors rating (or the equivalent) of "AA".

ii. The Company does not require collateral or other security to support the credit risk associated with the interest exchange agreements and cross-currency interest rate exchange agreements due to the Company's assessment of the creditworthiness of the counterparties.

iii. The Company does not have any significant concentrations of credit risk related to any financial asset.

14. Commitments

The future minimum lease payments under operating leases for the rental of premises, distribution facilities, equipment and microwave towers at December 31, 1999 are as follows:

(In thousands of dollars)	
Year ending December 31:	
2000	$ 118,466
2001	97,643
2002	80,527
2003	66,217
2004	55,097
2005 and thereafter	71,931
	$ 489,881

Rent expense for 1999 amounted to $96,688,000 (1998 — $113,697,000).

15. Contingent liabilities

a. Litigation

There exist certain legal actions against the Company, none of which is expected to have a material adverse effect on the consolidated financial position of the Company.

b. Uncertainty due to Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. Canadian and United States accounting policy differences

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied in Canada. In the following respects, GAAP as applied in the United States differs from that applied in Canada.

If United States GAAP were employed, the income in each year would be adjusted as follows:

(In thousands of dollars, except per share amounts)	1999	1998
Net income for the year based on Canadian GAAP	$ 840,488	$ 634,769
Amortization of intangible assets (a)	(15,172)	(14,789)
Foreign exchange loss (b)	166,169	(181,337)
Gain on sale and issuance of subsidiary shares to minority interest (c)	88,624	–
Gain on sale of cable systems (d)	(3,716)	(3,716)
Loss on early repayment of long-term debt (e)	82,740	18,648
Pre-operating costs (f)	(24,551)	(5,133)
Interest on Preferred Securities (g)	(13,748)	–
Other	(3,566)	(16,089)
Income tax effect of adjustments (h)	(254,868)	6,325
Minority interest effect of adjustments	(25,226)	–
Net income based on United States GAAP	$ 837,174	$ 438,678
Comprised of the following:		
Income before extraordinary item	$ 910,470	$ 444,607
Extraordinary item (e)	(73,296)	(5,929)
	$ 837,174	$ 438,678
Earnings per share based on United States GAAP:		
Basic:		
Before extraordinary item	$ 4.73	$ 2.32
After extraordinary item	4.34	2.29
Diluted:		
Before extraordinary item	4.13	2.14
After extraordinary item	3.80	2.11

The cumulative effect of these adjustments on the consolidated shareholders' equity (deficiency) of the Company is as follows:

(In thousands of dollars)	1999	1998
Shareholders' equity (deficiency) based on Canadian GAAP	$ 1,478,308	$ (41,525)
Amortization of intangible assets (a)	(188,423)	(173,251)
Foreign exchange loss (b)	(76,023)	(324,932)
Gain on sale and issuance of subsidiary shares to minority interest (c)	88,624	—
Gain on sale of cable systems (d)	129,935	133,651
Pre-operating costs (f)	(29,684)	(5,133)
Preferred Securities (g)	(576,915)	—
Capital stock (i)	(4,775)	(3,973)
Preferred shares (j)	—	(270,000)
Unrealized holding gain on investments (k)	1,418,504	7,850
Other	(36,915)	(33,349)
Income tax effect of adjustments	(643,194)	(40,751)
Minority interest effect of adjustments	(25,226)	—
Shareholders' equity (deficiency) based on United States GAAP	$ 1,534,216	$ (751,413)

The areas of material difference between Canadian and United States GAAP and their impact on the consolidated financial statements of the Company are described below:

a. Amortization of intangible assets

Under Canadian GAAP, the Company is amortizing the cost of subscribers and licences using an increasing charge method over 40 years. Under United States GAAP, subscribers and licences are considered to be goodwill, which is amortized over 40 years on a straight-line basis.

b. Foreign exchange

United States GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt denominated in U.S. dollars be charged to income and expense when incurred. Canadian GAAP requires the amortization of foreign exchange gains or losses over the remaining life of the long-term debt.

c. Gain on sale and issuance of subsidiary shares to minority interest

Under United States GAAP, the carrying value of the Company's investment in Wireless would be lower than the carrying value under Canadian GAAP as a result of certain differences between Canadian and United States GAAP as described herein. This results in an increase to the gain on sale and dilution under United States GAAP.

d. Gain on sale of cable television systems

Under Canadian GAAP, the after-tax gain arising on the sale of certain of the Company's cable television systems in prior years was recorded as a reduction of the carrying value of subscribers acquired in a contemporaneous acquisition of certain cable television systems. Under United States GAAP, the Company included the gain on sale of the cable television systems in income, net of related deferred income taxes. As a result, amortization expense under United States GAAP is increased in subsequent years.

e. Loss on early repayment of long-term debt

Under United States GAAP, the loss on early repayment of long-term debt in 1999 and 1998 would be reduced by the write-off of deferred foreign exchange loss in the amount of $82,740,000 and $18,648,000, respectively. In addition, the loss, net of related income taxes, would be classified as an extraordinary item for United States GAAP purposes.

f. Pre-operating costs

Under Canadian GAAP, the Company defers the incremental costs relating to the development and pre-operating phases of new businesses and amortizes these costs on a straight-line basis over periods up to five years. Under United States GAAP, these costs are expensed as incurred.

g. Preferred Securities

Under Canadian GAAP, the Preferred Securities are classified as shareholders' equity and the related interest expense is recorded as a distribution from retained earnings. Under United States GAAP, the Preferred Securities are classified as long-term debt and the related interest expense is recorded in the statement of income.

h. Income taxes

Included in the caption "Income tax effect of adjustments" is income tax expense that is required to be recorded under United States GAAP on the dilution gain arising on the issue of shares by Wireless to third parties. Canadian GAAP does not require income tax expense to be recorded in respect to this item.

United States GAAP requires that deferred income taxes be accounted for under the liability method, whereas Canadian GAAP requires the use of the deferral method. The difference between these two methods does not have a material effect on the amount of deferred income taxes in the consolidated financial statements, other than as noted above.

The Company has incurred losses for income tax purposes, the tax effect of which has not been recorded, in the amount of approximately $571,000,000 at December 31, 1999 which, if they had been accounted for, would give rise to a deferred income tax asset of approximately $255,000,000. United States GAAP requires that in order to record this deferred income tax asset, the realization of these timing differences must be more likely than not. The Company is not certain whether realization is more likely than not and therefore has recorded a valuation allowance against this deferred income tax asset. Under Canadian GAAP, the Company must be virtually certain of the realization of these timing differences in order to record the deferred income tax asset. This condition of virtual certainty does not exist and therefore the deferred income tax asset has not been recorded.

i. Capital stock

United States GAAP requires that loans receivable from employees relating to share purchases be presented in the consolidated balance sheet as a deduction from capital stock. Canadian GAAP permits these amounts to be shown as assets in certain circumstances.

United States GAAP requires the disclosure of the liquidation preference of capital stock. All series of preferred shares of the Company share equally in the distribution of assets upon liquidation, in priority to the Class A Voting and Class B Non-Voting shares.

j. Preferred shares

Pursuant to the regulations of the United States Securities and Exchange Commission, the Series XX Preferred shares of the Company, which had a mandatory redemption requirement, may not be classified as part of shareholders' equity.

k. Unrealized holding gain on investments

United States GAAP requires that certain investments in equity securities that have readily determinable fair values be recorded in the consolidated balance sheet at their fair values. The unrealized holding gains and losses from these investments, which are considered to be "available-for-sale securities" under United States GAAP, are included as a separate component of shareholders' equity and comprehensive income, net of related deferred income taxes.

l. Operating income before depreciation and amortization

United States GAAP requires that depreciation and amortization be included in the determination of operating income and does not permit the disclosure of a subtotal of the amount of operating income before this item. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before this item.

m. Statements of cash flows

United States GAAP requires certain additional disclosures with respect to the consolidated statements of cash flows, as follows:

i. Canadian GAAP permits the disclosure of a subtotal of the amount of funds provided by operations before changes in non-cash working capital items in the consolidated statements of cash flows. United States GAAP does not permit this subtotal to be included.

ii. Canadian GAAP permits bank advances to be included in the determination of cash and cash equivalents in the consolidated statements of cash flows. United States GAAP requires that bank advances be reported as financing cash flows. As a result, under United States GAAP, the decrease in bank advances in the amount of $1,383,000 in 1999 (1998 — decrease of $9,916,000) reflected in the consolidated statements of cash flows would be reported as a use of cash under the heading “Financing” in the cash flow statements.

n. Statement of comprehensive income

United States GAAP requires the disclosure of a Statement of Comprehensive Income. Comprehensive income generally encompasses all changes in shareholders’ equity except those arising from transactions with shareholders.

(In thousands of dollars)	1999	1998
Net income based on United States GAAP	$ 837,174	$ 438,678
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the year	1,217,058	65,570
Realized gains included in income	(159,679)	(100,639)
Comprehensive income based on United States GAAP	$ 1,894,553	$ 403,609

o. Recent accounting pronouncements

The Financial Accounting Standards Board (“FASB”) in the United States has issued a pronouncement entitled “Accounting for Derivative Instruments and Hedging Activities” which the Company is required to adopt in the year ending December 31, 2001. The Company has not determined the impact of this pronouncement on its consolidated financial statements.

The American Institute of Certified Public Accountants has issued Statements of Position entitled “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use” and “Reporting the Costs of Start-up Activities” which the Company adopted in the year ended December 31, 1999. The adoption of these pronouncements did not have a material impact on the Company’s consolidated financial statements.

The CICA issued a new pronouncement entitled “Cash Flow Statements” which the Company adopted in the year ended December 31, 1999. The impact of the adoption of “Cash Flow Statements” is described in note 1(m).

The CICA has also issued new pronouncements entitled “Income Taxes” and “Employee Future Benefits” which the Company is required to adopt in the year ending December 31, 2000. The Company is in the process of determining the impact of these pronouncements on its consolidated financial statements.

17. Subsequent event

On February 7, 2000, the Company announced that it had agreed to merge with Le Groupe Vidéotron ltée ("Vidéotron"). Vidéotron is a Canadian public company operating residential cable television services, business and institutional telecommunications services, retail video outlets and remote surveillance and security systems. Vidéotron's holdings in Groupe TVA Inc., a producer, broadcaster and distributor of French language programming in North America, will be distributed to the Vidéotron shareholders prior to the merger and therefore are excluded from the transaction.

Under the proposed merger, each Vidéotron share will be exchanged for 0.925 Class B Non-Voting shares of the Company. Based on the estimated number of Vidéotron shares and options outstanding at February 7, 2000, the Company estimates that the total purchase price will be approximately $5.0 billion. The Company will account for this merger using the purchase method. As part of this transaction, it is the Company's intention to repurchase, subject to market conditions, between $500 million and $1 billion of its outstanding Class B Non-Voting shares using proceeds from the sale of non-core assets.

The merger will be effected by a plan of arrangement which will require approval of Vidéotron's shareholders. The Company intends to enter into a trust agreement prior to the transaction, allowing the merger to be completed prior to regulatory review. Although certain of the shareholders of Vidéotron have agreed to support the merger and the Board of Directors of Vidéotron have unanimously agreed to support the transaction and to recommend it to the Vidéotron shareholders, there is no assurance that the transaction will be completed. The transaction is expected to close in April 2000.

Directors

Ronald D. Besse[2,3,4]
Chairman, President and
Chief Executive Officer
Canada Publishing Corporation

H. Garfield Emerson, Q.C.[1,2,3,5]
President and
Chief Executive Officer
N M Rothschild and Sons
Canada Limited

Albert Gnat, Q.C.[3,4,5]
Senior Partner
Lang Michener

Thomas I. Hull[1,3,5]
Chairman and
Chief Executive Officer
The Hull Group Inc.

Robert W. Korthals[2,3,4]
Company Director

Philip B. Lind
Vice Chairman
Rogers Communications Inc.

Alexander Mikalachki[2]
Professor Emeritus
Richard Ivey School of Business
The University of Western Ontario

The Hon. David R. Peterson, P.C., Q.C.[2]
Senior Partner
Cassels Brock & Blackwell

Edward S. Rogers, O.C.[1,5]
President and
Chief Executive Officer
Rogers Communications Inc.

Edward Rogers[1]
Vice President, General Manager
Greater Toronto Area
Rogers Cable Inc.

Loretta A. Rogers
Company Director

William T. Schleyer[3]
Private Investor

Ian H. Stewart, Q.C.[2]
President
Seacoast Equities Inc.

John A. Tory, Q.C.[1,3,5]
President
Thomson Investments Limited

J. Christopher C. Wansbrough[1,2,4]
Chairman
Rogers Telecommunications Limited

W. David Wilson[2]
Chairman and
Chief Executive Officer
ScotiaMcLeod Inc.

1 Member of the Executive Committee
2 Member of the Audit Committee
3 Member of the Management Compensation Committee
4 Member of the Pension Committee
5 Member of the Nomination and Corporate Governance Committee

Officers

H. Garfield Emerson, Q.C.
Chairman

Philip B. Lind
Vice Chairman

Edward S. Rogers, O.C.
President and
Chief Executive Officer

Charles E. Hoffman
Senior Vice President
Wireless Telecommunications

Ronan D. McGrath
President
Rogers Shared Services and
Chief Information Officer

John H. Tory, Q.C.
Senior Vice President
Cable Communications

Anthony P. Viner
Senior Vice President, Media

Alexander R. Brock
Vice President
Business Development Telecom

Donald B. Burt
Vice President, Human Resources

M. Lorraine Daly
Vice President, Treasurer

Bruce D. Day, C.A.
Vice President
Corporate Development

Kenneth G. Engelhart
Vice President, Regulatory

Gregory J. Henderson, C.A.
Vice President, Group Controller

Alan D. Horn, C.A.
Vice President, Finance and
Chief Financial Officer

Jan L. Innes
Vice President, Communications

Roger D. Keay
Vice President, Technology and
Strategic Planning

Ron J. McKerlie
Vice President, E-Business

Graeme H. McPhail
Vice President and
Associate General Counsel

David P. Miller
Vice President, General Counsel

David A. Robinson
Vice President, Financial Planning
and Investor Relations

Robert W. Stark
Vice President
National Customer Service

David J. Watt
Vice President, Business Economics

Daphne Evans
Secretary

Ian H. Stewart, Q.C.
Assistant Secretary

Thomas H. Davidson
Vice President, General Manager
Rogers Shared Services

Frank A. DiMatteo
Vice President,
Marketing Administration
and Procurement
Rogers Communications Inc.

Guy W. Knowles
Vice President, Real Estate
Rogers Shared Services

Rogers Communications Inc.

Convertible Debentures Due 2005
CUSIP # 775109 AE1
Trustees and Transfer Agents:
The Bank of Nova Scotia Trust Company of New York
(212) 225-5427
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2006
CUSIP # 775109 AF8
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2006 (CDN$)
CUSIP # 775109 AG6
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2007
CUSIP # 775109 AH4
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Notes Due 2007 (CDN$)
CUSIP # 775109 AJ0
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Rogers Cable Inc.

Senior Secured Second Priority Notes Due 2002
CUSIP # 775100 AA8
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority Notes Due 2005
CUSIP # 775100 AE0
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority Debentures Due 2007
CUSIP # 775100 AF7
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority Debentures Due 2012
CUSIP # 775100 AB6
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Senior Secured Second Priority Debentures Due 2014 (CDN$)
CUSIP # 775100 AC4
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380
Co-Transfer Agent:
CIBC Mellon Trust Company
1-800-387-0825

Senior Subordinated Guaranteed Debentures Due 2015
CUSIP # 775100 AG5
Trustee and Transfer Agent:
The Chase Manhattan Bank
1-800-648-8380

Rogers Wireless Inc.

Senior Secured Notes Due 2006
CUSIP # 775101 AA6
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Notes Due 2007
CUSIP # 775101 AG3
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Debentures Due 2008
CUSIP # 775101 AB4
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Secured Debentures Due 2016
CUSIP # 775101 AC2
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Senior Subordinated Notes Due 2007
CUSIP # 775101 AH1
Trustees and Transfer Agents:
The Chase Manhattan Bank
1-800-648-8380
CIBC Mellon Trust Company
1-800-387-0825

Corporate Office

Rogers Communications Inc.
333 Bloor Street East
Toronto, ON M4W 1G9
(416) 935-7777

Institutional investors, security analysts and others who want financial information about any of the Rogers companies should contact:

David A. Robinson,
Vice President, Financial Planning and Investor Relations
Tel.: (416) 935-3550
Fax: (416) 935-3597
e-mail: investor.relations@rogers.com

On pourra se procurer le texte français de ce rapport annuel en communiquant avec :

David A. Robinson en téléphonant au (416) 935-3550.

For all media inquiries, please contact:

Jan Innes,
Vice President, Communications
at (416) 935-3525.

Annual General and Special Meeting

The Annual General and Special Meeting of the shareholders of Rogers Communications Inc. will be held at 11:30 a.m. (Toronto time) Wednesday, June 21, 2000, at
Glenn Gould Studio
Canadian Broadcasting Centre
250 Front Street West
Toronto, ON M5Z 3G5

Primary Bankers

The Bank of Nova Scotia, The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce and the Royal Bank of Canada.

Auditors

KPMG LLP

Valuation Day Price

For Canadian income tax purposes, the cost basis on valuation day, December 22, 1971, for the common shares of Rogers, adjusted for all prior share splits, is $0.50446 per share.

Annual Information Form

A copy of the Rogers AIF is available on request by writing to the corporate office.

Share Information

Common Shares in Canada:
Listed on the Toronto Stock Exchange.

Class A Voting Shares
RCI.A   CUSIP # 775109101

Class B Non-Voting Shares
RCI.B   CUSIP # 775109200

Common Shares in the United States:
Listed on the New York Stock Exchange.

Class B Non-Voting Shares
RG   CUSIP # 775109200

Transfer Agent

Montreal Trust Company of Canada
(416) 981-9633 or 1-800-663-9097 and
The Bank of Nova Scotia Trust Company of New York
(212) 225-5427

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