



Rogers Communications Inc.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)**

Three and nine months ended September 30, 2021 and 2020

Rogers Communications Inc.
Interim Condensed Consolidated Statements of Income

(In millions of Canadian dollars, except per share amounts, unaudited)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--------------------------------------|------|------------------------------------|--------|-----------------------------------|--------|
| | | 2021 | 2020 | 2021 | 2020 |
| Revenue | 4 | 3,666 | 3,665 | 10,736 | 10,236 |
| Operating expenses: | | | | | |
| Operating costs | 5 | 2,066 | 2,027 | 6,371 | 5,969 |
| Depreciation and amortization | | 642 | 663 | 1,927 | 1,952 |
| Restructuring, acquisition and other | 6 | 63 | 49 | 223 | 112 |
| Finance costs | 7 | 207 | 219 | 631 | 653 |
| Other expense (income) | 8 | 20 | 6 | 14 | (1) |
| Income before income tax expense | | 668 | 701 | 1,570 | 1,551 |
| Income tax expense | | 178 | 189 | 417 | 408 |
| Net income for the period | | 490 | 512 | 1,153 | 1,143 |
| Earnings per share: | | | | | |
| Basic | 9 | \$0.97 | \$1.01 | \$2.28 | \$2.26 |
| Diluted | 9 | \$0.94 | \$1.01 | \$2.27 | \$2.23 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Rogers Communications Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
(In millions of Canadian dollars, unaudited)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income for the period | 490 | 512 | 1,153 | 1,143 |
| Other comprehensive income (loss): | | | | |
| Items that will not be reclassified to income: | | | | |
| Equity investments measured at fair value through other comprehensive income (FVTOCI): | | | | |
| (Decrease) increase in fair value | (127) | 163 | 210 | (142) |
| Related income tax recovery (expense) | 16 | (22) | (28) | 18 |
| Equity investments measured at FVTOCI | (111) | 141 | 182 | (124) |
| Items that may subsequently be reclassified to income: | | | | |
| Cash flow hedging derivative instruments: | | | | |
| Unrealized gain (loss) in fair value of derivative instruments | 698 | (681) | 383 | 806 |
| Reclassification to net income of (gain) loss on debt derivatives | (319) | 265 | (9) | (270) |
| Reclassification to net income or property, plant and equipment of loss (gain) on expenditure derivatives | 23 | (5) | 82 | (41) |
| Reclassification to net income for accrued interest | (4) | (11) | (11) | (40) |
| Related income tax (expense) recovery | (105) | 98 | (70) | (96) |
| Cash flow hedging derivative instruments | 293 | (334) | 375 | 359 |
| Share of other comprehensive income (loss) of equity-accounted investments, net of tax | 6 | (3) | - | - |
| Other comprehensive income (loss) for the period | 188 | (196) | 557 | 235 |
| Comprehensive income for the period | 678 | 316 | 1,710 | 1,378 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Rogers Communications Inc.
Interim Condensed Consolidated Statements of Financial Position
(In millions of Canadian dollars, unaudited)

| | Note | As at September 30 2021 | As at December 31 2020 |
|---|------|--------------------------------------|------------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | | 1,572 | 2,484 |
| Accounts receivable | 10 | 3,475 | 2,856 |
| Inventories | | 397 | 479 |
| Current portion of contract assets | | 152 | 533 |
| Other current assets | | 509 | 516 |
| Current portion of derivative instruments | 11 | 142 | 61 |
| Total current assets | | 6,247 | 6,929 |
| Property, plant and equipment | | 14,385 | 14,018 |
| Intangible assets | | 8,965 | 8,926 |
| Investments | 12 | 2,698 | 2,536 |
| Derivative instruments | 11 | 1,716 | 1,378 |
| Financing receivables | 10 | 735 | 748 |
| Other long-term assets | 13 | 1,011 | 346 |
| Goodwill | 2 | 4,020 | 3,973 |
| Total assets | | 39,777 | 38,854 |
| Liabilities and shareholders' equity | | | |
| Current liabilities: | | | |
| Short-term borrowings | 14 | 2,375 | 1,221 |
| Accounts payable and accrued liabilities | | 2,965 | 2,714 |
| Income tax payable | | 49 | 344 |
| Other current liabilities | | 375 | 243 |
| Contract liabilities | | 357 | 336 |
| Current portion of long-term debt | 15 | 1,556 | 1,450 |
| Current portion of lease liabilities | 16 | 325 | 278 |
| Total current liabilities | | 8,002 | 6,586 |
| Provisions | | 44 | 42 |
| Long-term debt | 15 | 15,205 | 16,751 |
| Lease liabilities | 16 | 1,630 | 1,557 |
| Other long-term liabilities | | 1,012 | 1,149 |
| Deferred tax liabilities | | 3,358 | 3,196 |
| Total liabilities | | 29,251 | 29,281 |
| Shareholders' equity | 17 | 10,526 | 9,573 |
| Total liabilities and shareholders' equity | | 39,777 | 38,854 |
| Subsequent event | 17 | | |
| Contingent liabilities | 20 | | |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Rogers Communications Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(In millions of Canadian dollars, except number of shares, unaudited)

| | Class A Voting Shares | | Class B Non-Voting Shares | | Retained earnings | FVTOCI investment reserve | Hedging reserve | Equity investment reserve | Total shareholders' equity |
|---|--------------------------|-------------------------------|------------------------------|-------------------------------|----------------------|---------------------------------|--------------------|---------------------------------|----------------------------------|
| | Amount | Number of shares (000s) | Amount | Number of shares (000s) | | | | | |
| Nine months ended September 30, 2021 | | | | | | | | | |
| Balances, January 1, 2021 | 71 | 111,154 | 397 | 393,771 | 7,916 | 999 | 194 | (4) | 9,573 |
| Net income for the period | - | - | - | - | 1,153 | - | - | - | 1,153 |
| Other comprehensive income (loss): | | | | | | | | | |
| FVTOCI investments, net of tax | - | - | - | - | - | 182 | - | - | 182 |
| Derivative instruments accounted for as hedges, net of tax | - | - | - | - | - | - | 375 | - | 375 |
| Total other comprehensive income (loss) | - | - | - | - | - | 182 | 375 | - | 557 |
| Comprehensive income for the period | - | - | - | - | 1,153 | 182 | 375 | - | 1,710 |
| Reclassification to retained earnings for disposition of FVTOCI investments | - | - | - | - | 2 | (2) | - | - | - |
| Transactions with shareholders recorded directly in equity: | | | | | | | | | |
| Dividends declared | - | - | - | - | (757) | - | - | - | (757) |
| Total transactions with shareholders | - | - | - | - | (757) | - | - | - | (757) |
| Balances, September 30, 2021 | 71 | 111,154 | 397 | 393,771 | 8,314 | 1,179 | 569 | (4) | 10,526 |
| | | | | | | | | | |
| | Class A Voting Shares | | Class B Non-Voting Shares | | Retained earnings | FVTOCI investment reserve | Hedging reserve | Equity investment reserve | Total shareholders' equity |
| | Amount | Number of shares (000s) | Amount | Number of shares (000s) | | | | | |
| Nine months ended September 30, 2020 | | | | | | | | | |
| Balances, January 1, 2020 | 71 | 111,154 | 397 | 393,771 | 7,419 | 1,265 | 263 | 1 | 9,416 |
| Net income for the period | - | - | - | - | 1,143 | - | - | - | 1,143 |
| Other comprehensive income (loss): | | | | | | | | | |
| FVTOCI investments, net of tax | - | - | - | - | - | (124) | - | - | (124) |
| Derivative instruments accounted for as hedges, net of tax | - | - | - | - | - | - | 359 | - | 359 |
| Total other comprehensive income (loss) | - | - | - | - | - | (124) | 359 | - | 235 |
| Comprehensive income for the period | - | - | - | - | 1,143 | (124) | 359 | - | 1,378 |
| Reclassification to retained earnings for disposition of FVTOCI investments | - | - | - | - | 4 | (4) | - | - | - |
| Transactions with shareholders recorded directly in equity: | | | | | | | | | |
| Dividends declared | - | - | - | - | (758) | - | - | - | (758) |
| Total transactions with shareholders | - | - | - | - | (758) | - | - | - | (758) |
| Balances, September 30, 2020 | 71 | 111,154 | 397 | 393,771 | 7,808 | 1,137 | 622 | 1 | 10,036 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Rogers Communications Inc.
Interim Condensed Consolidated Statements of Cash Flows
(In millions of Canadian dollars, unaudited)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|------------------------------------|-------|-----------------------------------|---------|
| | | 2021 | 2020 | 2021 | 2020 |
| Operating activities: | | | | | |
| Net income for the period | | 490 | 512 | 1,153 | 1,143 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | | | |
| Depreciation and amortization | | 642 | 663 | 1,927 | 1,952 |
| Program rights amortization | | 10 | 16 | 46 | 54 |
| Finance costs | 7 | 207 | 219 | 631 | 653 |
| Income tax expense | | 178 | 189 | 417 | 408 |
| Post-employment benefits contributions, net of expense | | 44 | 42 | (47) | (26) |
| Other | | - | 19 | 46 | 115 |
| Cash provided by operating activities before changes in net operating assets and liabilities, income taxes paid, and interest paid | | | | | |
| | | 1,571 | 1,660 | 4,173 | 4,299 |
| Change in net operating assets and liabilities | 21 | 80 | (383) | 87 | (68) |
| Income taxes paid | | (175) | (75) | (675) | (243) |
| Interest paid | | (157) | (216) | (571) | (614) |
| Cash provided by operating activities | | | | | |
| | | 1,319 | 986 | 3,014 | 3,374 |
| Investing activities: | | | | | |
| Capital expenditures | | (739) | (504) | (1,942) | (1,656) |
| Additions to program rights | | (18) | (23) | (41) | (45) |
| Changes in non-cash working capital related to capital expenditures and intangible assets | | 23 | 20 | 55 | (134) |
| Acquisitions and other strategic transactions, net of cash acquired | 13 | (743) | (8) | (743) | (8) |
| Other | | 14 | (32) | 30 | (60) |
| Cash used in investing activities | | | | | |
| | | (1,463) | (547) | (2,641) | (1,903) |
| Financing activities: | | | | | |
| Net proceeds received from (repayments of) short-term borrowings | 14 | 1,146 | 325 | 1,143 | (1,402) |
| Net (repayment) issuance of long-term debt | 15 | - | - | (1,450) | 2,540 |
| Net (payments) proceeds on settlement of debt derivatives and forward contracts | 11 | (11) | - | (16) | 80 |
| Transaction costs incurred | 15 | - | (1) | (11) | (22) |
| Principal payments of lease liabilities | 16 | (71) | (57) | (194) | (155) |
| Dividends paid | | (253) | (253) | (757) | (758) |
| Cash provided by (used in) financing activities | | | | | |
| | | 811 | 14 | (1,285) | 283 |
| Change in cash and cash equivalents | | | | | |
| | | 667 | 453 | (912) | 1,754 |
| Cash and cash equivalents, beginning of period | | | | | |
| | | 905 | 1,795 | 2,484 | 494 |
| Cash and cash equivalents, end of period | | | | | |
| | | 1,572 | 2,248 | 1,572 | 2,248 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

NOTE 1: NATURE OF THE BUSINESS

Rogers Communications Inc. is a diversified Canadian communications and media company. Substantially all of our operations and sales are in Canada. RCI is incorporated in Canada and its registered office is located at 333 Bloor Street East, Toronto, Ontario, M4W 1G9. RCI's shares are publicly traded on the Toronto Stock Exchange (TSX: RCI.A and RCI.B) and on the New York Stock Exchange (NYSE: RCI).

We, us, our, Rogers, Rogers Communications, and the Company refer to Rogers Communications Inc. and its subsidiaries. *RCI* refers to the legal entity Rogers Communications Inc., not including its subsidiaries. Rogers also holds interests in various investments and ventures.

We report our results of operations in three reportable segments. Each segment and the nature of its business is as follows:

| Segment | Principal activities |
|----------------|--|
| Wireless | Wireless telecommunications operations for Canadian consumers and businesses. |
| Cable | Cable telecommunications operations, including Internet, television, telephony (phone), and smart home monitoring services for Canadian consumers and businesses, and network connectivity through our fibre network and data centre assets to support a range of voice, data, networking, hosting, and cloud-based services for the business, public sector, and carrier wholesale markets. |
| Media | A diversified portfolio of media properties, including sports media and entertainment, television and radio broadcasting, specialty channels, multi-platform shopping, and digital media. |

During the nine months ended September 30, 2021, Wireless and Cable were operated by our wholly owned subsidiary, Rogers Communications Canada Inc. (RCCI), and certain other wholly owned subsidiaries. Media was operated by our wholly owned subsidiary, Rogers Media Inc., and its subsidiaries.

Our operating results are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results and thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results. These typical fluctuations are described in note 1 to our annual audited consolidated financial statements for the year ended December 31, 2020 (2020 financial statements). The COVID-19 pandemic (COVID-19) has significantly affected our operating results this year in addition to the typical seasonal fluctuations in our business, most notably in our Wireless and Media businesses. The decline in customer travel due to global travel restrictions has resulted in lower-than-pre-pandemic roaming revenue. The postponement by major professional sports leagues of their 2019-20 seasons between March and July 2020, and the subsequent recommencement with contracted seasons from July to September 2020, caused sports-related revenue and expenses, such as programming rights amortization, to be recognized at different points in time than is typical. Furthermore, the effect of the Toronto Blue Jays being able to allow limited game-day attendance this year compared to the public health restrictions in the prior year has resulted in increased revenue and operating expenses this year.

Statement of Compliance

We prepared our interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 (third quarter 2021 interim financial statements) in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB), following the same accounting policies and methods of application as those disclosed in our 2020 financial statements with the exception of new accounting policies that were adopted on January 1, 2021 as described in note 2. These third quarter 2021 interim financial statements were approved by RCI's Board of Directors (the Board) on October 20, 2021.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The notes presented in these third quarter 2021 interim financial statements include only significant transactions and changes occurring for the nine months since our year-end of December 31, 2020 and do not include all disclosures required by International Financial Reporting Standards (IFRS) as issued by the IASB for annual financial statements. These third quarter 2021 interim financial statements should be read in conjunction with the 2020 financial statements.

All dollar amounts are in Canadian dollars unless otherwise stated.

Estimation Uncertainty

Due to the uncertainty surrounding the duration and potential outcomes of COVID-19, and the unpredictable and continuously changing impacts and related government responses, there is more uncertainty associated with our assumptions, expectations, and estimates. We believe the most significantly affected estimates are related to our expected credit losses and allowance for doubtful accounts.

Business Combinations

During the nine months ended September 30, 2021, we made three individually immaterial acquisitions, the goodwill for which has been allocated to our Cable and Media operating segments.

New Accounting Pronouncements Adopted in 2021

We adopted the following accounting standards and amendments that were effective for our interim and annual consolidated financial statements commencing January 1, 2021. The adoption of these standards did not have a material impact on our financial results and are not expected to have a material impact in the future.

- *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, and IFRS 7)*, addressing issues that might affect financial reporting after the reform of an interest rate benchmark. There is significant uncertainty over the timing of when the replacements for IBORs will be effective and what those replacements will be. We will actively monitor the IBOR reform and consider circumstances as we renew or enter into new financial instruments.
- Amendments to IFRS 16, *Leases*, allowing lessees to not assess whether a COVID-19-related rent concession is a lease modification.

Recent Accounting Pronouncements Not Yet Adopted

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years.

- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts.
- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information.
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".
- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current.
- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before intended use*, prohibiting reducing the cost of property, plant and equipment by proceeds while bringing an asset to capable operations.
- Amendments to IFRS 3, *Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework.
- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract.
- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope for exemption when recognizing deferred taxes.

We do not expect IFRS 17, *Insurance Contracts*, will have an effect on our consolidated financial statements. We are assessing the impacts, if any, the amendments to existing standards will have on our consolidated financial statements, but we currently do not expect any material impacts.

NOTE 3: SEGMENTED INFORMATION

Our reportable segments are Wireless, Cable, and Media. All three segments operate substantially in Canada. Corporate items and eliminations include our interests in businesses that are not reportable operating segments, corporate administrative functions, and eliminations of inter-segment revenues and costs. We follow the same accounting policies for our segments as those described in note 2 of our 2020 financial statements. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. We account for transactions between reportable segments in the same way we account for transactions with external parties, however eliminate them on consolidation.

The Chief Executive Officer and Chief Financial Officer of RCI are, collectively, our chief operating decision maker and regularly review our operations and performance by segment. They review adjusted EBITDA as the key measure of profit for the purpose of assessing performance of each segment and to make decisions about the allocation of resources. Adjusted EBITDA is defined as income before depreciation and amortization; (gain) loss on disposition of

property, plant and equipment; restructuring, acquisition and other; finance costs; other (income) expense; and income tax expense.

Information by Segment

| Three months ended September 30, 2021 (In millions of dollars) | Note | Wireless | Cable | Media | Corporate items and eliminations | Consolidated totals |
|---|------|----------|-------|-------|----------------------------------|---------------------|
| Revenue | 4 | 2,215 | 1,016 | 473 | (38) | 3,666 |
| Operating costs | 5 | 1,108 | 500 | 440 | 18 | 2,066 |
| Adjusted EBITDA | | 1,107 | 516 | 33 | (56) | 1,600 |
| Depreciation and amortization | | | | | | 642 |
| Restructuring, acquisition and other | 6 | | | | | 63 |
| Finance costs | 7 | | | | | 207 |
| Other expense | 8 | | | | | 20 |
| Income before income taxes | | | | | | 668 |
| Three months ended September 30, 2020 (In millions of dollars) | Note | Wireless | Cable | Media | Corporate items and eliminations | Consolidated totals |
| Revenue | 4 | 2,228 | 988 | 489 | (40) | 3,665 |
| Operating costs | 5 | 1,139 | 480 | 400 | 8 | 2,027 |
| Adjusted EBITDA | | 1,089 | 508 | 89 | (48) | 1,638 |
| Depreciation and amortization | | | | | | 663 |
| Restructuring, acquisition and other | 6 | | | | | 49 |
| Finance costs | 7 | | | | | 219 |
| Other expense | 8 | | | | | 6 |
| Income before income taxes | | | | | | 701 |
| Nine months ended September 30, 2021 (In millions of dollars) | Note | Wireless | Cable | Media | Corporate items and eliminations | Consolidated totals |
| Revenue | 4 | 6,353 | 3,049 | 1,459 | (125) | 10,736 |
| Operating costs | 5 | 3,225 | 1,554 | 1,560 | 32 | 6,371 |
| Adjusted EBITDA | | 3,128 | 1,495 | (101) | (157) | 4,365 |
| Depreciation and amortization | | | | | | 1,927 |
| Restructuring, acquisition and other | 6 | | | | | 223 |
| Finance costs | 7 | | | | | 631 |
| Other expense | 8 | | | | | 14 |
| Income before income taxes | | | | | | 1,570 |

| Nine months ended September 30, 2020 (In millions of dollars) | Note | Wireless | Cable | Media | Corporate items and eliminations | Consolidated totals |
|--|------|----------|-------|-------|----------------------------------|---------------------|
| Revenue | 4 | 6,239 | 2,927 | 1,197 | (127) | 10,236 |
| Operating costs | 5 | 3,206 | 1,512 | 1,228 | 23 | 5,969 |
| Adjusted EBITDA | | 3,033 | 1,415 | (31) | (150) | 4,267 |
| Depreciation and amortization | | | | | | 1,952 |
| Restructuring, acquisition and other | 6 | | | | | 112 |
| Finance costs | 7 | | | | | 653 |
| Other income | 8 | | | | | (1) |
| Income before income taxes | | | | | | 1,551 |

NOTE 4: REVENUE

Disaggregation of Revenue

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Wireless | | | | |
| Service revenue | 1,706 | 1,652 | 4,931 | 4,942 |
| Equipment revenue | 509 | 576 | 1,422 | 1,297 |
| Total Wireless | 2,215 | 2,228 | 6,353 | 6,239 |
| Cable | | | | |
| Service revenue | 1,008 | 985 | 3,036 | 2,920 |
| Equipment revenue | 8 | 3 | 13 | 7 |
| Total Cable | 1,016 | 988 | 3,049 | 2,927 |
| Total Media | 473 | 489 | 1,459 | 1,197 |
| Corporate items and intercompany eliminations | (38) | (40) | (125) | (127) |
| Total revenue | 3,666 | 3,665 | 10,736 | 10,236 |

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|--------------------------|------------------------------------|-------|-----------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Total service revenue | 3,149 | 3,086 | 9,301 | 8,932 |
| Total equipment revenue | 517 | 579 | 1,435 | 1,304 |
| Total revenue | 3,666 | 3,665 | 10,736 | 10,236 |

NOTE 5: OPERATING COSTS

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of equipment sales | 516 | 571 | 1,444 | 1,288 |
| Merchandise for resale | 60 | 61 | 193 | 177 |
| Other external purchases | 907 | 946 | 3,065 | 3,095 |
| Employee salaries, benefits, and stock-based compensation | 583 | 449 | 1,669 | 1,409 |
| Total operating costs | 2,066 | 2,027 | 6,371 | 5,969 |

NOTE 6: RESTRUCTURING, ACQUISITION AND OTHER

During the three and nine months ended September 30, 2021, we incurred \$63 million and \$223 million (2020 - \$49 million and \$112 million), respectively, in restructuring, acquisition and other expenses, which included \$45 million and \$75 million (2020 - nil), respectively, of certain costs relating to the proposed acquisition of Shaw (the Transaction, see note 22). The remaining costs in 2021 were primarily incremental, temporary costs incurred in response to COVID-19, and severance costs associated with the targeted restructuring of our employee base. In 2020, these costs were primarily incremental, temporary employee compensation and other costs incurred in response to COVID-19 as well as severance costs associated with the targeted restructuring of our employee base.

NOTE 7: FINANCE COSTS

| (In millions of dollars) | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|---------------------------------|------|--------------------------------|-------|
| | | 2021 | 2020 | 2021 | 2020 |
| Interest on borrowings ¹ | | 184 | 196 | 557 | 585 |
| Interest on lease liabilities | 16 | 18 | 17 | 54 | 52 |
| Interest on post-employment benefits liability | | 4 | 3 | 11 | 10 |
| Loss on foreign exchange | | 19 | 6 | 9 | 115 |
| Change in fair value of derivative instruments | | (21) | (4) | (9) | (113) |
| Capitalized interest | | (5) | (5) | (12) | (15) |
| Other | | 8 | 6 | 21 | 19 |
| Total finance costs | | 207 | 219 | 631 | 653 |

¹ Interest on borrowings includes interest on short-term borrowings and on long-term debt.

NOTE 8: OTHER EXPENSE (INCOME)

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|------|--------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Losses from associates and joint ventures | 29 | 15 | 44 | 27 |
| Other investment income | (9) | (9) | (30) | (28) |
| Total other expense (income) | 20 | 6 | 14 | (1) |

NOTE 9: EARNINGS PER SHARE

| (In millions of dollars, except per share amounts) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|--------|--------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Numerator (basic) - Net income for the period | 490 | 512 | 1,153 | 1,143 |
| Denominator - Number of shares (in millions): | | | | |
| Weighted average number of shares outstanding - basic | 505 | 505 | 505 | 505 |
| Effect of dilutive securities (in millions): | | | | |
| Employee stock options and restricted share units | 1 | 1 | 1 | 1 |
| Weighted average number of shares outstanding - diluted | 506 | 506 | 506 | 506 |
| Earnings per share: | | | | |
| Basic | \$0.97 | \$1.01 | \$2.28 | \$2.26 |
| Diluted | \$0.94 | \$1.01 | \$2.27 | \$2.23 |

For the three and nine months ended September 30, 2021 and 2020, accounting for outstanding share-based payments using the equity-settled method for stock-based compensation was determined to be more dilutive than using the cash-settled method. As a result, net income for the three and nine months ended September 30, 2021 was reduced by \$16 million and \$4 million (2020 - \$3 million and \$17 million), respectively, in the diluted earnings per share calculation.

A total of 1,194,605 and 4,076,714 options were out of the money for the three and nine months ended September 30, 2021 (2020 - 4,072,853 and 3,895,948), respectively. These options were excluded from the calculation of the effect of dilutive securities because they were anti-dilutive.

NOTE 10: FINANCING RECEIVABLES

Financing receivables represent amounts owed to us under device or accessory financing agreements that have not yet been billed. Our financing receivable balances are included in "accounts receivable" (when they are to be billed and collected within twelve months) and "financing receivables" on our interim condensed consolidated statements of financial position. Below is a breakdown of our financing receivable balances.

| (In millions of dollars) | As at | As at |
|---------------------------------|--------------|-------------|
| | September 30 | December 31 |
| | 2021 | 2020 |
| Current financing receivables | 1,605 | 1,058 |
| Long-term financing receivables | 735 | 748 |
| Total financing receivables | 2,340 | 1,806 |

NOTE 11: FINANCIAL INSTRUMENTS**Derivative Instruments**

We use derivative instruments to manage financial risks related to our business activities. These include debt derivatives, interest rate derivatives, expenditure derivatives, and equity derivatives. We only use derivatives to manage risk and not for speculative purposes.

All of our currently outstanding debt derivatives related to our senior notes, senior debentures, and lease liabilities, interest rate derivatives, and expenditure derivatives have been designated as hedges for accounting purposes.

Debt derivatives

We use cross-currency interest rate agreements and foreign exchange forward agreements (collectively, debt derivatives) to manage risks from fluctuations in foreign exchange rates and interest rates associated with our US dollar-denominated senior notes and debentures, lease liabilities, credit facility borrowings, and US dollar-denominated commercial paper (US CP) borrowings (see note 14). We designate the debt derivatives related to our senior notes, debentures, and lease liabilities as hedges for accounting purposes against the foreign exchange risk

or interest rate risk associated with specific issued and forecast debt instruments. Debt derivatives related to our credit facility and US CP borrowings have not been designated as hedges for accounting purposes.

The tables below summarize the debt derivatives we entered into and settled related to our credit facility borrowings and US CP program during the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| <i>Credit facilities</i> | | | | | | |
| Debt derivatives entered | 400 | 1.255 | 502 | 400 | 1.255 | 502 |
| <i>US commercial paper program</i> | | | | | | |
| Debt derivatives entered | 1,136 | 1.267 | 1,439 | 1,956 | 1.261 | 2,467 |
| Debt derivatives settled | 628 | 1.263 | 793 | 1,568 | 1.259 | 1,974 |
| Net cash paid | | | (11) | | | (16) |

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| <i>Credit facilities</i> | | | | | | |
| Debt derivatives entered | – | – | – | 970 | 1.428 | 1,385 |
| Debt derivatives settled | – | – | – | 970 | 1.406 | 1,364 |
| Net cash paid | | | – | | | (21) |
| <i>US commercial paper program</i> | | | | | | |
| Debt derivatives entered | 248 | 1.319 | 327 | 3,116 | 1.332 | 4,150 |
| Debt derivatives settled | 2 | 1.326 | 3 | 4,091 | 1.330 | 5,441 |
| Net cash received | | | – | | | 101 |

As at September 30, 2021, we had US\$400 million and US\$836 million notional amount of debt derivatives outstanding relating to our credit facility borrowings and US CP program (December 31, 2020 - nil and US\$448 million), respectively.

Senior notes

Below is a summary of the debt derivatives we entered into related to senior notes during the nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except interest rates) | | | | Hedging effect | |
|---|-------------------------------------|------------------|-------------------|--|-------|
| Effective date | Principal/Notional amount (US\$) | Maturity date | US\$ | Fixed hedged (Cdn\$) interest rate ¹ | |
| | | | Coupon rate | Equivalent (Cdn\$) | |
| <i>2020 issuances</i> | | | | | |
| June 22, 2020 | 750 | 2022 | USD LIBOR + 0.60% | 0.955% | 1,019 |

¹ Converting from a fixed or floating US\$ coupon rate to a weighted average Cdn\$ fixed rate.

As at September 30, 2021, we had US\$9,050 million (December 31, 2020 - US\$9,050 million) in US dollar-denominated senior notes and debentures, of which all the associated foreign exchange risk had been hedged using debt derivatives.

Lease liabilities

Below is a summary of the debt derivatives we entered into and settled related to our outstanding lease liabilities for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Debt derivatives entered | 25 | 1.240 | 31 | 99 | 1.253 | 124 |
| Debt derivatives settled | 22 | 1.318 | 29 | 56 | 1.339 | 75 |

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Debt derivatives entered | – | – | – | 90 | 1.400 | 126 |
| Debt derivatives settled | 14 | 1.357 | 19 | 30 | 1.333 | 40 |

As at September 30, 2021, we had US\$185 million notional amount of debt derivatives outstanding relating to our outstanding lease liabilities (December 31, 2020 - US\$142 million) with terms to maturity ranging from October 2021 to September 2024 (December 31, 2020 - January 2021 to December 2023) at an average rate of \$1.304/US\$ (December 31, 2020 - \$1.352/US\$).

Interest rate derivatives

From time to time, we use bond forward derivatives or interest rate swap derivatives (collectively, interest rate derivatives) to hedge interest rate risk on current and future debt instruments. Our interest rate derivatives are designated as hedges for accounting purposes.

We have entered into interest rate swap derivatives during the nine months ended September 30, 2021 associated with the Transaction, including:

- \$750 million and \$1,250 million bond forwards during the three and nine months ended September 30, 2021, respectively, to hedge the underlying Government of Canada (GoC) interest rate risk that will form a portion of the interest rate risk associated with anticipated future debt issuances;
- interest rate swap derivatives during the three months ended September 30, 2021 to hedge the interest rate risk on an additional \$3.25 billion of debt instruments we expect to issue in the future; and
- interest rate swap derivatives during the three months ended March 31, 2021 to hedge the interest rate risk on US\$2 billion of debt instruments we expect to issue in the future.

Expenditure derivatives

We use foreign currency forward contracts (expenditure derivatives) to manage the foreign exchange risk in our operations, designating them as hedges for accounting purposes for certain of our forecast operational and capital expenditures.

The tables below summarize the expenditure derivatives we entered into and settled during the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Expenditure derivatives entered | 120 | 1.250 | 150 | 330 | 1.245 | 411 |
| Expenditure derivatives settled | 255 | 1.361 | 347 | 735 | 1.361 | 1,000 |

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Expenditure derivatives entered | 180 | 1.306 | 235 | 1,266 | 1.356 | 1,717 |
| Expenditure derivatives settled | 255 | 1.298 | 331 | 735 | 1.299 | 955 |

As at September 30, 2021, we had US\$1,185 million notional amount of expenditure derivatives outstanding (December 31, 2020 - US\$1,590 million) with terms to maturity ranging from October 2021 to December 2022 (December 31, 2020 - January 2021 to December 2022) at an average rate of \$1.304/US\$ (December 31, 2020 - \$1.342/US\$).

Equity derivatives

We use total return swaps (equity derivatives) to hedge the market price appreciation risk of the RCI Class B Non-Voting common shares (Class B Non-Voting Shares) granted under our stock-based compensation programs. The equity derivatives have not been designated as hedges for accounting purposes.

As at September 30, 2021, we had equity derivatives outstanding for 5.0 million (December 31, 2020 - 4.6 million) Class B Non-Voting Shares with a weighted average price of \$53.10 (December 31, 2020 - \$51.82).

During the nine months ended September 30, 2020, we settled 0.5 million equity derivatives at a weighted average price of \$54.16 for net payments of \$1 million. At the same time, we entered into 0.5 million equity derivatives at a weighted average price of \$54.16 under substantially the same terms and conditions.

During the nine months ended September 30, 2021, we entered into 0.4 million equity derivatives (2020 - 0.3 million) with a weighted average price of \$60.98 (2020 - \$56.08).

Fair Values of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, bank advances, short-term borrowings, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments. The carrying value of our lease liabilities approximates their fair value because the discount rate used to calculate them approximates our current borrowing rate. The carrying values of our financing receivables also approximate their fair values based on our recognition of an expected credit loss allowance.

We determine the fair value of each of our publicly traded investments using quoted market values. We determine the fair value of our private investments by using implied valuations from follow-on financing rounds, third-party sale negotiations, or using market-based approaches. These are applied appropriately to each investment depending on its future operating and profitability prospects.

The fair values of each of our public debt instruments are based on the period-end estimated market yields, or period-end trading values, where available. We determine the fair values of our debt derivatives and expenditure derivatives using an estimated credit-adjusted mark-to-market valuation by discounting cash flows to the measurement date. In the case of debt derivatives and expenditure derivatives in an asset position, the credit spread for the financial institution counterparty is used to determine the estimated credit-adjusted value for each derivative. For those debt derivatives and expenditure derivatives in a liability position, our credit spread is used for each derivative.

The fair value of our interest rate derivatives is determined by discounting to the measurement date the cash flows that result from multiplying the interest rate derivative's notional amount by the difference between the period-end market forward rate and the forward rate in each derivative.

The fair values of our equity derivatives are based on the quoted market value of Class B Non-Voting Shares.

Our disclosure of the three-level fair value hierarchy reflects the significance of the inputs used in measuring fair value:

- financial assets and financial liabilities in Level 1 are valued by referring to quoted prices in active markets for identical assets and liabilities;
- financial assets and financial liabilities in Level 2 are valued using inputs based on observable market data, either directly or indirectly, other than the quoted prices; and
- Level 3 valuations are based on inputs that are not based on observable market data.

There were no material financial instruments categorized in Level 3 as at September 30, 2021 or December 31, 2020 and there were no transfers between Level 1, Level 2, or Level 3 during the three or nine months ended September 30, 2021 or 2020.

Below is a summary of our financial instruments carried at fair value as at September 30, 2021 and December 31, 2020.

| (In millions of dollars) | Carrying value | | Fair value (Level 1) | | Fair value (Level 2) | |
|---|----------------|---------------|----------------------|---------------|----------------------|---------------|
| | As at Sept. 30 | As at Dec. 31 | As at Sept. 30 | As at Dec. 31 | As at Sept. 30 | As at Dec. 31 |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Financial assets | | | | | | |
| Investments, measured at fair value: | | | | | | |
| Investments in publicly traded companies | 1,741 | 1,535 | 1,741 | 1,535 | - | - |
| Derivatives: | | | | | | |
| Debt derivatives accounted for as cash flow hedges | 1,756 | 1,405 | - | - | 1,756 | 1,405 |
| Debt derivatives not accounted for as hedges | 14 | - | - | - | 14 | - |
| Interest rate derivatives accounted for as cash flow hedges | 47 | - | - | - | 47 | - |
| Expenditure derivatives accounted for as cash flow hedges | 10 | - | - | - | 10 | - |
| Equity derivatives not accounted for as hedges | 31 | 34 | - | - | 31 | 34 |
| Total financial assets | 3,599 | 2,974 | 1,741 | 1,535 | 1,858 | 1,439 |
| Financial liabilities | | | | | | |
| Derivatives: | | | | | | |
| Debt derivatives accounted for as cash flow hedges | 126 | 307 | - | - | 126 | 307 |
| Debt derivatives not accounted for as hedges | - | 12 | - | - | - | 12 |
| Interest rate derivatives accounted for as cash flow hedges | 211 | - | - | - | 211 | - |
| Expenditure derivatives accounted for as cash flow hedges | 42 | 109 | - | - | 42 | 109 |
| Total financial liabilities | 379 | 428 | - | - | 379 | 428 |

Below is a summary of the fair value of our long-term debt as at September 30, 2021 and December 31, 2020.

| (In millions of dollars) | As at September 30, 2021 | | As at December 31, 2020 | |
|--|--------------------------|-------------------------|-------------------------|-------------------------|
| | Carrying amount | Fair value ¹ | Carrying amount | Fair value ¹ |
| Long-term debt (including current portion) | 16,761 | 19,143 | 18,201 | 22,006 |

¹ Long-term debt (including current portion) is measured at Level 2 in the three-level fair value hierarchy.

NOTE 12: INVESTMENTS

| (In millions of dollars) | As at September 30 | As at December 31 |
|--|--------------------|-------------------|
| | 2021 | 2020 |
| Investments in: | | |
| Publicly traded companies | 1,741 | 1,535 |
| Private companies | 98 | 97 |
| Investments, measured at FVTOCI | 1,839 | 1,632 |
| Investments, associates and joint ventures | 859 | 904 |
| Total investments | 2,698 | 2,536 |

NOTE 13: OTHER LONG-TERM ASSETS

In July 2021, Innovation, Science and Economic Development Canada announced the results of the 3500 MHz spectrum licence auction that began in June 2021. We were awarded 325 spectrum licences covering the vast majority of the Canadian population at a total cost of \$3.3 billion. We made a \$665 million deposit on August 13, 2021, which is included in other long-term assets as at September 30, 2021. We expect to make the final payment, and receive the licences, by December 31, 2021.

NOTE 14: SHORT-TERM BORROWINGS

Below is a summary of our short-term borrowings as at September 30, 2021 and December 31, 2020.

| (In millions of dollars) | As at September 30 | As at December 31 |
|--|-----------------------|----------------------|
| | 2021 | 2020 |
| Receivables securitization program | 800 | 650 |
| Non-revolving credit facility borrowings | 510 | – |
| US commercial paper program | 1,065 | 571 |
| Total short-term borrowings | 2,375 | 1,221 |

The tables below summarize the activity relating to our short-term borrowings for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Proceeds received from US commercial paper | 1,137 | 1.266 | 1,439 | 1,957 | 1.261 | 2,467 |
| Repayment of US commercial paper | (630) | 1.262 | (795) | (1,570) | 1.259 | (1,976) |
| Net proceeds received from US commercial paper | | | 644 | | | 491 |
| Non-revolving credit facility borrowings (US\$) | 400 | 1.255 | 502 | 400 | 1.255 | 502 |
| Net borrowings under non-revolving credit facilities | | | 502 | | | 502 |
| Proceeds received from receivables securitization | | | – | | | 150 |
| Net proceeds received from receivables securitization | | | – | | | 150 |
| Net proceeds received on short-term borrowings | | | 1,146 | | | 1,143 |

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Proceeds received from US commercial paper | 249 | 1.313 | 327 | 3,116 | 1.332 | 4,150 |
| Repayment of US commercial paper | (1) | n/m | (2) | (4,098) | 1.355 | (5,552) |
| Net proceeds received from (repayment of) US commercial paper | | | 325 | | | (1,402) |
| Net proceeds received on (repayment of) short-term borrowings | | | 325 | | | (1,402) |

Receivables Securitization Program

Below is a summary of our receivables securitization program as at September 30, 2021 and December 31, 2020.

| (In millions of dollars) | As at September 30 | As at December 31 |
|---------------------------------------|-----------------------|----------------------|
| | 2021 | 2020 |
| Receivables sold to buyer as security | 2,606 | 2,130 |
| Short-term borrowings from buyer | (800) | (650) |
| Overcollateralization | 1,806 | 1,480 |

Below is a summary of the activity related to our receivables securitization program for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|------|-----------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Receivables securitization program, beginning of period | 800 | 650 | 650 | 650 |
| Net proceeds received from receivables securitization | – | – | 150 | – |
| Receivables securitization program, end of period | 800 | 650 | 800 | 650 |

US Commercial Paper Program

The tables below summarize the activity relating to our US CP program for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|--|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| US commercial paper program, beginning of period | 329 | 1.237 | 407 | 449 | 1.272 | 571 |
| Net proceeds received from US commercial paper | 507 | 1.270 | 644 | 387 | 1.269 | 491 |
| Loss on foreign exchange ¹ | | | 14 | | | 3 |
| US commercial paper program, end of period | 836 | 1.274 | 1,065 | 836 | 1.274 | 1,065 |

¹Included in finance costs.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| US commercial paper program, beginning of period | – | – | – | 1,223 | 1.298 | 1,588 |
| Net proceeds received from (repayment of) US commercial paper | 248 | 1.310 | 325 | (982) | 1.428 | (1,402) |
| Discounts on issuance ¹ | – | – | – | 7 | 1.429 | 10 |
| Loss on foreign exchange ¹ | | | 7 | | | 136 |
| US commercial paper program, end of period | 248 | 1.339 | 332 | 248 | 1.339 | 332 |

¹Included in finance costs.

Concurrent with the commercial paper issuances, we entered into debt derivatives to hedge the foreign currency risk associated with the principal and interest components of the borrowings under the US CP program (see note 11). We have not designated these debt derivatives as hedges for accounting purposes.

Non-Revolving Credit Facility

In June 2021, we entered into non-revolving credit facilities with an aggregate limit of US\$1.6 billion that mature in June 2022. Any borrowings under these facilities will be recorded as short-term borrowings as they will be due

within 12 months. Borrowings under the facilities are unsecured, guaranteed by RCCL, and rank equally in right of payment with all of our senior notes and debentures.

The table below summarizes the activity relating to our non-revolving credit facilities for the three and nine months ended September 30, 2021.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|--|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Non-revolving credit facility, beginning of period | - | - | - | - | - | - |
| Net proceeds received from non-revolving credit facility | 400 | 1.255 | 502 | 400 | 1.255 | 502 |
| Loss on foreign exchange ¹ | | | 8 | | | 8 |
| Non-revolving credit facility, end of period | 400 | 1.275 | 510 | 400 | 1.275 | 510 |

¹Included in finance costs.

Committed Facility

In March 2021, in connection with the proposed acquisition of Shaw Communications Inc. (Shaw) (see note 22), we entered into a binding commitment letter for a committed credit facility with a syndicate of banks in an amount up to \$19 billion. The commitment remains subject to the satisfaction of conditions to effectiveness and drawing, including, without limitation, the completion of credit documentation in respect of such commitment and the completion of the Shaw transaction (see note 22). The commitment is only available to be drawn to fund part of the acquisition cost of the Transaction and to pay fees and expenses related to the Transaction. If drawn, any drawings must be repaid within 364 days. If undrawn, the facility terminates on the closing date of the acquisition. As a result of entering into a \$6 billion non-revolving credit facility (Shaw term loan facility, see note 15), the maximum amount we could draw on this committed facility decreased to \$13 billion. As at September 30, 2021, we had not drawn against the facility.

NOTE 15: LONG-TERM DEBT

| (In millions of dollars, except interest rates) | Due date | Principal amount | Interest rate | As at | As at |
|---|----------|------------------|---------------|-----------------------------|---------------------|
| | | | | September 30 2021 | December 31 2020 |
| Senior notes | 2021 | 1,450 | 5.340 % | – | 1,450 |
| Senior notes | 2022 | US 750 | Floating | 956 | 955 |
| Senior notes | 2022 | 600 | 4.000 % | 600 | 600 |
| Senior notes | 2023 | US 500 | 3.000 % | 637 | 637 |
| Senior notes | 2023 | US 850 | 4.100 % | 1,083 | 1,082 |
| Senior notes | 2024 | 600 | 4.000 % | 600 | 600 |
| Senior notes | 2025 | US 700 | 3.625 % | 892 | 890 |
| Senior notes | 2026 | US 500 | 2.900 % | 637 | 637 |
| Senior notes | 2027 | 1,500 | 3.650 % | 1,500 | 1,500 |
| Senior notes | 2029 | 1,000 | 3.250 % | 1,000 | 1,000 |
| Senior debentures ¹ | 2032 | US 200 | 8.750 % | 255 | 255 |
| Senior notes | 2038 | US 350 | 7.500 % | 446 | 446 |
| Senior notes | 2039 | 500 | 6.680 % | 500 | 500 |
| Senior notes | 2040 | 800 | 6.110 % | 800 | 800 |
| Senior notes | 2041 | 400 | 6.560 % | 400 | 400 |
| Senior notes | 2043 | US 500 | 4.500 % | 637 | 637 |
| Senior notes | 2043 | US 650 | 5.450 % | 828 | 827 |
| Senior notes | 2044 | US 1,050 | 5.000 % | 1,338 | 1,337 |
| Senior notes | 2048 | US 750 | 4.300 % | 956 | 955 |
| Senior notes | 2049 | US 1,250 | 4.350 % | 1,593 | 1,592 |
| Senior notes | 2049 | US 1,000 | 3.700 % | 1,273 | 1,273 |
| | | | | 16,931 | 18,373 |
| Deferred transaction costs and discounts | | | | (170) | (172) |
| Less current portion | | | | (1,556) | (1,450) |
| | | | | 15,205 | 16,751 |
| Total long-term debt | | | | 15,205 | 16,751 |

¹ Senior debentures originally issued by Rogers Cable Inc. which are unsecured obligations of RCI and for which RCCI was an unsecured guarantor as at September 30, 2021 and December 31, 2020.

The tables below summarize the activity relating to our long-term debt for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2021 | | | Nine months ended September 30, 2021 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Senior note repayments (Cdn\$) | | | – | | | (1,450) |
| Net repayment of long-term debt | | | – | | | (1,450) |

| (In millions of dollars, except exchange rates) | Three months ended September 30, 2020 | | | Nine months ended September 30, 2020 | | |
|---|--|------------------|---------------------|---|------------------|---------------------|
| | Notional (US\$) | Exchange rate | Notional (Cdn\$) | Notional (US\$) | Exchange rate | Notional (Cdn\$) |
| Credit facility borrowings (US\$) | – | – | – | 970 | 1.428 | 1,385 |
| Credit facility repayments (US\$) | – | – | – | (970) | 1.406 | (1,364) |
| Net borrowings under credit facilities | | | – | | | 21 |
| Senior notes issuances (Cdn\$) | | | – | | | 1,500 |
| Senior note issuances (US\$) | – | – | – | 750 | 1.359 | 1,019 |
| Total issuances of senior notes | | | – | | | 2,519 |
| Net issuance of long-term debt | | | – | | | 2,540 |

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|--------|-----------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Long-term debt net of transaction costs, beginning of period | 16,442 | 19,008 | 18,201 | 15,967 |
| Net (repayment) issuance of long-term debt | – | – | (1,450) | 2,540 |
| Loss (gain) on foreign exchange | 315 | (264) | 8 | 252 |
| Deferred transaction costs incurred | – | (1) | (11) | (22) |
| Amortization of deferred transaction costs | 4 | 4 | 13 | 10 |
| Long-term debt net of transaction costs, end of period | 16,761 | 18,747 | 16,761 | 18,747 |

In April 2021, we entered into a \$6 billion Shaw term loan facility consisting of three tranches of \$2 billion each. The facility cannot be drawn upon until the closing date of the Transaction. The first tranche matures three years after the Transaction closing date and subsequent tranches mature in years four and five thereafter, respectively. At tranche maturity, any outstanding borrowings under that tranche must be repaid.

In April 2021, we amended our revolving credit facility to, among other things, increase the total credit limit and extend the maturity dates. We increased the total credit limit from \$3.2 billion to \$4 billion by increasing the limits of the two tranches to \$3 billion and \$1 billion (from \$2.5 billion and \$700 million), respectively. We also extended the maturity date of the \$3 billion tranche to April 2026 and the \$1 billion tranche to April 2024, both from March 2022.

Senior Notes

Issuance of senior notes and related derivatives

In June 2020, we issued US\$750 million floating rate senior notes due 2022 at a rate of three-month LIBOR plus 0.60% per annum. Concurrent with the issuance, we entered into debt derivatives to convert all interest and principal payment obligations to Canadian dollars and convert our floating rate to a fixed rate of 0.955% until maturity. As a result, we received net proceeds of \$1.0 billion from the issuances.

In March 2020, we issued \$1.5 billion senior notes due 2027 at a rate of 3.65%.

Repayment of senior notes and related derivative settlements

In March 2021, we repaid the entire outstanding principal amount of our \$1.45 billion 5.34% senior notes at maturity. There were no derivatives associated with these senior notes.

NOTE 16: LEASES

Below is a summary of the activity related to our lease liabilities for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|-------|-----------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Lease liabilities, beginning of period | 1,923 | 1,845 | 1,835 | 1,725 |
| Net additions | 102 | 40 | 310 | 256 |
| Interest on lease liabilities | 18 | 17 | 54 | 52 |
| Interest payments on lease liabilities | (17) | (17) | (50) | (50) |
| Principal payments of lease liabilities | (71) | (57) | (194) | (155) |
| Lease liabilities, end of period | 1,955 | 1,828 | 1,955 | 1,828 |

NOTE 17: SHAREHOLDERS' EQUITY

Dividends

Below is a summary of the dividends we declared and paid on our outstanding RCI Class A Voting common shares (Class A Shares) and Class B Non-Voting Shares in 2021 and 2020.

| Date declared | Date paid | Dividend per share (dollars) |
|------------------|-----------------|------------------------------|
| January 27, 2021 | April 1, 2021 | 0.50 |
| April 20, 2021 | July 2, 2021 | 0.50 |
| July 20, 2021 | October 1, 2021 | 0.50 |
| | | 1.50 |
| January 21, 2020 | April 1, 2020 | 0.50 |
| April 21, 2020 | July 2, 2020 | 0.50 |
| July 21, 2020 | October 1, 2020 | 0.50 |
| October 21, 2020 | January 4, 2021 | 0.50 |
| | | 2.00 |

On October 20, 2021, the Board declared a dividend of \$0.50 per Class A Share and Class B Non-Voting Share to be paid on January 4, 2022 to shareholders of record on December 10, 2021.

The holders of Class A Shares are entitled to receive dividends at the rate of up to five cents per share but only after dividends at the rate of five cents per share have been paid or set aside on the Class B Non-Voting Shares. Class A Shares and Class B Non-Voting Shares therefore participate equally in dividends above five cents per share.

NOTE 18: STOCK-BASED COMPENSATION

Below is a summary of our stock-based compensation expense, which is included in employee salaries, benefits, and stock-based compensation, for the three and nine months ended September 30, 2021 and 2020.

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|------|--------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Stock options | (11) | (1) | – | (11) |
| Restricted share units | 7 | 12 | 42 | 28 |
| Deferred share units | (10) | (2) | 4 | (15) |
| Equity derivative effect, net of interest receipt | 27 | 4 | 1 | 48 |
| Total stock-based compensation expense | 13 | 13 | 47 | 50 |

As at September 30, 2021, we had a total liability recognized at its fair value of \$185 million (December 31, 2020 - \$204 million) related to stock-based compensation, including stock options, restricted share units (RSUs), and deferred share units (DSUs).

During the three and nine months ended September 30, 2021, we paid \$17 million and \$65 million (2020 - \$18 million and \$54 million), respectively, to holders of stock options, RSUs, and DSUs upon exercise using the cash settlement feature.

Stock Options

Summary of stock options

The tables below summarize the activity related to stock option plans, including performance options, for the three and nine months ended September 30, 2021 and 2020.

| (In number of units, except prices) | Three months ended September 30, 2021 | | Nine months ended September 30, 2021 | |
|-------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 5,677,691 | \$62.06 | 4,726,634 | \$62.10 |
| Granted | – | – | 1,032,345 | \$62.20 |
| Exercised | – | – | (10,988) | \$58.45 |
| Forfeited | – | – | (70,300) | \$67.58 |
| Outstanding, end of period | 5,677,691 | \$62.06 | 5,677,691 | \$62.06 |
| Exercisable, end of period | 2,361,797 | \$59.66 | 2,361,797 | \$59.66 |

| (In number of units, except prices) | Three months ended September 30, 2020 | | Nine months ended September 30, 2020 | |
|-------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | 4,726,634 | \$62.10 | 3,154,795 | \$61.82 |
| Granted | – | – | 1,598,590 | \$62.56 |
| Exercised | – | – | (17,230) | \$54.80 |
| Forfeited | – | – | (9,521) | \$58.45 |
| Outstanding, end of period | 4,726,634 | \$62.10 | 4,726,634 | \$62.10 |
| Exercisable, end of period | 1,458,463 | \$56.70 | 1,458,463 | \$56.70 |

We did not grant any performance stock options during the three and nine months ended September 30, 2021 or 2020.

Unrecognized stock-based compensation expense related to stock option plans was \$6 million as at September 30, 2021 (December 31, 2020 - \$5 million) and will be recognized in net income over the next four years as the options vest.

Restricted Share Units

Summary of RSUs

Below is a summary of the activity related to RSUs outstanding, including performance RSUs, for the three and nine months ended September 30, 2021 and 2020.

| (In number of units) | Three months ended September 30 | | Nine months ended September 30 | |
|----------------------------------|---------------------------------|-----------|--------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Outstanding, beginning of period | 2,747,282 | 2,799,189 | 2,573,894 | 2,472,774 |
| Granted and reinvested dividends | 53,256 | 43,380 | 1,209,288 | 969,874 |
| Exercised | (152,548) | (237,620) | (1,014,042) | (764,031) |
| Forfeited | (37,352) | (21,897) | (158,502) | (95,565) |
| Outstanding, end of period | 2,610,638 | 2,583,052 | 2,610,638 | 2,583,052 |

Included in the above table are grants of 10,815 and 291,007 performance RSUs to certain key executives during the three and nine months ended September 30, 2021 (2020 - 5,299 and 213,903), respectively.

Unrecognized stock-based compensation expense related to these RSUs was \$68 million as at September 30, 2021 (December 31, 2020 - \$50 million) and will be recognized in net income over the next three years as the RSUs vest.

Deferred Share Unit Plan

Summary of DSUs

Below is a summary of the activity related to DSUs outstanding, including performance DSUs, for the three and nine months ended September 30, 2021 and 2020.

| (In number of units) | Three months ended September 30 | | Nine months ended September 30 | |
|----------------------------------|---------------------------------|-----------|--------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Outstanding, beginning of period | 1,575,102 | 1,670,749 | 1,619,941 | 1,741,884 |
| Granted and reinvested dividends | 18,167 | 18,338 | 61,409 | 61,744 |
| Exercised | (28,531) | (33,530) | (116,513) | (138,594) |
| Forfeited | - | - | (99) | (9,477) |
| Outstanding, end of period | 1,564,738 | 1,655,557 | 1,564,738 | 1,655,557 |

Included in the above table are grants of 1,764 and 5,569 performance DSUs to certain key executives during the three and nine months ended September 30, 2021 (2020 - 2,022 and 8,380), respectively.

There was no unrecognized stock-based compensation expenses related to these DSUs as at September 30, 2021 or December 31, 2020. All DSUs granted are fully vested.

NOTE 19: RELATED PARTY TRANSACTIONS

Controlling Shareholder

We enter into certain transactions with private companies controlled by the controlling shareholder of RCI, the Rogers Control Trust. These transactions were recognized at the amount agreed to by the related parties and are subject to the terms and conditions of formal agreements approved by the Audit and Risk Committee. The totals received or paid during the three and nine months ended September 30, 2021 and 2020 were less than \$1 million, respectively.

Transactions with Related Parties

We have entered into business transactions with Transcontinental Inc., a company that provides us with printing and prepress services. Isabelle Marcoux, C.M., is chair of the board of Transcontinental Inc. and was a Director of RCI until June 4, 2021.

We recognized these transactions at the amounts agreed to by the related parties, which were also reviewed by the Audit and Risk Committee. The amounts owing for these services were unsecured, interest-free, and due for payment in cash within one month of the date of the transaction. Below is a summary of the related party activity for the business transactions described above.

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|--------------------------------|------------------------------------|------|-----------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Printing and prepress services | - | 1 | 3 | 2 |

NOTE 20: CONTINGENT LIABILITIES

Wholesale Internet Costing and Pricing

In August 2019, in Telecom Order CRTC 2019-288, *Follow-up to Telecom Orders 2016-396 and 2016-448 - Final rates for aggregated wholesale high-speed access services* (Order), the Canadian Radio-television and Telecommunications Commission (CRTC) set final rates for facilities-based carriers' wholesale high-speed access services, including Rogers' third-party Internet access service. The Order set final rates for Rogers that were significantly lower than the interim rates that were previously billed and it further determined that these final rates would have applied retroactively to March 31, 2016.

We did not believe the final rates set by the CRTC were just and reasonable as required by the Telecommunications Act as we believe they were below cost. On May 27, 2021, the CRTC released Telecom Decision CRTC 2021-181 Requests to review and vary Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services. The CRTC decided to adopt the interim rates in effect prior to the Order as the final rates, with certain modifications, including the removal of the supplementary markup of 10% for incumbent local exchange carriers.

The final rates are lower than the rates we previously billed to the resellers for the period of March 31, 2016 to October 6, 2016. We have recognized a refund of amounts previously billed to the resellers of approximately \$25 million, representing the impact on a retroactive basis for that period.

On May 28, 2021, a wholesale Internet Service Provider (ISP) petitioned the Governor in Council to, among other things, restore the 2019 Order and make the rates established in that order final. In addition, on June 28, 2021, the same wholesale ISP filed a motion seeking leave to appeal the 2021 Decision to the Federal Court of Appeal, which was granted in September 2021. We, along with several other cable companies, have intervened in these matters.

Outcome of Proceedings

The outcome of all the proceedings and claims against us, including the matters described above, is subject to future resolution that includes the uncertainties of litigation. It is not possible for us to predict the result or magnitude of the claims due to the various factors and uncertainties involved in the legal process. Based on information currently known to us, we believe it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in total, will have a material adverse effect on our business, financial results, or financial condition. If circumstances change and it becomes probable that we will be held liable for claims against us and such claim is estimable, we will recognize a provision during the period in which the change in probability occurs, which could be material to our Consolidated Statements of Income or Consolidated Statements of Financial Position.

NOTE 21: SUPPLEMENTAL CASH FLOW INFORMATION

Change in Net Operating Assets and Liabilities

| (In millions of dollars) | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Accounts receivable, excluding financing receivables | (109) | (201) | 47 | 425 |
| Financing receivables | (153) | (542) | (534) | (1,118) |
| Contract assets | 77 | 285 | 381 | 914 |
| Inventories | 71 | (143) | 83 | (2) |
| Other current assets | 24 | (3) | (8) | (72) |
| Accounts payable and accrued liabilities | 207 | 175 | 132 | (341) |
| Contract and other liabilities | (37) | 46 | (14) | 126 |
| Total change in net operating assets and liabilities | 80 | (383) | 87 | (68) |

NOTE 22: SHAW TRANSACTION

On March 15, 2021, we announced an agreement with Shaw to acquire all of Shaw's issued and outstanding Class A Participating Shares and Class B Non-Voting Participating Shares for a price of \$40.50 per share in cash, with the exception of the shares held by the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (Shaw Family Shareholders). The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of RCI Class B Non-Voting common shares on the basis of the volume-weighted average trading price for such shares for the ten trading days ended March 12, 2021, and the balance in cash. The acquisition (Transaction) is valued at approximately \$26 billion, including the assumption of approximately \$6 billion of Shaw debt.

The Transaction will be implemented through a court-approved plan of arrangement under the *Business Corporations Act (Alberta)*. On May 20, 2021, Shaw shareholders voted to approve the Transaction at a special shareholders meeting. The Court of Queen's Bench of Alberta issued a final order approving the Transaction on May 25, 2021. The Transaction is subject to other customary closing conditions, including receipt of applicable approvals and expiry of certain waiting periods under the *Broadcasting Act (Canada)*, the *Competition Act (Canada)*, and the *Radiocommunication Act (Canada)* (collectively, Key Regulatory Approvals). Subject to receipt of all required approvals, the Transaction is expected to close in the first half of 2022.

In connection with the Transaction, we entered into a binding commitment letter for a committed credit facility with a syndicate of banks in an original amount up to \$19 billion. During the three months ended June 30, 2021, we entered into the \$6 billion Shaw term loan facility, which served to reduce the amount available under the committed credit facility to \$13 billion. See note 14 for more information on the committed facility and note 15 for more information on the Shaw term loan facility. We also expect that RCI will either assume Shaw's senior notes or provide a guarantee of Shaw's payment obligations under those senior notes upon closing the Transaction and, in either case, RCCI will guarantee Shaw's payment obligations under those senior notes.

Under certain circumstances, if the Key Regulatory Approvals are not obtained, or any law is in effect that would make the consummation of the Transaction illegal, and the failure to obtain the Key Regulatory Approvals is not caused by, and is not a result of, the failure by Shaw to perform in all material respects any of its covenants or agreements under the arrangement agreement, we would be obligated to pay a \$1.2 billion reverse termination fee to Shaw. We would also be responsible to reimburse Shaw for certain costs relating to the May 2021 exercise of our right to require Shaw to redeem its issued and outstanding preferred shares.