

COMPETITION

We compete on quality of service, scope of services, network coverage, sophistication of wireless technology, breadth of distribution, selection of devices, branding and positioning, and price.

- **Wireless technology:** we were the first carrier in Canada to launch an LTE network catering to customers seeking the increased capacity and speed it provides. We compete with Bell, Telus MTS and Eastlink, all of whom operate LTE networks and we expect competition to grow over time as LTE becomes the prevailing technology in Canada. We also compete with these providers and other regional providers such as Wind Mobile, on HSPA and GSM networks and with providers that use alternative wireless technologies, like Wi-Fi "hotspots".
- **Product, branding and pricing:** we compete nationally with Bell and Telus. We also compete with newer entrants, various regional players and resellers.
- **Distribution:** we compete with other service providers for both dealers and prime locations for our own stores as well as third party retail distribution shelf space outlets.
- **Wireless networks and handset devices:** the parity of wireless devices across networks has dramatically transformed the competitive landscape, and we expect this to continue and even intensify. Consolidation among new entrants or with incumbent carriers could alter the competitive landscape for Wireless regionally or nationally.
- **Spectrum:** we are currently participating in an auction for 700 MHz spectrum. Industry Canada has also announced an auction for additional 2500 MHz spectrum in 2015 in which we may be restricted from participating in the geographic areas where we already hold more than 40 MHz of 2500 MHz spectrum. The outcomes of both of these auctions may increase competition.

WIRELESS FINANCIAL RESULTS

	Years ended December 31		
(In millions of dollars, except percentages)	2013	2012	% Chg
Operating revenue			
Network revenue	\$ 6,748	\$ 6,719	–
Equipment sales	522	561	(7)
Operating revenue – Wireless	7,270	7,280	–
Operating expenses			
Cost of equipment ¹	(1,535)	(1,585)	(3)
Other operating expenses	(2,578)	(2,632)	(2)
	(4,113)	(4,217)	(2)
Adjusted operating profit – Wireless	\$ 3,157	\$ 3,063	3
Adjusted operating profit margin as			
% of network revenue	46.8%	45.6%	
Additions to property, plant and equipment	\$ 865	\$ 1,123	(23)
Data revenue included in network revenue	\$ 3,175	\$ 2,722	17
Data revenue as % of network revenue	47%	41%	

¹ Includes the cost of equipment sales and direct channel subsidies.

WIRELESS NETWORK REVENUE (IN MILLIONS OF DOLLARS)

2013	\$6,748
2012	\$6,719
2011	\$6,601

WIRELESS SUBSCRIBER RESULTS ^{1, 2}

	Years ended December 31		
(Subscriber statistics in thousands, except ARPU and churn)	2013	2012	Chg
Postpaid			
Gross additions	1,409	1,457	(48)
Net additions	228	268	(40)
Total postpaid subscribers	8,074	7,846	228
Monthly churn	1.24%	1.29%	(0.05)pts
Monthly average revenue per user (ARPU)	\$ 67.76	\$ 69.30	\$ (1.54)
Prepaid			
Gross additions	525	627	(102)
Net losses	(162)	(170)	8
Total prepaid subscribers	1,429	1,591	(162)
Monthly churn	3.85%	3.98%	(0.13)pts
ARPU	\$ 15.64	\$ 15.84	\$ (0.20)
Blended ARPU	\$ 59.58	\$ 59.79	\$ (0.21)

¹ Does not include subscribers from our wireless home phone product.

² ARPU, subscriber counts and subscriber churn are key performance indicators. See "Key Performance Indicators".

WIRELESS POSTPAID AND PREPAID SUBSCRIBERS (IN THOUSANDS)



WIRELESS POSTPAID MONTHLY ARPU (\$)



WIRELESS POSTPAID MONTHLY CHURN (%)



Operating Revenue

Our operating revenue depends on the size of our subscriber base, the average revenue per user and revenue from equipment sales.

Higher Network Revenue

Network revenue includes revenue derived from voice and data services from postpaid monthly fees, airtime, data usage, long distance charges, optional service charges, inbound and outbound roaming charges and certain fees, as well as prepaid usage for airtime, data and other ancillary charges such as long distance.