#### **COMPETITION**

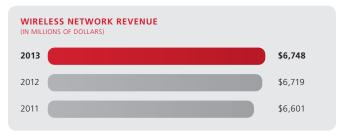
We compete on quality of service, scope of services, network coverage, sophistication of wireless technology, breadth of distribution, selection of devices, branding and positioning, and price.

- 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 complete 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%      |       |

Includes the cost of equipment sales and direct channel subsidies.

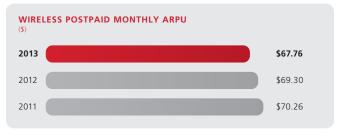


#### WIRELESS SUBSCRIBER RESULTS 1,2

| (Subscriber statistics in thousands, | Yea      | Years ended December 31 |           |         |  |
|--------------------------------------|----------|-------------------------|-----------|---------|--|
| 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)  |  |

- Does not include subscribers from our wireless home phone product.
- <sup>2</sup> ARPU, subscriber counts and subscriber churn are key performance indicators. See "Key Performance Indicators".







### **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.