Rogers Wireless Communications Inc.

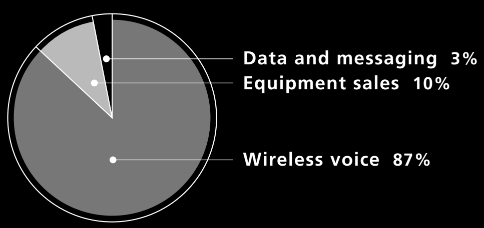
2001 Annual Report

ROGERS™ AT&T WIRELESS

Rogers™ AT&T® Wireless at a glance

Rogers AT&T Wireless is a leading Canadian wireless communications service provider, offering a complete range of wireless solutions including Digital PCS, cellular, advanced wireless data services, and one- and two-way messaging services to a total of more than 3.4 million customers across the country.

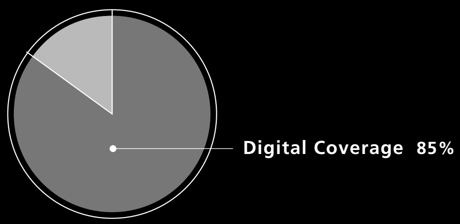
Revenue



	2001	2000	% Chg
Wireless voice revenue	$1,515.3	$1,376.8	10.1%
Data and messaging revenue	56.5	60.7	-6.9%
Network revenue	1,571.8	1,437.5	9.3%
Equipment sales revenue	181.3	201.6	-10.1%
Total revenue	1,753.1	1,639.1	7.0%
Operating profit*	401.3	400.6	0.2%
Operating profit margin	22.9%	24.4%	-6.1%

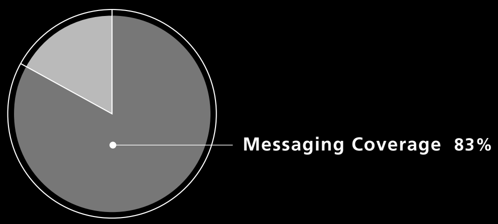
* Operating profit is defined as operating income before interest, income taxes, depreciation, amortization and non-operating items.

Canadian Digital Voice Coverage



	2001	2000	% Chg
Wireless voice – Postpaid subscribers	2,257,300	2,059,800	9.6%
Wireless voice – Prepaid subscribers	734,500	466,600	57.4%
Total wireless voice subscribers	2,991,800	2,526,400	18.4%
Postpaid churn	2.24%	2.30%	-2.6%
Prepaid churn	2.75%	3.55%	-22.5%
Average monthly number of postpaid minutes used	302	263	14.8%
Percentage of population covered with digital service	85	83	2.4%
Percentage of population covered with analog service	93	93	–
Switches	20	20	–
Cell sites	2,117	1,884	12.4%

Canadian Messaging Coverage



	2001	2000	% Chg
Data and two-way messaging subscribers	54,700	26,800	104.1%
One-way messaging subscribers	372,700	417,100	-10.6%
Total data and messaging subscribers	427,400	443,900	-3.7%
Data and messaging churn	3.07%	2.99%	2.7%

Nadir H. Mohamed
President and Chief Executive Officer
Rogers Wireless Communications Inc.

A YEAR IN REVIEW:

2001 was a year of challenges and changes for Rogers AT&T Wireless, a year that both began and ended with significant achievements.

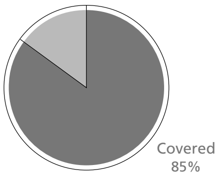
The year began with the successful completion of Industry Canada's spectrum auction in which we obtained the additional wireless licences for capacity required to maintain our leadership position, at a very reasonable cost to the Company. The newly acquired 20 megahertz ("MHz") of spectrum spans almost the entire country. Added to our existing national spectrum, this additional wireless capacity positions us well to meet the needs of our growing subscriber base with next generation wireless data products and services well into the future.

In 2001, we focused on enhancing the total customer experience, paying particular attention to improving customer loyalty and reducing churn. This was particularly challenging early in the year as we worked to stabilize our new billing and back office systems. As such, we were not able to deliver significant improvements in the first part of 2001, but towards the end of 2001, we began to see a reduction in call centre volume and improved customer satisfaction. In 2002, we will continue to build on the positive changes made in these areas to date and will remain focused on exceeding our customers' needs.

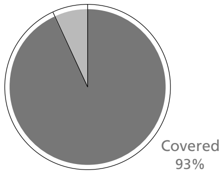
While our financial results improved in the second half of the year, they were not satisfactory. Our wireless network revenue in 2001 $1.57 billion, an increase of 9.3% or $134.3 million from $1.44 billion in 2000. Operating profit before depreciation and amortization was $401.3 million, up $0.7 million or 0.2% from $400.6 million in 2000.

At the completion of such an eventful year, a year that saw our wireless voice subscriber base grow by 18.4%, we reached a new milestone of three million wireless voice subscribers in early January 2002.

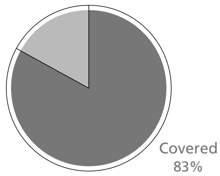
Rogers AT&T Wireless Coverage



Digital voice coverage of Canadian population



Analog voice coverage of Canadian population



Messaging coverage of Canadian population

The Rogers AT&T Wireless network offers a complete range of wireless solutions including: Digital PCS, cellular, advanced wireless data services and one- and two-way messaging.

INVESTING IN TOMORROW'S TECHNOLOGY

In 2001, we took a significant step towards the introduction of the next-generation of wireless technology in Canada with the rapid coast-to-coast network deployment of our integrated voice and data Global System for Mobile/General Packet Radio Service ("GSM/GPRS") network. With the first two phases successfully completed, our new network already covers 85% of the Canadian population and will reach 93% by mid-2002.

Utilizing the new network, our existing Time Division Multiple Access ("TDMA") Digital PCS and analog wireless systems, as well as our Mobitex™ data network, we continue to offer customers an array of new solutions, including high-speed, mobile access to the Internet, e-mail, corporate LANs and two-way, mobile-originated Short Messaging Service ("SMS") — locally, nationally and globally.

NEW PLANS FOR BUSINESS AND CONSUMERS

We introduced four new plans for our business customers during 2001: Rogers AT&T Fair Share Plan, Self-Adjusting Plan, Corporate Best Plan and a new Canadian One-Rate Plan. Each plan has a unique value proposition designed to meet the diverse needs of our business customers.

For the consumer, we introduced Rogers AT&T "ready4U", the ultimate postpaid all-inclusive gift package with a choice of wireless handsets, bundled with airtime and superior calling features. The ready4u package was a success in every market.

DISTRIBUTION GROWTH

At Rogers AT&T Wireless, we know that our success depends on our ability to make our products and services available where customers already shop. We have the most extensive distribution network of any wireless provider in Canada and we continue to grow and strengthen that network. Our exclusive retail agreement with RadioShack Canada Inc., which has proven to be a very successful partnership, was renewed in July for an additional five-year term.

Rogers Wireless has partnered with AT&T Wireless Services, Inc., one of the world's most powerful brand names in telecommunications, to offer customers seamless availability of service wherever they travel.

Canadians can access Rogers AT&T Wireless products and services through more than 7,000 points of distribution nationwide.

PROFITABLE AND PRODUCTIVE RELATIONSHIPS

Strategic relationships with distribution outlets, manufacturers and other organizations are imperative in the wireless industry. These relationships offer mutual growth opportunities, and they provide the benefits of shared knowledge and best practices. Our partnership with AT&T Wireless Services, Inc. in the U.S. is a case in point. In July, AT&T Wireless increased its ownership stake in Rogers Wireless Communications Inc. to approximately one-third, acquiring the shares owned by British Telecommunications plc. Our partnership with AT&T Wireless, one of the world's leading wireless providers, ensures that Rogers AT&T Wireless customers reap the benefits of sharing highly advanced technologies and services more quickly and cost efficiently than we would be able to offer on our own. In addition, our customers can roam seamlessly across North America on one, fully integrated network.

Of course, we continue to work closely with our sister companies – Rogers Cable and Rogers Media – sharing infrastructure, channels and brand advertising, cross-selling, coordinating joint promotions, and offering customers attractive values through product bundling and customer loyalty programs.

STRENGTHENING THE TEAM

In the wireless industry, success depends on numerous elements. In addition to delivering the quality customer care and the broad distribution network mentioned above, a company must have great technology, wide network coverage, solid sales and marketing strategies and great people – from the front lines in customer care and sales to the executive team. During 2001, we increased the strength of our executive team with the appointment of Jim Lovie, Executive Vice President, Sales, Distribution and Service, and Rob Bruce, Executive Vice President and Chief Marketing Officer – two outstanding industry veterans who have begun to strengthen our sales and marketing efforts.

In wireless technology, Rogers AT&T Wireless has consistently led the way, offering customers the very latest in personal communications devices.

Rogers AT&T Wireless is the first wireless provider in Canada to offer AOL's popular instant messaging service, ICQ™, on mobile devices.

Convenient pricing plans from Rogers AT&T Wireless are designed to meet the needs of all Canadians who want the convenience of wireless service.

LOOKING AHEAD: 2002

PROFITABLE GROWTH

Our top priority for 2002 is driving profitable growth. In 2001, we worked to put the pieces in place to drive profitable growth at Rogers AT&T Wireless. Today, our technological platform is best in class, our back office systems are stabilized, our marketing focus is sharp, and we have targeted our products and service offerings to ensure that they best meet our customers' needs. This has already begun to pay off as we delivered year-over-year operating profit growth in both the third and fourth quarters of 2001.

The Business segment is a key target for Rogers AT&T Wireless in 2002. Our suite of wireless products and services targeted at the business market will continue to grow throughout 2002 and beyond, providing solid value to both existing and potential customers in this segment.

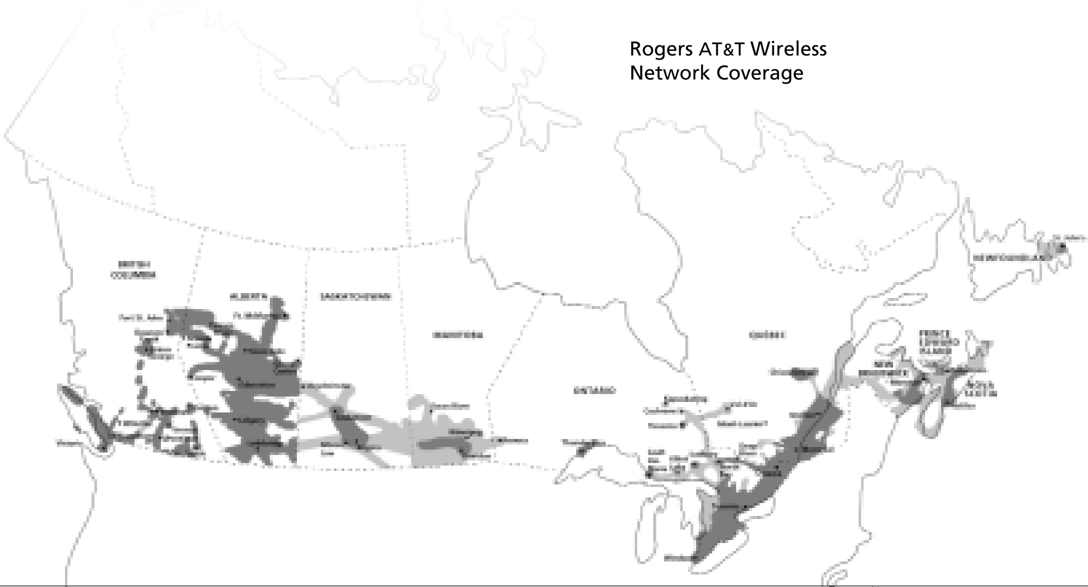
At the same time, we remain focused on serving the growing youth market by providing these early adopters with new, innovative and feature-rich wireless devices and services. We will continue to provide these customers with the ability to personalize their wireless service with ring tones, graphics and Internet content that make their wireless devices as unique as they are.

All plans for 2002 are designed to continue the trend of reducing churn, maintaining our Average Revenue Per User ("ARPU"), optimizing our incremental customer mix and providing innovative services and solid value to our base of over 3.4 million wireless subscribers.

SMS: A SIGNIFICANT NEW SOURCE OF GROWTH

Wireless providers around the world are experiencing substantial growth in revenue and operating profit from the exploding popularity of SMS on mobile devices. In 2001, the four Canadian wireless carriers announced that we would work jointly to establish a platform to enable SMS interoperability across our respective networks, allowing all SMS-capable wireless subscribers to send and receive SMS messages across all networks. In January 2002, Rogers AT&T Wireless became the first wireless carrier in Canada to offer the popular instant messaging service ICQ by AOL on wireless devices. These are just two examples of the ways that we have positioned ourselves to reap the benefits of this important new source of revenue.

Rogers AT&T Wireless
Network Coverage



- Current coverage
- Mid-2002 planned GSM/GPRS coverage

The Rogers AT&T Wireless networks reach more than 93% of the Canadian population in analog mode, more than 85% in GSM/GPRS mode. The new Rogers AT&T GSM/GPRS network will match the coverage footprint of our analog network in mid-2002.

TREMENDOUS MARKET POTENTIAL

Currently, the penetration rate of the population that uses wireless service in Canada is 34% – one of the lowest in the developed world. This translates into a tremendous opportunity for growth. We will decisively capture this opportunity in all of the fastest-growing product and service areas and most profitable market segments: Youth and Business. At the same time, we expect to win the lion's share of the important and growing wireless messaging and data business.

After such a significant year, I would like to thank our entire team and all of our partners for their continued dedication to our customers' satisfaction and to our overall success. Their ongoing commitment to Rogers AT&T Wireless and to meeting the needs of our customers has confirmed our position as Canada's premier wireless communications company.

It's a distinction we intend to keep.

Nadir

Nadir H. Mohamed
President and Chief Executive Officer
Rogers Wireless Communications Inc.

Rogers AT&T Wireless

Rogers AT&T Wireless offers a variety of flexible pricing packages including our Canadian One Rate plan which makes every call a local call.

BlackBerry by Rogers AT&T Wireless, the Motorola V101, the Handspring Treo and a variety of other data-centric products offer customers a full suite of wireless messaging solutions that range from one-way paging to high-speed short messaging service (SMS) to "always on" access to the internet.

Rogers AT&T Wireless offers a complete range of wireless communications solutions including Digital PCS, cellular, advanced data services and one- and two-way messaging services to Canadians from coast to coast.

From the simplest voice communications to a full, integrated voice and data communications package, Rogers AT&T Wireless offers the personalized solution that meets the needs of generations to come.

financial review

financial highlights

Rogers Wireless Communications Inc.

(In thousands of dollars, except per share data)
Years ended December 31

	2001	2000
Income Statement		
Revenue[1]	$ 1,753,145	$ 1,639,104
Operating profit[2]	401,261	400,550
Loss for year	(198,971)	(71,749)
Per Share Data		
Loss for year	$ (1.47)	$ (0.59)
Cash flow[3]	1.56	2.15
Changes in Financial Position		
Cash flow from operations[3]	$ 211,773	$ 262,870
Capital expenditures (excluding spectrum licence costs[4])	654,457	525,993
Balance Sheet		
Total assets	$ 3,136,784	$ 2,364,343
Fixed assets (net)	2,252,328	1,972,110
Long-term debt	2,305,683	1,443,756
Shareholders' equity	469,230	244,123

1 Revenue has been restated to record gross roaming revenue in accordance with recent accounting guidance and industry practice. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenues. As a result, revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating, general and administrative expenses have increased by the same amounts. Operating profit for all periods presented is unaffected by the change. All references to revenue (including average revenue per user) and operating expenses (including average monthly operating expenses before sales and marketing costs per subscriber) reflect this change.

2 Operating profit, defined herein as operating income before depreciation and amortization, interest, income taxes and other non-recurring and non-operating items, is a standard measure that is commonly reported and widely used in the wireless communications industry to assist in understanding and comparing operating results within the industry. Operating profit is not a defined term within either Canadian or U.S. GAAP and this measure should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with Canadian GAAP and U.S. GAAP.

3 Cash flow from operations before changes in working capital amounts.

4 Spectrum licences across Canada for the deployment of next generation wireless services were acquired in February 2001 at a total cost of $396.8 million, including expenses.

This discussion should be read in conjunction with the detailed Consolidated Financial Statements provided. The financial information presented has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Please refer to Note 17 of the Consolidated Financial Statements for a summary of differences between Canadian and United States generally accepted accounting principles.

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. For a discussion of factors that may affect actual results, see the "Operating risks and uncertainties" section within this document, as well as the "Cautionary statement regarding forward-looking information" section.

Company overview

Rogers Wireless Communications Inc. ("Wireless" or "RWCI") is a leading Canadian wireless communications provider serving over 3.4 million wireless customers at December 31, 2001, including approximately 3 million wireless voice subscribers and over 400,000 wireless data and messaging subscribers. Our seamless integrated wireless voice network covers a geographic area reaching approximately 93% of the Canadian population in analog mode and approximately 85% of the Canadian population in digital mode, including the digital overlay of our Global System for Mobile/General Packet Radio Service ("GSM/GPRS") network which provides advanced voice, data and messaging services. We estimate that our 3 million wireless voice subscribers represent approximately 10.4% of the Canadian population residing in our coverage area. Our analog and digital service coverage also extends throughout the United States and in over 85 countries worldwide through roaming agreements with AT&T Wireless Services, Inc. ("AWE") and other wireless communications providers. Our advanced GSM/GPRS service is available to approximately 45% of AWE's coverage area in the United States, with more international coverage to follow, as AWE and other global roaming partners roll out their GSM/GPRS deployment. At December 31, 2001, we were 52.4% owned by Rogers Communications Inc. ("RCI") and 34.3% owned by AWE.

Recent wireless industry trends

Demand for sophisticated data applications and migration to third generation wireless technology

The ongoing development of data transmission technologies has led manufacturers to create wireless devices with more advanced capabilities, including access to e-mail, news, sports news, financial information and services, shopping services and more. Increased demand for sophisticated wireless services, especially data communications services, has led wireless providers to begin migrating to the next generation of digital networks, commonly referred to as third generation ("3G") networks. These networks are intended to provide wireless communications with wireline quality sound, high-speed data transmission and full-motion video capability. 3G networks will support a variety of data applications such as high-speed Internet access, multimedia services and access to corporate information systems, such as e-mail and purchasing systems. As a result, during 2001 we commenced the first stage of our migration to a 3G network to meet these market demands. On January 14, 2002, we announced that we had completed the installation of our GSM/GPRS network covering 85% of the Canadian population, with plans to extend this coverage to match our analog coverage of 93% by mid-2002.

Wireless spectrum auction

In early 2001, Industry Canada, the Canadian government ministry responsible for telecommunications policy in Canada, conducted an auction for wireless licences in the 1900 megahertz ("MHz") frequency band ("Digital PCS") in 16 regions in Canada. PCS stands for Personal Communication Services and refers to the enhanced wireless services such as Caller ID, and text and e-mail messaging offered over the digital TDMA network. Of the 62 regional PCS licences available in the auction, we acquired 23 licences of 10 MHz each in various regions across Canada at a cost of $396.8 million, including expenses.

Strategy

We seek to maximize our revenues and achieve profitable growth by remaining a leading national provider of high-quality wireless voice and data communications products and services in Canada. The key elements of our strategy to achieve this objective are as follows: (i) continue to focus on developing products and services, based on customer segmentation, that meet the needs of our existing and future subscribers, (ii) maintain and expand existing distribution channels, (iii) leverage strategic relationships such as those developed within the Rogers Group of Companies, AWE and RadioShack Canada Inc., a retailer with whom we have an exclusive agreement, (iv) maintain a technologically advanced network, and (v) deliver quality customer care to subscribers.

Products and services

We offer a variety of digital and analog wireless voice services as well as messaging and wireless data services across Canada. Our wireless voice services are available in either postpaid or prepaid payment options. In addition, the rollout of our GSM/GPRS network provides customers with advanced high-speed data services, including mobile access to the Internet, e-mail and two-way Short Messaging Service ("SMS").

Distribution network

We market our services through an extensive national network of over 7,000 dealer and retail locations across Canada, including Rogers AT&T Wireless stores and kiosks, major retail chains such as RadioShack Canada Inc. and Future Shop Ltd., convenience stores, and an independent dealer network. We also offer several of our products and services through a retail agreement with Rogers Video (an affiliate), which had 260 locations across Canada at December 31, 2001.

Network

Our seamless, integrated wireless voice network covers a geographic area reaching approximately 93% of the Canadian population in analog mode and approximately 85% of the Canadian population in digital mode, including the overlay of our digital GSM/GPRS network, which provides advanced voice, data and messaging services. We use our own microwave radio and fibre-optic transmission facilities, which have enabled us to construct a national cellular network based on a single integrated technology, limiting our reliance on third parties for leased transmission facilities. In addition, we have generated significant profit margins from the carriage of our own long distance traffic. The seamless, integrated nature of our network also enables subscribers to make calls, receive calls and activate network features anywhere the network exists as easily as if they were in their home areas.

Our network has been constructed to be completely compatible between digital Time Division Multiple Access ("TDMA") radio transmission at 850 MHz and 1900 MHz, and between digital TDMA and analog radio transmission at 850 MHz.

Our GSM/GPRS network provides high-speed integrated voice and "always on" packet data transmission service capabilities. We completed the GSM/GPRS overlay to 85% of the Canadian population served by our digital TDMA network in January 2002. By mid-2002, we intend to expand our GSM/GPRS coverage to approximately 93% of Canada's population, matching our existing analog network coverage.

In 2003, we intend to upgrade our national GSM network by adding EDGE, or enhanced data for GSM evolution, capability to our GSM network primarily through software upgrades of the deployed GSM network equipment. EDGE capability is expected to significantly increase the data speed and capacity of our GSM network.

Seasonality

Our operating results are subject to seasonal fluctuations that generally result in relatively lower fourth quarter operating income. This seasonality is due primarily to increased marketing and promotional expenditures combined with relatively larger subscriber additions in the fourth quarter, resulting in higher subscriber activation-related expenses. These seasonal trends materially affect our quarter-to-quarter operating results. Thus, one quarter's operating results are not necessarily indicative of what the following quarter's operating results will be.

Overview of government regulation

Canadian Radio-television and Telecommunications Commission ("CRTC")

Canadian wireless service providers, including Rogers Wireless, are licensed and regulated by the CRTC pursuant to and in accordance with requirements of the Telecommunications Act (Canada) (the "Act"). Under the Act, the CRTC regulates all telecommunications common carriers in Canada that provide or participate in a national communications system, including wireless cellular, PCS and paging service providers.

Industry Canada

The technical aspects of the awarding of spectrum for cellular, PCS and messaging in Canada are subject to the licensing requirements and supervision of Industry Canada, a ministry of the Government of Canada. Industry Canada is responsible for telecommunications policy in Canada, and has specific jurisdiction under the Radiocommunications Act (Canada) to establish radio licensing policy and award radio licences for radio frequencies, which are required to operate wireless communications systems.

Restrictions on non-Canadian ownership and control

Pursuant to the Telecommunications Act (Canada) and associated regulations, up to 20% of the voting shares of a Canadian carrier, such as our operating subsidiary, may be held by non-Canadians and up to $33^1/_3$% of the Voting shares of a parent company, such as ourselves or RCI, may be held by non-Canadians, provided that neither the Canadian carrier nor its parent is otherwise controlled by non-Canadians. Similar restrictions are contained under the Radiocommunications Act.

Recent regulatory developments

In November 2000, the CRTC released a decision that fundamentally altered the mechanism used by the CRTC to collect "contribution" funds to subsidize the provision of basic local telephone service. Previously, the contribution was levied on a per minute basis on long distance services. Under the new contribution regime, which became effective January 1, 2001, all telecommunication service providers, including wireless service providers such as ourselves, are required to contribute a percentage of their adjusted Canadian telecommunications service revenues to a fund established to subsidize the provision of basic local service. The percentage contribution levy was 4.5% for 2001. The CRTC has determined that the interim rate for 2002 will be 1.4%, with the final rate likely established by mid-year 2002. (Refer to the "Operating risks and uncertainties" section for further details on the contribution levy.)

Competition

The Canadian wireless communications industry is highly competitive. In the wireless voice and data market, we compete with other cellular and digital PCS service providers and compete or may compete with other existing and emerging wireless technologies. In the wireless messaging market, we also compete with numerous local and national paging providers. Competition for wireless subscribers is primarily based on price, scope of services, sophistication of wireless technology, quality of service, breadth of distribution, service coverage, capacity and marketing.

In particular, we generally compete on a national basis against Telus Corporation, Bell Mobility and Microcell Connexions Inc., and the wireless divisions of smaller regional and independent incumbent wireline telephone companies in their respective service areas.

Certain transactions and relationships

AWE arrangements

Strategic alliance agreements. In November 1996, we entered into a long-term strategic alliance with AT&T Corp. ("AT&T") and its affiliates, AWE, AT&T Canada Enterprises Inc. and AT&T Canada Inc. ("AT&T Canada"). AT&T Canada is approximately 22% owned by AT&T and offers local and long distance telephone and data transmission services to customers in Canada. This strategic alliance included, among other things, a brand licence agreement under which we were granted a licence to use, on a co-branded basis, the AT&T brand in connection with the marketing of our wireless services.

In August 1999, we entered into a renewed long-term strategic alliance with AWE, AT&T, AT&T Canada Enterprises Inc., AT&T Canada and British Telecommunications plc ("BT"). As part of this transaction, the parties entered into a number of agreements. In general, each of the strategic alliance agreements extends until August 2009 and, unless we are in material breach or elect to terminate an agreement, the agreements will automatically renew for an additional five years. Other than the roaming agreements, each of the strategic alliance agreements contains cross-termination provisions that are triggered in the event of a termination of any of these agreements.

Brand licence agreement. We entered into an amended brand licence agreement with AT&T Canada Enterprises Inc. under which we were granted a licence to use the AT&T brand on a co-branded basis in connection with the marketing of our wireless services. AT&T Canada Enterprises Inc. has the right to terminate the amended brand licence agreement if specified competitors of AT&T and its affiliates acquire direct or indirect control of Wireless or RCI. If the amended brand licence agreement terminates, each of the other strategic alliance agreements will terminate.

Mobile wireless marketing, technology and services agreement. We entered into an amended and restated mobile wireless marketing, technology and services agreement with AWE and AT&T Canada that enables us to share technological information and requires the parties to work together to develop networks with common features for their subscribers.

Supply and marketing agreement. We entered into a supply and marketing agreement with AT&T Canada under which each party has granted the other party a right of first offer to supply the other party's telecommunications services where that party wishes to obtain these services for the purposes of resale. The supply and marketing agreement requires the parties to work together to market their respective services to corporate accounts and to work together on bundled and co-marketed product offerings. The supply and marketing agreement may be terminated by either party on 12 months' notice at any time after August 2001.

Fixed wireless right of first offer agreement. We entered into an agreement with AWE and AT&T Canada Enterprises Inc. whereby we were granted a right of first offer to purchase from AWE the equipment necessary to launch fixed wireless services based on AWE's proprietary technology in any market area in Canada in which AWE proposes fixed wireless services be provided. The fixed wireless right of first offer agreement extends until August 2002.

Roaming agreements. We entered into reciprocal roaming agreement with AWE that provides subscribers with seamless access to the wireless services offered by AWE and ourselves throughout Canada and the United States.

Facilities agreement. We entered into a facilities agreement with AT&T Canada under which we have agreed with AT&T Canada to co-operate in the planning and sharing of network facilities to achieve operating efficiencies. The facilities agreement may be terminated by either party on 12 months' notice.

Non-competition agreement. We entered into a non-competition agreement with AT&T Canada under which we have agreed not to engage in the sale of various wireline telephone services other than on a bundled or co-marketed basis, and AT&T Canada has agreed that it will not engage in the supply of mobile wireless services other than on a bundled or co-marketed basis.

AWE investment in the Company

As part of the renewed strategic alliance, AT&T and BT created JVII, a partnership that was indirectly 50% owned by each of AT&T and BT, and, through JVII, they indirectly acquired a 33.3% equity interest in us for a purchase price of approximately $1.4 billion in 1999. In preparation for its planned spin-off of AWE, AT&T transferred its interest in JVII to AWE. In June 2001, AWE acquired BT's interest in JVII.

Minority shareholders protection agreement. **We have entered into a Shareholder Protection Agreement with RCI that extends certain protections to holders of our Class B Restricted Voting shares ("RWCI Restricted Voting shares"). We have agreed with RCI that: i) in respect of a going-private transaction involving RWCI which is proposed by RCI or insiders, associates or affiliates thereof, (a) a formal valuation of the RWCI Restricted Voting shares will be prepared by an independent valuer, (b) the consideration offered per share will not be less than the value or will be within or exceed the range of values per share arrived at in the formal valuation, and (c) such transaction will be subject to approval by the majority of the minority of RWCI Restricted Voting shares (minority shareholders will exclude our affiliates); and ii) in respect of an issuer bid or insider bid made by RCI or any of its subsidiaries relating to RWCI, (a) a formal valuation will be prepared by an independent valuer, (b) the consideration offered per share to holders of RWCI Restricted Voting shares will not be less than 66 2/3% of the value (or of the midpoint of the range of values) arrived at in the formal valuation.**

RWCI and RCI have also agreed under the terms of the Shareholder Protection Agreement that a committee of independent directors of the Company will be responsible for the selection of the independent valuer and will review and report to the Board of Directors on any transaction. The Board of Directors will be required to disclose its reasonable belief as to the desirability or fairness of the transaction to holders of RWCI Restricted Voting shares.

The Shareholder Protection Agreement provides certain instances where a transaction is not subject to the valuation and minority approval requirements, including if the price to be offered to all shareholders is arrived at through arm's length negotiations with a selling holder of a sizeable block of RWCI Restricted Voting shares, provided such holder had full knowledge and access to information concerning RWCI. Further, a going-private transaction will not be subject to minority shareholder approval where 90% or more of the outstanding RWCI Restricted Voting shares are held by RCI or its affiliates. RCI has agreed that, so long as RCI owns or controls shares representing 50% or more of the voting power of the shares of RWCI, RCI will not vote any RWCI Restricted Voting shares which it may own or control with respect to the election of the three directors to be elected by the holders of RWCI Restricted Voting shares as a class.

The provisions of the Shareholder Protection Agreement may not be waived or amended by RWCI or RCI without the approval of the majority of holders of RWCI Restricted Voting shares, excluding any holder who was an affiliate of the Company. The rights and obligations under the Shareholder Protection Agreement are in addition to any applicable requirements of law and regulatory authorities.

Shareholders' agreement. **In connection with the JVII investment, we, RCI, and JVII entered into a shareholders' agreement. The shareholders' agreement provides for, among other things, the following:**

- **the grant by RCI of various governance rights in favor of JVII with respect to us and our wholly owned subsidiary, Rogers Wireless Inc. ("RWI"), including the ability to nominate four directors of our Boards of Directors and representation of these directors on each committee of the respective Boards of Directors;**
- **the grant by RCI to JVII of the ability to nominate any Chief Technology Officer for us or RWI;**
- **JVII approval over various transactions involving us or RWI, including:**
  - **a sale of all or almost all of our assets, including a sale of control of RWI;**
  - **a decision by RWI to carry on a business other than specified wireless businesses;**
  - **certain issuances of equity securities by us;**
  - **certain business combinations;**
  - **the entering into, by us, of certain material contracts, including material contracts outside the ordinary course of business with specified competitors; and**
  - **the issuance of indebtedness by us that would result in total indebtedness for borrowed money outstanding in excess of five times EBITDA based on 12 months trailing EBITDA calculated on a consolidated basis;**
- **the grant by RCI to JVII of the right to make a first offer and the right of first negotiation in respect of that offer if RCI wishes to transfer its shares of us (other than to members of the Rogers Group of Companies or pursuant to other exceptions);**
- **the grant by JVII to RCI of the right of first offer and the right of first negotiation in respect of that offer if JVII decides to sell its shares of us;**
- **if we propose to issue treasury shares, each of RCI and JVII has the ability to exercise pre-emptive purchase rights in order to maintain their respective voting and equity interests in us; and**
- **JVII's support of any going-private transaction relating to us which is initiated by RCI and which does not dilute JVII's equity and voting interest in us.**

The shareholders' agreement will generally remain in effect for as long as JVII continues to hold at least 20% of our equity shares. In addition, JVII has the right to terminate the shareholders' agreement if specified competitors of AT&T and its affiliates acquire direct or indirect control of RWI or RCI.

RCI arrangements

Management services agreement. We are party to a management services agreement with RCI under which RCI agrees to provide supplemental executive, administrative, financial, strategic planning and various additional services to us. Those services relate to, among other things, assistance with tax advice, Canadian regulatory matters, financial advice (including the preparation of business plans and financial projections and the evaluation of capital expenditure proposals), service to our and RWI'S Boards of Directors and committees of the Boards of Directors, and advice and assistance on relationships with employee groups, internal audits, purchasing assistance and various legal matters.

We have agreed to pay RCI certain fees under the management services agreement equal to the greater of $8 million per year (adjusted for changes in the Canadian consumer price index from January 1, 1991) and an amount determined by RCI and the independent directors serving on our Audit Committee under guidelines specified in the management services agreement (taking into account, among other things, a proportionate share of RCI's corporate overhead costs plus 15%). We have also agreed to reimburse RCI for all out-of-pocket expenses incurred in respect of services provided to us by RCI under the management services agreement. For the year ended December 31, 2001, we paid RCI a total of $10.7 million, including increases in the Canadian Consumer Price Index.

Cost sharing agreements. In order to take advantage of economies of scale and reduce overall costs, we share with RCI in the costs of purchasing, human resources, customer call centres, real estate administration and the RCI data centre.

For similar reasons, we have entered into agreements with RCI's cable television division to share on a pro rata basis the cost of certain microwave and fibre-optic transmission facilities. Since there are significant fixed costs associated with these transmission links, we are able to achieve economies of scale by sharing these facilities with our affiliated companies. We have reduced capital costs as a result of these agreements, which include a long-term services arrangement with the cable television division for transmission services on fibre-optic facilities owned by it. In addition, we charge the cable television division for the use of our data circuits, data transmission and links.

We, along with RCI's cable television division, also share space and costs associated with a number of combined customer care centres. The cable television division also processes our remittances, payroll, accounts payable and shares the costs of a number of other administrative services with us. We lease, at market rates, certain office space, which we own, to RCI and its affiliates.

Corporate opportunity

We have agreed with RCI under a business areas and transfer agreement, that RCI will, subject to any required regulatory, lender or other approvals, continue to conduct all of its cellular telephone operations and related mobile communications businesses, including PCS, through us. RCI believes that by conducting its cellular telephone operations and related mobile communications businesses through us, the potential for conflicts of interest between ourselves, RCI and directors and officers of RCI who are also directors or officers of Wireless will be reduced.

In July 1999, the business areas and transfer agreement was amended to permit RCI and its subsidiaries, other than ourselves and our subsidiaries, to resell the wireless communications services and products that we may agree to supply to RCI and its subsidiaries.

RCI has also agreed with us that if RCI acquires, through one or more transactions, a controlling interest in assets or operations that are within our permitted businesses, as described below, RCI will, subject to any required regulatory, lender or other approvals, promptly offer to transfer RCI's interest in those assets and operations to us for a purchase price equal to RCI's cost, if readily determinable, or otherwise RCI's determination of fair value of the assets, plus, in either case, costs and expenses incurred by RCI in transferring the assets and operations to us. If RCI's determination of fair value with respect to any such offer is in excess of $10.0 million and if our independent directors disagree with such determination, then the fair value shall be determined by an independent valuer chosen by the independent directors.

In order to reduce difficulties that may arise in allocating business opportunities, our Articles of Incorporation, as amended, provide that, unless the holders of a majority of our Class A Multiple Voting shares otherwise consent, we are prohibited from engaging, directly or indirectly through our subsidiaries, in businesses other than (i) the business that we engaged in on June 17, 1991 and (ii) mobile communications services. At present, RCI holds the majority of our Class A Multiple Voting shares.

Mobile communications services are defined as communications services where either the terminal from which the communications originated or on which the communications are alternately received, or both, are mobile radio communications devices (including, in each case, mobile communications devices that are being used in a fixed mode) and include, but are not limited to, cellular telephone equipment sales and related services, paging and mobile voice/data equipment sales and related services, local area personal communications networks and all activities reasonably necessary or incidental thereto. In August 1999, as part of the shareholders' agreement with JVII, RCI irrevocably consented to us and our subsidiaries carrying on wireline telecommunications businesses outside of the cable territories operated by affiliates of RCI, subject to ourselves and our subsidiaries complying with their contractual and other legal obligations to JVII. The foregoing limitations automatically terminate and we may thereafter engage in any lawful business at such time as RCI no longer holds, directly or indirectly, capital stock of us representing 20% or more of the combined voting power of all our outstanding capital stock.

Our Articles of Incorporation provide that neither we nor any shareholder of Rogers Wireless will have a claim against RCI or any director or officer thereof or of an affiliate for a breach of duty or loyalty of fair dealing on account of a diversion of a corporate opportunity unless:

- the opportunity related solely to a business in which we are authorized to engage; and
- our directors who are not affiliated with RCI have not disclaimed the opportunity by majority vote thereof.

For purposes of our Articles of Incorporation, this solely means, with respect to any entity, that 80% or more of its revenues or assets are derived from or dedicated to businesses in which we are permitted to engage. Notwithstanding such limitations on liabilities in our Articles of Incorporation, our directors and officers are subject to a statutory duty of good faith under the Canada Business Corporations Act and this duty is not waived by the provisions of our Articles of Incorporation.

Related party transactions

During the year, we entered into various related party transactions. Refer to Note 13 of the Consolidated Financial Statements for details.

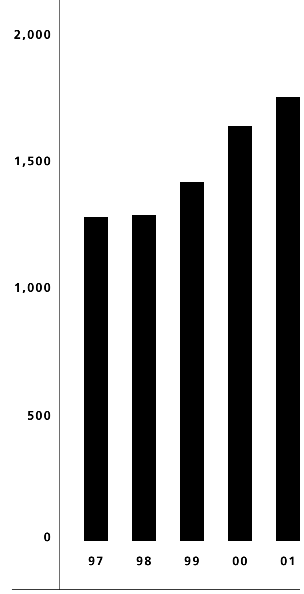
Operations and financial

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

For purposes of this discussion, revenue figures have been divided into the following categories: (1) wireless voice, (2) data and messaging services and (3) equipment sales. We generate our wireless voice revenues from (a) monthly fees; (b) airtime, usage and long-distance charges; (c) optional service charges; (d) system access fees and (e) roaming charges. We generate data and messaging revenues from monthly fees and usage charges. Equipment sales revenue is generated from the sale of hardware and accessories to independent dealers, agents and retailers.

Our operating expenses comprise (1) sales and marketing expenses, (2) network operating expenses, (3) customer care expenses, (4) costs of delivery and (5) general and administrative expenses including management fees paid to RCI. Sales and marketing expenses consist primarily of (a) subscriber acquisition costs, including dealer commissions and costs associated with providing handsets, (b) subscriber retention costs, including costs related to handset upgrades for qualified subscribers, (c) residual payments to our sales channels, (d) advertising costs and (e) remuneration costs. Network operating expenses comprise primarily (a) rent, maintenance and utility costs associated with cell sites, (b) Industry Canada licensing fees associated with radio channels and (c) remuneration costs for network support. Customer care expenses consist of (a) general costs associated with customer care, billing, credit and collections and (b) additional costs associated with the implementation of our new customer care and billing system. Cost of delivery expenses consist of (a) intercarrier payments to roaming partners and long distance carriers and (b) CRTC contribution levy.

Total Revenue
($ in millions)



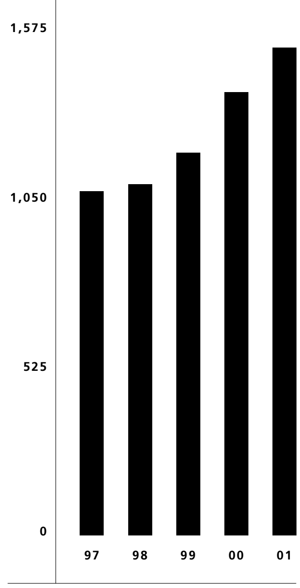
Summarized consolidated financial statements

(In millions of dollars, except per share amounts)	2001	2000	Chg	% Chg
Revenue[1]				
Wireless voice	$ 1,515.3	$ 1,376.8	$ 138.5	10.1
Data and messaging	56.5	60.7	(4.2)	(6.9)
Network revenue	1,571.8	1,437.5	134.3	9.3
Equipment sales	181.3	201.6	(20.3)	(10.1)
Total[1]	1,753.1	1,639.1	114.0	7.0
Operating expenses				
Sales and marketing, excluding retention	399.8	364.7	35.1	9.6
Other	952.0	873.8	78.2	8.9
	1,351.8	1,238.5	113.3	9.1
Operating profit[2]	401.3	400.6	0.7	0.2
Operating profit margin at a % of revenue[2]	22.9%	24.4%	(1.5%)	(6.1)
Depreciation and amortization	391.8	334.6	57.2	17.1
Interest expense	204.1	132.6	71.5	53.9
Other (income) expense	(2.6)	0.6	(3.2)	—
Income taxes	7.0	4.5	2.5	55.6
Loss for the year	$ (199.0)	$ (71.7)	$ (127.3)	—
Loss per share	$ (1.47)	$ (0.59)	$ (0.88)	—
Capital expenditures (excluding spectrum licence acquisition costs of $396.8 million)	$ 654.5	$ 526.0	$ 128.5	24.4

1 Revenue has been restated to record gross roaming revenue in accordance with recent accounting guidance and industry practice. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenues. As a result, revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating, general and administrative expenses have increased by the same amounts. Operating profit for all periods presented is unaffected by the change. All references to revenue (including average revenue per user) and operating expenses (including average monthly operating expenses before sales and marketing costs per subscriber) reflect this change.

2 Operating profit, defined herein as operating income before depreciation and amortization, interest, income taxes and other non-recurring and non-operating items, is a standard measure that is commonly reported and widely used in the wireless communications industry to assist in understanding and comparing operating results within the industry. Operating profit is not a defined term within either Canadian or U.S. GAAP and this measure should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with Canadian GAAP and U.S. GAAP.

Total Wireless Voice Revenue
($ in millions)



Operating highlights for 2001

The operating highlights in 2001 included the following:

- **the net addition of over 465,000 wireless voice subscribers, representing an increase of 24.7% from 373,300 net additions in 2000;**
- **an 18.4% increase in total wireless voice subscribers, to end the year at 2,992,000 subscribers;**
- **the total number of voice subscribers on digital service at December 31, 2001, was approximately 67%, as compared to approximately 58% at the end of 2000;**
- **reduced average monthly postpaid wireless voice subscriber churn to an average monthly rate of 2.24% in 2001 as compared to 2.30% in 2000;**
- **successful participation in Industry Canada's spectrum licensing auction in January 2001 resulted in the acquisition of 23 licences of 10MHz of spectrum in various regions across Canada;**
- **launched GSM/GPRS wireless voice and data services to 85% of the Canadian population, with plans to match our analog coverage of 93% by mid-2002;**

- Completion of the implementation of our new Amdocs billing and customer care system with the integration of our data and messaging customers, creating an important building block for new revenue opportunities and operating efficiencies;
- Nadir Mohamed assumed the role of President and CEO of RWCI in the second quarter of 2001. The sales, marketing and service leadership teams were subsequently enhanced with the addition of experienced wireless industry operating executives;
- On September 11, 2001, our minority shareholders voted not to approve the proposed transaction by RCI to acquire all of our outstanding Class B Restricted Voting shares owned by the public. Accordingly, the proposed transaction did not proceed and we continue to go forward as a public company;
- Completion of three financing transactions (refer to Notes 7, 9 and 13 of the Consolidated Financial Statements for full details):
  1) On April 12, 2001, we, through our subsidiary Rogers Wireless Inc., amended our bank credit facility which provides us with a revolving credit facility of $700 million with no reduction until April 30, 2006 and a final maturity on April 30, 2008;
  2) On April 18, 2001, we completed an equity rights offering, yielding approximately $419.9 million, net of costs, and,
  3) On May 2, 2001, we, through our subsidiary Rogers Wireless Inc., closed a debt issue in an aggregate amount of US $500 million (approximately C$770.4 million) of 9.625% Senior Secured Notes due May 1, 2011. We have hedged the full amount of the US $500 million with respect to foreign exchange.

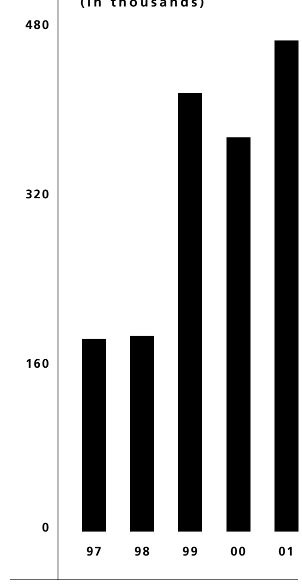
Wireless voice revenue and subscribers

(Subscriber statistics in thousands, except ARPU, churn and usage)

Year Ended December 31	2001	2000	Chg	% Chg
Total — Postpaid and Prepaid				
Gross additions	1,221.1	1,053.4	167.7	15.9
Net additions	465.4	373.3	92.1	24.7
Total subscribers	2,991.8	2,526.4	465.4	18.4
ARPU (blended)[1]	$ 46.60	$ 50.02	$ (3.42)	(6.8)
Postpaid				
Gross additions	800.2	732.7	67.5	9.2
Net additions	197.5	198.4	(0.9)	(0.5)
Total subscribers	2,257.3	2,059.8	197.5	9.6
ARPU	$ 56.39	$ 57.25	$ (0.86)	(1.5)
Average monthly usage (minutes)	302	263	39	14.8
Churn (%)	2.24	2.30	(0.06)	(2.6)
Prepaid				
Gross additions	420.9	320.7	100.2	31.2
Net additions	267.9	174.9	93.0	53.2
Total subscribers	734.5	466.6	267.9	57.4
ARPU[1]	$ 10.29	$ 10.08	$ 0.21	2.1
Churn (%)	2.75	3.55	(0.80)	(22.5)

1 Prepaid ARPU calculated on the retail price of the card less approximately 20% distribution commission cost.

Wireless Voice Subscriber Net Additions (in thousands)



Wireless voice revenue in 2001, which accounted for 86.4% of our total revenue, totalled $1,515.3 million, a $138.5 million or 10.1% increase from 2000. This increase reflects an 18.4% increase in the number of wireless voice subscribers over fiscal 2000 and a $41.9 million increase in contribution revenues collected in the form of increased system access fees, partially offset by a 6.8% decline in blended monthly average revenue per user ("ARPU"). Monthly ARPU in 2001 was $46.60, down $3.42 from $50.02 in 2000. This trend in monthly ARPU is primarily attributable to an increase in the proportion of our subscribers that subscribe to our prepaid wireless service, from 18.5% of our total wireless voice subscriber base in 2000 to 24.6% at the end of 2001. Prepaid wireless voice net additions of 267,900 in 2001, accounted for 57.6% of the total net additions in the year as compared to 46.9% in 2000. Prepaid monthly ARPU averaged $10.29 in 2001 compared to $10.08 in 2000. Monthly postpaid ARPU was $56.39, down $0.86, or 1.5%, from $57.25 in 2000. Higher system access fees had the effect of improving postpaid ARPU by approximately $1.29 for the year. Average monthly airtime usage per postpaid subscriber increased to 302 minutes in 2001 from 263 minutes in 2000.

Average monthly postpaid churn improved to 2.24% as compared to 2.30% in 2000. We took a number of steps in 2001 to facilitate improved churn performance, including refocusing our customer retention programs to reduce churn levels through segmented and focused management of our subscriber base. We also made significant progress in improving the implementation difficulties and certain process deficiencies related to the deployment of our customer care and billing system.

Data and messaging services and equipment sales

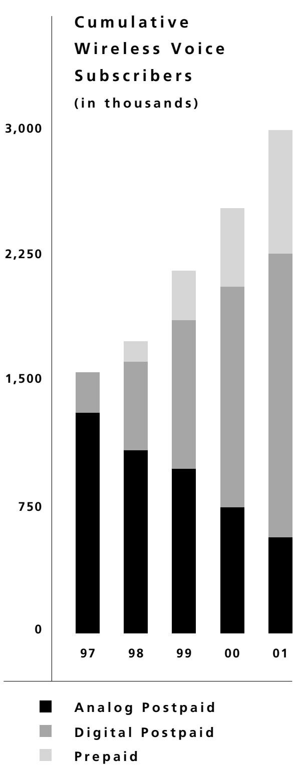
(Subscriber statistics in thousands, except ARPU) Year Ended December 31	2001	2000	Chg	% Chg
Gross additions				
Data and two-way messaging	36.7	20.2	16.5	81.7
One-way messaging	104.7	131.6	(26.9)	(20.4)
	141.4	151.8	(10.4)	(6.9)
Net additions				
Data and two-way messaging	27.9	17.7	10.2	57.6
One-way messaging	(44.4)	(25.7)	(18.7)	(72.8)
	(16.5)	(8.0)	(8.5)	(106.3)
Total subscribers				
Data and two-way messaging	54.7	26.8	27.9	104.1
One-way messaging	372.7	417.1	(44.4)	(10.6)
	427.4	443.9	(16.5)	(3.7)
ARPU				
Data and two-way messaging	$ 27.54	$ 21.97	$ 5.57	25.4
One-way messaging	$ 9.34	$ 10.90	$ (1.56)	(14.3)

Data and two-way messaging services revenue was $12.9 million in 2001, an increase of $8.2 million or 174.5% from 2000. We ended the year with 54,700 data and two-way messaging subscribers, an increase of 27,900, or 104.1%, from 2000 due to increased subscriptions to our two-way BlackBerry Wireless Handheld™ messaging service. Monthly data and two-way messaging ARPU was $27.54, an increase of $5.57 or 25.4% from 2000, attributable to increased usage and a higher average ARPU being received on new activations on the two-way BlackBerry messaging service.

One-way messaging (paging) revenues of $43.6 million declined $12.4 million, or 22.1%, from 2000 as a result of a 44,400, or 10.6%, decline in subscribers as compared to 2000. We believe this decline was due to a continuing decline in the one-way paging market as customers transition to wireless voice or two-way messaging services.

Equipment sales revenue

In 2001, revenue from wireless voice, data and messaging equipment sales was $181.3 million, down $20.2 million, or 10.0%, from the prior year. Equipment is sold to our independent dealers, agents and retailers generally at cost. The decrease in equipment revenue reflects declining per unit costs and does not materially impact our operating income.



Operating expenses

(In millions of dollars, except per subscriber statistics. Subscriber gross additions in thousands)

Year Ended December 31	2001	2000	Chg	% Chg
Operating expenses before sales and marketing costs	$ 668.8	$ 570.2	$ 98.6	17.3
Average monthly operating expenses, before sales and marketing costs, per average wireless subscriber	$ 17.76	$ 17.34	$ 0.42	2.4
Sales and marketing costs, including retention costs	$ 501.8	$ 466.8	$ 35.0	7.5
Total wireless gross additions (wireless voice, messaging and data)	1,362.5	1,205.2	157.3	13.1
Sales and marketing cost per wireless gross addition	$ 368	$ 387	$ (19)	(4.9)
Sales and marketing cost per wireless gross addition excluding retention costs	293	304	(11)	(3.6)

Sales and marketing

In early 2001, we reorganized our sales and marketing groups to concentrate on three market segments: business, consumer and youth. This organizational structure focuses on attracting and retaining subscribers within each segment by providing product and service offerings that are developed, priced and promoted specifically to meet the demands of that segment. An example of this is our "ready4U" product, launched in late 2001 and designed to attract the large consumer market in the fourth quarter. "ready 4U" offers customers a wireless handset and a specified number of months of airtime for a combined, upfront price. This product was designed for easy gift-giving for the holiday season and we plan to continue to market this convenient offer in 2002. Also in 2002, we intend to leverage the capabilities of our new GSM/GPRS network and Amdocs billing system by offering customers a number of new products, features and price plans.

Sales and marketing expenses, net of equipment margin and excluding retention costs, were $399.6 million, an increase of $33.7 million or 9.2% from $365.9 million in 2000. The increase in total sales and marketing expenses was due to increased gross additions over 2000 resulting in higher subscriber acquisition costs related to activation commissions paid to our distribution. Total gross additions increased 157,300, or 13.1%, to 1,362,500 from 2000. Sales and marketing costs per wireless subscriber gross addition, excluding subscriber retention costs, were $293, a decrease of $11, or 3.6%, from $304 in 2000. This decline was partially due to a greater percentage of our gross additions being on our lower cost prepaid service. Prepaid gross additions represented 34.5% of total gross voice additions in 2001 as compared to 30.4% in 2000.

Customer retention

Our existing wireless voice, messaging and data subscriber base, which numbers in excess of 3.4 million, represents a key asset to us. The cost to acquire a new subscriber is much higher than the cost of retaining an existing subscriber relationship. As such, we focus extensively on retaining our subscribers through customer satisfaction, loyalty programs and the proactive renewal of subscriber contracts. Sales and marketing costs per wireless subscriber gross addition, including retention costs, was $368, a decrease of $19, or 4.9%, from $387 in 2000. Total retention program costs for 2001 were $102.2 million, $1.3 million, or 1.3%, higher than 2000. This increase was driven by an increase in the subscriber base, offset by more efficient retention spending due to redesigned programs and lower handset costs.

Initiatives surrounding retention are now focusing on customer segments to increase subscriber satisfaction, reduce churn and control costs. A key aspect of our retention program allows a subscriber, based upon certain eligibility criteria, to obtain a newer model handset at a price as good, or better than, our current offers for new subscribers. Churn for digital subscribers continues to be significantly lower than that of analog subscribers; accordingly, substantially all retention focused handset upgrades are to digital handsets. We believe the retention handset program is an effective way to cost-effectively migrate our subscriber base from analog to digital service as well as reduce deactivations, and, partially as a function of this program, we now have approximately 67% of our subscriber base on digital service.

Operating expenses, excluding sales, marketing and retention

Total operating expenses, before sales, marketing and retention costs, were $668.8 million, $98.6 million or 17.3%, higher than 2000. Average monthly operating expense per subscriber, excluding sales and marketing and retention costs, increased $0.42, or 2.4%, to $17.76 per subscriber per month in 2001, compared to $17.34 in 2000. The CRTC regulatory mandated contribution subsidy regime, implemented by the CRTC on January 1, 2001, accounted for $47.3 million of the total operating expense increase. Excluding these contribution payments, average monthly operating expense per subscriber was $16.38, a decrease of $0.82 or 4.8% from $17.20 in 2000. Customer care expenses increased 13.2% due to an 18.4% increase in our subscriber base. In addition, we experienced increased customer care costs in the first half of 2001 due to higher call volumes on billing and other issues encountered in the conversion to our new billing and customer care system. Network costs increased 5% year-over-year as a result of increased cell sites and maintenance costs related to increased usage.

Operating profit

Operating profit was $401.3 million in 2001, an increase of $0.7 million, or 0.2%, from $400.6 million in 2000. Operating profit as a percentage of revenue, or operating profit margin, declined in 2001 to 22.9% from 24.4% in 2000.

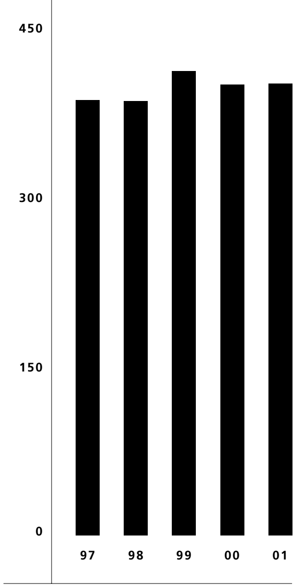
Fixed charges

(In millions of dollars)

Year Ended December 31	2001	2000	Chg	% Chg
Depreciation and amortization expense	$ 391.8	$ 334.6	$ 57.2	17.1
Interest expense[1]	185.1	132.6	52.5	39.6

1 Excluding financing and interest costs on loans payable to shareholders of $18.9 million for the year. (2000 – nil)

Total Operating Profit*
($ in millions)



* Operating profit is defined as operating income before interest, income taxes, depreciation, amortization, and non-operating items.

Depreciation and amortization expense totalled $391.8 million in 2001, an increase of $57.2 million, or 17.1%, from $334.6 million in 2000 due to the increase in the fixed asset base, which is more fully discussed in the subsection entitled "Capital expenditures". In addition, as a result of the introduction of new network technology, we reduced the estimated useful lives of certain network equipment, which resulted in an increase in depreciation expense in 2001 of $20.8 million.

Interest expense was $185.1 million in 2001, an increase of $52.5 million or 39.6% from $132.6 million in 2000, due to higher average long-term debt balances arising from increased debt primarily to fund the construction and deployment of our new GSM/GPRS network. (See subsection entitled "Financial position – liquidity and capital resources" for further details and description.)

Loss

(In millions of dollars, except per share data)

Year Ended December 31	2001	2000	Chg	% Chg
Loss for the year	$ (199.0)	$ (71.7)	$ (127.3)	–
Loss per share	$ (1.47)	$ (0.59)	$ (0.88)	–

Relatively unchanged operating profit, combined with higher depreciation and amortization expense and higher interest expense, resulted in a loss of $199.0 million, or $1.47 per share compared to a loss in the prior year of $71.7 million, or $0.59 per share.

Employees

At December 31, 2001 we had approximately 4,100 full-time equivalent employees, all of whom were employed in Canada. This represents an increase of 400 from 3,700 at December 31, 2000. Customer service staffing increases associated with the growth of the business accounted for the majority of the year over year increase.

Capital expenditures

(In millions of dollars) Year Ended December 31		2001		2000		Chg	% Chg
Capital expenditures (excluding spectrum licence costs[1])	**$**	**654.5**	**$**	**526.0**	**$**	**128.5**	**24.4**

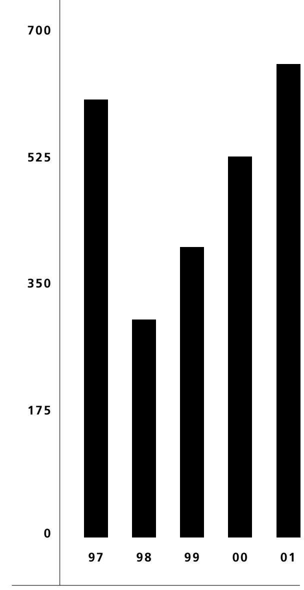
1 Spectrum licences across Canada for the deployment of next generation wireless services were acquired in February 2001 at a total cost of $396.8 million, including expenses.

Capital expenditures, excluding spectrum licence costs, totalled $654.5 million in 2001, an increase of $128.5 million, or 24.4%, from $526.0 million in 2000. Network related capital expenditures in 2001 totalled $518.1 million, of which approximately $272.3 million related to our new GSM/GPRS network, approximately $106.9 million related to technical spending, and approximately $58.9 million related to capacity expansion of the TDMA digital network. The remaining $80.0 million of network capital spending pertained primarily to (1) the construction of new cell sites, including "in-fill" sites for improved coverage in existing coverage areas and sites for new coverage and (2) various network optimization and upgrade projects. We added 233 new cell sites to the network in 2001. With these additional sites, we have continued to construct the infrastructure necessary for higher quality digital coverage and lower cost incremental capacity, in most cases by adding channels on existing sites. The remaining capital expenditures of $136.4 million represent expenditures of (1) $85.9 million on information technology initiatives and (2) $50.5 million relating to the construction of new call centres and retail stores, and the expansion and upgrade of existing office facilities, including our primary location in Toronto.

Spectrum Acquisition

In January 2001, Industry Canada conducted an auction for 62 wireless licences in the 1900 MHz frequency band in 16 regions across Canada. We acquired an additional 20 MHz of spectrum in eastern and northern Ontario, southern Quebec, Alberta, British Columbia, the Midwest and the Atlantic provinces, and 10 MHz of spectrum in southern Ontario. The aggregate cost of the spectrum licences was $396.8 million, including related expenses.

Capital Expenditures
($ in millions)



Operating risks and uncertainties

Our business is subject to several operating risks and uncertainties, which may result in a material adverse effect on our business and financial results as outlined below:

It is expected that a substantial portion of future growth will be achieved from new and advanced wireless voice and data transmission services. Accordingly, we have invested significant capital resources in the development of the GSM/GPRS network in order to offer these services. However, consumers may not provide sufficient demand for these advanced wireless services offered on the GSM/GPRS network. Alternatively, Wireless may fail to anticipate demand for certain products and services, or may not be able to offer or market these new products and services successfully to subscribers. Wireless' failure to attract subscribers to new products and services, or failure to keep pace with changing consumer preferences for wireless services, could slow revenue growth and have a material adverse effect on our business and financial condition.

We face increased competition if there is a removal or relaxation of the limits on foreign ownership and control of wireless licences. Legislative action to remove or relax these limits could result in foreign telecommunication companies entering the Canadian wireless communications market, either through the acquisition of wireless licences or of a holder of wireless licences. Such companies would have significantly greater capital resources than we have.

Continued aggressive pricing has reduced Canadian wireless communications pricing to among the lowest in the industrialized world. We believe that competitive pricing is a factor in causing churn. We cannot predict the extent of further price competition and customer churn into 2002, but we anticipate some re-pricing of our existing subscriber base, as lower pricing offered to attract new customers is requested by existing customers. New customers entering the Canadian market may generate lower average monthly revenues than our existing customers, which could slow revenue growth.

We cannot anticipate what impact new wireless communications services or lower prices could have on overall market growth. We will compete vigorously for all customer segments, focusing on the business, consumer and youth segments, and in all geographic markets based on the strengths of our extensive networks and broad digital services coverage, strong brands and broad distribution presence.

Commencing January 1, 2001, we were required to make payments equal to 4.5% of adjusted revenues in accordance with the new revenue-based contribution scheme implemented by the CRTC. The percentage of adjusted revenues is adjusted annually by the CRTC. The calculation of the amount payable is subject to a number of matters of interpretation currently being determined between the CRTC and ourselves. The maximum potential additional amount payable in respect of the year 2001 should these matters be resolved against us, is $7.0 million. The outcome of this matter is not determinable at this time and as a result, no amount in respect of this matter has been recorded in our Consolidated Financial Statements for the year ended December 31, 2001. The CRTC has announced that the preliminary rate for 2002 has been reduced to 1.4%, subject to final determination in the second quarter of 2002. This reduction is expected to have the effect of reducing our contribution payments by approximately $25.0 to $35.0 million for the year 2002. If the final rate is more than 1.4%, it will result in amounts being paid by us beyond the amounts currently contemplated. For example, if the rate were to increase by 1% to 2.4%, it would have the effect of increasing our contribution expense by approximately $10.0 million, with a corresponding decrease in operating profit, subject to market conditions and other factors.

The operation of our wireless communications network, the marketing and distribution of our products and services and the continued transition to a third generation technology network will continue to require substantial capital resources. Capital expenditures in 2002 are expected to decline from 2001 to between approximately $550 and $600 million.

There is no guarantee that our EDGE technology will be competitive or compatible with other technologies. Our wireless digital network currently operates on TDMA and GSM/GPRS technology, which we expect to supplement with EDGE technology by 2003. While we have selected these technologies as the evolution from our current to future networks, there are other competing technologies that are being developed and implemented in Canada and other parts of the world. None of the competing technologies is directly compatible with each other. If the next generation technology that gains widespread acceptance is not compatible with our networks, competing services based on such alternative technology may be preferable to subscribers.

Media and other reports have linked radio frequency emissions from wireless handsets to various health concerns, including cancer, and to interference with various medical devices, including hearing aids and pacemakers. While there are no definitive reports or studies stating that radio frequency emissions raise health concerns, concerns over radio frequency emissions may discourage the use of wireless handsets or expose us to potential litigation. It is also possible that future regulatory actions may result in the imposition of more restrictive standards on radio frequency emissions from low powered devices such as wireless handsets. We are unable to predict the nature or extent of any such potential restrictions.

Certain provincial government bodies are considering legislation to restrict or prohibit wireless telephone usage while driving. Legislation has been proposed in some jurisdictions to restrict or prohibit the use of wireless telephones while driving motor vehicles. Some studies have indicated that some aspects of using wireless telephones while driving may impair the attention of drivers in various circumstances, making accidents more likely. If laws are passed prohibiting or restricting the use of wireless telephones while driving, it could have the effect of reducing subscriber usage. Additionally, concerns over the use of wireless telephones while driving could lead to potential litigation relating to accidents, deaths or bodily injuries.

Industry Canada is currently considering allowing the use of jamming devices that would block wireless telephone calls in private places and in certain public places such as theatres and restaurants. The authorization of jamming devices in Canada could have the effect of reducing subscriber usage.

Financial position — liquidity and capital resources

Our net loss for the fiscal year ended December 31, 2001 was $199.0 million compared to a net loss of $71.7 million in the previous fiscal year ended December 31, 2000. This $127.3 million increase in net loss was driven primarily by two items. Depreciation and amortization increased $57.2 million in 2001 due to an increase in the fixed asset base during the year, related to capital expenditures for our new GSM/GPRS network. In addition, we reduced the useful lives of certain network equipment as a result of the introduction of our new network technology, which accounted for $20.8 million of the increase in depreciation expense during the year. Interest expense increased $52.5 million in 2001 compared to 2000, due primarily to increased debt levels including the issuance of US$500.0 million (C$770.4 million) 9⁵/₈% Senior Secured Notes in May 2001. The remainder of the increase in net loss in 2001 was due to $18.9 million of financing fees and interest on loans payable to shareholders, partially offset by $4.3 million of interest income from investments of cash during the year. The loans payable to shareholders were advanced by RCI and AWE during the year to fund the costs of licences acquired by us in the Industry Canada spectrum auction. These loans, and the associated financing fees and interest, were repaid by our issuance of Class B Restricted Voting shares in our rights offering completed in April 2001.

Cash generated from operations before changes in working capital, which is calculated by adding back all non-cash items such as depreciation and amortization to the loss for the year, decreased to $211.8 million in 2001 from $262.9 million in 2000. The $51.1 million decrease is mainly the result of the increase in interest expense as discussed above. Taking into account the changes in working capital for the 2001 fiscal year, cash generated from operations decreased by $93.9 million to $131.0 million compared to $224.9 million in the previous year. In addition, we raised the following funds during 2001: (1) $804.1 million through an increase in debt, net of $20.5 million financing costs. This comprised (a) the issuance of US$500.0 million (C$770.4 million) Senior Secured Notes due 2011, (b) $52.0 million in drawdowns under our bank credit facility, which was amended in April 2001 and (c) a $2.2 million net increase in capital leases. (2) $393.5 million aggregate principal amount of loans, converted to equity, from RCI and AWE discussed above. (3) $11.7 million received from the issuance of Class B Restricted Voting shares under employee share purchase plans and the exercise of employee options as well as funds from the rights issue (net of the repayment of the shareholder loans discussed above). In aggregate, the funds raised in fiscal 2001 totalled approximately $1,209.3 million.

Cash generated from operations and funds raised, which totalled $1,340.3 million, were used for the following: to fund additions to fixed assets of $654.5 million; to fund the cost of $396.8 million, including associated costs, of licences acquired in the Industry Canada spectrum auction and to repay $284.4 million net advances of unsecured intercompany subordinated debt owing to RCI. In total, $1,335.7 million of funds were used in fiscal 2001, resulting in an increase of cash of $4.5 million during the period. Since there was a $9.9 million cash deficiency at the beginning of the year, the cash deficiency at 2001 year-end was $5.4 million.

Financing

All of the Company's long-term financial instruments are described in the Notes to the Consolidated Financial Statements. Financing activity is outlined below.

During 2001, we repaid all intercompany subordinated advances owing to RCI and completed three significant financing transactions. In March 2001 rights were issued to existing shareholders to subscribe for our Class B Restricted Voting shares. The rights issue was completed in April 2001 and 18,857,856 Class B Restricted Voting shares were issued for proceeds of $419.9 million, net of costs. The proceeds consisted in cash of $7.5 million along with the repayment of $393.5 million aggregate principal amount of shareholder loans payable to RCI and AWE plus financing fees and interest on these loans aggregating $18.9 million. (See Notes 9(C)(iii) and 13(B)(ii) to the Consolidated Financial Statements.) In April 2001 we amended our bank credit facility to provide a revolving credit facility of up to $700.0 million with scheduled 20% reductions in capacity on April 30, 2006 and April 30, 2007 with the remaining portion due at maturity on April 30, 2008. The bank credit facility is subject to an earlier maturity in certain circumstances. (See Note 7(A) to the Consolidated Financial Statements.) In May 2001 we issued US$500.0 million (C$770.4 million) 9⁵/₈% Senior Secured Notes due 2011. (See Note 7(E) to the Consolidated Financial Statements.)

Our required repayment of long-term debt in the four-year period from 2002 to 2005 inclusive is approximately $13.6 million. In 2006, required repayments total $182.7 million including the C$160.0 million 10.5% Senior Secured Notes and a $22.0 million mortgage.

We expect to continue to incur significant capital expenditures and do not expect that we will generate free cash flow in 2002 or in 2003. We believe that we will have sufficient capital resources to satisfy our cash funding requirements in 2002 and 2003 taking into account cash from operations and the amount that will be available to be borrowed under our amended bank credit facility.

Our long-term debt totalled $2,305.7 million at December 2001, an increase of $861.9 million compared to December 31, 2000. This $861.9 million increase reflects the issuance of US$500.0 million (C$770.4 million) 9$^5/_8$% Senior Secured Notes, the drawdown of $52.0 million under our amended bank credit facility, a net $2.2 million increase in mortgage and capital leases and a $37.3 million increase in the Canadian dollar equivalent of unhedged U.S. dollar denominated debt. Our amended bank credit facility provides a revolving facility of up to $700.0 million and our operating line of credit provides for up to $10.0 million. The bank credit facility was amended in April 2001 as discussed above. Of all of our debt instruments, the terms of the bank credit facility generally impose the most restrictive limitations on our operations and activities governed by these agreements. The most significant of these restrictions are debt incurrence and maintenance tests based upon certain ratios of debt to operating profit. We are currently in compliance with all of the covenants under our respective debt instruments and we expect to remain in compliance with all of these covenants. Based on our most restrictive covenants, at December 31, 2001, we could have borrowed $355.9 million of additional long-term debt, all of which could have been borrowed under our amended bank credit facility.

Interest rate and foreign exchange management

We use derivative financial instruments to manage our risks from fluctuations in foreign exchange rates and interest rates. These instruments include interest rate and cross-currency exchange agreements and, from time to time, foreign exchange option agreements and foreign exchange forward contracts. All such agreements are used for risk management purposes only and are designated as a hedge of specific debt instruments. In order to minimize the risk of counterparty default under these agreements, we assess the creditworthiness of these counterparties. At December 31, 2001, all of our counterparties in these agreements are financial institutions with a Standard & Poor's rating (or other equivalent) ranging from A+ to AA.

The incurrence of U.S. dollar denominated debt has caused substantial foreign exchange exposure as our operating cash flow is almost exclusively denominated in Canadian dollars. We have established a target of hedging at least 50% of our foreign exchange exposure through the use of agreements outlined above. At December 31, 2001, we had U.S. dollar denominated long-term debt of US$1,399.2 million (2000 — US$899.2 million). At December 31, 2001, US$995.1 million (2000 — US$495.1 million) or 71.1% (2000 — 55.1%) is hedged with cross-currency interest rate exchange agreements at an average exchange rate of C$1.4210 (2000 — $1.3000) to US$1.00. The increase in our hedged position in 2001 was due to us hedging 100% of the foreign exchange rate exposure caused by our issuance of US$500.0 million Senior Secured Notes, by entering into several cross-currency exchange agreements.

The cross-currency interest rate exchange agreements have the effect of converting the interest rate on US$610.1 million of long-term debt from an average U.S. dollar fixed interest rate of 9.386% per annum to a weighted average Canadian dollar fixed interest rate of 9.435% per annum on $913.5 million. The interest rate on an additional US$385.0 million has been converted from a U.S. dollar fixed interest rate of 9.375% per annum to a weighted average floating interest rate equal to the Canadian bankers' acceptance rate plus 2.353% per annum, which totalled 4.495% at December 31, 2001 (2000 — 8.170%) on $500.5 million.

Total long-term debt at fixed interest rates at December 31, 2001 was $1,753.2 million (2000 — $943.3 million) or 76.0% (2000 — 65.0%) of total long-term debt. The increase in the percent of long-term debt at fixed interest rates in 2001 was due to our issuance of US$500.0 million 9$^5/_8$% Senior Secured Notes. Our effective weighted average interest rate on all long-term debt as at December 31, 2001, including the effect of the interest rate and cross-currency exchange agreements, was 8.19% per annum (2000 — 8.70%).

We will continue to monitor our hedged position with respect to interest rate and foreign exchange fluctuations and, depending upon market conditions and other factors, may supplement our hedged position with respect to foreign exchange fluctuations and/or interest rates in the future by entering into cross-currency interest rate exchange agreements and/or by using other hedging instruments.

The following table summarizes the effect of changes in the foreign exchange rate on the unhedged portion of our U.S. dollar denominated debt and the resulting change in the principal carrying amount of debt, interest expense and earnings per share based on a full year impact.

Change in C$ versus US$[1]	Change in debt principal amounts ($ millions)	Change in interest expense ($ millions)	Earnings per share[2]
$0.01	$ 4.0	$ 0.4	$ 0.031
$0.03	12.1	1.1	0.093
$0.05	20.2	1.8	0.155
$0.10	40.4	3.6	0.311

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

2 Based on the new CICA accounting standard for foreign exchange, effective January 1, 2002. Refer to Note 2(R)(iii) of the Consolidated Financial Statements. Assumes no income tax effect and full recognition of foreign exchange gains or losses in the period, based on the number of shares outstanding as at December 31, 2001.

Accounting policies

Our Consolidated Financial Statements are prepared under Canadian GAAP. A description of our accounting policies is provided in Note 2 to our Consolidated Financial Statements. A summary of the impact on our Consolidated Financial Statements had we prepared our Consolidated Financial Statements under United States GAAP is provided in Note 17 to our Consolidated Financial Statements.

Accounting policy changes in 2001

Refer to Note 17(P) in the Consolidated Financial Statements on "Recent United States accounting pronouncements".

Revenue

During 2001, we revised our policy for the presentation of roaming revenue and expenses in accordance with recent accounting guidance and industry practice. Prior to 2001, the costs associated with subscribers completing calls outside of our network were netted against revenue. These costs are now reported as operating expenses and roaming revenue is presented on a gross basis. Revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating expenses have been increased by the same amount. Postpaid and blended monthly ARPU have been increased by $4.27 and $3.36, respectively, for the year ended December 31, 2001 and monthly operating expenses per subscriber have been increased by $4.59 and $3.89, respectively for the year ended December 31, 2000. Operating profit for all periods is unaffected by the change.

Depreciation expense

As a result of the introduction of new network technology in 2001, we have reduced the estimated useful lives of certain network equipment effective January 1, 2001. As a result, depreciation expense for the year ended December 31, 2001 was increased by $20.8 million.

Earnings per share

The adoption of the new Canadian GAAP standards on Earnings per Share ("EPS") to utilize the treasury stock method for calculating diluted EPS had no impact on our reported EPS.

Future impact of recent accounting pronouncements

Refer to Note 2(R) in the Consolidated Financial Statements on "Recent Canadian accounting pronouncements".

Goodwill and intangible assets

The adoption of the new Canadian GAAP standards for goodwill and intangible assets as of January 1, 2002 will impact our Consolidated Financial Statements primarily in two ways. First, we will discontinue amortization of the remaining $7.1 million of unamortized goodwill relating to the acquisition of certain of our one-way messaging operations and test the carrying value of this goodwill for impairment at least annually. Second, we will determine if the spectrum licences acquired in 2001 at a cost of $396.8 million meet the definition of indefinite life intangible assets, in which case the cost of the spectrum licence will not be amortized but instead tested for impairment at least annually. If the spectrum licences do not meet the definition of indefinite life intangible assets, then we will amortize the cost of the licences commencing in 2002.

Foreign exchange

Effective January 1, 2002, Canadian GAAP will no longer permit us to defer the foreign exchange gains or losses on our U.S. dollar denominated long-term debt and amortize these gains or losses over the remaining life of the debt. As a result, upon adoption of this new accounting standard on January 1, 2002, all foreign exchange gains or losses on our U.S. dollar denominated long-term debt will be recognized in income immediately. This may create volatility in our reported net income and EPS depending on changes in the rate of exchange between the Canadian and U.S. dollars. Also, upon adoption of the new accounting standard, deferred charges and shareholders' equity will be reduced by approximately $80.9 million, representing the unamortized foreign exchange losses recorded as an asset on our consolidated balance sheet at December 31, 2001, that will be affected by this change. We are required to restate prior periods for comparative purposes. As such, in 2002, our loss for the year ended December 31, 2001 will be increased by approximately $25.7 million or $0.19 per share to reflect the impact of this new accounting standard.

The CICA also approved "Accounting Guideline AcG-13", which establishes the criteria for identification and documentation of hedging relationships, effective for the Company's 2003 fiscal year. The Company plans to comply with the requirements of AcG-13, such that all of its current hedges will continue to qualify for hedge accounting when the guideline becomes effective.

Stock-based compensation and other stock-based payments

The CICA issued Section 3870, Stock-Based Compensation and Other Stock-Based Payments, which establishes the standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The Company's current accounting policies are consistent with the new standard. (See Note 1(R)(iii) of the Consolidated Financial Statements.)

Cautionary statement regarding forward-looking statements

This Management's Discussion and Analysis includes "forward-looking statements" concerning our business, operations and financial performance and condition. When used in this Management's Discussion and Analysis, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that actual future performance will be affected by a number of factors, including technological change, regulatory change and competitive factors, many of which are beyond our control. Therefore, future events and results may vary substantially from what we currently foresee. We are under no obligation to (and expressly disclaim any such obligation) update or alter the forward-looking statements whether as a result of new information, future events or otherwise.

common stock information

(Share price and trading volume)

The Toronto Stock Exchange (RCM.B Restricted Voting shares) C$

Years ended December 31		First quarter	Second quarter	Third quarter	Fourth quarter	Total year
2001	High	$ 30.00	$ 28.25	$ 31.00	$ 23.61	$ 31.00
	Low	$ 17.00	$ 16.53	$ 14.01	$ 16.25	$ 14.01
	Close	$ 20.75	$ 26.10	$ 16.70	$ 23.00	$ 23.00
	Volume (000s)	2,799	18,418	22,659	5,251	49,127
2000	High	$ 79.60	$ 59.75	$ 52.50	$ 45.50	$ 79.60
	Low	$ 50.35	$ 38.65	$ 43.00	$ 18.90	$ 18.90
	Close	$ 58.50	$ 49.25	$ 46.00	$ 26.35	$ 26.35
	Volume (000s)	3,559	5,990	3,768	3,108	16,425
1999	High	$ 29.50	$ 30.00	$ 37.00	$ 55.70	$ 55.70
	Low	$ 19.00	$ 23.50	$ 24.00	$ 34.00	$ 19.00
	Close	$ 27.05	$ 24.25	$ 34.70	$ 52.65	$ 52.65
	Volume (000s)	3,141	2,644	6,799	4,168	16,752
1998	High	$ 17.25	$ 19.50	$ 21.65	$ 20.50	$ 21.65
	Low	$ 9.25	$ 14.60	$ 11.00	$ 11.50	$ 9.25
	Close	$ 16.00	$ 18.25	$ 11.50	$ 18.50	$ 18.50
	Volume (000s)	3,737	2,290	1,759	862	8,648
1997	High	$ 30.00	$ 27.80	$ 30.00	$ 25.25	$ 30.00
	Low	$ 22.50	$ 23.10	$ 24.15	$ 12.70	$ 12.70
	Close	$ 25.60	$ 26.00	$ 24.30	$ 13.10	$ 13.10
	Volume (000s)	2,477	3,931	1,961	3,300	11,669

The New York Stock Exchange (RCN Restricted Voting shares) US$

Years ended December 31		First quarter	Second quarter	Third quarter	Fourth quarter	Total year
2001	High	$ 19.92	$ 18.43	$ 20.07	$ 15.10	$ 20.07
	Low	$ 10.75	$ 10.72	$ 9.05	$ 11.10	$ 9.05
	Close	$ 13.10	$ 17.27	$ 10.65	$ 14.55	$ 14.55
	Volume (000s)	1,330	1,676	878	520	4,404
2000	High	$ 55.25	$ 40.38	$ 35.5	$ 30.38	$ 55.25
	Low	$ 34.81	$ 26.50	$ 29.00	$ 12.50	$ 12.50
	Close	$ 40.44	$ 33.63	$ 30.38	$ 17.69	$ 17.69
	Volume (000s)	3,748	5,282	646	1,617	11,293
1999	High	$ 19.13	$ 19.63	$ 25.25	$ 37.00	$ 37.00
	Low	$ 12.50	$ 16.31	$ 16.50	$ 23.94	$ 12.50
	Close	$ 18.06	$ 16.44	$ 23.69	$ 36.38	$ 36.38
	Volume (000s)	2,084	980	3,388	5,488	11,938
1998	High	$ 12.38	$ 13.50	$ 14.00	$ 13.75	$ 14.00
	Low	$ 7.13	$ 10.69	$ 7.06	$ 7.19	$ 7.06
	Close	$ 11.88	$ 12.88	$ 7.69	$ 12.19	$ 12.19
	Volume (000s)	1,643	1,308	1,000	872	4,823
1997	High	$ 22.25	$ 20.00	$ 21.75	$ 18.25	$ 22.25
	Low	$ 16.50	$ 16.37	$ 17.31	$ 9.00	$ 9.00
	Close	$ 18.37	$ 18.93	$ 17.68	$ 9.31	$ 9.31
	Volume (000s)	3,401	915	208	1,174	5,698

key statistics

Years ended December 31	2001	2000	1999	1998	1997
Wireless voice subscribers	2,991,800	2,526,400	2,153,100	1,737,600	1,552,100
Wireless voice subscribers to population served	10.4%	8.8%	7.6%	6.2%	5.6%
Average monthly revenue per wireless voice subscriber[1, 2]	$ 47	$ 50	$ 52	$ 56	$ 61
Average monthly usage per subscriber[4] (in minutes)	302	263	216	202	213
% average monthly postpaid churn	2.24%	2.30%	1.86%	1.90%	1.63%
Switches	20	20	20	20	19
Cell sites	2,117	1,884	1,667	1,584	1,462
% of cell sites with digital capacity	88%	87%	84%	83%	81%
Data and messaging subscribers[5]	427,400	444,000	452,000	256,400	253,600
Total Wireless Statistics					
Sales and marketing expense including retention and residual costs per gross addition	$ 368	$ 387	$ 366	$ 525	$ 623
Average monthly operating expense per subscriber[1, 2, 3]	$ 18	$ 17	$ 17	$ 18	$ 20

five-year financial summary

(In thousands of dollars, except per share amounts) Years ended December 31	2001	2000	1999	1998	1997
Income Statement					
Total revenue[1]	$ 1,753,145	$ 1,639,104	$ 1,418,579	$ 1,287,574	$ 1,279,895
Network revenue[1]	1,571,843	1,437,510	1,240,312	1,136,935	1,119,385
Wireless voice revenue[1]	1,515,301	1,376,819	1,188,519	1,090,037	1,068,820
Operating profit[6]	401,261	400,550	412,477	385,622	386,458
Loss	(198,971)	(71,749)	(35,829)	(78,555)	(378,434)
Cash Flow					
Cash flow from operations[7]	$ 211,773	$ 262,870	$ 318,960	$ 195,709	$ 244,568
Capital expenditures (excluding spectrum licence costs[8])	654,457	525,993	400,959	301,287	604,675
Per Share					
Weighted average outstanding number of shares (000s)	135,652	122,366	103,902	92,957	93,404
Loss per share	$ (1.47)	$ (0.59)	$ (0.34)	$ (0.85)	$ (4.05)
Cash flow per share	$ 1.56	$ 2.15	$ 3.07	$ 2.11	$ 2.62

(In thousands of dollars) As at December 31	2001	2000	1999	1998	1997
Balance Sheet					
Total assets	$ 3,136,784	$ 2,364,343	$ 2,116,617	$ 2,023,813	$ 1,956,126
Fixed assets (net)	2,252,328	1,972,110	1,778,545	1,643,881	1,601,461
Long-term debt	2,305,683	1,443,756	1,413,792	2,237,358	2,089,140
Shareholders' equity (deficiency)	469,230	244,123	307,381	(622,929)	(544,374)

1 Revenue has been restated to record gross roaming revenue in accordance with recent accounting guidance and industry practice. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenues. As a result, revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating, general and administrative expenses have increased by the same amounts. Operating profit for all periods presented is unaffected by the change. All references to revenue (including average revenue per user) and operating expenses (including average monthly operating expenses before sales and marketing costs per subscriber) reflect this change.

2 Based upon a 13 point average. ARPU based on postpaid and prepaid revenue.

3 Before sales and marketing.

4 Excluding prepaid minutes.

5 Includes Shaw Paging subscribers acquired November 8, 1999.

6 Operating profit, defined herein as operating income before depreciation and amortization, provision for restructuring, asset writedowns, interest, income taxes and other non-recurring and non-operating items, is a standard measure that is commonly reported and widely used in the wireless communications industry to assist in understanding and comparing operating results within the industry. Operating profit is not a defined term within either Canadian or U.S. GAAP and this measure should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with Canadian GAAP and U.S. GAAP.

7 Cash flow from operations before changes in working capital amounts.

8 Spectrum licences across Canada for the deployment of next generation wireless services were acquired in February 2001 at a total cost of $396.8 million, including expenses.

quarterly information 2001

(In thousands of dollars, except per share amounts)	Dec. 31	Sept. 30	June 30	Mar. 31
Income Statement				
Revenue[1]				
Wireless voice	$ 394,092	$ 394,516	$ 379,731	$ 346,962
Data and messaging	13,527	13,785	13,926	15,304
Network revenue	407,619	408,301	393,657	362,266
Equipment sales	47,711	46,692	45,074	41,825
Total revenue[1]	$ 455,330	$ 454,993	$ 438,731	$ 404,091
Operating income before depreciation and amortization	$ 88,817	$ 121,172	$ 100,058	$ 91,214
Depreciation and amortization	101,143	98,541	97,616	94,539
Operating income (loss)	(12,326)	22,631	2,442	(3,325)
Interest expense	49,840	50,855	46,705	37,739
Financing fees and interest on loans payable to shareholders	—	—	7,497	11,408
Investment income	(496)	(2,154)	(1,262)	(378)
Other expense	219	1,148	111	216
Income taxes	1,576	1,737	1,816	1,816
Loss for the quarter	$ (63,465)	$ (28,955)	$ (52,425)	$ (54,126)
Loss per share — Basic and diluted	$ (0.46)	$ (0.19)	$ (0.38)	$ (0.44)
Operating income before depreciation and amortization, margin %	19.5%	26.6%	22.8%	22.6%
Cash flow from operations[2]	$ 37,678	$ 69,586	$ 52,688	$ 51,821
Capital expenditures (excludes spectrum licence costs)	126,426	150,088	217,380	160,563
Fixed assets	2,252,328	2,222,050	2,165,973	2,041,940
Total assets	3,136,784	3,187,497	3,114,071	2,893,041
Long-term debt	2,305,683	2,249,726	2,220,167	1,928,319
Shareholders' equity	469,230	529,418	558,208	190,396
Wireless voice subscribers	2,991,800	2,811,700	2,698,200	2,588,200
Data and messaging subscribers	427,400	423,200	430,200	429,200

1 Revenue has been restated to record gross roaming revenue in accordance with recent accounting guidance and industry practice. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenues. As a result, revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating, general and administrative expenses have increased by the same amounts. Operating profit for all periods presented is unaffected by the change. All references to revenue (including average revenue per user) and operating expenses (including average monthly operating expenses before sales and marketing costs per subscriber) reflect this change. Subscriber roaming expenses are now reported as operating expenses. Previously these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenue. As a result, revenue and expense for the 2001 quarters ending March 31, June 30, September 30 and December 31 have been increased by approximately $26.4 million, $28.2 million, $28.9 million and $25.9 million, respectively.

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

quarterly information 2000

(In thousands of dollars, except per share amounts)	Dec. 31	Sept. 30	June 30	Mar. 31
Income Statement				
Revenue[1]				
Wireless voice	$ 362,319	$ 360,787	$ 339,881	$ 313,832
Data and messaging	15,285	15,449	14,864	15,093
Network revenue	377,604	376,236	354,745	328,925
Equipment sales	59,845	48,702	52,767	40,280
Total revenue[1]	437,449	424,938	407,512	369,205
Operating income before depreciation and amortization	$ 69,801	$ 119,669	$ 112,279	$ 98,801
Depreciation and amortization	90,430	86,384	79,806	77,999
Operating income (loss)	(20,629)	33,285	32,473	20,802
Interest expense	36,341	33,601	32,294	30,343
Financing fees and interest on loans payable to shareholders	—	—	—	—
Investment income	—	—	—	—
Other expense (income)	292	55	269	(39)
Income taxes	1,134	1,131	1,132	1,127
Loss for the quarter	$ (58,396)	$ (1,502)	$ (1,222)	$ (10,629)
Loss per share — Basic and diluted	$ (0.48)	$ (0.01)	$ (0.01)	$ (0.09)
Operating income before depreciation and amortization, margin %	16.0%	28.2%	27.6%	26.8%
Cash flow from operations[2]	$ 32,034	$ 84,882	$ 78,584	$ 67,370
Capital expenditures	163,742	152,363	119,759	90,129
Fixed assets	1,972,110	1,906,903	1,837,492	1,793,862
Total assets	2,364,343	2,295,779	2,186,515	2,142,703
Long-term debt	1,443,756	1,439,150	1,511,728	1,417,569
Shareholders' equity	244,123	300,022	301,407	302,488
Wireless voice subscribers	2,526,400	2,367,200	2,301,200	2,203,100
Data and messaging subscribers	444,000	443,700	446,800	447,100

1 Revenue has been restated to record gross roaming revenue in accordance with recent accounting guidance and industry practice. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenues. As a result, revenue for the years ended December 31, 2001 and 2000 has been increased by approximately $109.4 million and $107.0 million, respectively, and operating, general and administrative expenses have increased by the same amounts. Operating profit for all periods presented is unaffected by the change. All references to revenue (including average revenue per user) and operating expenses (including average monthly operating expenses before sales and marketing costs per subscriber) reflect this change. Subscriber roaming expenses are now reported as operating expenses. Previously these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenue. As a result, revenue and expense for the 2000 quarters ending March 31, June 30, September 30 and December 31 have been increased by approximately $20.5 million, $29.0 million, $30.3 million and $27.2 million, respectively.

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	2001	2000
Revenue (Notes 2(L) and (10))	$ 1,753,145	$ 1,639,104
Operating, general and administrative expenses (Note 2(L))	1,341,200	1,228,180
Management fees (Note 13(B)(i))	10,684	10,374
Operating income before depreciation and amortization	401,261	400,550
Depreciation and amortization	391,839	334,619
Operating income	9,422	65,931
Interest expense:		
Long-term debt	183,047	128,472
Notes payable to Rogers Communications Inc.	2,092	4,107
Financing fees and interest on loans payable to shareholders (Note 13(B)(ii))	18,905	—
Investment income	(4,290)	—
Other expense	1,694	577
	201,448	133,156
Loss before income taxes	(192,026)	(67,225)
Income taxes (Note 11)	6,945	4,524
Loss for the year	$ (198,971)	$ (71,749)
Basic and diluted loss per share (Note 12)	$ (1.47)	$ (0.59)

consolidated statements of deficit

(In thousands of dollars) Years ended December 31	2001	2000
Deficit, beginning of year	$ 1,212,165	$ 1,140,416
Loss for the year	198,971	71,749
Deficit, end of year	$ 1,411,136	$ 1,212,165

See accompanying Notes to Consolidated Financial Statements.

consolidated statements of cash flows

(In thousands of dollars) Years ended December 31	2001	2000
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (198,971)	$ (71,749)
Adjustments to reconcile the loss for the year to cash flows from operating activities:		
Depreciation and amortization	391,839	334,619
Financing fees and interest on loans payable to shareholders	18,905	–
	211,773	262,870
Changes in:		
Accounts receivable	(35,258)	(36,651)
Other assets	(12,546)	(7,742)
Accounts payable and accrued liabilities and unearned revenue	(23,912)	4,201
Amounts due to/from parent and affiliated companies, net	(9,064)	2,239
	130,993	224,917
Financing activities:		
Issue of Notes payable to Rogers Communications Inc.	90,250	396,900
Repayment of Notes payable to Rogers Communications Inc.	(374,700)	(112,450)
Loans payable to shareholders	393,520	–
Issue of long-term debt	1,361,929	121,255
Repayment of long-term debt	(537,339)	(114,283)
Financing costs incurred	(20,519)	–
Proceeds from issuance of capital stock	11,653	8,491
	924,794	299,913
Investing activities:		
Additions to fixed assets	(654,457)	(525,993)
Acquisition of spectrum licences	(396,824)	–
	(1,051,281)	(525,993)
Increase (decrease) in cash and cash equivalents	4,506	(1,163)
Cash and cash equivalents, beginning of year	(9,874)	(8,711)
Cash and cash equivalents, end of year	$ (5,368)	$ (9,874)
Supplemental cash flow information:		
Interest paid	$ 170,977	$ 131,680
Income taxes paid	4,825	3,944
Supplemental disclosure of non-cash transaction:		
Class B Restricted Voting shares issued as consideration for the repayment of loans payable to shareholders and associated financing fees and interest	$ 412,425	$ –

Cash and cash equivalents are defined as cash and short-term deposits that 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) As at December 31	2001	2000
Assets		
Fixed assets (Note 3)	$ 2,252,328	$ 1,972,110
Spectrum licences (Note 4)	396,824	—
Goodwill	7,058	9,549
Accounts receivable, net of allowance for doubtful accounts of $51,235 (2000—$52,453)	250,954	215,696
Due from parent and affiliated companies (Note 13(A))	7,339	—
Deferred charges (Note 5)	141,636	90,417
Other assets (Note 6)	80,645	76,571
	$ 3,136,784	$ 2,364,343
Liabilities and Shareholders' Equity		
Liabilities:		
Bank advances, arising from outstanding cheques	$ 5,368	$ 9,874
Long-term debt (Note 7)	2,305,683	1,443,756
Notes payable to Rogers Communications Inc. (Note 8)	—	284,450
Accounts payable and accrued liabilities	319,325	350,682
Due to parent and affiliated companies (Note 13(A))	—	1,725
Unearned revenue	37,178	29,733
	2,667,554	2,120,220
Shareholders' equity:		
Capital stock (Note 9)	1,880,366	1,456,288
Deficit	(1,411,136)	(1,212,165)
	469,230	244,123
	$ 3,136,784	$ 2,364,343

Commitments (Note 15)
Contingencies (Note 16)
Canadian and United States accounting policy differences (Note 17)

See accompanying Notes to Consolidated Financial Statements.

On behalf of the Board:

Ted Rogers

Edward S. Rogers, O.C.
Director

Nadir

Nadir H. Mohamed
Director

auditors' report to the shareholders

We have audited the consolidated balance sheets of Rogers Wireless Communications Inc. as at December 31, 2001 and 2000 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
January 25, 2002

1. Nature of business

Rogers Wireless Communications Inc. is a public company, 52.4% (2000 — 51.3%) owned by Rogers Communications Inc. ("RCI") and 34.3% (2000 — 16.8%) owned by AT&T Wireless Services, Inc. ("AWE"). Rogers Wireless Communications Inc. and its subsidiary companies are collectively referred to herein as the "Company".

The Company provides wireless digital and analog voice, messaging and data communications services nationwide in Canada. The Company operates under licences issued by Industry Canada. Licences for the use of 35 megahertz ("MHz") of radio frequency spectrum are subject to renewal in 2006. In addition, in an auction completed by Industry Canada in February 2001, the Company purchased licences of 10 MHz each for use of spectrum in various regions across Canada. These licences are subject to renewal in 2011.

2. Significant accounting policies

A. Consolidation

The Consolidated Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Rogers Wireless Communications Inc. and its subsidiary companies. Intercompany transactions and balances are eliminated on consolidation.

B. Capitalization policy

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

C. Depreciation

Fixed assets are depreciated over their estimated useful lives at the following annual rates:

Asset	Basis	Rate
Buildings	Diminishing balance	5%
Network equipment	Straight line	$6^2/_3$% to 25%
Network radio base station equipment	Straight line	$12^1/_2$ to $14^1/_3$%
Computer software and hardware	Straight line	$14^1/_3$% to $33^1/_3$%
Furniture, fixtures and office equipment	Diminishing balance	20%
Leasehold improvements	Straight line	Over term of lease
Other equipment	Mainly diminishing balance	30% to $33^1/_3$%

As a result of the introduction of new network technology in 2001, the Company changed the estimated useful lives of certain network equipment effective January 1, 2001. As a result, depreciation expense in 2001 increased by $20,800,000.

D. Spectrum licences

As at December 31, 2001, no amount of the cost of the spectrum licences has been amortized as the services utilizing the acquired spectrum were not commercially launched. The Company is presently reviewing the new accounting standards further described in Note 2(R)(i) to determine if the spectrum licences will be amortized in 2002, or if the spectrum licences meet the definition of an indefinite life intangible asset, in which case, the spectrum licences will not be amortized.

E. Goodwill

The Company amortizes goodwill related to acquired messaging operations on a straight-line basis over a period of five years. Amortization of goodwill for 2001 amounted to $2,491,000 (2000 — $2,491,000). Accumulated amortization of goodwill at December 31, 2001 amounted to $5,397,000 (2000 — $2,906,000).

The Company annually reviews the carrying value of goodwill to determine if an impairment has occurred. The Company measures the potential impairment of these intangible assets by comparing the carrying value to undiscounted future cash flows. Based on its review in 2001, the Company does not believe that an impairment of the carrying value of goodwill has occurred.

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, related incremental costs are deferred and amortized on a straight-line basis over two years.

H. Brand licence

In 1996, the Company entered into a brand licence agreement with AT&T Canada Enterprises Inc. providing the Company with, among other things, the right to use the AT&T brand names. The costs of entering into the brand licence agreement amounted to $37,800,000. These costs were deferred and are being amortized on a straight-line basis to expense over the 15-year term of the brand licence agreement. Amortization expense of the brand licence cost for 2001 was $2,520,000 (2000 — $2,520,000).

I. Pension benefits

Substantially all of the Company's employees are provided defined benefit post-retirement pensions through the RCI Pension Plan. The Company accounts for its participation in the RCI Pension Plan as a defined contribution plan and, accordingly, pension expense for the year is recognized for the contributions required to be made to the RCI Pension Plan in the year. No contributions were required in the years ended December 31, 2001 and 2000, and accordingly, no pension expense was recorded for either of these years. The Company does not provide its employees with post-retirement benefits other than pensions.

J. Income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense is the sum of the Company's provision for current income taxes and the difference between opening and ending balances of future income tax assets and liabilities.

K. Financial instruments

The Company uses derivative financial instruments to manage risks from fluctuations in foreign 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 used for risk management purposes only 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 values. The net receipts or payments arising from derivative financial instruments related 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 value. If the related debt instrument that was hedged has been repaid, then any gain or loss is recorded as a component of the gain or loss on the repayment of the debt. Otherwise, any gain or loss is deferred and amortized over the remaining life of the original debt instrument.

L. Revenue recognition

The Company earns revenue from subscribers for monthly fees, for bundled wireless services and equipment, the use of wireless voice or data in excess of that included with the monthly fee, long-distance calls, calls initiated or received outside of Canada by the Company's subscribers, referred to as "roaming," calls initiated or received on the Company's network by other carriers' subscribers, and fees for optional services, such as voicemail.

Monthly fees are recognized as revenue on a pro rata basis over the month. Wireless airtime, long-distance, roaming and optional services fees are recognized as revenue as the services are provided.

Effective January 1, 2001, the Company retroactively changed the income statement characterization of expenses incurred by the Company for the provisioning of wireless communications services to subscribers when they travel outside Canada, in accordance with industry practice and recent accounting guidance. Subscriber roaming expenses are now reported as operating expenses. Previously, these expenses and the associated revenue generated from such roaming services were netted against one another and recorded in revenue. As a result, revenue for the year ended December 31, 2001 has been increased by $109,379,000 (2000 — $107,041,000) and operating, general and administrative expenses have been increased by the same amounts. Operating income for 2001 and 2000 was unaffected by the change.

Revenue from the sale of equipment is recorded when the equipment is received and accepted by the independent dealer.

Unearned revenue represents amounts received from subscribers related to services to be provided in future periods, and includes subscriber deposits.

M. Subscriber acquisition costs

The Company expenses commissions and other associated costs related to the acquisition of new subscribers when the subscribers are activated on the Company's network.

N. Segmented information

The Company considers all of its wireless voice, messaging, and data communications services to be one operating segment. All of the Company's principal businesses are carried out in Canada.

O. Stock-based compensation

The Company has a stock option plan for employees and officers. All stock options issued under this plan have an exercise price equal to the fair market value of the underlying Class B Restricted Voting shares on the date of grant. As a result, no compensation expense is recorded on the grant of options under the 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 of the Class B Restricted Voting shares on the date of issue. Consideration paid by employees on the exercise of stock options or the purchase of shares is recorded as capital stock. The stock option plan and share purchase plan are described in Note 9(D) and (E).

P. Earnings per share

Effective January 1, 2001, the Company adopted the new accounting standard of The Canadian Institute of Chartered Accountants ("CICA") on "Earnings per Share" ("EPS") on a retroactive basis. The new standard requires the use of the treasury stock method for calculating diluted earnings per share consistent with United States generally accepted accounting principles. The adoption of this standard has had no impact on the Company's historically reported EPS.

Q. Use of estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates.

R. Recent Canadian accounting pronouncements

i. Business combinations and goodwill

In 2001, the CICA issued Handbook Sections 1581, "Business Combinations", and 3062, "Goodwill and Other Intangible Assets". The new standards mandate the purchase method of accounting for business combinations and require that goodwill no longer be amortized but instead be tested for impairment at least annually. The standards also specify criteria that intangible assets must meet to be recognized and reported apart from goodwill. The new standards are substantially consistent with United States GAAP.

Upon full adoption of the standards beginning January 1, 2002, the Company will discontinue amortization of all existing goodwill, evaluate existing intangible assets and make any necessary reclassifications in order to conform with the new criteria for recognition of intangible assets apart from goodwill and test for impairment in accordance with the new standards. If the Company determines that it has any intangible assets having indefinite lives under the new standards, such intangible assets will be tested for impairment within the first interim reporting period by comparing their fair values with their book values. Any impairment losses of intangible assets with indefinite lives will be recorded as a charge to the opening deficit, without restatement of prior period financial statements.

The Company is required to perform a transitional impairment assessment of goodwill at a reporting unit level, effective January 1, 2002. The Company has until no later than the end of 2002 to quantify any impairment based on determining the implied fair value of goodwill. Any transitional impairment of goodwill will be recognized as an effect of a change in accounting policy and will be charged to the opening deficit for 2002.

As of December 31, 2001, the Company has unamortized goodwill of $7,058,000, which is subject to the transitional provisions of Handbook Sections 1581 and 3062. Amortization expense related to goodwill was $2,491,000 for 2001. Because of the extensive effort required to comply with the remaining provisions of Section 1581 and 3062, the Company has not estimated the impact of these provisions on its Consolidated Financial Statements.

ii. Stock-based compensation and other stock-based payments

In December 2001, the CICA issued Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. The standard is effective for the Company's fiscal year beginning January 1, 2002 for awards granted on or after that date. The Company's current accounting policies are consistent with the new standard.

iii. Foreign currency translation and hedging relationships

In 2001, the CICA amended Handbook Section 1650 to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items, effective January 1, 2002. This amended section is substantially consistent with U.S. GAAP. At December 31, 2001, the Company has approximately $80,889,000 of unamortized foreign exchange losses within deferred charges on its balance sheet that will be affected by this change. On adoption of the section, the Company's deferred charges will be reduced by approximately $80,889,000 with a corresponding reduction in the opening deficit as of January 1, 2002. In addition, the section will require restatement of prior periods. Accordingly, for the purposes of comparative figures in 2002, the Company's loss for the year ended December 31, 2001 will be increased by approximately $25,721,000 ($0.19 per share). The CICA also approved Accounting Guideline AcG-13, which establishes the criteria for identification and documentation of hedging relationships, effective for the Company's 2003 fiscal year. The Company plans to comply with the requirements of AcG-13, such that all of its current hedges will continue to qualify for hedge accounting when the guideline becomes effective.

3. Fixed assets

(In thousands of dollars)	2001	2000
Land and buildings	$ 143,963	$ 116,920
Network equipment	2,193,187	1,800,994
Network radio base station equipment	1,217,560	1,091,739
Computer software and hardware	560,114	467,852
Furniture, fixtures and office equipment	57,608	51,950
Leasehold improvements	36,840	34,120
Other equipment	14,815	12,939
	4,224,087	3,576,514
Less accumulated depreciation	1,971,759	1,604,404
	$ 2,252,328	$ 1,972,110

The Company has a significant ongoing capital expenditure program for the expansion and improvement of its network. The Company estimates that its capital expenditure program for 2002 will range between $550,000,000 and $600,000,000.

Depreciation expense for 2001 was $374,239,000 (2000 — $321,909,000).

Fixed assets not yet in service at December 31, 2001 amounted to $398,768,000 (2000 — $221,702,000).

4. Spectrum licences

In a spectrum auction conducted by Industry Canada in February 2001, the Company purchased 23 personal communications services licences of 10 MHz each, in the 1.9 gigahertz band in various regions across Canada at a cost of $396,824,000, including costs of acquisition. These licences have a 10-year term, subject to renewal in 2011. At December 31, 2001, no amortization of the cost of the licences has been recorded as the commercial launch of services that utilize the spectrum had not commenced (Note 2(D)).

5. Deferred charges

(In thousands of dollars)	2001	2000
Unamortized foreign exchange loss, less accumulated amortization of $23,209 (2000 — $15,509)	$ 96,925	$ 67,288
Financing costs, less accumulated amortization of $18,559 (2000 — $13,670)	38,759	23,129
Pre-operating costs	5,952	—
	$ 141,636	$ 90,417

Amortization of deferred charges for 2001 amounted to $12,589,000 (2000 — $7,699,000).

6. Other assets

(In thousands of dollars)	2001	2000
AT&T brand licence costs, less accumulated amortization of $12,810 (2000 — $10,290)	$ 24,990	$ 27,510
Inventories	25,811	14,064
Prepaid expenses	21,766	27,691
Miscellaneous notes and loans receivable from employees	7,285	6,333
Other	793	973
	$ 80,645	$ 76,571

7. Long-term debt

(In thousands of dollars)	Interest rate	2001	2000
Bank credit facility	Floating	$ 52,000	$ —
Senior Secured Notes due 2006	10½%	160,000	160,000
Senior Secured Notes due 2007	8.30%	280,110	272,162
Senior Secured Debentures due 2008	9⅜%	433,121	433,121
Senior Secured Notes due 2011	9⅝%	770,400	—
Senior Secured Debentures due 2016	9¾%	231,528	222,005
Senior Subordinated Notes due 2007	8.80%	342,409	322,543
Mortgage payable and capital leases	Various	36,115	33,925
		$ 2,305,683	$ 1,443,756

Further details of long-term debt are as follows:

A. Bank credit facility

At December 31, 2001, $52,000,000 (2000 — nil) of debt was outstanding under the bank credit facility, which was amended on April 12, 2001 to provide, among other things, up to $700,000,000 from a consortium of Canadian financial institutions.

Under the credit facility, the Company may borrow at various rates, including the bank prime rate to the bank prime rate plus 1¾% per annum, the bankers' acceptance rate plus 1% to 2¾% per annum and the London Inter-Bank Offered Rate ("LIBOR") plus 1% to 2¾% per annum. The Company's bank credit facility requires, among other things, that the Company satisfy certain financial covenants, including the maintenance of certain financial ratios.

Subject to the paragraph below, 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 the facility will be reduced as follows:

Date of reduction(*)	Reduction at each date (in thousands of dollars)
On April 30:	
2006	$ 140,000
2007	140,000
2008	420,000

(*) The bank credit facility will mature on May 31, 2006 if the Company's Senior Secured Notes due 2006 are not repaid (by refinancing or otherwise) on or prior to December 31, 2005. If these notes are repaid, then the bank credit facility will mature on September 30, 2007 if the Company's Senior Secured Notes due 2007 are not repaid (by refinancing or otherwise) on or prior to April 30, 2007.

The credit facility requires that any additional senior debt (other than the bank credit facility 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 US$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 the Company and certain of its subsidiaries, subject to certain exceptions and prior liens.

B. Senior Secured Notes due 2006

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

C. Senior Secured Notes due 2007

The Company's US$196,110,000 Senior Secured Notes mature on October 1, 2007. These notes are redeemable in whole or in part, at the option of the Company, on or after October 1, 2002 at 104.15% of the principal amount, declining ratably to 100% of the principal amount on or after October 1, 2005 plus, in each case, interest accrued to the redemption date.

D. Senior Secured Debentures due 2008

The Company's US$333,170,000 Senior Secured Debentures mature on June 1, 2008. These debentures are redeemable in whole or in part, at the option of the Company, 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.

E. Senior Secured Notes due 2011

In May 2001, the Company issued US$500,000,000 Senior Secured Notes maturing in May 2011. These notes are redeemable in whole or in part, at the option of the Company, at any time subject to a certain prepayment premium.

F. Senior Secured Debentures due 2016

The Company's US$154,900,000 Senior Secured Debentures mature on June 1, 2016. These debentures are redeemable in whole or in part, at the option of the Company, at any time, subject to a certain prepayment premium.

Each of the Company'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 the bank credit facility described in (A) above and ranks equally with the bank credit facility.

G. Senior Subordinated Notes due 2007

The Company's US$215,000,000 Senior Subordinated Notes mature on October 1, 2007. These notes are redeemable in whole or in part, at the option of the Company, on or after October 1, 2002 at 104.40% of the principal amount declining ratably to 100% of the principal amount on or after October 1, 2005 plus, in each case, interest accrued to the redemption date. The subordinated notes are subordinated to all existing and future senior secured obligations of the Company (including the bank credit facility, the senior secured notes and debentures). The subordinated notes are not secured by the pledge of a senior bond.

Interest is payable semi-annually on all of the notes and debentures.

H. Interest exchange agreements

i. At December 31, 2001, the Company had U.S. dollar denominated long-term debt of US$1,399,180,000 (2000 — US$899,180,000). The Company has entered into several 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. At December 31, 2001, US$995,100,000 (2000 — US$495,100,000) or 71.1% (2000 — 55.1%) is hedged with cross-currency interest rate exchange agreements at an average exchange rate of Canadian $1.4210 (2000 — $1.3000) to US$1.00.

ii. The cross-currency interest rate exchange agreements have the effect of converting the interest rate on US$610,100,000 of long-term debt from an average U.S. dollar fixed interest rate of 9.386% per annum to a weighted average Canadian dollar fixed interest rate of 9.435% per annum on $913,530,000 (i.e., with an exchange rate of Canadian $1.4973 to US$1.00). The interest rate on an additional US$385,000,000 has been converted from a U.S. dollar fixed interest rate of 9.375% per annum to a weighted average floating interest rate equal to the Canadian bankers' acceptances rate plus 2.353% per annum, which totalled 4.495% at December 31, 2001 (2000 — 8.170%) on $500,500,000 (i.e., with an exchange rate of Canadian $1.3000 to US$1.00).

The obligation of the Company to the counterparties under these cross-currency interest rate exchange agreements is secured by substantially all the assets of the Company and generally rank equally with the other secured debt of the Company.

Total long-term debt at fixed interest rates at December 31, 2001 was $1,753,182,000 (2000 — $943,256,000) or 76.0% (2000 — 65.0%) of total long-term debt. The Company's effective weighted average interest rate on all long-term debt as at December 31, 2001, including the effect of the interest rate and cross-currency exchange agreements was 8.19% (2000 — 8.70%).

At December 31, 2001, principal repayments due within each of the next five years and in total thereafter on all long-term debt are as follows:

(In thousands of dollars)

Year ending December 31:	
2002	$ 5,162
2003	5,133
2004	2,376
2005	952
2006	182,726
Thereafter	2,109,334
	$ 2,305,683

The provisions of the long-term debt agreements described above impose, in most instances, restrictions on the operations and activities of the Company. Generally, the most significant of those restrictions are debt incurrence and maintenance tests, restrictions upon additional investments, sale of assets, payment of dividends and the payment of principal or interest on certain subordinated debt. In addition, the repayment dates of certain debt agreements may be accelerated if there is a change in control of the Company.

8. Notes payable to Rogers Communications Inc.

(In thousands of dollars)	2001	2000
Subordinated, unsecured promissory notes, payable on demand, bearing interest at 6.60% per annum, payable monthly in arrears	$ —	$ 284,450

During 2001, the Company issued $90,250,000 in subordinated unsecured demand promissory notes payable to RCI bearing interest at 6.60% per annum, and repaid $374,700,000 of these notes during the same period. In addition, during 2001, RCI and AWE advanced short-term loans, in the principal amount of $393,520,000, the full amount of which was repaid during the same period (Note 13(B)(ii)).

9. Capital stock

A. Issued and outstanding

(In thousands of dollars)	2001	2000
Nil Series A Preference shares (2000 — 15,334,453)	$ —	$ 528,664
Nil Series B Preference shares (2000 — 12,443,324)	—	428,990
90,468,259 Class A Multiple Voting shares (2000 — 75,133,806)	962,661	433,997
51,116,599 Class B Restricted Voting shares (2000 — 19,495,967)	920,176	64,637
	1,882,837	1,456,288
Deduct amounts receivable from employees under the share purchase plan	(2,471)	—
	$ 1,880,366	$ 1,456,288

The Articles of Incorporation of the Company impose restrictions on the issuance or transfer of any shares of the Company where such issuance or transfer would, in the opinion of the Board of Directors of the Company, jeopardize the ability of the Company to obtain, renew or maintain licences relating to its business.

B. Rights and conditions

i. Preference shares

There are an unlimited number of authorized preference 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 the series.

The Series A Preference shares were non-voting and convertible at each holder's option at any time into fully paid and non-assessable Class A Multiple Voting shares of the Company on a one-for-one basis.

The Series B Preference shares were non-voting and convertible at each holder's option at any time into fully paid and non-assessable Class B Restricted Voting shares of the Company on a one-for-one basis.

ii. Common shares

There are two classes of common shares, both of which have an unlimited number of authorized shares and are without par value.

The Class A Multiple Voting shares are entitled to 10 votes per share and are convertible at any time on a one-for-one basis into Class B Restricted Voting shares.

The Class B Restricted Voting shares are entitled to one vote per share on all matters other than the appointment of auditors and generally on the election of directors. The Class B Restricted Voting shares are entitled to elect three directors, voting separately as a class.

C. Capital stock changes

i. During 2001, the Company issued 60,456 (2000 — 270,849) Class B Restricted Voting shares upon the exercise of stock options for cash of $1,114,000 (2000 — $6,454,000).

ii. On March 1, 2001, the Company redeemed its 15,334,453 Series A and 12,443,324 Series B Preference Shares, both owned by JVII, a partnership controlled by AWE. Concurrently, on a one-for-one basis, Class A Multiple Voting shares and Class B Restricted Voting shares were issued.

iii. On March 16, 2001, rights were issued to registered holders of outstanding Class A Multiple Voting shares and Class B Restricted Voting shares. These rights allowed the holder to subscribe for one Class B Restricted Voting share at a price of $22.41 for each 6.5 rights held. The rights offering was completed in April 2001, with the issuance of 18,857,856 Class B Restricted Voting shares, for proceeds of $419,948,000 net of costs. The shares were issued in exchange for cash proceeds of $7,523,000, and the repayment of loans payable to RCI and AWE totalling $393,520,000, plus financing fees and interest on these loans aggregating $18,905,000 (Note 13(B)(ii)).

D. Stock option plan

The Company provides a stock option plan to employees and directors 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 to the long-term interest of the Company and its shareholders. Under the plan, options to purchase Class B Restricted Voting shares of the Company may be granted to employees, directors and officers of the Company by the Board of Directors or by the Company's Management Compensation Committee. There are 2,750,000 options authorized under the plan. The term of each option is 10 years; the vesting period is generally 4 years but may be adjusted by the Management Compensation Committee on the date of grant. The exercise price for options is the weighted average trading price of the Class B Restricted Voting shares of the Company on the Toronto Stock Exchange for the five business days prior to the grant.

Details of stock options are as follows:

	2001		2000	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of year	3,013,501	$ 26.72	1,743,725	$ 28.22
Granted	998,300	22.00	1,636,800	25.68
Exercised	(60,456)	18.43	(270,849)	23.83
Forfeited/expired	(309,732)	26.63	(96,175)	44.38
Options outstanding, end of year	3,641,613	25.57	3,013,501	26.72
Exercisable, end of year	1,194,970	$ 26.01	771,484	$ 24.36

At December 31, 2001, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are summarized 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
$11.82 — 16.42	580,988	6.6	$ 16.08	457,220	$ 16.03
19.80 — 22.06	2,205,925	8.9	21.31	296,600	20.74
26.27 — 32.75	208,600	4.0	29.87	203,600	29.85
40.22 — 53.51	646,100	8.3	47.28	237,550	48.50
Total	3,641,613			1,194,970	

There was no compensation expense related to stock options for 2001 or 2000.

Certain of the Company's executives are also eligible to participate in RCI's stock option plan.

E. Employee share purchase plan

The employee share purchase plan is provided to enable certain employees of the Company an opportunity to obtain an equity interest in the Company by permitting them to acquire Class B Restricted Voting shares. 400,000 Class B Restricted Voting shares in aggregate have been set aside and reserved for allotment and issuance pursuant to the employee share purchase plan.

The effective price paid by the employees for the Class B Restricted 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.

During 2001, 258,996 Class B Restricted Voting shares were issued under the Company's employee share purchase plan for cash of $5,487,000. No shares were issued in 2000 under the Company's employee share purchase plan. Compensation expense recorded for the employee share purchase plan for 2001 was $897,000 (2000 — $452,000).

10. Revenue

Revenue comprises the following:

(In thousands of dollars)	2001	2000
Wireless voice	$ 1,515,301	$ 1,376,819
Messaging and data	56,542	60,691
Network revenue	1,571,843	1,437,510
Equipment sales	181,302	201,594
	$ 1,753,145	$ 1,639,104

11. Income taxes

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are as follows:

(In thousands of dollars)	2001	2000
Future income tax assets:		
Non-capital income tax losses carried forward and income tax credits	$ 309,464	$ 258,851
Future income tax deductions relating to long-term debt and other transactions denominated in United States dollars	61,613	70,432
Future income tax deductions relating to accounting accruals and goodwill	7,244	13,669
Other	5,261	3,548
Total future income tax assets	383,582	346,500
Less valuation allowance	(263,618)	(232,757)
	119,964	113,743
Future income tax liabilities:		
Fixed assets	(90,558)	(90,255)
Deferred foreign exchange losses and financing costs	(26,996)	(23,449)
Other	(2,410)	(39)
Total future income tax liabilities	(119,964)	(113,743)
Net future income tax assets	$ —	$ —

As at December 31, 2001, the Company has determined that the realization of its net future income tax asset of $263,618,000 does not meet the criteria of realization being “more likely than not”. Therefore, a full valuation allowance has been recorded against this future income tax asset.

Total income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to the loss before income taxes for the following reasons:

(In thousands of dollars)	2001	2000
Statutory income tax rate	41.5%	43.4%
Income tax recovery on the loss before income taxes	$ (79,691)	$ (29,176)
Decrease (increase) in income tax recovery resulting from:		
Change in the valuation allowance for future income tax assets	2,263	(18,324)
Adjustments to future income tax assets and liabilities for changes in substantively enacted tax rates	75,738	45,807
Non-deductible amortization and write-off of deferred foreign exchange	1,596	884
Other items	94	809
Large Corporations Tax	6,945	4,524
Income tax expense	$ 6,945	$ 4,524

As at December 31, 2001, the Company has the following non-capital income tax losses available to reduce future years' income for income tax purposes:

(In thousands of dollars)	
Non-capital tax losses expiring in the year ending December 31:	
2004	$ 251,800
2005	75,000
2006	—
2007	282,800
2008	286,500
Total	$ 896,100

12. Loss per share

The following table sets forth the calculation of basic and diluted loss per share:

(In thousands of dollars)	2001	2000
Numerator:		
Loss for the year — basic and diluted	$ (198,971)	$ (71,749)
Denominator:		
Weighted average share — basic and diluted in thousands of shares	135,652	122,366

In 2001 and 2000, the effect of potentially dilutive stock options were excluded from the computation of diluted loss per share as they are anti-dilutive to the basic loss per share.

13. Related party transactions

A. The amount due from (to) RCI and its subsidiaries, and AWE comprises the following:

(In thousands of dollars)	2001	2000
RCI	$ 77	$ (83)
Rogers Cable Inc. ("Cable")	105	(1,642)
AWE	7,157	–
	$ 7,339	$ (1,725)

The above amounts reflect intercompany charges for capital and operating expenditures and are short-term in nature.

B. The Company has entered into certain transactions and agreements with RCI, RCI's subsidiaries and AWE as follows:

i. Management fees
The Company has entered into a management agreement under which RCI provides executive, administrative, financial and various additional services to the Company. Interest is charged by RCI on unpaid management fees. The management agreement is subject to termination by either party at the end of any calendar year on 12 months' notice.

ii. Financing of spectrum licences
During 2001, the Company entered into a financing commitment with RCI and AWE whereby amounts were advanced on a short-term, unsecured basis to fund the cost of licences acquired by the Company in the Industry Canada spectrum auction. The compensation structure for the loan was a 3.5% commitment fee based on the principal amount and an interest rate of 10% per annum, each due upon repayment of the loan. Fees for this transaction for 2001 were $18,905,000, comprising commitment fees of $13,773,000 and interest charges of $5,132,000. Both the commitment fee and interest payable to RCI and AWE were satisfied through the issuance of capital stock (Note 9(C)(iii)).

iii. Cost-sharing arrangements
The Company has entered into agreements with Cable to share, on a pro rata basis, the cost of certain microwave and fibre-optic transmission facilities. In addition, long-term service arrangements exist with Cable for transmission services on fibre-optic facilities owned by Cable.

In addition, the Company leases certain office space it owns to RCI and RCI's subsidiaries.

iv. Advertising
The Company purchases from Rogers Media Inc. ("Media"), a subsidiary of RCI, various advertising on its radio and television broadcasting stations and in its publications.

v. Roaming agreement
The Company maintains a reciprocal agreement whereby AWE provides wireless communications services to the Company's subscribers when they travel to the United States, and the Company provides the same services to AWE subscribers when they travel to Canada.

A summary of all significant charges from (to) related parties, which have been accounted for at exchange amounts, is as follows:

(In thousands of dollars)	2001	2000
RCI:		
Management fees	$ 10,684	$ 10,374
Financing fees and interest on loan to fund spectrum licences	11,424	—
Interest on notes payable	2,092	4,107
Rent income	(4,972)	(5,458)
	19,228	9,023
Cable:		
Transmission facilities usage	442	266
Rent income	(3,552)	(3,487)
Rent expense	740	—
	(2,370)	(3,221)
Media:		
Advertising	1,673	1,597
Rent income	(1,864)	—
	(191)	1,597
AWE:		
Financing fees and interest on loan to fund spectrum licences	7,481	—
Roaming revenue	(12,397)	(20,438)
Roaming expense	18,867	20,636
	13,951	198
	$ 30,618	$ 7,597

C. The Company has entered into certain transactions with companies, the partners or senior officers of which are directors of the Company. During 2001, total amounts paid by the Company to these related parties aggregated $2,201,000 (2000 — $2,664,000), and included charges for legal services, brokerage and investment advisory fees related to financing transactions and premiums for insurance coverage.

14. Financial instruments

A. Fair values

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

i. Accounts receivable, miscellaneous notes and loans receivable from employees, amounts receivable from employees under RCI share purchase plans, due from/to parent and affiliated companies, bank advances, and accounts payable and accrued liabilities:

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

ii. Long-term debt

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

iii. Interest exchange agreements

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

iv. Notes payable to RCI

The fair value of the subordinated, unsecured promissory notes approximated their carrying value due to the demand repayment terms of the notes.

The estimated fair values of the Company's long-term debt and related cross-currency interest rate exchange agreements as at December 31, 2001 and 2000 are as follows:

(In thousands of dollars)	2001		2000	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Liability (asset):				
Long-term debt	$ 2,476,449	$ 2,494,930	$ 1,542,875	$ 1,591,217
Cross-currency interest rate exchange agreements	(170,766)	(230,045)	(99,119)	(139,848)
	$ 2,305,683	$ 2,264,885	$ 1,443,756	$ 1,451,369

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 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 these agreements have a 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) ranging from A+ to AA. The Company has not required collateral or other security in support of the cross-currency interest rate exchange agreements due to the favourable assessment of the creditworthiness of the counterparties.

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

15. Commitments

A. The Company is committed, under the terms of licences issued by Industry Canada, to spend 2% of certain revenues earned in each year on research and development activities.

B. The future minimum lease payments under operating leases, primarily for the rental of premises for the placement of towers, radio base station and transmission equipment, as well as for administrative and distribution facilities at December 31, 2001, are as follows:

(In thousands of dollars)	
Year ending December 31:	
2002	$ 21,621
2003	18,522
2004	16,346
2005	13,333
2006	9,092
2007 and thereafter	24,537
	$ 103,451

Rent expense for 2001 amounted to $30,622,000 (2000 — $29,948,000).

16. Contingencies

A. Commencing January 1, 2001, the Company was required to make payments equal to 4.5% of adjusted revenues in accordance with the new revenue-based contribution scheme implemented by the Canadian Radio-television Telecommunications Commission (the "CRTC"). The percentage of adjusted revenues is adjusted annually by the CRTC. The calculation of the amount payable is subject to a number of matters of interpretation currently being determined between the CRTC and the Company. The maximum potential additional amount payable should these matters be resolved against the Company is $7,000,000. The outcome of this matter is not determinable at this time and as a result, no amount in respect of this matter has been recorded in these Consolidated Financial Statements.

B. 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.

17. Canadian and United States accounting policy differences

The Consolidated Financial Statements have been prepared in accordance with GAAP as applied in Canada. In certain respects, GAAP as applied in the United States differs from that applied in Canada. If United States GAAP were utilized, the loss for the year would be adjusted as follows:

(In thousands of dollars)	2001	2000
Loss for the year based on Canadian GAAP	$ (198,971)	$ (71,749)
Amortization of goodwill (B)	(19,269)	(19,269)
Interest capitalized (C)	15,834	3,255
Pre-operating costs capitalized (D)	(5,952)	1,168
Foreign exchange (E)	(25,721)	(21,156)
Conversion costs (F)	—	(3,911)
Depreciation expense (G)	(1,002)	(639)
Year 2000 costs capitalized, net (H)	—	5,416
Financial instruments (I)	24,527	—
Loss for the year based on United States GAAP	$ (210,554)	$ (106,885)
Basic and diluted loss per share under United States GAAP	$ (1.55)	$ (0.87)

The cumulative effect of these differences on the consolidated shareholders' equity of the Company is as follows:

(In thousands of dollars)	2001	2000
Shareholders' equity based on Canadian GAAP	$ 469,230	$ 244,123
"Pushed down" goodwill (A)	770,757	770,757
Amortization of goodwill (B)	(248,890)	(229,621)
Interest capitalized (C)	25,226	9,392
Pre-operating costs (D)	(5,952)	—
Foreign exchange (E)	(80,889)	(55,168)
Conversion costs (F)	(3,911)	(3,911)
Accumulated depreciation (G)	(6,420)	(5,418)
Financial instruments (I)	24,527	—
Shareholders' equity based on United States GAAP	$ 943,678	$ 730,154

The areas of material difference between Canadian and United States GAAP and their impact on the Consolidated Financial Statements are described below:

A. "Push-down" accounting

Under United States GAAP, purchase transactions that result in an entity becoming a wholly owned subsidiary establish a new basis of accounting for the entity purchased and its assets and liabilities. As a result of RCI's acquisition of 100% of the Company in 1989 for United States GAAP purposes, the Company must record as an asset in its Consolidated Financial Statements the amount of goodwill that was recorded on the Consolidated Financial Statements of RCI. As this acquisition was financed principally by the parent company with proceeds from other asset sales, the corresponding adjustment for the assets recorded was an increase in shareholders' equity.

At the time of the acquisition by RCI, Canadian GAAP did not permit a subsidiary company to alter the historical costs of its assets or liabilities upon it being acquired.

B. Amortization of goodwill

As a result of the "push-down" accounting described in (A) above, the Company is required under United States GAAP to amortize the amount recorded as goodwill. The Company is amortizing this amount under United States GAAP over 40 years on a straight-line basis.

C. Interest capitalization

The Company does not capitalize interest as a cost of assets under construction under Canadian GAAP. United States GAAP requires capitalization of interest costs as a part of the historical cost of acquiring certain qualifying assets that require a period of time to prepare for their intended use. Interest is capitalized only during the period the assets are under construction.

D. Pre-operating costs

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

E. 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 presently the amortization of foreign exchange gains and losses over the remaining life of the long-term debt.

F. Conversion costs

Under Canadian GAAP, the Company capitalized certain costs incurred to convert data to its new customer care and billing system. United States GAAP requires these costs to be expensed as incurred.

G. Accumulated depreciation

As a result of the capitalization of interest to fixed assets required under United States GAAP described in (C) above, under United States GAAP, additional depreciation on the interest capitalized is recorded in subsequent periods. As a result of conversion costs being expensed under United States GAAP as described in (H) below, depreciation expense is reduced under United States GAAP in subsequent periods.

H. Year 2000 costs capitalized

Under Canadian GAAP, the Company capitalized certain costs incurred prior to 2000 to modify its computer systems to ensure these systems continued to operate beyond the year 1999. Under United States GAAP, certain of these costs are expensed as incurred. As a result, under United States GAAP, depreciation expense in subsequent periods is reduced due to the Company expensing the Year 2000 costs under United States GAAP.

I. Financial instruments

Under Canadian GAAP, the Company accounts for its cross-currency interest rate exchange agreements as hedges of specific debt instruments. Accordingly, no foreign exchange translation gains or losses were recognized on the hedged amount of long-term debt for changes in period end foreign exchange rates.

Under United States GAAP, although these financial instruments are used for risk management purposes only, the instruments are not accounted for as hedges and are required to be recorded at fair value as a result of adopting the new prouncement entitled “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), effective January 1, 2001. Changes in the fair value of the derivative financial instruments, reflecting primarily market changes in foreign exchange rates, interest rates, as well as the level of short-term variable versus long-term fixed interest rates, are recognized in income immediately. These gains and losses are recognized together with foreign exchange translation gains and losses, arising from changes in period-end foreign exchange rates, on the respective long-term debt. Under United States GAAP, effective January 1, 2001 the Company recorded an increase of $29,233,000 in the carrying value of the derivative financial instruments, to a total of $139,848,000, and a corresponding increase in the carrying value of long-term debt. This increase in long-term debt has been recorded for United States GAAP purposes as a cumulative transition adjustment that is being amortized to net income over the remaining life of the respective long-term debt.

J. 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 these items. Canadian GAAP permits the disclosure of a subtotal of the amount of operating income before these items.

K. Statements of cash flows

United States GAAP requires 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 or 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 2001 in the amount of $4,506,000 (2000 — increase of $1,163,000) reflected in the consolidated statements of cash flows would be reported as cash flows under the heading “financing activities” in the statements.

L. 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 for capital transactions with shareholders. The loss for the year under United States GAAP as reported is the same as the comprehensive loss for the year under United States GAAP.

M. Other disclosure

United States GAAP requires the Company to disclose accrued liabilities, which is not required under Canadian GAAP. Accrued liabilities included in accounts payable and accrued liabilities as at December 31, 2001 were $232,332,000 (2000 — $310,473,000). At December 31, 2001 and 2000, there were no accrued liabilities that individually exceeded 5% of current liabilities.

N. Capital stock

United States GAAP requires the disclosure of the liquidation preference of capital stock. All series of preference shares of the Company share equally in the distribution of assets upon liquidation with the Class A Multiple Voting and Class B Restricted Voting shares.

O. Stock-based compensation disclosures

The Company measures compensation expense relating to employee stock option plans for United States GAAP purposes using the intrinsic value method specified by APB Opinion No. 25, which in the Company's circumstances would not be materially different from compensation expense as determined under Canadian GAAP.

Had the Company determined compensation expense based on the fair value at the grant date of its stock options granted by the Company and by RCI to the Company's employees consistent with the method prescribed under Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 123 ("SFAS 123"), the Company's loss for the year and loss per share would have been reported as the pro forma amounts indicated below:

(In thousands of dollars, except per share amounts)	2001	2000
Loss for the year in accordance with U.S. GAAP as reported	$ (210,554)	$ (106,885)
Pro forma loss for the year	(220,483)	(112,887)
Pro forma basic loss per share	$ (1.63)	$ (0.92)

The weighted average estimated fair value at the date of the grant, as defined by SFAS 123, for options granted by the Company in fiscal 2001 was $10.77 per share (2000 — $11.58). The weighted average estimated fair value at the date of grant, as defined by SFAS 123, for options granted by RCI to the Company's employees was $10.88 (2000 — $17.91).

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes fair value option pricing model with the following assumptions:

	2001	2000
Risk-free interest rate	5.10%	5.67%
Dividend yield	—	—
Volatility factor of the future expected market price of the Company's Class B Restricted Voting shares	49.49%	42.14%
Volatility factor of the future expected market price of RCI's Class B Non-Voting shares	49.25%	47.05%
Weighted average expected life of the options	5 years	5 years

For the purpose of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period on a straight-line basis.

P. Recent United States accounting pronouncements

i. In July 2001, the FASB issued Statement No. 141, "Business Combinations", and Statement No. 142, "Goodwill and Intangible Assets". These statements are substantially consistent with CICA Handbook Sections 1581 and 3062 (refer to Note 2(R)(i)) except that under United States GAAP, any transitional impairment charge is recognized in earnings as a cumulative effect of a change in accounting principle. Under Canadian GAAP, the cumulative adjustment is recognized in the opening deficit.

ii. In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses of long-lived assets other than goodwill. Statement 144 also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from ongoing operations. This Statement is effective for the Company's fiscal year commencing January 1, 2002, to be applied prospectively. In August 2001, SFAS 143, "Accounting for Asset Retirement Obligations", was approved and requires that the fair value of an asset retirement obligation be recorded as a liability, at fair value, in the period in which the Company incurs the obligation. SFAS 143 is effective for the Company's fiscal year commencing January 1, 2003. The Company expects the adoption of these standards will have no material impact on its financial position, results of operations or cash flows.

directors and officers

Directors

Lewis M. Chakrin [1,2,6]
Executive Vice President Corporate Strategy and Planning
AT&T Wireless Services Inc.

H. Garfield Emerson, Q.C. [1,2,3,4,5,6]
National Chair
Fasken, Martineau, DuMoulin, LLP

Timothy Finnegan [4]
Vice President, Enterprise Sales
AT&T Wireless Services Inc.

George A. Fierheller [1,3]
Four Halls Inc.

Albert Gnat, Q.C.
Senior Partner
Lang Michener

James C. Grant [5]
President
C.G. James & Associates

Nadir H. Mohamed, CA [2]
President and Chief Executive Officer
Rogers Wireless Communications Inc.

Thomas I. Hull [2,3,6]
Chairman and Chief Executive Officer
The Hull Group Inc.

James J. Meenan [1,4]
Vice Chairman
AT&T Canada Inc.

Pierre L. Morrissette [1]
President and Chief Executive Officer
Pelmorex Inc.

The Hon. David R. Peterson, P.C., Q.C. [1]
Senior Partner
Cassels Brock & Blackwell

John F. Ricketts, CA [1,4]
Company Director

Richard D. Roberts [3]
President
The Barnacle Group

Jordan M. Roderick [2,3,5,6]
Executive Vice President International
AT&T Wireless Services Inc.

Edward Rogers [2,5,6]
Senior Vice President, Planning
Rogers Communications Inc.

Edward S. Rogers, O.C. [2,4,5,6]
President and Chief Executive Officer
Rogers Communications Inc.

1 Member of the Audit Committee
2 Member of the Executive Committee
3 Member of the Management Compensation Committee
4 Member of the Nominating and Corporate Governance Committee
5 Member of the Technology Committee
6 Member of the Finance Committee

Officers

Edward S. Rogers, O.C.
Chairman

Nadir H. Mohamed, CA
President and Chief Executive Officer

H. Garfield Emerson, Q.C.
Vice Chairman

George A. Fierheller
Honorary Chairman

John R. Gossling, CA
Senior Vice President and Chief Financial Officer

Robert F. Berner
Executive Vice President and Chief Technology Officer

James S. Lovie
Executive Vice President, Sales, Distribution and Service

Robert W. Bruce
Executive Vice President, Chief Marketing Officer and President, Wireless Data Services

Douglas C. Cotton
President, Ontario Region

Arnold J. Stephens
President, Western Canada

The Hon. Francis Fox, P.C., Q.C.
President, Eastern Canada

Darryl E. Levy
President, Midwest Region

Graeme H. McPhail
Vice President, Associate General Counsel

corporate information

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Calgary, AB T2E 7H7
(403) 730-2600

Winnipeg
1600 – 330 Portage Avenue
Winnipeg, MB R3C 0C4
(204) 942-1400

Annual and Special Meeting

The Annual General and Special Meeting of the shareholders of Rogers Wireless Communications Inc. will be held at 10:00 a.m. (EDT) Monday, May 27, 2002, at the Velma Rogers Graham Theatre, Rogers Communications Inc. 333 Bloor Street East Toronto, ON M4W 1G9

Agent Bank

The Bank of Nova Scotia

Auditors

KPMG LLP
Toronto, ON

Annual Information Form (AIF)

A copy of the Rogers Wireless Communications Inc. AIF is available on SEDAR (www.sedar.com) or on request by writing to the Toronto executive office.

Common Shares

The Class B Restricted Voting Shares are traded on the Toronto Stock Exchange (RCM.B) and the New York Stock Exchange (RCN). CUSIP # 775315104.

Transfer Agent

Canadian Agent:
Computershare Trust Company of Canada
(416) 981-9633 or (800) 663-9097
caregistryinfo@computershare.com

U.S. Agent:
Computershare Trust Company, Inc.
(303) 986-5400 or (800) 663-9097
caregistryinfo@computershare.com

For Further Information

Institutional investors, security analysts and others who may want financial information about any of the Rogers companies can visit our Web site www.rogers.com or contact:

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harmstro@rci.rogers.com

Rogers Wireless Inc. Bonds

Senior Secured Notes due 2006
CUSIP # 775101 AA6
Trustees & Transfer Agents:
The Chase Manhattan Bank
(800) 648-8380
CIBC Mellon Trust Company
(800) 387-0825

Senior Secured Notes due 2007
CUSIP # 775101 AG3
Trustees & Transfer Agents:
The Chase Manhattan Bank
(800) 648-8380
CIBC Mellon Trust Company
(800) 387-0825

Senior Secured Debentures due 2008
CUSIP # 775101 AB4
Trustees & Transfer Agents:
The Chase Manhattan Bank
(800) 648-8380
CIBC Mellon Trust Company
(800) 387-0825

Senior (Secured) Notes due 2011
CUSIP # 77531QAB4
Trustee & Transfer Agent:
The Chase Manhattan Bank
(800) 648-8380

Senior Secured Debentures due 2016
CUSIP # 775101 AC2
Trustees & Transfer Agents:
The Chase Manhattan Bank
(800) 648-8380
CIBC Mellon Trust Company
(800) 387-0825

Senior Subordinated Notes due 2007
CUSIP # 775101 AH1
Trustees & Transfer Agents:
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CIBC Mellon Trust Company
(800) 387-0825

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