PUBLIC

CT-2022-002

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, RSC 1985, c C-34;

AND IN THE MATTER OF the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.;

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 92 of the *Competition Act*.

B E T W E E N :

COMMISSIONER OF COMPETITION

Applicant

- and -

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.

Respondents

- and -

ATTORNEY GENERAL OF ALBERTA AND VIDEOTRON LTD.

Intervenors

WITNESS STATEMENT OF BLAIK KIRBY

INTRODUCTION

1. I am the Group President, Consumer and Small & Medium Business (SMB) for BCE Inc. ("**Bell**"). In this role I lead the teams responsible for sales, marketing, and product development for Bell's consumer and SMB wireless and wireline businesses. From 2015 to 2020, I was President of Bell Mobility and prior to that I held a series of progressively senior roles in marketing and sales for Bell Mobility.

2. Throughout this time my main responsibilities have included, among others, understanding and responding to market and competitive dynamics in Canada's wireless industry, including with respect to the pricing, competitive strategies, and market positioning of Bell and its competitors.

BACKGROUND

3. I understand that this proceeding relates to the proposed acquisition Shaw Communications Inc. ("**Shaw**") by Rogers Communications Inc. ("**Rogers**") which was publicly announced in March 2021 (the "**Proposed Acquisition**").

4. The remainder of this statement is organized as follows.

a) First, I briefly describe the operations of Bell and its past integration of acquired companies.

b) Second, I describe how Shaw, operating through both the Freedom brand and in particular and most recently through the Shaw Mobile brand, was and I expected would continue to be a successful and disruptive competitor in the Canadian wireless industry up to the announcement of the Proposed Acquisition. In this section I refer to data and documents prepared or received by Bell in the ordinary course of business that address, among other things, Shaw's success in winning customers and influencing the competitive dynamic in the wireless market including through responses from other wireless carriers such as Rogers, Telus, and Bell.

c) Third, I describe a particular feature of the competitive dynamic in the Canadian wireless industry – namely that Rogers and Shaw are usually each other's closest competitors. In this section, I refer to data and documents prepared or received by Bell in the ordinary course of business that address, among other things, the fact that Rogers and Shaw compete for the same customers and are most likely to generate competitive responses from each other.

d) Fourth, I describe my observations, made during the ordinary course of our participation in the wireless market, with respect to Shaw's competitive conduct since the announcement of the Proposed Acquisition.

e) Finally, I describe Videotron's competitive approach in Quebec, including most notably its focus on cross-selling wireless services to its existing Internet subscriber base.

OPERATIONS OF BELL

5. Bell is a Canadian communications and media company headquartered in Verdun, Québec that offers wireline and wireless telecommunication services, television distribution and media products. Bell offers mobile wireless services nationally through our Bell Mobility, Virgin Plus, and Lucky Mobile brands.

6. Bell has acquired MTS, Aliant, and other companies in the past, and has integrated telecommunications assets, which involves significant integration costs and can take a long time (e.g., five years or more) to complete. For example, there are interdependencies between the wireless SIM card (i.e., the chip inserted in a wireless device to instruct the device on which wireless networks to communicate with), wireless network, and billing system. As a result, more than five years following Bell's acquisition of MTS, we continue to maintain the separate MTS wireless billing system given the material number of customers that have not yet updated their SIM card (and therefore must still be served by the separate billing system). In our experience, achieving integration efficiencies requires significant management focus and continuity, senior leaders with a long-standing and deep knowledge of the business, and a long-term focus and commitment to an established plan. Without these factors, it is much more difficult to achieve efficiency goals.

SHAW'S ROLE IN THE MOBILE WIRELESS SERVICES MARKET IN CANADA

7. Generally, Shaw had been a strong competitive force in the wireless market in recent years through both its Freedom and Shaw Mobile brands. Shaw's impact on

competition is documented in Bell's internal strategic planning documents, [redacted]

8. For example, Bell Mobility's 2019 business plan, produced in 2018, recognized that [redacted] We specifically identified Freedom's [redacted] as Shaw's competitive strengths. We also identified [redacted]

9. Each spring, Bell Mobility produces a long-range plan (LRP). In those documents, among other things, we review the market, identify trends, risks, and opportunities, and establish a plan to meet our objectives for the coming years. Our recent LRP documents [redacted]

[1] See document with Bates Number Bell0229823 produced to the Commissioner of Competition pursuant to the order of Mr. Justice A.D. Little dated August 1, 2021 and varied September 13, 2021, made under section 11 of the *Competition Act* (the "**Section 11 Order**"), attached to my witness statement as Exhibit "A". All Bates numbers cited below in my witness statement refer to documents produced by Bell pursuant to the Section 11 Order.

[2] See Bell0357226 and Bell0041120, attached to my witness statement as Exhibits "B" and "C", respectively. [redacted] STRUCK [redacted]

[3] See Bell0400993, attached to my witness statement as Exhibit "F".

[4] See Bell0229823, attached to my witness statement as Exhibit "A".

[5] The third page of Bell0229823 (Exhibit A to my witness statement), titled "Competitive Dynamics", reviews each major competitor in the wireless industry. For Shaw, it highlights [redacted] among others. For Rogers, the top competitive weakness it highlights is its [redacted] The fourth page, titled "Key 2019 Challenges", highlights as the number one challenge for Bell Mobility [redacted]

[6] See Bell0538129, slide 5, attached to my witness statement as Exhibit "G"; and Bell0365765, slide 5, attached to my witness statement as Exhibit "H".

10. In both 2019 and 2020, our focus began to shift and our LRPs recognized the threat of [redacted] as a potential key development in the market.[7] [redacted] Considering those developments, our LRP documents in these years variously refer to:

a) [redacted]

b) [redacted] and

c) [redacted]

11. We have observed, directly in our business, that the competitive performance of Shaw's wireless business has consistently increased over time. Our data show that, since at least the acquisition of Wind Mobile by Shaw in 2016, there has been [redacted]

[7] See Bell0365765, slide 5, attached to my witness statement as Exhibit "H"; and Bell0856841, slide 6, attached to my witness statement as Exhibit "I".

[8] See Bell0765850, slide 5, attached to my witness statement as Exhibit "J"; Bell0856841, slide 6, attached to my witness statement as Exhibit "I"; Bell0537518, slide 9, attached to my witness statement as Exhibit "K"; and Bell0365765, slide 5, attached to my witness statement as Exhibit "H".

[9] See Bell0856841, slide 6, attached to my witness statement as Exhibit "I".

[10] See Bell0765850, slide 5, attached to my witness statement as Exhibit "J".

[11] See Bell0537518, slide 9, attached to my witness statement as Exhibit "K".

[12] [redacted]

[redacted]

Figure 1. [redacted]

[redacted]

Freedom Mobile

12. The Freedom wireless brand operated by Shaw originated as an independent wireless operator, Wind Mobile, which launched in 2009. Wind Mobile was acquired by Shaw in 2016 and subsequently rebranded to Freedom. Following the acquisition, Shaw made significant improvements to the wireless network, secured the ability to offer the iPhone to subscribers, and launched new wireless plans with large data buckets.

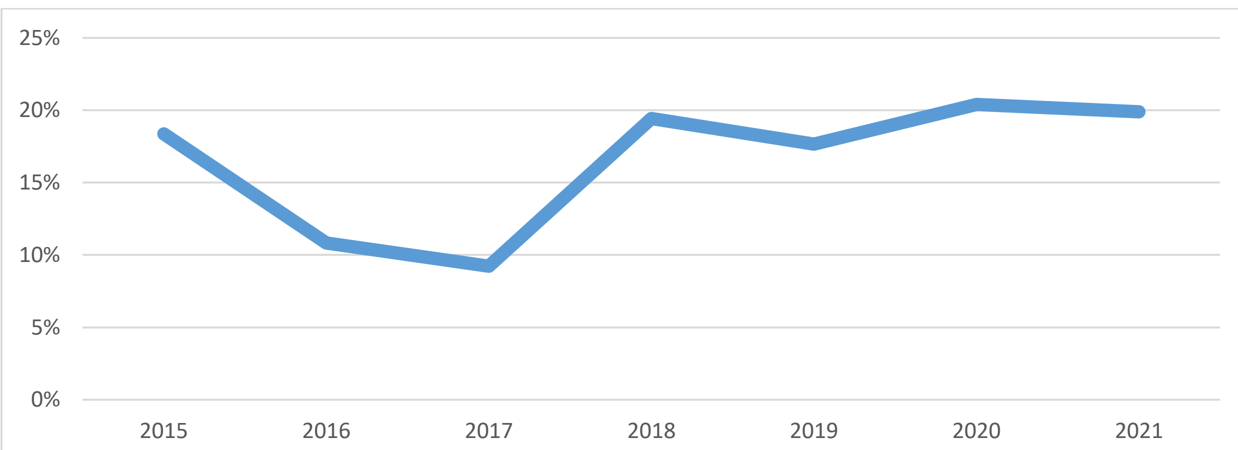
13. In response to these "Big Gig" plans launched in 2017, Rogers and the other national wireless carriers introduced significant discounts and promotions on their own wireless plans throughout 2018 and into 2019.[13] In our case, these included 10 GB plans (which was then the largest data bucket typically offered in the Canadian market) launched broadly for a brief time in December 2017 at prices $60 lower than those available before the Big Gig plans had been launched, [redacted]

[13] See for example, Bell0244334, Bell0583281, Bell0497033, and Bell0400993, attached as Exhibits "L", "M", "N", and "F" to my witness statement, respectively.

[redacted]

14. According to data Bell obtained in the ordinary course of business from the Canadian Wireless Telecommunications Association ("**CWTA**"), which Bell relies upon as accurate in light of our own internally generated data and the publicly reported data of other companies, Freedom's share of net subscriber additions[15] in Canada's wireless industry climbed from less than 10% nationally in 2017 to 20% in 2020 and 2021 (based on CWTA figures for 2021 that exclude Q4 2021). Because Freedom and Shaw Mobile operate only in Ontario, Alberta, and BC, I believe that Shaw's share of net subscriber additions would be significantly higher if calculated specifically for those provinces.[16] The graph below was prepared by Bell using the above-referenced data obtained from the CWTA.

Figure 2. Freedom's Share of Net Additions (2015 to 2021)



[14] [redacted] produced to the Commissioner of Competition pursuant to the Section 11 Order.

[15] Net subscriber additions are a metric that is commonly used in the wireless industry to assess competitive performance. A company's net subscriber additions during a period is equal to the total number of subscribers gained by that company (i.e., new subscribers who signed up for service with the company or subscribers who switched to the company from another provider) less the total number of subscribers lost by the company during that period (i.e., subscribers who deactivated their service or switched from the company to another provider). A company's share of net subscriber additions is equal to its net subscriber additions divided by the sum of the net subscriber additions of all competitors in the market.

[16] CWTA, "Facts & Figures, Industry Statistics, Canadian wireless subscriber numbers 2015-2021", online: https://www.cwta.ca/facts-figures/.

15. Our documents throughout this period (2017 to 2020) consistently [redacted]

16. One of the most significant events in the wireless industry in recent years was the launch of large unlimited data plans by Rogers, and Telus, in the summer of 2019. The competitive activity I describe above led to the introduction of these unlimited data plans by Rogers in the summer of 2019.[20] Leading up to the launch of these plans, Bell's internal assessment of these developments was that [redacted] We launched similar unlimited data plans at that time in response to Rogers and Telus. Until that time, we had not launched unlimited data plans in response to other carriers such as Eastlink and Videotron.

17. Freedom's aggressive marketing initiatives continued up to the time of the announcement of the Proposed Acquisition. [redacted] This in turn led to

[17] See p. 1 of Bell0348853, attached to my witness statement as Exhibit "O".

[18] See p. 2 of Bell0353616, attached to my witness statement as Exhibit "P".

[19] See p. 2 of Bell0353659, attached to my witness statement as Exhibit "Q".

[20] See p. 1 of Bell0403731 and p. 1 of Bell0377969, attached to my witness statement as Exhibit "R" and Exhibit "S" respectively.

[21] See p. 1 of Bell0407328, attached to my witness statement as Exhibit "T".

[22] See pp. 1-2 of Bell0698368, p. 1 of Bell0497033 and pp. 1-2 of Bell0650623, attached to my witness statement as Exhibit "U", Exhibit "N" and Exhibit "V" respectively.

competitive responses from others, including Bell[23] and Virgin Plus, which had offers directly identified as [redacted] In 2021 Bell was also [redacted] and planning and targeting [redacted]

18. Our internal porting data demonstrate the impact of Freedom over this period. [redacted] The graph below was prepared by Bell using our internal porting data between 2017 and 2020.

Figure 3. [redacted]

[redacted]

[23] See pp. 1-2 of Bell0698368, attached to my witness statement as Exhibit “U”.

[24] See p. 1 of Bell0551690, attached to my witness statement as Exhibit “W”.

[25] See pp. 1-4 of Bell0774572, attached to my witness statement as Exhibit “X”.

[26] See p. 1 of Bell0698615, attached to my witness statement as Exhibit “Y”.

Shaw Mobile

19. The Shaw Mobile brand was introduced on July 30, 2020, offering discounted wireless plans to Shaw internet customers in British Columbia and Alberta.[27] [redacted] Rogers also immediately launched [redacted]

20. Shaw Mobile's launch was highly successful. As of August 2020, we estimated that it already had approximately [redacted] in British Columbia and Alberta.[30] Shaw Mobile's offerings were highly attractive to all consumer segments including price-conscious consumers and multi-line family households.

21. Shaw Mobile's growth was most prominent in regions where Rogers was the largest competitor, and it was gaining significant subscribers from the Rogers and Fido brands. STRUCK [redacted] Our analysis conducted in September 2020 concluded that [redacted]

[27] See p.2 of Bell0545066, attached to my witness statement as Exhibit "Z".

[28] See pp. 13 and 15-16 of Bell0545066, attached to my witness statement as Exhibit "Z".

[29] See p. 3 of Bell0575633, attached to my witness statement as Exhibit "AA".

[30] See pp. 2, 7 of Bell0664013, attached to my witness statement as Exhibit "BB".

[31] [redacted]

[32] STRUCK

[33] See p. 1 of Bell0594070, attached to my witness statement as Exhibit "CC".

22. In 2021, Shaw Mobile continued to expand its competitive impact. Our 2021 plan for wireless (prepared in October 2020) identified [redacted] We noted that [redacted]

23. Based on my experience at Bell, operating as an integrated service provider has allowed Bell to spread common costs over a larger base and enhance the value of our brand marketing (which reinforces both our wireline and wireless offerings). It creates more points of contact between Bell and our customers and affords us the opportunity to create bundled offerings that appeal to consumers. My experience at Bell indicates that subscribers of multiple services from a provider (i.e. internet and mobile wireless services) tend to have a lower churn rate and a higher expected lifetime value [redacted] proposition than customers who only subscribe to a single service.

24. For example, in 2022 [redacted]. This is due in part to the fact that [redacted].

25. Without our wireline infrastructure and operations, Bell would not be as effective a wireless competitor as we are today.[36] My experience in the Canadian telecommunications industry indicates that is true for all integrated wireless competitors in Canada, including Shaw/Freedom Mobile. For example, I have

[34] See p. 8 of Bell0774470, attached to my witness statement as Exhibit “DD”.
[35] See p. 20 of Bell0856841, attached to my witness statement as Exhibit “I”
[36] See p. 9 of Bell0773643, attached to my witness statement as Exhibit “EE”.

observed that Videotron's position as an integrated wireless and wireline competitor in Quebec, leveraging tactics such as cross-selling wireless services and offering large multiproduct discounts, has been essential to its ability to succeed as a disruptive competitor in that province.

26. Prior to the announcement of the Proposed Acquisition, Shaw Mobile was beginning to play a similarly disruptive role in Alberta and British Columbia. I expected Shaw Mobile to continue to play this role and to increase its impact on the market, just as Videotron had done previously, given that it was in a similar position to the one occupied by Videotron when it launched – namely, a well-capitalized company with a large established wireline subscriber base, a well-established local brand, and a small wireless subscriber base and market share. STRUCK [redacted]

27. [redacted] According to surveys Bell conducted [redacted] for purposes of informing its market strategies, and which Bell relies on in the operation of its business, [redacted].

<u>Rogers and Shaw Are Often Each Other's Closest Wireless Competitor</u>

28. Based on my observation of the wireless market in Canada since 2008, I consider that Rogers and Shaw are often each other's closest wireless competitor. By this I mean that Shaw's competitive behaviour (pricing, promotions, etc.) in the wireless market appears to be most heavily influenced by the competitive behaviour of Rogers and, conversely, that Rogers' competitive behaviour appears to be most heavily influenced by the competitive behaviour of Shaw.

[37] See p. 2 of Bell0545066, attached to my witness statement as Exhibit "Z".

29. In the ordinary course of my day to day responsibilities, I am regularly involved in assessing competitive initiatives in the market and, where appropriate, responding to them. This involves, for example, tracking changes to pricing or other changes to the offers of our competitors. In doing so, I have observed and Bell's internal documents reflect that the impact of Shaw on the market has most frequently been seen in the first instance through its impact on Rogers. [redacted] In other words, changes in the offers available in the market (such as the introduction of a particular promotion or a reduction in the cost of a wireless service plan) often result from a change made by Shaw, to which Rogers then responds, [redacted].

30. Indeed, Rogers and Shaw have often [redacted]

31. [redacted]

32. I have also observed that Shaw has targeted areas where Rogers has long been the market leader – in particular, the Greater Toronto Area and the Greater Vancouver Area, where the combined market shares of Shaw and Rogers [redacted] Shaw and Rogers compete closely in other areas of British Columbia, Alberta, and Ontario as well, and I expect competition between them to continue and to increase absent the Proposed Acquisition.

[38] See pp. 1-2 of Bell0698368, pp. 1-3 of Bell0830544, p. 1 of Bell0065637 and p. 1 of Bell0347518, attached to my witness statement as Exhibit "U", Exhibit "FF", Exhibit "GG" and Exhibit "HH" respectively.

[39] See pp. 1-2 of Bell0400993, attached to my witness statement as Exhibit "F".

[40] See p. 1 of Bell0065637, attached to my witness statement as Exhibit "GG".

[41] See p. 20 of Bell0765850, attached to my witness statement as Exhibit "J".

33. In British Columbia and Alberta this increase in the level of competition between Rogers and Shaw would result in particular from the recent launch of Shaw Mobile and its strategy of aggressively selling wireless services to Shaw's existing wireline customer base. In July 2020, Bell estimated that [redacted] Our estimate was [redacted] These are the customers that we observe are being targeted by Shaw Mobile.

34. [redacted] STRUCK [redacted]

[42] See slide 7 of Bell0596549, attached to my witness statement as Exhibit "II".

STRUCK

[redacted]

35. This high level of competition (and customer switching) between Shaw and Rogers is a feature of the competitive dynamic that is well-understood within Bell and is frequently reflected in documents we prepare in the ordinary course of business. For example, a Bell analysis of data on market dynamics in April 2019 indicated that [redacted]

<u>Shaw's Competitive Conduct Since the Announcement of the Proposed Acquisition</u>

36. We have noticed a significant change in Shaw's competitive behaviour in the market since the announcement of the Proposed Acquisition. [redacted]

37. Black Friday (i.e., the day after the U.S. Thanksgiving holiday) and the full five day Black Friday period (i.e., the Tuesday before U.S. Thanksgiving to the Saturday immediately following it) is a key sales period in the wireless industry. Based on our

[43] See p.1 of Bell0351108, attached to my witness statement as Exhibit "JJ".

internal data, on Black Friday in 2019 [redacted] In 2020, prior to the announcement of the Proposed Acquisition, [redacted] In 2021, the first Black Friday after the announcement of the Proposed Acquisition, [redacted] Similarly, over the full five day Black Friday period, [redacted]

38. Net ports are another metric that Bell commonly uses to assess competitive performance and the competitive dynamics in the wireless industry. A company's net ports over a period is equal to the total increase or decline in that company's wireless subscribers that results from customers switching to or from other carriers during the period.

STRUCK

[redacted]

40. Rogers has been the largest beneficiary of the reduction in Shaw's competitive efforts following the announcement of the Proposed Acquisition. [redacted]

STRUCK

41. STRUCK

[redacted]

44 STRUCK [redacted]

STRUCK

[redacted]

STRUCK

[redacted]

VIDEOTRON'S COMPETITIVE STRATEGY IN QUEBEC

42. Bell competes with Videotron in Quebec with respect to both wireless and wireline services, among others. Quebec is the second largest region in which we operate, after Ontario. As a result, I am highly familiar with Videotron's approach to competing in the market.

43. Videotron's primary competitive strategy and, I believe, a significant contributing factor to their wireless results in the province of Quebec has been their ability to cross-sell wireless services to their large existing Internet subscriber base and to offer large multiproduct discounts. This strategy plays a disproportionate role in

Videotron’s wireless business. For example, an analysis I presented to [redacted]

44. This analysis is consistent with the results of surveys Bell conducted [redacted] for purposes of informing its market strategies, and which we rely on in the operation of our business. These surveys showed that [redacted].

45. In addition to its ability to cross-sell services to its large existing customer base and offer large multiproduct discounts, Videotron’s results in wireless are supported by its strong brand in the province of Quebec and status as a local champion. For Videotron, all of these factors are unique to Quebec. For example, according to the [redacted].

46. Our internal strategy and planning documents consistently reflect the unique factors supporting Videotron’s success specifically in Quebec. For example, Bell Mobility’s 2019 business plan noted [redacted]

[45] Bell0773643, attached to my witness statement as Exhibit “EE”.
[46] Bell0229823, attached to my witness statement as Exhibit “A”.

and its 2022-2024 strategic plan (produced in May 2021) noted [redacted]

47. For these reasons, I do not expect that, if Videotron expands into other provinces, it could or would play the same large and disruptive role as it has done in Quebec, given that it will be very differently positioned. Rather, it is the combination of Shaw and Shaw Mobile that I would expect to play a more disruptive role in the market in Alberta and British Columbia.

48. STRUCK [redacted]

INFORMATION SUPPLIED TO THE COMPETITION BUREAU

49. In response to an order pursuant to section 11 of the *Competition Act*, RSC 1985, c C-34 (the "***Act***") on August 1, 2021, Bell supplied to the Competition Bureau certain records specified by their record numbers and listed in Appendix "A" ("**Records**").

50. Copies of the Records listed in section a. of Appendix "A" are referred to above and attached to my witness statement as Exhibits "A" to "KK".

51. Copies of the Records listed in section b. of Appendix "A" are attached to my witness statement as Exhibits "LL" to "VV".

52. I am informed by Robert Malcolmson, Chief Legal & Regulatory Officer of Bell and believe that each of the copies of the Records attached as Exhibits "A" to "VV" are true copies of the originals that are in the possession, power, or control of Bell and that the contents thereof are true to the best of my knowledge, information and belief. A certificate from Robert Malcolmson, Chief Legal & Regulatory Officer of

[47] Bell0765850, attached to my witness statement as Exhibit "J".

Bell, attesting as to the authenticity of the Records described in paragraphs 40 and 41 above is attached to my witness statement as Exhibit **“**KK**”**.

53. In response to an order pursuant to section 11 of the *Act* on August 1, 2021, Bell supplied to the Competition Bureau certain data (“**Data**”) specified in Appendix “B”.

54. I am informed by Mark Graham, Vice President, Legal & Regulatory at Bell and believe that the Data and any email clarifications sent by Bell to the Competition Bureau in response to questions arising from the section 11 specification responses were based on information collected and maintained by Bell in the usual and ordinary course of business.

OTHER RELEVANT DOCUMENTS

55. Attached to this witness statement are: Exhibit “WW”, Bell’s 1999 Annual Report; Exhibit “XX”, Bell’s Notice of 2006 Annual and Special Shareholder Meeting And Management Proxy Circular; and Exhibit “YY”, Bell’s 2017 Annual Report. These documents were produced by Bell in the usual and ordinary course of business for purposes of our public reporting obligations and communication with our investors.

Signed, this 23rd day of September, 2022

Blaik Kirby

Blaik Kirby

APPENDIX "A"

Documents contained in this witness statement

Exhibit	Description
A.	Bell0229823
B.	Bell0357226
C.	Bell0041120
D.	Bell0403345
E.	Bell0046800
F.	Bell0400993
G.	Bell0538129
H.	Bell0365765
I.	Bell0856841
J.	Bell0765850
K.	Bell0537518
L.	Bell0244334
M.	Bell0583281
N.	Bell0497033
O.	Bell0348853
P.	Bell0353616
Q.	Bell0353659
R.	Bell0403731
S.	Bell0377969
T.	Bell0407328
U.	Bell0698368
V.	Bell0650623
W.	Bell0551690
X.	Bell0774572
Y.	Bell0698615
Z.	Bell0545066

AA.	Bell0575633
BB.	Bell0664013
CC.	Bell0594070
DD.	Bell0774470
EE.	Bell0773643
FF.	Bell0830544
GG.	Bell0065637
HH.	Bell0347518
II.	Bell0596549
JJ.	Bell0351108
KK.	Section 11 Certificate

Other documents

Exhibit	Description
LL.	Bell0584732
MM.	Bell0005031
NN.	Bell0000880
OO.	Bell0091902
PP.	Bell0000824
QQ.	Bell0000827
RR.	Bell0290091
SS.	Bell0226936
TT.	Bell0226128
UU.	Bell0356197
VV.	Bell0405122
WW.	BCE 1999 Annual Report
XX.	BCE Notice of 2006 Annual and Special Shareholder Meeting And Management Proxy Circular
YY.	BCE 2017 Annual Report

APPENDIX “B”

1. Data from Specification 11

    a. “Postpaid Feature to Feature Desc mapping.xlsx”

    b. “Summary and Data Dictionaries.xlsx”

    c. Files with names in the format “Postpaid [Bell Mobility/Virgin Mobile] Billing Details [Year]” for 2017-2021 (files produced on 11/9/2021 and some corrected files produced by Bell on 11/29/2021, 20 files in total)

    d. Appendix 11 - 1 Usage – 2021, Appendix 11 - 1 Usage - CONS - 2017-2018, Appendix 11 - 1 Usage - CONS - 2019-2020, Appendix 11 - 1 Usage - CORP - 2017-2020 folders: “Usage_extract” files (more than 20 separate files)

    e. “CB_11_PP_v1.12.xlsx”

2. Data from Specification 18

    a. “CB_18_PP.xlsx”

3. Data from Appendix 10

    a. “FO-912 10A Bell Mobility Postpaid”

    b. “FO-912 10A Bell Mobility Prepaid”

    c. “FO-912 10A Virgin Mobile Postpaid”

    d. “FO-912 10A Virgin Mobile Prepaid”

    e. “FO-912 10A Lucky Mobile Prepaid”

4. Data from Appendix 16

    a. “Q16a_EOP_20170101_20210701_NAT_EXCL_MB.txt”

b. “Q16_b_c_acts_20170101_20210701_NAT_EXC_MB_2017.txt” (20220113_corrected)

c. “Q16_b_c_acts_20170101_20210701_NAT_EXC_MB_2018.txt” (20220113_corrected)

d. “Q16_b_c_acts_20170101_20210701_NAT_EXC_MB_2019.txt” (20220113_corrected)

e. “Q16_b_c_acts_20170101_20210701_NAT_EXC_MB_2020.txt” (20220113_corrected)

f. “Q16_b_c_acts_20170101_20210701_NAT_EXC_MB_2021.txt” (20220113_corrected)

Exhibit A

Exhibit B

Exhibit C

STRUCK

[redacted]

STRUCK

[redacted]

Exhibit F

Exhibit G

Exhibit H

Exhibit I

Exhibit J

Exhibit K

Exhibit L

Exhibit M

Exhibit N

Exhibit O

Exhibit P

Exhibit Q

Exhibit R

Exhibit S

Exhibit T

Exhibit U

Exhibit V

Exhibit W

Exhibit X

Exhibit Y

Exhibit Z

Exhibit AA

Exhibit BB

Exhibit CC

Exhibit DD

Exhibit EE

Exhibit FF

Exhibit GG

Exhibit HH

Exhibit II

Exhibit JJ

Exhibit KK

Exhibit LL

Exhibit MM

Exhibit NN

Exhibit OO

Exhibit PP

Exhibit QQ

Exhibit RR

Exhibit SS

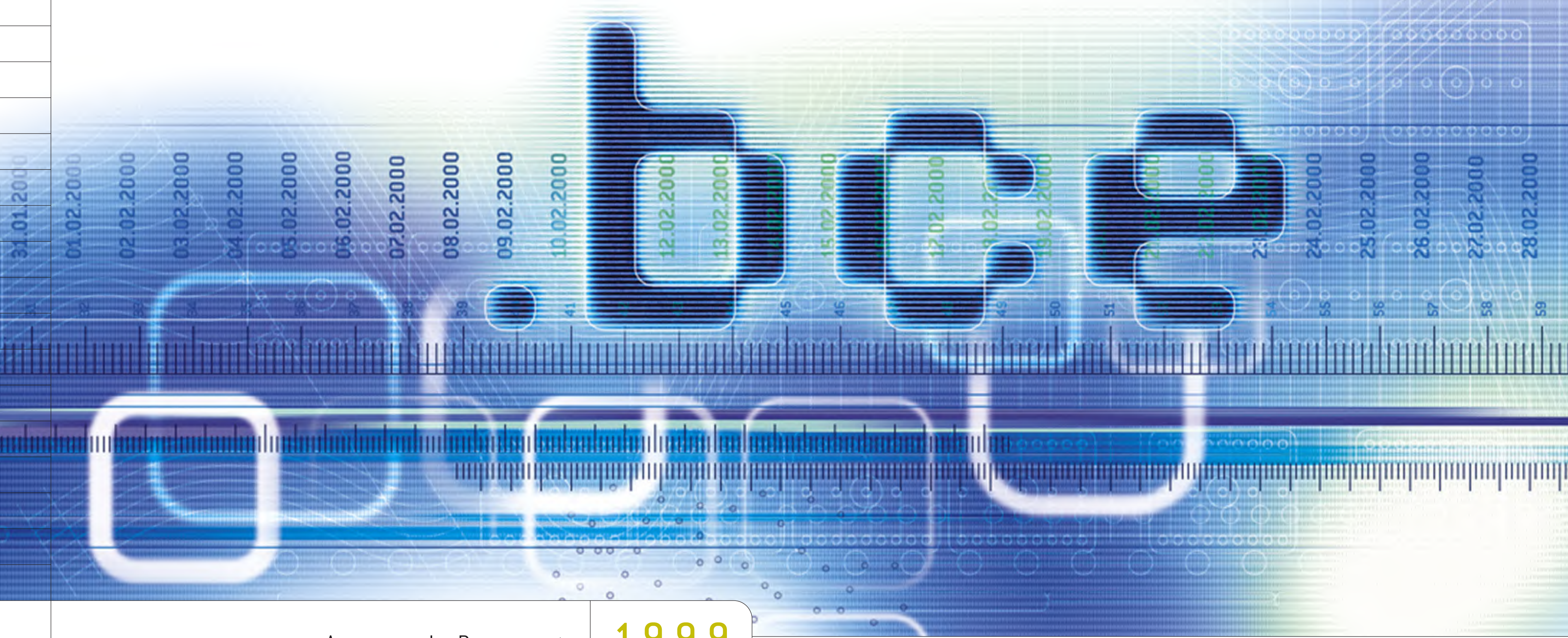
Exhibit TT

Exhibit UU

Exhibit VV

Exhibit WW

Bell Canada Enterprises



Annual Report 1999

BCE

say hello to the internet economy

Who could have predicted this? Not just the exhilarating vistas unfolding on the Internet, but the speed with which it's changed how we live, work and play. But wait... there's more on the way. And BCE is at the centre of it all. We're Canada's leading communications services company, at the crossroads where information, e-commerce and entertainment intersect. Through Bell Canada, we help to shape how Canadians access, view and use the Internet. We do this through Bell Nexxia, our national fibre optic backbone; Bell ActiMedia with Sympatico-Lycos, the leading source of Internet content and high-speed access; Bell Mobility, Canada's foremost wireless company; and Bell ExpressVu, the leading satellite-TV service. We're also the country's leading provider of e-commerce solutions, delivered by BCE Emergis and CGI. And now, through Teleglobe, our business services are also going global.

key indicators ($ millions, except per share amounts)	**1999**	1998
Revenues	**14,214**	27,207
Revenues excluding Nortel Networks	**14,214**	13,579
Net earnings	**5,459**	4,598
Baseline earnings[1]	**1,936**	1,592
Baseline earnings per common share (before goodwill expense)[1]	**3.26**	2.65

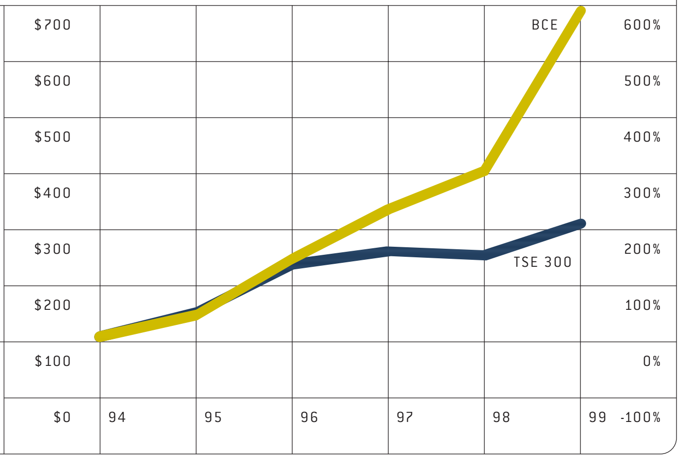
1 Excluding special items

price range of common shares	**1999**			1998		
	High	**Low**	**Close**	High	Low	Close
Toronto Stock Exchange ($)	**136.00**	**56.75**	**131.15**	68.05	39.75	57.85
NYSE Consolidated tape ($US)	**98.31**	**37.31**	**90.19**	46	25	37

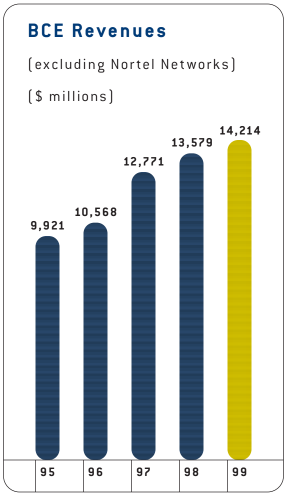
financial highlights

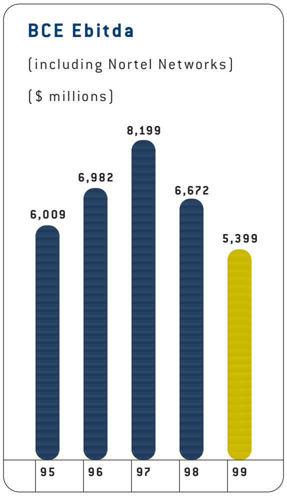
shareholders' return performance graph

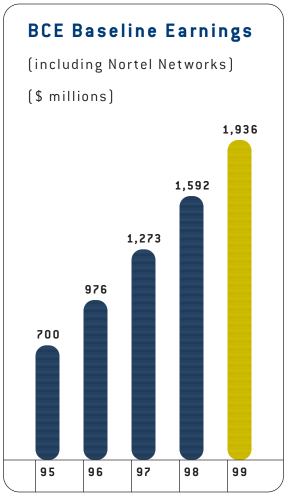
The graph compares the yearly percentage change in the cumulative shareholder return of the Corporation's common shares against the cumulative total shareholder return of the TSE 300 Composite Index for the five-year period commencing December 31, 1994, and ending December 31, 1999.*

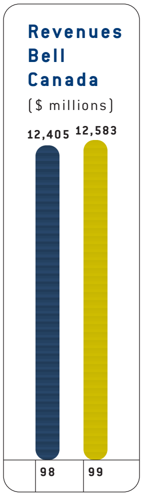


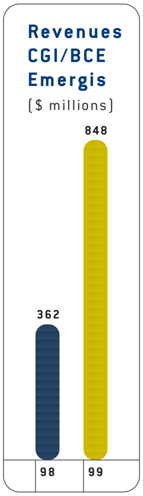
*Assumes that the initial value of the investment in the Corporation's common shares and the TSE 300 Composite Index was $100 on December 31, 1994, and that all subsequent dividends were reinvested. All prices for the Corporation's common shares were taken from the Toronto Stock Exchange's records.

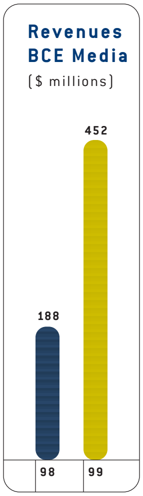

BCE Revenues
(excluding Nortel Networks)
($ millions)
9,921
10,568
12,771
13,579
14,214
95
96
97
98
99

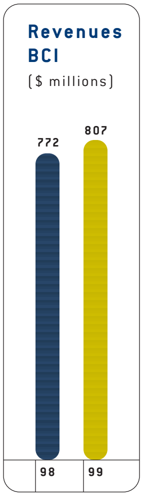

BCE Ebitda
(including Nortel Networks)
($ millions)
6,009
6,982
8,199
6,672
5,399
95
96
97
98
99

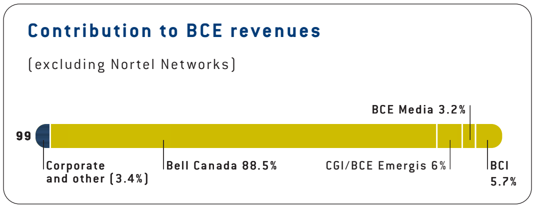

BCE Baseline Earnings
(including Nortel Networks)
($ millions)
700
976
1,273
1,592
1,936
95
96
97
98
99

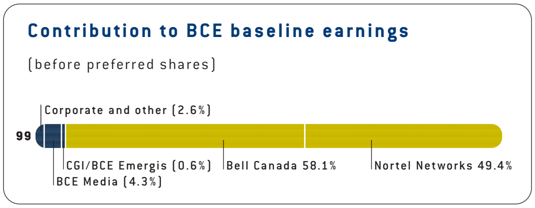

Revenues Bell Canada
($ millions)
12,405
12,583
98
99


Revenues CGI/BCE Emergis
($ millions)
362
848
98
99


Revenues BCE Media
($ millions)
188
452
98
99


Revenues BCI
($ millions)
772
807
98
99

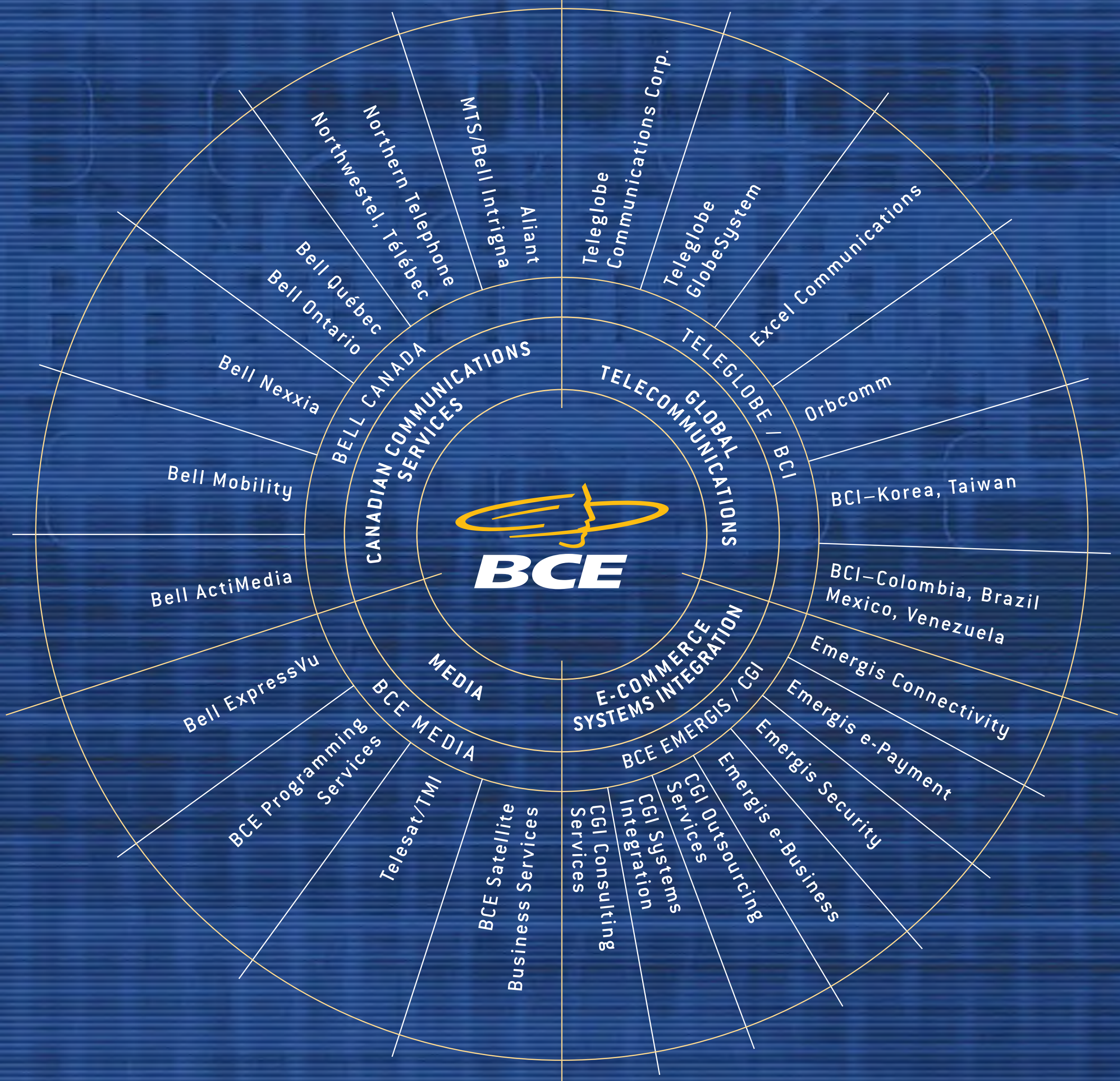

Contribution to BCE revenues
(excluding Nortel Networks)
BCE Media 3.2%
99
Corporate and other (3.4%)
Bell Canada 88.5%
CGI/BCE Emergis 6%
BCI 5.7%


Contribution to BCE baseline earnings
(before preferred shares)
Corporate and other (2.6%)
99
CGI/BCE Emergis (0.6%)
Bell Canada 58.1%
Nortel Networks 49.4%
BCE Media (4.3%)

the shape of a communications leader

BCE is Canada's leading communications services company in size, scope and reach. Providing customers with the widest range of services, BCE's reach extends across Canada and, through Teleglobe and BCI, to countries around the world.

BCE companies operate in Canadian Communications Services; Global Telecommunications; E-Commerce and Systems Integration; and Media. Increasingly, BCE companies are creating integrated service solutions that no competitor can match for convenience and value.



AT A GLANCE

With the combined Bell Canada and Teleglobe networks and alliances stretching across North America and around the world, BCE can now deliver seamless voice and data services to customers, via integrated optical, wireline and wireless channels. In 1999, the number of Sympatico Internet subscribers increased by 113 per cent, and ExpressVu satellite TV subscribers by 130 per cent. BCE Emergis and CGI solidified their position as Canada's e-commerce and systems integration leaders. Internationally, BCI's wireless equity subscribers reached nearly 1.4 million, while total international traffic carried by Teleglobe was 5.1 billion minutes.

moving ahead on the internet

Is BCE the same company today as it was two years ago?

Yes, Bell Canada is still the bedrock upon which this company was founded more than a century ago. It supplies the sense of continuity, mission and dynamism that will propel us into the future.

No, we are a vastly different company, for reasons which can be summed up in one exciting word: the Internet. While Bell Canada remains central to our business, we are in the process of reinventing everything we do, transforming BCE into a communications leader in the Internet economy, active not just in enabling people to communicate, but helping to *shape* the information — or content — that flows across our nation and around the world.

Jean C. Monty
President and CEO

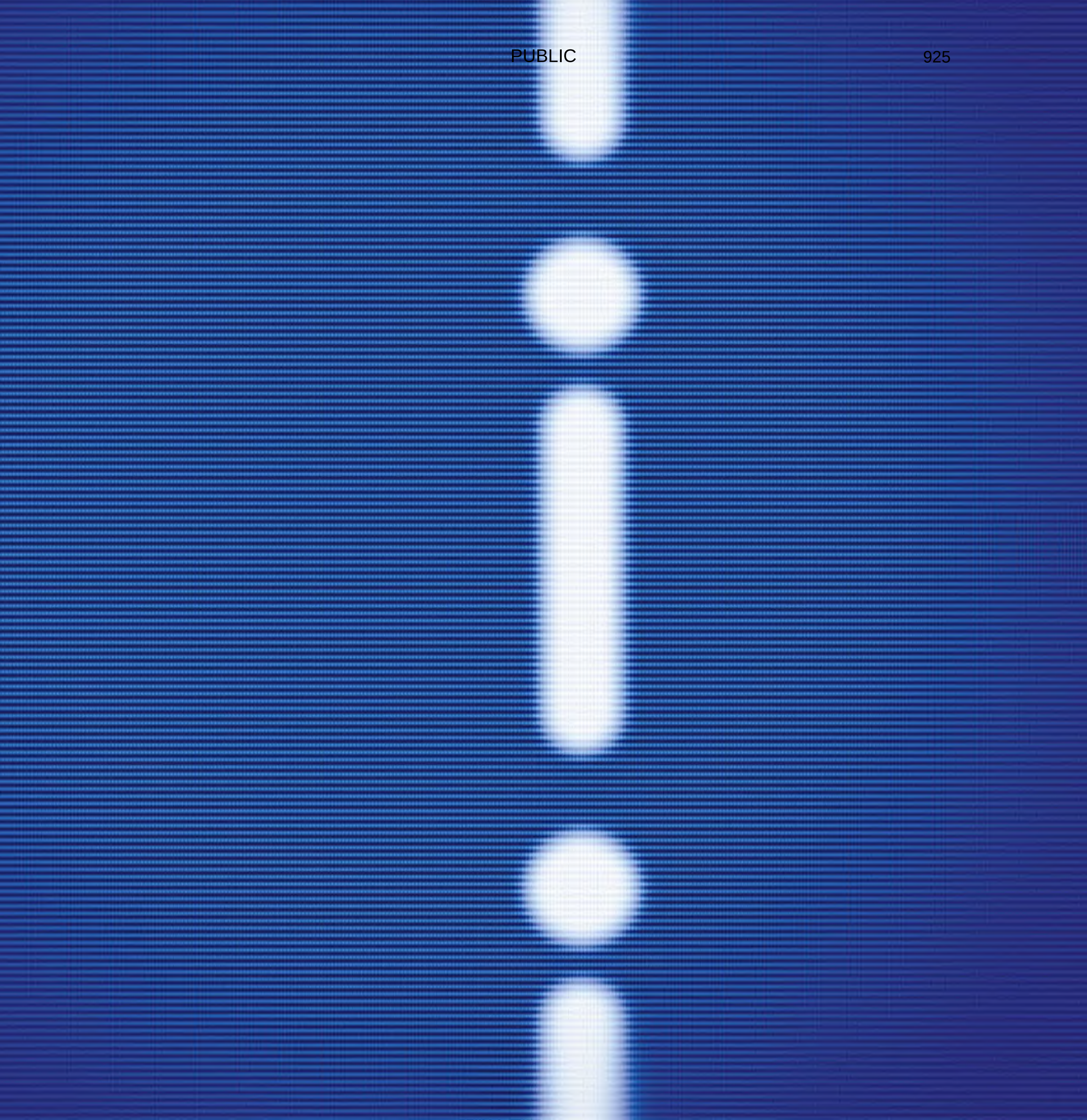
I am pleased to report that results for 1999 indicate our company is showing solid growth and significant progress in all its businesses. Baseline earnings grew by 22 per cent over the previous year, from $1.6 billion to $1.9 billion. Revenue, excluding Nortel Networks, rose 5 per cent to $14.2 billion, as compared with $13.6 billion in 1998. For a more detailed view of results, please turn to the Management's Discussion and Analysis section, which begins on page 18.

Focusing on communications services

BCE plans to distribute an approximate 36 per cent interest in Nortel Networks to BCE's nearly 500,000 common shareholders. Under this plan, shareholders will receive separate Nortel Networks shares, and continue to benefit from their ownership in two Canadian high-tech powerhouses. Two reasons lie behind this decision. First, Nortel Networks' impressive performance has tended to overshadow the inherent value of BCE's other assets. Indeed, in the latter part of 1999, financial markets have discounted the underlying value of our non-Nortel assets by more than $30 billion — or $47 per share. This transaction will enable markets to more accurately assess, and therefore unleash, the true value of BCE communications services companies, particularly Bell Canada, now including Bell Mobility, Bell Nexxia and Bell ActiMedia; BCE Emergis; CGI; BCE Media, which includes Bell ExpressVu and Telesat Canada; and BCI. The second reason is that it enables BCE to focus on communications services and the enormous opportunities of the Internet economy.

Teleglobe extends our reach

From a strong Canadian foundation, we are now ready to launch a global telecommunications company. We took the first step toward that goal on February 15, 2000, when we announced our intention to acquire all the outstanding common shares of Teleglobe we currently do not own. Bell Canada already holds approximately 23 per cent interest in Teleglobe.



moving to the internet

BCE is moving to the Internet because that's where our customers want to be. They want more speed, more content, more of the rich opportunities the Internet provides. They'll find it all at Bell's growing portfolio of Internet properties, including Sympatico-Lycos. And at Sympatico, the connection more Canadians choose to enjoy the full benefits of cyberspace. All told, the 24 per cent growth in data, Internet and IT services is powering the future prosperity of BCE customers and shareholders.

Once this acquisition is completed, BCE will be a global player in business communications services, connecting our customers to one of the most advanced data/Internet infrastructures in the world. Teleglobe currently delivers broadband services to Internet service providers, broadcasters, business customers and carriers around the world. Its network, which connects 150 countries, includes the world's third-largest submarine fibre optic cable facilities and 15 per cent of international Internet traffic.

A global strategic fit

Like BCE, Teleglobe has been investing to become a leading data/Internet company. Its five-year $6.5 billion Internet infrastructure program, called GlobeSystem, will deliver the world's first integrated Internet, data, video and voice network. The open system, linking 160 cities via Teleglobe's fibre optic and satellite facilities, will enable small-to-medium-size businesses to connect regardless of their technology platform. At the start of 2000, thirty cities were already part of GlobeSystem, with another thirty to be in service by year-end. The North American and European portions will be completed by 2001. And once fully operational in 2004, GlobeSystem will deliver 200 times Teleglobe's current network capacity.

At the same time, Teleglobe is the gateway through which our e-commerce and other Internet-based businesses can compete and grow on the world stage. This reciprocal relationship will benefit Bell Canada's international customers, as well as BCE Emergis' business-to-business e-commerce offering; CGI's systems integration business; and BCI's growth in overseas markets, especially in Brazil and Mexico. The potential strategic fit with Bell Nexxia is even stronger, as the two companies' combined networks, technical expertise and IP (Internet Protocol) product portfolios add up to a powerful business case for current and prospective customers.

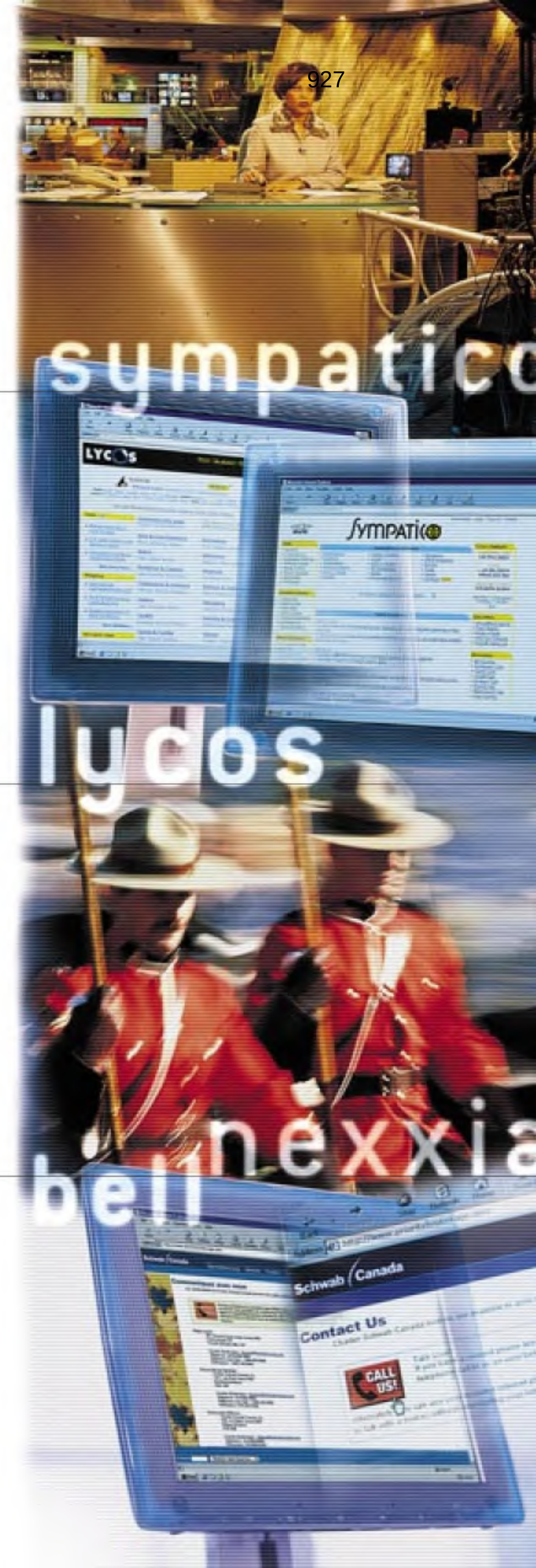
If our global growth strategy demands speed — as it must in the current environment — then Teleglobe brings all the requisite assets. In addition to its advanced digital infrastructure, Teleglobe has long-standing business relationships around the world, licences to operate at the national level in 27 countries, including the US and 15 in Europe, and offices in more than 50 countries.

The good news? Sympatico and Canada's premier national network have joined forces to create CTVNews.Sympatico.ca — Canada's first Internet news program delivered right to the desktop. With its advanced technology, the service sets new standards for colour and image resolution on the Net, streaming four 15-minute newscasts per hour from CTV News 1, Canada's 24-hour headline news network.

With the launch of Sympatico-Lycos in early 2000, Canada's busiest Internet portal will get a whole lot busier. US-based Lycos brings a vast array of technologies and Web tools, including powerful search engines, e-commerce, entertainment and more. Sympatico-Lycos also delivers on Bell's commitment to being Canada's preeminent Internet company.

Canada's celebrated police force, the RCMP, signed a three-year, $30 million contract with Bell Nexxia to supply one of the country's largest Internet Protocol wide area networks. It's the first step toward building the Canadian Public Safety Information Network, linking RCMP headquarters in Ottawa to 1,400 law enforcement agencies and partners.

How to combine the convenience of Web-shopping with live sales assistance? For Charles Schwab Canada, the answer is Bell Advantage Web Live Voice. On-line customers for Canada's first full-choice brokerage firm simply click on the Web Live Voice button, and a representative answers to assist. Bell's Web Live Voice is a major service breakthrough, integrating the customer's call centre and Web site.



1999: INVESTING TO BUILD SCOPE AND SCALE

As communications, information, commerce and entertainment converge on the Internet, BCE is harnessing their combined energy to power tomorrow's growth. We prepared the way in 1999 by focusing on our core communications services and the Bell brand; by building strong alliances to deliver services beyond our traditional borders; and by making strategic investments to drive future growth.

The partnership with SBC/Ameritech, announced last March, is part of our larger growth strategy. SBC/Ameritech's $5.1 billion investment, for a 20 per cent stake in Bell Canada, enables both partners to deliver new services, while providing a springboard for further expansion in North America and beyond.

In 1999 Bell Canada made key investments to build a national network. Bell's $1.6 billion purchase of the outstanding minority interest in BCE Mobile Communications, operating under the Bell Mobility banner, will enable the delivery of integrated voice and data services across Canada. This acquisition, together with Bell Nexxia's national roll-out and strategic Canadian alliances, amounted to nearly $5 billion in high-growth investments.

A pan-Canadian network

Bell Nexxia, Canada's first national IP network and one of the world's most advanced, is our flagship from coast to coast and into the US. Rolled out in just one year, Bell Nexxia's fibre optic backbone delivers unmatched speed, security and dependability.

With the Bell Nexxia infrastructure in place in 1999, we began building alliances to complete our pan-Canadian network. To the west, we partnered with SaskTel, Saskatchewan's leading communications company. We then purchased a 20 per cent stake in Manitoba Telecom Services (MTS), with whom we created Bell Intrigna, a competitive local carrier serving Alberta and British Columbia. To the east, we increased our equity position in Aliant, which serves Newfoundland, Nova Scotia, New Brunswick and PEI, to 53 per cent.

We were equally active building our national presence in wireless communications and on the Internet. Bell's purchase of Bell Mobility resulted in Canada's first national network capable of delivering integrated wireless, wireline and data services. Bell ActiMedia embarked on an ambitious Canadian portal strategy with Sympatico-Lycos and other Web properties, and extended into Western Canada.

Our century-long heritage in Bell Canada gives us a powerful competitive edge in a changing world. The familiar Bell brand, supporting our new, integrated portfolio of services, is a common thread that stretches across Canada, and binds together BellWorld retail stores and "virtual" stores at www.bell.ca.

Delivering the e-commerce goods

In 1999, more companies turned to BCE Emergis, Canada's e-commerce leader, to help them leverage the Internet's power to cut costs and win new customers. BCE Emergis solidified its lead with breakthroughs in financial services and health care.

Working with Bell Canada and Microsoft Canada, BCE Emergis was selected by e-route as the exclusive supplier for electronic bill presentment, which enables customers to receive and pay bills on-line. E-route, which could save billers, customers and processors more than $2 billion annually by 2002, is owned by leading Canadian banks and financial institutions. Also in 1999, BCE Emergis purchased SNS/Assure

accent on e-commerce

Business will never again be the same. Within moments of making a decision, you can supply customers around the world with new information; adjust price and service levels; and personalize goods and services. You can cut costs, raise productivity, find new partners and suppliers. No wonder the North American business-to-business e-commerce market is estimated at more than $200 billion in 2000 — and nearly double that in 2001. Through BCE Emergis and CGI, we have a commanding lead in e-commerce, an expertise we're growing to better serve our North American and global customers.

and Assure Health. The two companies provide e-commerce solutions to a range of industries, including health insurers, financial services companies, retailers and transport firms. Early in 2000, BCE Emergis also announced the acquisition of United Payors and United Providers (UP&UP), a US processor of claims between insurers and health care providers. UP&UP supports more than US$3 billion of medical claims annually.

Satellites: the other wireless technology

Buoyed by innovative marketing and the launch of NIMIQ, Canada's first direct broadcast satellite, Bell ExpressVu extended its leadership in the home satellite TV market, winning licences for several pay-per-view channels and launching Canal Évasion. With 416,000 subscribers at the end of 1999, and another 10,000 to 20,000 added each month, Bell ExpressVu expects to hit the one-million mark by 2002. Also in 1999, other BCE Media properties made significant breakthroughs. As the North American "Open Skies" agreement unfolded, Telesat and TMI won landmark approvals to provide satellite services in the US.

Growth in global wireless

Internationally, the global wireless market is booming, and with nearly 1.4 million equity subscribers in Latin America and the Pacific Rim, BCI is winning its share of new business. In 1999, a BCI-led consortium won a licence to serve Brazil's São Paulo state — the country's most populous and economically robust. Using advanced fixed wireless technology, the consortium will provide local phone service and access to Internet services. The São Paulo win expands the consortium's combined licensed territory to 125 million residents in Brazil. Also in 1999, BCI's Venezuelan subsidiary, Genesis Telecom, launched a wireless broadband data network for small and medium-sized businesses — the first of its kind in Latin America.

Rona.Sympatico.ca delivers the goods for Quebec's largest home renovation retailer. The e-commerce Web site is a hive of activity, showcasing everything from gardening and construction tools to home renovation plans. Visitors can even trade tips and post questions to Rona's home and garden specialists.

With more than $20 billion in trade at stake, in 1999 the Government of Canada chose CGI to develop a secure, fail-proof export/import control system. Operational in 2002, the Web/EDI system will enable more than 40,000 companies and customs brokers to easily speed cross-border transactions.

BCE Emergis' e-commerce solution makes shopping for Kodak Canada products a snap. The Kodak site provides hundreds of dealers with individual electronic storefronts, while BCE Emergis hosts the on-line catalogue and provides secure transactions.

With the purchase of SNS/Assure in 1999, BCE Emergis is now the world leader in cargo logistics, delivering e-commerce solutions to 47 airline and steamship customers. Swisscargo, the world's fifth-largest cargo carrier, also came on board in 1999. The exclusive agreement enables hundreds of Swisscargo trading partners in more than 90 countries to exchange waybills, book space and track shipments.

2000: CONNECTING TO THE INTERNET ECONOMY

As the Internet economy and the century take shape, BCE customers and shareholders stand at the threshold of unprecedented opportunity. Through Sympatico and Bell Nexxia, we're Canada's preeminent Internet access provider; through our recently announced Sympatico-Lycos portal, we will be delivering more quality content to Canadians; through BCE Emergis and CGI, we're foremost in e-commerce; and through Teleglobe, we now have the capability to grow internationally.

Going forward, BCE will consolidate its leadership in 2000 through three strategic thrusts. We will leverage the national and international broadband networks of Bell Nexxia and Teleglobe to increase Internet connectivity, raise and enrich Canadian content for our Internet and entertainment business, and extend our e-commerce lead through BCE Emergis and CGI, which will include evolving our own business on the Web.

Stepping up access speeds

As the volume of rich multimedia content grows, one in twenty Canadians is choosing the greater convenience of high-speed Internet access — a proportion expected to grow to 32 per cent by 2004. In its first year, Sympatico High-Speed Edition, based on Nortel Networks' 1-Meg Modem, attracted 50,000 subscribers. We expect to accelerate the roll-out of our high-speed technology and increase our market share in this segment.

In 1999, data traffic driven by the growth of the Internet overtook voice traffic for the first time on our network.

Data and wireless are now converging to spark a new communications revolution. Bell Mobility's Data to Go, which enables Internet connectivity from a customer's laptop, is just the beginning.

Ramping up content

To complement these access speeds, BCE companies are investing in richer Canadian content. Sympatico-Lycos, a joint venture with one of the world's leading Web media companies, through which Bell Canada will invest $125 million over the next two years, will be the most advanced business-to-consumer portal in Canada. Sympatico-Lycos will offer powerful search engines, free e-mail, on-line auctions, chat, shopping, personalized news, parental controls and more. The agreement also licenses future Lycos technologies, content, applications and properties. Sympatico.ca is already Canada's most-visited portal, with more than 100 million page views and 2.8 million unique visitors each month.

The Lycos agreement leverages a growing portfolio of Bell ActiMedia Internet properties, including YellowPages.ca; Canada411; VMP.com, an e-commerce retail marketplace; Adbag.ca, a discount coupon Web site; and city portals such as Toronto.com and MontrealPlus.ca.

Bell Mobility customers are also reaching into the Internet. Using Mobile Browser, they are the first Canadians to pull down e-mail, weather, stock quotes, traffic reports, hotel and restaurant locations, directories and more — and all this iusing a PCS handset.

wireless is hot

With nearly one-quarter of Canadians carrying mobile phones – close to thirty per cent by 2001 – we're a nation that's cutting the cord to go wireless. What's fuelling this growth? The customer's desire for freedom, mobility and access to information anywhere, anytime. Canadians are now taking the next leap forward, with Bell Mobility's Digital Data to Go and Mobile Browser, ushering in a new convergence between mobile phones and the Internet.

Leading with e-commerce

As the Internet economy grows, so will the number and size of new opportunities for BCE Emergis and CGI, Canada's e-commerce leaders. They will continue to help customers use the Internet to connect buyers and sellers, reduce the cost and increase the speed of transactions. To enable this process, BCE Emergis and Bell Nexxia have entered into a three-year partnership to provide customers with a single point of delivery for e-commerce and network solutions. BCE Emergis has also partnered with US-based Ariba to create Web-based marketplaces where an organization's suppliers can more efficiently sell their products and services. Bell Canada, one of the country's largest buyers, purchasing more than $4 billion of goods and services annually from 7,000 suppliers, will be the first customer.

The road ahead

Nineteen-ninety nine was in many respects a landmark year for BCE and indeed for the entire industry. As the new century begins, I am confident that our people, solutions and investments will continue to generate value for our shareholders, and opportunities for growth in the coming years.

In closing, I would like to recognize the immeasurable contribution of Lynton R. "Red" Wilson, who will be retiring as Chairman of the Board on April 26, 2000. Mr. Wilson devoted close to 15 years of his career to BCE, seven as an executive. He was first appointed to BCE's Board of Directors in 1985 and has held the positions of President, Chief Operating Officer, Chief Executive Officer and Chairman of the Board. Mr. Wilson's vision and steady guidance served the company well through the turbulent period of deregulation in our industry and as he restructured BCE to focus on its core businesses. His work laid the foundations that have allowed us, over the last few years, to reshape BCE into what it is today. It was also under his stewardship that the BCE Board of Directors came to focus increasingly on Corporate Governance. On behalf of employees and shareholders, I want to extend to Mr. Wilson our sincerest appreciation.

All systems are go, following the May launch of Nimiq, Canada's most powerful satellite. Nimiq now beams 200 digital TV and music channels — 25 per cent more than the competition — to nearly half-a-million Bell ExpressVu customers. Telesat, part of the BCE Media family of companies, was responsible for launching Canada's first direct broadcast satellite into orbit.

Thanks to a partnership between Bell Mobility and TD Waterhouse Investor Services, Canadians now have the financial markets in their back pockets. Customers of both services simply use their PCS phone to access free market information, monitoring their portfolio and making quicker decisions. The service is enabled by Mobile Browser, Canada's first wireless Internet browser.

With Bell Mobility's Digital Data to Go, the Internet goes live and unplugged. Using their PCS phone as a modem, subscribers have on-the-fly access to corporate intranets, e-commerce — anything on the Internet! A first in Canada, Digital Data to Go introduces powerful new productivity tools, made possible by the convergence of wireless and the Internet.

Canadians in search of the exotic can now find it on Canal Évasion, Bell ExpressVu's travel, tourism and adventure channel. Canal Évasion is one of four new French-language specialty networks that Canada's leading satellite TV company is now offering. Bell ExpressVu plans to add even more specialty channels in the future.

L.R. Wilson
Chairman of the Board

The past year witnessed tremendous change in our industry, as the Internet continued to transform how we communicate, work and play. BCE has stayed at the forefront of this advancing technological wave, raising its Internet presence and expertise, building alliances, and making key investments to ensure that our customers and shareholders realize all the benefits of the Internet age.

Change is also being reflected on our Board of Directors, as Judith Maxwell, President of Canadian Policy Research Networks Inc., joined the Board as of January 26, 2000.

On behalf of the Board of Directors, I would like to thank former director Jeannine Guillevin Wood, Chairman of the Board, Laurentian Bank of Canada, for her exceptional and long-standing service to our board since 1989 and as a member of the Corporate Governance and Audit committees. Her retirement took effect January 26, 2000. I would also like to thank Ralph Barford, President of Valleydene Corporation, for his devoted service as a board member since 1987. Mr. Barford has reached the mandatory age limit for service on the board and is therefore not seeking re-election. His retirement will take effect at the BCE Annual and Special meeting in April. Mr. Barford has been an outstanding director committed to the affairs of the company. In addition to his role as Chairman of the Management Resources and Compensation Committee and member of the Corporate Governance Committee, Mr. Barford acted as lead director from 1993 to 1998, with the mandate to ensure that the Board of Directors would be able to function independently of management. Ms. Wood and Mr. Barford have been dedicated and supportive directors and their counsel over the years has been greatly appreciated.

In 1999, the Board of Directors sought to increase its effectiveness by combining the Audit Committee and the Pension Fund Policy Committee into a single body. All functions previously performed by the Pension Fund Policy Committee are now performed by the Audit Committee.

People: the power behind BCE

These are exciting times, charged with immense opportunity. But no matter where the Internet economy takes us, one thing is certain – there will be leaders and followers. BCE is Canada's leading communications company because our people have kept faith with the customer. We got here through our employees' dedication, and will reach the next stage the same way.

We are confident that BCE will continue to lead the industry as in the past, and thereby create long-term value for our shareholders.

management's report

The accompanying consolidated financial statements of BCE Inc. (the Corporation) and its subsidiaries (collectively BCE), and all information in this annual report, are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management, and in their opinion present fairly BCE's financial position, results of operations and cash flows. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of outside and unrelated directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the board of directors. Additional responsibilities of the Audit Committee are outlined on page 63 of this annual report. The internal and the shareholders' auditors have free and independent access to the Audit Committee.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche LLP, Chartered Accountants.

Jean C. Monty
President and
Chief Executive Officer

William D. Anderson
Chief Financial Officer

Gary M. Davis
Vice-President and Controller

February 23, 2000

auditors' report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheets of BCE Inc. and its subsidiaries as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flows for the years then ended as they appear on pages 37 to 60. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Montréal (Québec)
February 23, 2000

This management's discussion and analysis of financial condition and results of operations (MD&A) for the year 1999 focuses on the results of operations and financial situation of BCE Inc. and its subsidiaries and significantly influenced companies (collectively BCE) by principal operating group of BCE Inc. and should be read in conjunction with the audited consolidated financial statements contained on pages 37 to 60 of this annual report. Bell Canada, CGI Group Inc. (CGI), BCE Emergis Inc. (BCE Emergis), Nortel Networks Corporation (Nortel Networks), and Bell Canada International Inc. (BCI) publish a more detailed discussion and analysis of their results of operations and financial condition in their year-end documents. You may obtain copies of these documents from the Investor Relations department of BCE Inc. (See page 64).

This MD&A reviews the historical 1999 financial condition and results of operations of BCE as it existed on December 31, 1999 without taking into account the proposed spin-off by BCE of an approximate 36% interest in Nortel Networks as discussed in more detail below under the heading "HIGHLIGHTS". For a brief discussion of BCE's pro forma 1999 financial results, excluding Nortel Networks, refer to the discussion below under "HIGHLIGHTS". For a detailed review of the proposed spin-off, refer to BCE Inc.'s and Nortel Networks' joint management proxy circular (Joint Circular). See also "Credit Ratings" on page 29 for further information concerning the spin-off.

Certain sections of this MD&A and other portions of this annual report contain forward-looking statements with respect to BCE. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors which could cause actual results or events to differ materially from current expectations are discussed on pages 30 to 34 under "FORWARD-LOOKING STATEMENTS".

HIGHLIGHTS

On January 26, 2000, BCE announced a plan to distribute an approximate 37% interest in Nortel Networks to BCE common shareholders. As at February 23, 2000, the interest to be distributed was approximately 36% as a result of the issuance of additional common shares by Nortel Networks. BCE and Nortel Networks have signed a definitive agreement, which was approved by their respective boards of directors, to implement the proposed transaction by way of a plan of arrangement. Under the proposed plan of arrangement, BCE common shareholders will receive, for each common share of BCE held, approximately 0.78 (subject to adjustment at the time of completion of the transaction) of a common share of a new publicly traded Canadian company that will own all of the shares of, and continue as, Nortel Networks. Each BCE shareholder will retain the same number of BCE common shares which will, after the distribution, reflect BCE's remaining interests in communications services. BCE is expected to retain an approximate 2% interest in Nortel Networks following completion of the distribution. The transaction will be recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's current approximate 38% interest in Nortel Networks (BCE's remaining approximate 2% interest in Nortel Networks will be recorded as an investment at cost). Accordingly, no gain or loss will be recorded on the transaction. Commencing in 2000, Nortel Networks will be presented as a discontinued operation. The transaction will be subject to customary conditions, including relevant tax rulings, and the approval of the plan of arrangement by the court and the common shareholders of BCE and Nortel Networks. BCE expects the new structure to be in place by the end of the second quarter of 2000. On an ongoing basis, the proposed distribution will, once completed, have a substantial impact on BCE's financial results. For example, BCE's 1999 baseline earnings and net earnings applicable to common shares, excluding Nortel Networks, would have been $1 billion and $5 billion respectively, instead of $1.9 billion and $5.4 billion, respectively. BCE's assets at December 31, 1999, would have been $31 billion instead of $37 billion.

On February 15, 2000, BCE announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Teleglobe Inc. (Teleglobe) it currently does not own for approximately $9.65 billion in BCE common shares. BCE currently owns 23% of Teleglobe through Bell Canada. The number of BCE common shares to be issued to Teleglobe's shareholders is subject to a fixed "collar" share exchange ratio and will be based on BCE's share price following the distribution of Nortel Networks common shares to BCE's shareholders. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including Teleglobe's shareholders' approval, and is anticipated to close as soon as possible after regulatory and shareholder approvals have been received.

On February 6, 2000, BCE Emergis announced that it had entered into a definitive agreement to acquire 100% of United Payors & United Providers, Inc.(UP&UP) of Rockville, Maryland. UP&UP provides claims processing between insurance companies and health care providers, designed to produce cost savings and to offer benefits for insurance companies while increasing liquidity and improving efficiency in claims submissions for providers. The aggregate purchase price will be for a cash consideration of approximately US $580 million, subject to certain adjustments. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including UP&UP shareholders' approval, and is anticipated to close in the second quarter of 2000. Management of UP&UP and other major shareholders have agreed to vote their shares in favour of this transaction. In order to facilitate this transaction, BCE Inc. has committed up to $800 million consisting of up to $650 million of BCE Emergis common equity, and a stand-by credit facility of up to $150 million represented by convertible notes.

On February 2, 2000, Bell Canada and Lycos, Inc. (Lycos), a Web media company and owner of the Lycos Network, announced the creation of a new Internet company, Sympatico-Lycos Inc., which will provide the primary BCE group portal for Canadian consumer Internet users. Under the terms of an agreement, Bell ActiMedia Inc. (Bell ActiMedia), a subsidiary of Bell Canada, will invest approximately $37 million to form Sympatico-Lycos Inc., which will be majority owned by Bell ActiMedia. In addition, Bell ActiMedia will also contribute its portfolio of consumer Internet properties to the new company. The transaction is subject to satisfying certain conditions, including the receipt of customary approvals. The transaction is expected to close in the near future and the Sympatico-Lycos portal is expected to be launched in May of 2000. Separately, Bell ActiMedia and Lycos signed a $60 million multi-year distribution agreement under which Bell ActiMedia products will be promoted to U.S. Lycos Network users accessing this network from Canada.

In January 2000, BCE Inc. successfully completed the acquisition of 15.8 million outstanding common shares, for $27.50 per share, of Aliant Inc. (Aliant) (the company under which, on May 31, 1999, Bruncor Inc. (Bruncor), Maritime Telegraph and Telephone Company Limited (MT&T) and NewTel Enterprises Limited (NewTel) were combined). This brings BCE Inc.'s and Bell Canada's total ownership in Aliant to 54% (approximately 41% held by Bell Canada and approximately 13% held by BCE Inc.), or approximately 53% on a fully diluted basis. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

On October 22, 1999, Bell Canada increased its ownership interest in Bell Mobility Inc. (Bell Mobility) (formerly BCE Mobile Communications Inc.) from 65% to 100%. The aggregate purchase price was approximately $1,570 million. The acquisition was funded by the issuance by Bell Canada of equity-settled notes to Bell Canada Holdings Inc. (BCH), the company which owns 100% of Bell Canada. BCH, in turn, issued convertible securities to its two shareholders (BCE Inc. and Ameritech Corporation (SBC/Ameritech), now a wholly-owned subsidiary of SBC Communications Inc.).

On June 1, 1999, BCE and SBC/Ameritech finalized their strategic partnership announced on March 24, 1999. Under the terms of the partnership, SBC/Ameritech acquired an indirect 20% minority interest in Bell Canada for cash proceeds of $5.1 billion. Bell Canada has been reorganized to hold certain telecommunications assets previously held by BCE. On May 31, 1999, Bell Canada acquired, at net book value from BCE, BCE's interests in Bell Mobility, Teleglobe, Aliant, three other regional Canadian telecommunications companies and other investments. Furthermore, Bell Canada transferred to BCE, at net book value, its investments in BCE Emergis and CGI.

RESULTS BY OPERATING GROUP

BCE's 1999 earnings excluding special items (baseline earnings), increased $344 million (22%) to $1,936 million compared with 1998. The improved results primarily reflected:

- increased contribution of $323 million at Nortel Networks; and
- improved results at Corporate and Other of $167 million

partially offset by:

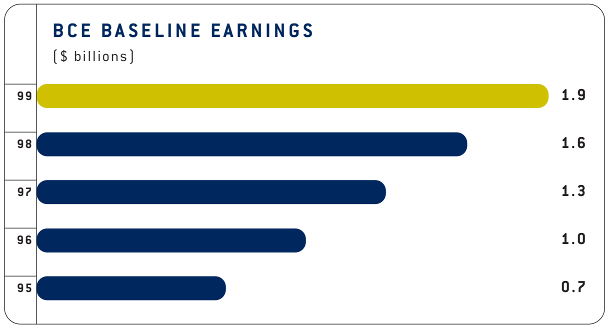
- decreased contribution of $140 million at Bell Canada.

BCE's net earnings applicable to common shares were $5,366 million in 1999 compared with $4,505 million in 1998. Included in BCE's 1999 net earnings were special

TABLE 1 **REVENUES**[1]

($ millions, except per share amounts)		1999	1998	Increase (Decrease)
Bell Canada[2]		**12,583**	12,405	178
CGI and BCE Emergis		**848**	362	486
BCE Media		**452**	188	264
Nortel Networks[3]		**–**	14,253	(14,253)
Bell Canada International		**807**	772	35
Corporate and Other		**34**	34	–
Intercompany eliminations		**(510)**	(807)	297
Total revenues		**14,214**	27,207	(12,993)
CONTRIBUTION TO NET EARNINGS APPLICABLE TO COMMON SHARES[1]				
Bell Canada[2]	– Operations	**1,179**	1,319	(140)
	– Special items	**4,185**	(133)	4,318
		5,364	1,186	4,178
CGI and BCE Emergis	– Operations	**(13)**	(11)	(2)
	– Special items	**(26)**	33	(59)
		(39)	22	(61)
BCE Media	– Operations	**(87)**	(53)	(34)
	– Special items	**(62)**	–	(62)
		(149)	(53)	(96)
Nortel Networks	– Operations	**1,002**	679	323
	– Special items	**(553)**	2,548	(3,101)
		449	3,227	(2,778)
Bell Canada International		**(354)**	(48)	(306)
Corporate and Other	– Operations	**14**	(153)	167
	– Special items	**240**	513	(273)
		254	360	(106)
Intercompany eliminations		**(66)**	(96)	30
Net earnings		**5,459**	4,598	861
Dividends on preferred shares		**(93)**	(93)	–
Net earnings applicable to common shares		**5,366**	4,505	861
Special items[4]		**(3,430)**	(2,913)	(517)
Baseline earnings		**1,936**	1,592	344
Net earnings per common share		**8.35**	7.07	1.28
Baseline earnings per common share		**3.01**	2.50	0.51

1 Effective March 31, 1999, BCE's business segments were modified and now include two new segments: (1) CGI and BCE Emergis and (2) BCE Media (which includes Bell ExpressVu and Telesat Canada). These companies were previously included in the Bell Canada segment. In addition, Corporate and Other includes BCE's equity investment in Cable & Wireless Communications plc (CWC) (which was sold in June 1998) and Jones Intercable, Inc. (Jones) (which was sold in April 1999). These companies were previously included in the International Telecommunications segment, which comprised BCI and Other International Telecom. BCI is now reported as a separate segment. Previously reported amounts have been reclassified to conform with the current presentation.
2 Represents the consolidation of BCH with Bell Canada and its consolidated subsidiaries. BCH owns 100% of Bell Canada. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech. In addition, as part of the reorganization of Bell Canada, Bell Canada assumed $3.1 billion of debt due to BCE which was repaid on June 1, 1999 using a portion of the proceeds received from SBC/Ameritech. For segment reporting purposes, the interest expense/income on this debt was not included in the Bell Canada or in the Corporate and Other segment results.
3 Effective September 1, 1998, BCE equity accounts for its investment in Nortel Networks.
4 Includes (on an after tax basis) BCE's share of gains on reduction of ownership in subsidiary and significantly influenced companies, Nortel Networks' acquisition related costs, net gains on disposal of investments, restructuring and other charges, amortization of purchased in-process research and development (R&D) expense and BCI's results.



items of $3,430 million compared with special items of $2,913 million in 1998.

The special items in 1999 related mainly to the following:

- a $4,242 million dilution gain on the reduction of BCE's ownership in Bell Canada, from 100% to 80%, as a result of the SBC/Ameritech partnership, for cash proceeds of $5.1 billion;
- $591 million in dilution gains on the reduction of BCE's ownership interest in Nortel Networks, from 40.4% to 39.2%, as a result of Nortel Networks' acquisitions, through the issuance of shares, of Periphonics Corporation and Shasta Networks, Inc. as well as the issuance of shares by Nortel Networks under its stock option plan; and
- a $234 million gain on the sale of BCE's interest in Jones for net cash proceeds of $763 million

partially offset by:

- BCE's share ($1,165 million) of Nortel Networks' acquisition related costs (the amortization of intangible assets from the acquisition of Bay Networks, Inc. (Bay Networks) and all subsequent acquisitions, together with the amortization of any purchased in-process R&D from prior acquisitions);
- BCE's share ($354 million) of BCI's losses; and
- restructuring and other charges of $201 million relating primarily to Bell Canada ($127 million) and to the write-down of BCE Media's investment in SkyView Media Group, Inc. (SkyView) ($62 million), a provider of foreign language ethnic media service to the American market.

The special items in 1998 related mainly to the following:

- a $3,613 million dilution gain on the reduction of BCE's ownership interest in Nortel Networks as a result of Nortel Networks' acquisition of Bay Networks;
- a $513 million net gain on the sale of BCE's interest in CWC for net cash proceeds of $2.3 billion; and
- a dilution gain of $315 million on the reduction of BCE's ownership in Teleglobe, from approximately 25% to 20%, following Teleglobe's acquisition of Excel Communications, Inc.

partially offset by:

- Bell Canada's restructuring and other charges of $392 million;
- BCE's share ($1,077 million) of Nortel Networks' acquisition related costs; and
- BCE's share ($48 million) of BCI's losses.

Excluding Nortel Networks, revenues increased $635 million (5%) in 1999 compared with last year due mainly to increased revenues at CGI and BCE Emergis, BCE Media and Bell Canada. BCE's reported revenues for 1999 decreased $12,993 million compared with 1998 due mainly to BCE changing, prospectively, its accounting for Nortel Networks from consolidation to equity accounting effective September 1, 1998.

During 2000, BCE will seek revenue growth mainly through growth at Bell Canada and CGI and BCE Emergis and baseline earnings growth (excluding Nortel Networks) through growth at Bell Canada and Corporate and Other. Baseline earnings will be negatively impacted by BCE's reduced ownership interest in Bell Canada.

Bell Canada

OVERVIEW

Bell Canada's results discussed in this MD&A represent the consolidation of BCH with Bell Canada and its consolidated subsidiaries (including Bell Mobility, BCE Nexxia Inc. (carrying on business under the name Bell Nexxia (Bell Nexxia)), Bell ActiMedia, Northern Telephone Limited, Northwestel Inc. and Télébec ltée) as well as Bell Canada's equity investments in Aliant, Manitoba Telecom Services Inc. (MTS) and Teleglobe. These entities provide a full range of domestic and international communications services to customers. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech. BCH owns 100% of Bell Canada.

Bell Canada's results for 1999 reflected increased operating revenues and increased cash operating expenses and lower depreciation and amortization compared with 1998. In addition, 1999 results were impacted by restructuring and other charges in the aggregate amount of $267 million (pre-tax) compared with $608 million (pre-tax) in 1998.

BELL CANADA OPERATING REVENUES

Local and access services revenues increased $50 million for 1999 compared with 1998 due mainly to growth in network access services (primarily business line growth), higher **SmartTouch**™ services revenues which were positively impacted by the increased penetration of these services combined with price increases implemented in mid 1999, and increased revenues from competitors accessing the local network, partially offset by lower single line

TABLE 2 **BELL CANADA OPERATING REVENUES**

($ millions)	1999	1998	% Change
Local and access services	**5,414**	5,364	1
Long distance and network services	**3,912**	4,196	(7)
Wireless services	**1,119**	1,047	7
Terminal sales, directory advertising and other	**2,138**	1,798	19
Total	**12,583**	12,405	1
NUMBER OF NETWORK ACCESS SERVICES[1] (EXCLUDING NEWTEL)			
(thousands)	**1999**	1998	% Change
Residence	**7,622**	7,519	1
Business	**3,957**	3,749	6
Total	**11,579**	11,268	3

1 Network access services represent, approximately, the number of lines in service at December 31.

terminal sales, the deconsolidation of NewTel (as discussed below) and the impact of the reduction in local business rates.

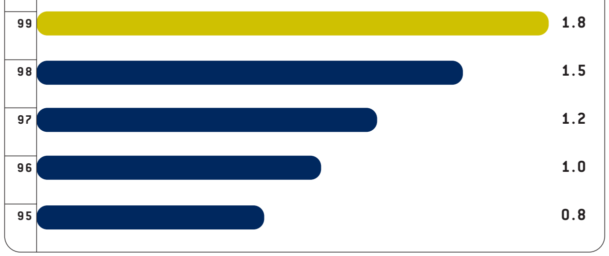
Long distance and network services revenues decreased $284 million for 1999 compared with 1998. The decrease was due to lower long distance services revenues which were impacted by lower average prices of approximately 24% resulting from the increased penetration of discount calling plans for the consumer market such as **First Rate**™. The increased penetration of these discount calling plans has led to an increase in long distance service volumes as measured in conversation minutes (excluding NewTel) of 2,288 million (20%) to 13,550 million for 1999. Bell Canada's share of the long distance market decreased by 1.8 percentage points to an estimated market share of 62.1% as at December 31, 1999, compared with an estimated market share of 63.9% as at December 31, 1998. Also contributing to the decrease in long distance services revenues was the deconsolidation of NewTel. The decrease in long distance services revenues was partially offset by an increase in network services revenues for 1999, compared with 1998, due mainly to growth in digital frame-relay services and in other digital data services, partially offset by the deconsolidation of NewTel.

Wireless revenues increased $72 million for 1999 compared with 1998 due mainly to increased wireless voice revenues. The increased revenues resulted mainly from increases in the cellular and PCS subscriber base, partially offset by lower average revenue per cellular and PCS subscriber. Average revenue per cellular and PCS subscriber decreased from $60 per month in 1998 to $51 per month in 1999 reflecting the impact of increased competition in the wireless market and the growth in the number of prepaid subscribers. In response, Bell Mobility recently introduced new **RealTime**™ rate packages offering both competitive prices and industry leading wireless access to the Internet on the handset.

At December 31, 1999, there were 1,797,000 cellular and PCS subscribers of which 1,408,000 were cellular subscribers and 389,000 were PCS subscribers, reflecting net additions of 322,000 or 22% from December 31, 1998. Included in the total subscriber base were 509,000 prepaid subscribers.

BELL MOBILITY WIRELESS VOICE SUBSCRIBERS

(millions)



Terminal sales, directory advertising and other revenues for 1999 increased $340 million compared with 1998 due mainly to growth at Bell Nexxia (as a result of the provision of Internet and Internet Protocol/Broadband services), and increased revenues related to terminal equipment sales and Internet access, partially offset by the deconsolidation of NewTel.

Excluding NewTel (deconsolidated as of May 31, 1999 as a result of its combination into Aliant and Bell Canada's resulting 42% ownership in Aliant), local and access services revenues increased $128 million or 2%, long distance and network services revenues decreased $211 million or 5% and terminal sales, directory advertising and other revenues increased $372 million or 23% for 1999 compared with 1998.

During 2000, Bell Canada will seek revenue growth through network access services growth, increased penetration of **SmartTouch** services, new product introduction, targeted price increases, increased marketing efforts, growth from the data/Internet Protocol market (by increasing its penetration rate of high-speed users), various initiatives in data and product development and innovative bundled services. The potential increase in local service competition, lower average local rates due to the continuing impact of the price cap regime and competitive pressures in the long distance market will adversely affect revenues.

BELL CANADA CASH OPERATING EXPENSES

Cash operating expenses increased $203 million for 1999 compared with 1998 due mainly to cost increases associated with volume increases mainly related to the provision of Internet and Internet Protocol/Broadband services and the increased stock-based compensation expense related to the $73 increase in BCE Inc.'s share price during 1999, partially offset by lower long distance settlement payments and the deconsolidation of NewTel.

At December 31, 1999, the total number of employees was 43,995, reflecting a decrease of 2,036 from December 31, 1998, mainly as a result of the deconsolidation of NewTel, partially offset by the repatriation of employees from Stentor. Total salaries and wages (including capitalized amounts) were $2,391 million, down $68 million from 1998, reflective of the decrease in employee base impacted primarily by the deconsolidation of NewTel.

EBITDA (earnings before interest expense, income taxes, depreciation and amortization, pension credits and restructuring and other charges) was $5,399 million for 1999 representing a decrease of $25 million compared with 1998 as the higher operating revenues were offset by the higher cash operating expenses.

In May 1999, Bell Canada and its Operator Services employees and Craft and Services employees, represented by the Communications, Energy and Paperworkers' Union (CEP), signed new five-year agreements (effective May 15, 1999) replacing the collective agreements which expired on November 24, 1998 and November 30, 1998, respectively, putting an end to the five-week strike, which began on April 9, 1999. In December 1999, Bell Canada and its Communications Sales employees, represented by the Canadian Telephone Employees' Association (CTEA), signed a new four-year agreement (effective January 1, 2000), replacing the three-year collective agreement which expired on December 31, 1999.

TABLE 3 **BELL CANADA OPERATING EXPENSES**

($ millions)	1999	1998	% Change
Cash operating expenses	**7,184**	6,981	3
Pension credit	**(204)**	(316)	(35)
Depreciation and amortization	**2,440**	2,634	(7)
Restructuring and other charges	**267**	608	(56)
Total	**9,687**	9,907	(2)

During 2000, Bell Canada anticipates moderate increases in cash expenses mainly related to revenue growth initiatives, which are expected to be partially offset by lower settlement payments to other telecommunications companies. Modest growth in expenses supporting Internet and data initiatives is anticipated as part of an overall strategy to increase focus and presence in these areas.

DEPRECIATION AND AMORTIZATION

The decrease in depreciation and amortization expense of $194 million in 1999 compared with 1998 was primarily due to lower net average plant in service. In addition, certain assets, such as DMS™ switches installed in the late 1980s and early 1990s, have been almost entirely depreciated. Depreciation and amortization expense is expected to decrease moderately in 2000 compared with 1999.

RESTRUCTURING AND OTHER CHARGES

In 1999, Bell Canada recorded a pre-tax charge of $267 million ($141 million after tax and non-controlling interest) representing restructuring and other charges of $163 million and $104 million, respectively. The restructuring charges, mainly employee severance (for approximately 2,600 employees) and directly related incremental costs, resulted principally from the decision to outsource a portion of the Operator Services group, the windup of Stentor Canadian Network Management and cost rationalization within other operating groups. These restructuring programs are expected to be substantially completed by mid 2000. Other charges related mainly to the write-down of the Iridium investment.

In 1998, Bell Canada recorded a pre-tax charge of $608 million ($392 million after tax) representing restructuring and other charges of $102 million and $506 million, respectively. The restructuring charges related to plans for rationalization of real estate and the integration of business units. Included in the charges were costs relating to lease terminations and associated costs and employee severance. Other charges mainly included a provision for the costs of implementing local service competition and providing local number portability to the extent such costs were estimated not to be recoverable. Also included in other charges were costs relating to the write-down of certain assets and other provisions.

As at December 31, 1999, the remaining balance of the restructuring provision is $130 million ($61 million in 1998). This provision is comprised primarily of unpaid severance payments to the members of the Operator Services group for $60 million, other unpaid incremental costs of $12 million associated with the outsourcing of the Operator Services group, and $30 million for costs relating to the rationalization of real estate.

WIND UP OF STENTOR CANADIAN NETWORK MANAGEMENT (SCNM)

On July 6, 1999, Bell Canada and Telus Communications Inc. announced that they had reached an agreement on the creation of a new model for managing national network operations currently performed by SCNM. As a result of this new arrangement, as of January 1, 2000, Bell Canada is providing national operational support services to BCT.Telus Communications Inc. (BCT.Telus), and to Bell Canada's partners, Aliant, Saskatchewan Telecommunications (SaskTel) and MTS. SCNM, the central organization created in 1992 to perform these functions, has been wound up. Many of SCNM's employees and functions have been transferred to Bell Canada and the other SCNM members. The companies will continue their co-operative efforts to ensure continuity and seamless service of their shared national network for the benefit of their customers.

WAGE PRACTICES INVESTIGATION

On September 30, 1999, Bell Canada, the CEP and the CTEA announced that they had reached a tentative $59 million settlement regarding the 1994 pay equity complaints which were before the Canadian Human Rights Tribunal (Tribunal). The settlement covering approximately 20,000 current and former employees of Bell Canada was subject to a ratification process by the CEP's and CTEA's members and approval by the Canadian Human Rights Commission. The CEP and CTEA had agreed to recommend acceptance of the settlement to their members. On October 29, 1999, the CEP and CTEA announced that the tentative pay equity settlement was rejected by their members. Accordingly, hearings before the Tribunal resumed in December 1999, at which time the Tribunal rendered a decision dismissing three of the preliminary objections that Bell Canada had previously raised. Bell Canada has filed for judicial review of this decision in Federal Court. Unless the matter is otherwise resolved, hearings and any appeal could last several years.

REGULATORY DECISIONS

On December 23, 1999, in Order 99-1237, the Canadian Radio-television and Telecommunications Commission (CRTC) approved, on an interim basis, Bell Canada's November 17, 1999 application to revise the rates it charges customers for SmartTouch services. The changes, which became effective January 17, 2000, increased rates for features such as SmartPac™, Call Display Number and Visual Call Waiting as well as removed the reduction customers received when ordering two or more calling features.

On November 5, 1999, Industry Canada released its decision in its review of the PCS Spectrum Cap. Industry Canada has increased the cap, from its current level of 40MHz, to 55MHz. Industry Canada stated that the increased cap is intended to help address capacity constraints, i.e. in Toronto and Montreal, as well as to assist in the development of third generation (3G) PCS services. Industry Canada's release also indicates that the remaining 40 MHz of PCS spectrum in the C and E blocks will be allocated through an auction which will be completed by the Fall of 2000.

On October 13, 1999, in Order 99-991, the CRTC determined that it would no longer be necessary to regulate mobile wireless services provided in-house by incumbent wireline carriers. This decision will permit Bell Canada to market cellular services directly without tariff approval.

On October 8, 1999, in Order 99-972, the CRTC concluded that the current prohibition on the resale of Inter-exchange Voice services by affiliated companies was no longer required. With respect to local services, the CRTC concluded that resale of local exchange services or facilities by an affiliated reseller is prohibited. However, this restriction does not apply to: 1) affiliates who are Canadian carriers; or 2) any affiliate, whether a Canadian carrier or reseller, operating in the serving territory of an unaffiliated incumbent local exchange carrier.

On June 8, 1999, in Order 99-513, the CRTC approved Bell Canada's May 10, 1999 application to revise rates for its residence Call Answer and Call Answer Plus Messaging services. These changes, which have increased rates for the fully integrated residence Call Answer service, decreased rates for the residence Call Answer Plus service and increased charges for integrated residential mail boxes, have increased bottom line contribution while better positioning these services in the competitive market place.

On June 1, 1999, in Order 99-489, the CRTC approved price reductions proposed by Bell Canada as part of its second annual price cap filing on March 31, 1999. The rate changes, which became effective June 1, 1999, lowered the cost to customers of digital communications for services such as **MEGALINK**™, Digital Network Access, Direct Inward Dialing, Digital Exchange Access and Centrex Multiple Appearance Directory. Prices for Bell Canada's other access services remain unchanged.

On March 12, 1999, in Order 99-239, the CRTC established, on an interim basis, the manner in which Bell Canada can recover, over a three-year period, costs associated with local competition start-up and local number portability. The portion to be recovered from services subject to price cap regulation is to be reflected as an exogenous factor in the price cap formula. Pending a final decision, this amount is to be used only to mitigate price decreases that would otherwise be required.

CGI and BCE Emergis

CGI is an information technology (IT) services company, which provides end-to-end IT services, such as, outsourcing, systems integration, consulting and business solutions to customers worldwide. BCE Emergis is an electronic commerce services provider, which delivers network-centric e-commerce solutions to customers worldwide.

Revenues at CGI and BCE Emergis increased $486 million in 1999 compared with last year. This increase was mainly due to the acquisition of an increased share ownership interest in CGI and the acquisition of shares of BCE Emergis by BCE on July 1, 1998 and on August 31, 1998, respectively. As of July 1, 1998, BCE proportionately consolidates CGI's results (CGI was accounted for as an investment at cost up to June 30, 1998). At December 31, 1999, BCE's ownership in CGI was approximately 45%. The 1998 results relating to BCE Emergis, for the period prior to August 31, represent the Electronic Business Solutions (EBS) activities of Bell Canada, which were exchanged as part of the acquisition of shares of BCE Emergis.

CGI's 1999 baseline earnings contribution to BCE was $30 million, reflecting strong revenue growth from new outsourcing and systems integration contracts, as well as operating efficiencies resulting from the application of ISO 9001 quality standards, synergies from the integration of acquisitions and increasing economies of scale. Overall, BCE Emergis' results reflected strong growth in revenues and EBITDA (earnings before interest, income taxes, depreciation and amortization). BCE's $43 million share of BCE Emergis' baseline loss in 1999 was mainly attributable to the amortization of goodwill and other intangibles related to acquisitions made by BCE Emergis.

On October 29, 1999, CGI, Portugal Telecom (PT), IBM Global Services and Case signed an agreement creating a systems and information technology partnership. The agreement involves the creation of two companies: PT Information Systems; and Data, Computers and Information Solutions. The information systems and data processing functions of the PT Group companies will be outsourced to these new companies.

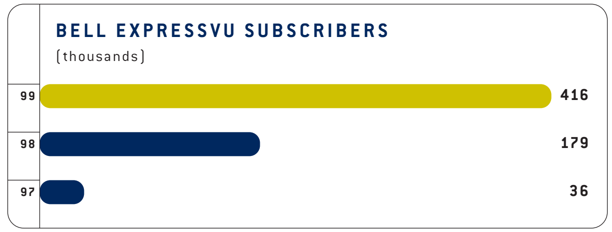
Effective July 1, 1999, CGI finalized the acquisition of DRT Systems International Inc. (DRT). In 1999, DRT had annual revenues approaching US $100 million.

On December 21, 1999, BCE announced the signing of a long-term agreement between Bell Canada, BCE Emergis and California based Ariba, Inc. (Ariba), in which BCE Emergis will provide Bell Canada and its subsidiaries with a fully-managed business-to-business (B2B) corporate exchange marketplace and e-procurement solution. The agreement provides a fully-managed Internet-based market place, with **Ariba**™ B2B e-commerce platforms, that will be initially used by Bell Canada and all its suppliers across Canada.

On November 1, 1999, BCE Emergis acquired 100% of SNS/Assure Corp. and Assure Health Inc., companies providing electronic commerce solutions principally to the financial services and health insurance sectors, for a purchase price of approximately $224 million comprised primarily of cash and BCE Emergis common shares. The cash component of the purchase price was funded in part by a subscription for an amount of $125 million of BCE Emergis common shares by BCE pursuant to its pre-emptive right. The exercise by BCE of its pre-emptive right had the effect of maintaining its share ownership in BCE Emergis at approximately 65%.

BCE Media

BCE Media includes Telesat Canada (Telesat), Bell ExpressVu Limited Partnership (Bell ExpressVu), TMI Communications and Company Limited Partnership as well as Other media interests. These entities provide the delivery of satellite entertainment and business services.



Revenues at BCE Media increased $264 million in 1999 compared with 1998 mainly due to strong revenue growth at Bell ExpressVu, first year operations at Other media interests and to the acquisition of 100% of Telesat in May 1998 (Telesat was accounted for as an investment at equity up to April 30, 1998).

This group's contribution to BCE's 1999 baseline earnings was a loss of $87 million compared with a loss of $53 million in 1998. The increased loss in 1999 mainly reflected the cost of expansion of Bell ExpressVu's direct-to-home satellite television service and first year losses at Other media interests.

At December 31, 1999, Bell ExpressVu had approximately 416,000 subscribers, reflecting an increase of more than 130% compared with December 1998. Average revenue per subscriber at December 31, 1999 was $46 per month compared with $41 per month at December 31, 1998. In the second quarter of 1999, Telesat successfully launched **NIMIQ**™, Canada's first direct broadcast satellite, which has enabled Bell ExpressVu to offer a broader entertainment line-up and significantly improve the quality of its signal.

Nortel Networks

OVERVIEW

Nortel Networks' operations include two operating segments: Service Provider and Carrier (SP&C) and Enterprise. The SP&C segment delivers network solutions which are used by telecommunications operating companies and other service providers to interconnect access lines and transmission facilities to provide local or long distance services, wireless communications systems, and solutions which transport voice, data, and video communications between locations within a city or between cities, countries or continents. The Enterprise segment delivers solutions consisting of electronic business systems, including call centre, voice messaging and interactive response systems, Internet and data networking solutions, Open IP systems, and Enterprise telephony solutions.

On February 14, 2000, Nortel Networks announced that it would invest an additional US $260 million in optical networking and components. This investment is in addition to the US $400 million investment announced in November 1999. These investments, and an expected tripling of production capacity in 2000, will accelerate Nortel Networks' ability to meet high customer demand for its Optical Internet systems and components. As part of these investments, Nortel Networks plans to build new facilities in Canada, expand existing facilities in Europe and increase its supply chain and customer service capabilities in the United States.

On January 28, 2000, Nortel Networks acquired Qtera Corporation (Qtera), a producer of ultra-long-reach optical networking systems. Each outstanding share of Qtera preferred stock and common stock was converted into a right to receive 1.3350 Nortel Networks common shares (an aggregate of approximately 23 million Nortel Networks common shares). Approximately 5 million Nortel Networks common shares were reserved for issuance in respect of Qtera options and warrants assumed by Nortel Networks. In addition, up to US $500 million in Nortel Networks common shares may be issued to the former Qtera shareholders, option holders and warrant holders, upon Qtera achieving certain business objectives.

On October 18, 1999, Nortel Networks announced the signing of a definitive agreement to acquire Clarify Inc. (Clarify), a provider of front office solutions for eBusiness. Under the terms of the agreement, Clarify stockholders will receive a fixed exchange ratio of 1.3 Nortel Networks common shares for each share of Clarify common stock. Based on the closing price of US $52.69 per Nortel Networks common share on October 15, 1999, this represents an aggregate purchase price of approximately US $2.1 billion. The boards of directors of both companies have approved the transaction. The acquisition is subject to certain customary regulatory and other approvals, including approval by the Clarify stockholders. Clarify has called a meeting of its stockholders for March 16, 2000 to consider the transaction. The acquisition is expected to close in the first quarter of 2000.

On January 13, 1999, Nortel Networks announced the acceleration of its three-year operations strategy designed to better meet the rapidly changing needs and values of its customers worldwide. A key element of Nortel Networks' strategy is the transition from vertical integration (making and assembling most of its products and systems) to virtual integration (acting as a systems house). As part of this operations strategy, on May 13, 1999, Nortel Networks announced its intention to create a network of seven global systems houses located in Canada, the United States and Europe. The systems houses will link customers, design centres, internal manufacturing, suppliers, contract manufacturers, and other parts of the supply chain to establish a flexible structure for today's fast-changing environment, and will also be responsible for overall quality, customer delivery and new product introduction. The operations strategy also involves the divesting and/or outsourcing to contract manufacturers all but Nortel Networks' most complex printed circuit board assembly, most of Nortel Networks' electromechanical subsystems manufacturing, and a significant part of the repair business.

Nortel Networks' contribution to BCE's baseline earnings was $1,002 million in 1999 compared with $679 million in 1998. The $323 million increase was mainly due to revenue growth, higher gross profit and a decrease in the effective tax rate.

The following discussion of Nortel Networks' results is based on results for the full twelve months of 1999. BCE's consolidated statement of operations for the year ended December 31, 1999 reflects BCE's share of these results in the line item Equity in net losses of significantly influenced companies, while Nortel Networks' results for the first eight months of 1998 are reflected in BCE's 1998 consolidated statement of operations on a line-by-line basis and for the last four months in 1998, are included in the line item Equity in net losses of significantly influenced companies. While Nortel Networks reports its results in U.S. dollars, all amounts presented in this MD&A are in Canadian dollars, except where otherwise noted.

NORTEL NETWORKS REVENUES

Nortel Networks revenues increased by $6,691 million or 25% in 1999, compared with 1998, mainly due to substantial increases in SP&C and Enterprise revenues, marginally offset by a decrease in Other revenues.

Tables four and five show details of Nortel Networks' revenues by principal product lines and by geographic areas.

SP&C revenue growth of $4,953 million or 25% in 1999 compared with 1998 was largely driven by substantial growth in sales of optical networking systems and high-speed Internet access solutions. The considerable increase in sales of optical networking systems was driven by growth across all regions, with substantial growth in the United States and Europe. The substantial increase in the sales of

TABLE 4 NORTEL NETWORKS – REVENUES BY SEGMENT[1]

($ millions)	**1999**	1998	% Change
SP&C	**24,863**	19,910	25
Enterprise	**7,979**	6,070	31
Other	**119**	290	(59)
Total	**32,961**	26,270	25

1 Revenues by segment for the years ended December 31, 1999 and 1998, have been reclassified to reflect the evolution of certain businesses within the management structure. The primary effect of this reclassification was to move certain businesses among Enterprise, Other and SP&C to more closely align the businesses with their primary customers.

TABLE 5 NORTEL NETWORKS – GEOGRAPHIC REVENUES[2]

($ millions)	**1999**	1998	% Change
United States	**18,930**	14,705	29
Canada	**2,128**	2,035	5
Other Countries	**11,903**	9,530	25
Total	**32,961**	26,270	25

2 Revenues are based on the location of the customer. Geographic revenues have been reclassified to reflect the evolution of certain non operating businesses within the management structure.

high-speed Internet access solutions was also driven by growth across all regions with substantial growth in the United States, in Caribbean and Latin America (CALA), and in Europe. In addition, sales of mobility systems increased significantly in 1999, compared with 1998, primarily due to a substantial increase in sales in the Asia Pacific region and significant increases in sales in the United States and Europe, which more than offset a substantial decline in sales of mobility systems in CALA, primarily in Brazil and Colombia. Overall, SP&C revenues were substantially higher in the United States, Europe and in the Asia Pacific region in 1999 compared with 1998.

The considerable increase in sales of optical networking systems in 1999, compared with 1998, was driven by very strong customer demand. Customer demand for optical networking systems in 1999 exceeded Nortel Networks' ability to supply these systems within customary delivery periods, creating a backlog of orders for Nortel Networks' optical networking systems. Nortel Networks is addressing this situation by increasing internal manufacturing capacity and expanding the use of contract manufacturers. Nortel Networks expects to clear the existing backlog over the next few quarters. Nortel Networks is continuously working with all of its suppliers to increase capacity to sustain forecasted customer demand.

Enterprise revenues in 1999 increased by $1,909 million or 31% compared with 1998. This growth was largely driven by an increase in enterprise data networking revenues due to the acquisition of Bay Networks, resulting in higher sales of local area networks and data switching systems, primarily in the United States and Europe. An increase in sales of enterprise platform networks in Europe and the United States also contributed to the revenue growth in 1999 compared with 1998. This revenue growth was also attributable to a significant increase in sales of enterprise voice applications, particularly in Europe, which more than offset a substantial decline in sales of enterprise voice applications in Canada. Overall, Enterprise revenues were substantially higher in the United States and Europe in 1999 compared with 1998 and are expected to grow at a slower rate in 2000 compared with 1999.

In recent years, the Asia Pacific region has been affected by unstable economies and the volatility of certain currencies. Although revenues for 1999 increased substantially in the Asia Pacific region compared with 1998, the economic instability in this region may impact the demand for products in future periods.

The economic instability in certain countries, including Brazil and Colombia and other countries in CALA, may impact demand generally for Nortel Networks' products. In addition, despite the recent recovery of the Brazilian economy, the volatility of the Brazilian real may continue in 2000 and could slow economic growth for CALA in future periods. Although demand in CALA for Nortel Networks' products was affected in 1999, Nortel Networks anticipates that the short-term and long-term growth prospects for CALA remain strong.

GROSS MARGIN

Gross margin was 43.3% of revenues for 1999 and 42.8% of revenues for 1998. Gross profit increased by $3,028 million in 1999, compared with 1998, due to gross profit increases in SP&C and Enterprise. The favourable sales mix in SP&C was largely driven by optical networks and high-speed Internet access solutions. The improved gross profit for 1999 in Enterprise was largely driven by enterprise data networks.

Although competitive pricing pressures continue, particularly with respect to sales of mobility systems, overall Nortel Networks has been able to help mitigate such pricing pressures through increased sales of higher-margin products and manufacturing and other cost-reduction programs. Gross margin can be negatively affected by the introduction of new products, continued expansion into new markets, and increases in products manufactured by other suppliers in network solutions offered by Nortel Networks.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE

In 1999, SG&A expense increased by $1,462 million compared with 1998. SG&A expense, as a percentage of revenues, increased by 0.9 of a percentage point compared with 1998. The increased SG&A expense, as a percentage of revenues, primarily reflected the higher SG&A expense associated with Bay Networks that traditionally had higher spending levels (when expressed as a percentage of revenues). Also contributing to the SG&A expense increase were expenditures incurred to support Nortel Networks' global marketing programs, including eBusiness initiatives. The increase in SG&A expense also reflected a modest increase in SP&C costs due to increased customer financing activities, which resulted in higher levels of customer specific provisioning consistent with Nortel Networks' accounting practice.

RESEARCH AND DEVELOPMENT (R&D) EXPENSE

Nortel Networks' R&D expense increased by $663 million in 1999 compared with 1998. This increased investment in R&D was attributable to new equipment, process development, advanced capabilities, and services for a broad array of applications in Enterprise, including data networks and IP technologies, and for increases in support for optical networks, core data networks and other ongoing programs in SP&C.

FOREIGN EXCHANGE RISK

Nortel Networks continues to expand its business globally and, as such, an increasing proportion of its business will be denominated in currencies other than U.S. dollars. As a result, fluctuations in foreign currencies may have an impact on Nortel Networks' business and financial results. Nortel Networks endeavours to minimize the impact of such currency fluctuations through its ongoing commercial practices and by attempting to hedge its exposures to major currencies. In attempting to manage this foreign exchange risk, Nortel Networks identifies operations and transactions that may have foreign exchange exposure, based upon, among other factors, the excess or deficiency of foreign currency receipts over foreign currency expenditures in each of Nortel Networks' significant foreign currencies. Nortel Networks' significant currency flows for 1999 were in United States dollars, Canadian dollars, United Kingdom pounds and the Euro. For the year ended December 31, 1999, the net impact of foreign exchange fluctuations was a loss of $151 million compared with a loss of $112 million for the year ended December 31, 1998. Given the devaluation of the Euro and the devaluation and continued volatility of the Brazilian real, and Nortel Networks' exposure to these and other international markets, Nortel Networks continuously monitors all of its foreign currency exposures. As Nortel Networks cannot predict whether foreign exchange losses relating to Brazil and other countries will continue to increase in the future, significant foreign exchange fluctuations may have a material adverse impact on Nortel Networks' results of operations.

INCOME TAXES

The effective tax rate of 28% for 1999, decreased by 7.5 percentage points compared with 1998, as a consequence of a higher United States tax deduction associated with the exercise of stock options.

LITIGATION

See Note 8 (d) in the consolidated financial statements.

Bell Canada International

BCI owns, develops and operates advanced telecommunications networks outside of Canada, primarily in Latin America and the Asia Pacific region, with a focus on wireless technology. BCI also pursues opportunities in basic telephony and cable television to complement its presence in existing markets or as a means of entry into targeted geographic markets offering high growth potential. BCI currently provides wireless services in Colombia, Brazil, Mexico, Korea and Taiwan, as well as cable television and private telephony services in Brazil.

As part of BCI's new strategy of streamlining and sharpening the focus of BCI's portfolio, BCI concluded agreements to divest its interests in Tata Communications Limited (Tata) in India, and in Shandong Hehua Bell Telecommunications Engineering Company, Ltd. and Shandong Renwa Bell Telecommunications Engineering Company, Ltd. (collectively Shandong Bell), and Yantai Bell Telecommunications Engineering Company, Ltd. (Yantai Bell), in China, for proceeds of approximately $85 million.

On January 25, 2000, BCI also announced that the Brazilian competitive access providers Vésper S.A. and Vésper Sao Paulo S.A. (the Vésper companies) launched commercial service, with a network capacity exceeding 2.1 million lines. The speed and size of the buildout reflects the speed-to-market benefits of fixed wireless technology in telecom start-ups. As a result of the two commercial launches, BCI will include results from the Vésper companies in its financial reporting commencing in the first quarter of 2000. BCI's ownership in the Vésper companies is approximately 34%.

Revenues at BCI were $807 million in 1999, reflecting an increase of $35 million compared with revenues of $772 million in 1998. This increase was primarily due to increased revenues related to BCI's investment, in

September 1998, in Hansol PCS Co., Ltd. (Hansol) of Korea and BCI's increased investment in KG Telecommunications Co., Ltd. (KG Telecom) of Taiwan (on June 15, 1999, BCI increased its effective ownership in KG Telecom from 10% to 20% and began proportionately consolidating its results), partially offset by lower revenues from Colombian cellular operations (affected notably by that country's currency devaluation against the Canadian dollar and the continuing economic downturn in Colombia).

The total number of subscribers in companies in which BCI has an interest was approximately 5.5 million at December 31, 1999, representing an increase of approximately 2.6 million over December 31, 1998. On a proportionate basis, the number of subscribers at December 31, 1999 was approximately 1.4 million, representing an increase of approximately 650 thousand over December 31, 1998 (proportionate numbers reflect BCI's percentage ownership in each of its operations). The increase in total and proportionate subscribers was mainly due to BCI's investment in Hansol, which had approximately 2.7 million subscribers at December 31, 1999 and KG Telecom, which had approximately 1.4 million subscribers at December 31, 1999. BCI's operations in Colombia had approximately 751,000 subscribers at December 31, 1999, an increase of 54,000 from December 31, 1998.

BCE's share of BCI's loss was $354 million in 1999 compared with a loss of $48 million in 1998. The increased loss was primarily attributable to BCI's Colombian operations affected by the impact of the economic downturn in Colombia and the currency devaluation that began in late 1998, a higher loss at Hansol and losses incurred at BCI's start-up operations. In addition, BCI, as the controlling shareholder, began, as of May 1999, accounting for 100% of the losses in Colombia. The interest of non-controlling shareholders in such losses would normally be reflected on BCI's balance sheet as a reduction of the non-controlling interest. However, Generally Accepted Accounting Principles require the controlling shareholder to account for 100% of the subsidiary's losses when the non-controlling interest has been eliminated on the balance sheet. The impact of recognizing the non-controlling interest in such losses was $109 million in 1999. Also included in BCI's 1999 loss were special charges of $113 million relating mainly to the write-off of handset subsidy costs associated with certain customer contracts, as current circumstances indicate that the benefit from these expenditures relates more appropriately to current period activities, partially offset by gains totalling $110 million (related to the dilution gain on the reduction of BCI's ownership interest in Hansol (from 23% to 21%) as a result of Hansol's initial public offering in November 1999, and gains on the sale of the Tata investment and the Yantai Bell and Shandong Bell networks).

Corporate and Other

Corporate and Other income – net (excluding special items) in 1999 was $14 million compared with Corporate and Other expenses – net (excluding special items) of $153 million in 1998. This improvement was mainly due to higher interest income (on the proceeds received from SBC/Ameritech and on the $4.1 billion intercompany loans between BCE and Bell Canada, which were created as a result of the reorganization of Bell Canada (See page 19 of this MD&A) and which are more fully described in the liquidity section that follows) and to lower interest expense (mainly due to the repayment of debt funded by the proceeds from the sale of CWC in June 1998, Jones in April 1999 and 20% of Bell Canada in June 1999).

LIQUIDITY AND CAPITAL RESOURCES

BCE Consolidated

BCE's consolidated cash flows from operating activities in 1999 decreased by $908 million to $2,598 million compared with 1998, mainly due to higher working capital requirements at Bell Canada. Consolidated cash flows used in investing activities in 1999 were $32 million compared with $5,931 million in 1998. The change was primarily related to a reduction in cash of $3.0 billion due to the deconsolidation of Nortel Networks in September 1998 and higher proceeds on divestitures/capital asset dispositions in 1999 compared with 1998 ($5.1 billion of proceeds received on the sale of

20% of Bell Canada to SBC/Ameritech and $763 million received on the sale of Jones in 1999 compared with the $2.3 billion of proceeds received on the sale of CWC in 1998 and the $753 million of proceeds received on the sale of certain real estate properties by Bell Canada in 1998). BCE's consolidated cash flows used in financing activities were $549 million in 1999 compared with cash flows from financing activities of $398 million in 1998. The change resulted mainly from a lower level of notes payable issued in 1999 compared with 1998 (mainly Nortel Networks) partially offset by a higher level of debt issued in 1999 compared with 1998 (mainly Bell Canada).

A discussion of the liquidity and capital resources of Bell Canada, Nortel Networks, BCI and Corporate and Other is outlined below.

Bell Canada

The principal components of Bell Canada's cash flows are shown in the table below.

Cash flows from operating activities for 1999 were $2,690 million, $964 million lower compared with 1998 due mainly to increased working capital requirements.

Cash flows used in investing activities were $4,698 million reflecting an increase of $1,907 million compared with last year. The change was primarily as a result of increased investments in 1999 and the sale of certain real estate properties for $753 million in 1998, partially offset by the sale of certain investments in 1999 (mainly Phone.Com for $116 million) and reduced capital expenditures. Bell Canada's investments for 1999 totalled $2,304 million and consisted mainly of Bell Canada's increased ownership interests in Bell Mobility (from 65% to 100%) for $1,570 million, in Teleglobe (from 20% to 23%) for $312 million and a $339 million (20%) investment in MTS. This compares to investments of $967 million for the same period last year consisting mainly of a $736 million investment in Teleglobe. The decreased capital expenditures related mainly to reduced digital network expenditures at Bell Mobility and the deconsolidation of NewTel, partially offset by increases in information systems and information technology spending on system implementation, the deployment of Internet high speed service and further Bell Nexxia expansion. Capital expenditure levels for 2000 are expected to be similar, when compared with 1999, due to increased investment to meet the growing demand for data services partially offset by reduced expenditures related to information systems and information technology spending.

Cash flows from financing activities for 1999 were $2,096 million compared with cash flows used in financing activities of $792 million for 1998. The change was due mainly to the issue of an equity-settled note to BCH in the amount of $1,570 million (at an interest rate of 6.0% and due on demand) to finance the additional investment in Bell Mobility and to the issue of long-term debt of $1,473 million in 1999 compared with $149 million in 1998. The proceeds from the issue of debt were used to refinance maturing debt of approximately $650 million, to repay short-term debt issued to BCE Inc. and to finance the capital expenditures and investments referred to above.

As part of the reorganization of Bell Canada (See page 19 of this MD&A), Bell Canada assumed $3.1 billion of debt due to BCE and issued $2.0 billion of new debt to BCE. These debts were repaid on June 1, 1999, using the $5.1 billion of cash proceeds received from SBC/Ameritech. In addition, as part of the reorganization, BCH issued $4.1 billion of new debt to BCE. For segment reporting purposes, the interest expense/income on the $3.1 billion and $2.0 billion loans is not included in the Bell Canada or Corporate and Other segment results for 1999 and 1998. Interest on the $4.1 billion loans is included as an expense in the Bell Canada segment and as interest income in the Corporate and Other segment. The $4.1 billion loans consist of three senior unsecured notes. Senior Note 1 of $1.5 billion, at an interest rate of 5.85%, matures May 31, 2001, Senior Note 2 of $1.7 billion, at an interest rate of 5.94%, matures May 31, 2009 and Senior Note 3 of $0.9 billion, at an interest rate of 6.0%, matures May 31, 2009. Intercompany loans and related interest are eliminated on the BCE consolidated financial statements.

Bell Canada's cash requirements during 1999, including the financing of capital expenditures and investments, were mainly met by cash flows from operations and by external financing. In January of 2000, Bell Canada issued $400 million Cumulative Redeemable Class A Preferred Shares Series 15 at a price of $25.00 per share and an initial yield of 5.50%. Part of the proceeds from the Series 15 Preferred Share issue were used to redeem Bell Canada's Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 ($150 million) and Series 13 ($145 million). For the remainder of the year 2000, approximately $800 million of Bell Canada's long-term debt will mature, and $100 million Series 10 Preferred Shares will become redeemable, at the option of the holders thereof, on August 15, 2000. In addition, Bell Canada is considering, subject to prevailing economic conditions, the redemption of $435 million of its preferred shares, which include the above-mentioned Series 10 Preferred Shares. Bell Canada's cash requirements during 2000 and beyond, including the financing of capital expenditures and investments, are expected to be met by internally generated funds and by the issuance of debt or equity.

Outstanding third party commercial paper totalled $11 million on December 31, 1999. The commercial paper program is supported by lines of credit, extended by several banks, totalling $1.6 billion.

In November 1999, the Corporation filed with all Canadian provincial securities regulatory authorities a short form shelf prospectus for the issue, during a two-year period, of up to $3 billion of debt securities (Canadian Shelf). In December 1999, the Corporation filed with the United States Securities and Exchange Commission a registration statement for the issue, during a two-year period, of up to US $500 million of debt securities (U.S. Shelf). The aggregate amount of debt securities issued under the Canadian Shelf and the U.S. Shelf may not, together, exceed $3 billion. On February 17, 2000, Bell Canada announced the offering in Canada of $200 million of medium term debentures pursuant to its medium term debenture program under the Canadian Shelf. The 6.65% Debentures, Series M-5, will be issued on March 1, 2000 and will mature March 1, 2006.

TABLE 6 BELL CANADA CASH FLOWS

($ millions)	1999	1998
Cash flows from operating activities	**2,690**	3,654
Cash flows from investing activities	**(4,698)**	(2,791)
Cash flows from financing activities	**2,096**	(792)

Nortel Networks

The following discussion of Nortel Networks' cash flows is based on the full twelve months of 1999.

Cash flows from operating activities of $1,397 million in 1999 represented a decrease of $980 million from 1998. The decrease was primarily due to increases in inventory and accounts receivable, partially offset by an increase in accounts payable. The increases in inventory and accounts payable were primarily due to the acceleration of upcoming network deployment schedules to meet the increased customer demand for the optical networking systems and mobility systems. The rise in accounts receivable was driven by increased sales in the fourth quarter of 1999, compared with the fourth quarter of 1998. Nortel Networks continues to focus on working capital as a key component of cash management.

Cash flows used in investing activities in 1999 of $2,080 million represented an increase of $1,944 million from 1998. The increase was primarily due to cash used in acquisitions of investments and businesses, a net increase in long-term receivables and increased expenditures for plant and equipment, partially offset by increased proceeds from sales of investments and businesses, net of cash acquired.

Cash flows from financing activities in 1999 were $615 million compared with cash flows of $789 million used in financing activities in 1998. The increase in cash flows resulted from the issuance of common shares of Nortel Networks, primarily related to the exercise of stock options, and by the significantly lower repurchases of Nortel Networks common shares for cancellation.

On April 15, 1999, Nortel Networks amended its 364-day syndicated credit agreements which permit borrowings in an aggregate amount not to exceed US $500 million, to, among other things, extend the agreements for an additional 364 days, decrease the interest rates and increase the facility fee rate. Nortel Networks did not extend or otherwise amend its five-year syndicated credit agreements, which permit borrowings in an aggregate amount not to exceed US $1.0 billion, and, accordingly, these agreements will terminate on April 26, 2003. The entire amount of all of these committed facilities remains available. Nortel Networks expects to meet its cash requirements from operations and conventional sources of external financing.

The competitive environment requires Nortel Networks and many of its principal competitors to provide significant amounts of medium-term and long-term customer financing in connection with the sale of products and services. While Nortel Networks has traditionally been able to place a large portion of its customer financings with third-party lenders, Nortel Networks anticipates that, due to the amount of financing it expects to provide and the higher risks typically associated with such financings (particularly when provided to start-up operations or to customers in developing countries), the amount of such financings required to be supported directly by Nortel Networks for at least the initial portion of their term is expected to continue to increase significantly in the future. At December 31, 1999, Nortel Networks had entered into certain financing agreements for which the remaining future provision of unfunded customer financing was up to approximately US $2.4 billion. Not all of these commitments are expected to be drawn upon. Nortel Networks expects to continue to arrange for third-party lenders to assume customer financing obligations agreed to by Nortel Networks and to fund other customer financings directly supported by Nortel Networks from working capital and conventional sources of external financing in the normal course. In light of recent economic uncertainty in various countries and reduced demand for financings in capital and bank markets, Nortel Networks may be required to continue to hold certain customer financing obligations for longer periods prior to placement with third-party lenders.

Nortel Networks has entered into supply contracts with customers for products and services, which in some cases involve new technologies currently being developed or which have not yet been commercially deployed by Nortel Networks or require Nortel Networks to build and operate networks on a turnkey basis. These supply contracts may contain delivery and installation timetables and performance criteria which, if not met, could result in the payment of substantial penalties or liquidated damages by Nortel Networks, the termination of the related supply contract, and/or the reduction of shared revenues under a turnkey arrangement.

Bell Canada International

During 1999, BCI's cash flows used in operating activities were $149 million compared with cash flows from operating activities of $24 million in 1998. The change was mainly due to higher operating losses. Cash flows used in investing activities were $957 million in 1999 compared with $913 million in 1998. The change was mainly due to increased capital expenditures in 1999 and the repayment of notes receivable by related parties in 1998 partially offset by lower investments in 1999. The investments in 1999 mainly related to BCI's increased stake in KG Telecom and Hansol. The investments in 1998 were related to the acquisition of Occidente y Caribe Celular S.A. (Occel) and Hansol. Cash flows provided from financing activities in 1999 totalled $1,202 million compared with $720 million in 1998. The increase was mainly due to the issuance of convertible unsecured subordinated debentures of $400 million ($150 million to Nortel Networks) in February 1999.

On December 9, 1999, BCI announced that credit facilities in the aggregate amount of $800 million had been arranged, comprised of $550 million of senior unsecured revolving and term loans arranged with a consortium of Canadian and international financial institutions and a $250 million loan from BCE. The proceeds will be used for general corporate purposes, including the refinancing of existing bank indebtedness and investing activities thus securing funding commitments through the year 2000.

At December 31, 1999, BCI was committed to purchase $775 million in network equipment.

On September 8, 1999, BCI announced that its Colombian cellular subsidiary, Comunicación Celular S.A. (Comcel), had restructured its senior secured term loans. Under the terms of the restructuring, Comcel's shareholders subscribed for additional common shares of Comcel in the aggregate amount of US $75 million, of which US $68 million was used to prepay a portion of Comcel's senior secured loans. BCI contributed US $65 million of the additional equity. In consideration, Comcel's senior lenders agreed to defer principal payments in the aggregate amount of US $83 million to August 31, 2001, and also agreed to waive all financial covenants under the loans, with the exception of a senior debt to EBITDA ratio, until August 31, 2001. In addition, under the Comcel restructuring, BCI guaranteed up to US $20.9 million of any potential shortfall by Comcel in principal or interest payments to August 31, 2001. This guarantee will be reduced, dollar for dollar, by any amounts prepaid to Comcel's lenders from Comcel's excess cash flow, if any, and/or from the proceeds of certain equity and debt issuances which may be made by Comcel.

In order to make its October 31, 1999 and January 31, 2000 interest payments under the senior secured term loans, Comcel drew down an aggregate of US $13.5 million under the BCI guarantee. In addition, in order to provide additional working capital to Comcel and Occel, BCI invested an aggregate of US $8 million in Comcel and US $4 million in Occel during the months of January and February 2000. As a result of these equity contributions, BCI's interest in Comcel and Occel has increased to 56% and 39%, respectively, on a fully diluted basis as at February 22, 2000.

As at December 31, 1999, Comcel was in compliance with the senior debt to EBITDA ratio. There can be no assurance that Comcel will be able to meet this financial covenant in the future. Any default with this covenant would trigger a cross-default under BCI's credit facilities and would permit both Comcel's and BCI's lenders to accelerate the maturity of the indebtedness under their respective credit facilities.

Corporate and Other

Investments in 1999 totalled $2,321 million consisting primarily of:

- an investment of $1.3 billion in Bell Canada in order to fund the acquisition of Bell Canada's increased ownership interest in Bell Mobility;
- an additional investment of $427 million in BCE Media mainly to fund Bell ExpressVu's expansion;
- an additional investment of $174 million in BCE Emergis mainly to fund the SNS/Assure acquisitions;
- a $250 million investment in BCI by way of an advance; and
- the acquisition of CGI shares, resulting mainly from the exercise, in part, of a put option by the three largest shareholders of CGI, for a total of $83 million.

Dividends to shareholders totalled $968 million for 1999 compared with $961 million for 1998.

During 1999, 2,423,544 common shares were issued for $152 million through BCE Inc.'s shareholder dividend reinvestment and stock purchase plan, employee savings plan and stock option plan. In addition, 1,250,304 common shares were issued in exchange for 3,954,730 (post-split) Class B Multiple Voting Shares of CGI.

In September 1999, BCE Inc.'s shareholder dividend reinvestment and stock purchase plan was amended to provide that common shares to be acquired upon reinvestment of cash dividends and investment of optional cash payments will, at BCE Inc.'s option, either be purchased on the open market through a stock exchange or will continue to be purchased directly from BCE Inc. This change enables BCE Inc. to avoid issuing treasury shares when additional capital is not required.

During 1999, BCE Inc. redeemed prior to maturity $300 million Series 8 Notes, $150 million Medium Term Notes and its US $400 million term credit facility. In addition, BCE Inc. repaid $200 million Series 11 Notes and $127 million Series 12 Notes.

At December 31, 1999, BCE Inc. had committed credit facilities totalling $725 million available as back-up for its commercial paper program and general corporate purposes. The entire amount of these facilities remains available for use by BCE Inc.

In November 1999, BCE Inc. filed with all Canadian provincial securities regulatory authorities a short form shelf prospectus for the issue, during a two-year period, of up to $1 billion of debt securities.

Credit Ratings

On March 25, 1999, following BCE Inc.'s announcement of a strategic partnership with SBC/Ameritech, BCE Inc.'s credit ratings were placed under review. In May 1999, Moody's Investors Services (Moody's) and **Standard & Poor's™** Ratings Group (S&P) completed their annual reviews of BCE Inc.'s credit worthiness, together with special analysis of the SBC/Ameritech transaction. Moody's raised BCE Inc.'s long-term debt rating from A3 to A1 and confirmed BCE Inc.'s commercial paper rating of Prime-1, both with Stable trends. S&P confirmed BCE Inc.'s long-term debt rating of A+. **Dominion Bond Rating Service™** (DBRS) completed its annual review of BCE Inc., in July 1999, and upgraded BCE Inc.'s long-term debt and preferred shares ratings to A (High) from A and to Pfd-2 (High) from Pfd-2, respectively, both with a Stable trend. On December 22, 1999, **Canadian Bond Rating Service™** (CBRS) reaffirmed the ratings on commercial paper of A-1 and on long-term debt of A (High), with Stable trends. Credit ratings on BCE Inc.'s Series P Preferred Shares and on BCE Inc.'s other series of outstanding preferred shares were revised for technical reasons from P-2 (High) to P-2 and from P-1 to P-2 (High), respectively, both with Stable trends. In January of 2000, following BCE Inc.'s announcement of its plan to distribute an approximate 37% interest in Nortel Networks to BCE Inc. common shareholders, CBRS and DBRS confirmed BCE Inc.'s current preferred share and debt ratings. S&P and Moody's do not rate BCE Inc.'s preferred shares. S&P and Moody's confirmed BCE Inc.'s commercial paper rating but Moody's placed on review for possible downgrade BCE Inc.'s A1 rating, for BCE Inc.'s Series 13 Notes, maturing in March 2000.

RECENT PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA) issued the new Handbook Section 3465, *Income Taxes*, which changes the accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the income statement, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new Handbook section is adopted, deferred income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all deferred income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new Handbook section (excluding Nortel Networks) is not expected to have a material effect on the financial statements of BCE.

The CICA issued the new Handbook Section 3461, *Employee Future Benefits*, which changes the accounting for pension and other types of employee future benefits. Effective for fiscal years beginning on or after January 1, 2000, the new Handbook section requires companies to accrue the costs of postretirement benefits other than pensions over the working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as paid. The new Handbook section also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term rate to a market-based interest rate. The impact of adopting the new Handbook section (excluding Nortel Networks) is expected to result in a charge to retained earnings in excess of $500 million, net of tax. In addition, BCE's pension credit (pre-tax) for 2000 is expected to be between $100 million and $125 million compared with $197 million in 1999.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and in other portions of this annual report, including statements which may contain words such as "anticipate", "could", "expect", "seek", "may", "intend", "will" and similar expressions, and statements that are based on current expectations and estimates about the markets in which BCE Inc. and its subsidiaries and significantly influenced companies (the "BCE Group companies") operate and management's beliefs and assumptions regarding these markets, constitute forward-looking statements, within the meaning of the "safe harbor" provision of the *United States Private Securities Litigation Reform Act* of 1995, with respect to the financial condition, results of operations and business of the BCE Group companies. These forward-looking statements, by their nature, necessarily involve known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from those contemplated by the forward-looking statements.

The BCE Group companies' future operating results may be affected by various trends and factors which must be managed in order to achieve favourable operating results. In addition, there are trends and factors beyond the BCE Group companies' control which affect their operations. Such trends and factors include adverse changes in the conditions in the specific markets for the BCE Group companies' products and services, the conditions in the broader market for telecommunications and the conditions in the domestic or global economy generally. The BCE Group companies participate in a highly volatile and rapidly growing telecommunications industry which is characterized by vigorous competition for market share and rapid technological development. These factors could result in aggressive pricing practices and growing competition both from start-up and well capitalized companies. In addition, changes in laws or regulations governing the Internet and Internet commerce, as well as the Internet economy growing at a slower pace than is currently anticipated, could also have a material adverse effect on the BCE Group companies' business, operating results and financial condition.

Certain other factors which could cause actual results or events to differ materially from current expectations are discussed under the headings "Risk Factors" and "IMPACT OF THE YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)". BCE disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Risk Factors

In addition to the other risk factors outlined in this MD&A, the following additional factors should be considered. Collectively, these factors could cause the results contemplated by the forward-looking statements contained in this MD&A and in other portions of this annual report to materially differ from current expectations. The factors discussed below relate to BCE Inc.'s principal operating units, namely Bell Canada, Nortel Networks (until completion of the distribution discussed under the heading "HIGHLIGHTS" on page 18 of this MD&A), BCI, CGI and BCE Emergis and BCE Media. For a more detailed discussion of the risk factors which could materially affect the results of operations and financial condition of BCE Inc.'s principal operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

For a description of Bell Canada's and Nortel Networks' Year 2000 programs and risks associated with the Year 2000 issue which could affect the financial condition and results of Bell Canada and Nortel Networks, see "IMPACT OF YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)" on page 35. For a description of the Year 2000 programs and risks associated thereto which could affect BCE Inc.'s other operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

BELL CANADA GROUP

GENERAL

Expenditures, capital and demand for services
The level of expenditures necessary to maintain quality of service, the availability and cost of capital, and the extent of demand for telephone access lines, optional services, basic long distance services, wireless services and new and emerging services, in the markets served by Bell Canada and its subsidiaries and significantly influenced companies (the "Bell Canada Group companies"), constitute factors which could materially affect their results of operations and financial condition in the future. The level of expenditures could materially increase as the Bell Canada Group companies seek to expand the scope and scale of their businesses beyond traditional territories and service offerings. Furthermore, as the Bell Canada Group companies incur additional expenditures to update their networks, products and services to remain competitive, they may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence.

Economic fluctuations
The Bell Canada Group companies' performance is affected by the general condition of the economy, with demand for services and the amount of use tending to decline when economic growth and retail activity decline. It is not possible for the Bell Canada Group companies to accurately predict economic fluctuations and the impact of such fluctuations on their performance.

BELL CANADA GROUP WIRELINE COMPANIES

Increasing competition
With the advent of competition in the local service market in 1998, all parts of Bell Canada's business and of the business of certain of its subsidiaries and significantly influenced companies are facing substantial and intensifying competition. Factors such as product pricing and service performance are under continued pressure while the necessity to reduce costs is ongoing. The Bell Canada Group wireline companies must not only try to anticipate, but must also respond promptly to, continuous and rapid developments in their businesses and their markets. In addition, the significant growth and size, as well as the increasing global scope, of the telecommunications industry are attracting new entrants and encouraging parties other than existing participants to expand their services and their markets. Mergers and acquisitions, as well as alliances and joint ventures, are creating new or larger participants with broad skills and significant resources which will further impact the competitive landscape. Current and future competitors are coming not just from within Canada, but also globally, and include not only major telecommunications companies, such as BCT.Telus, AT&T Canada inc. and Sprint Canada inc., but also cable companies (e.g., Rogers/Videotron), Internet companies, wireless service providers and other companies that offer network services, such as providers of business information systems and systems integrators, as well as an increasing number of other companies that deal with or have

access to customers through various communications networks. Many of these companies are significant in size and resources and have a significant market presence with brand recognition and existing customer relationships. In addition, as the Bell Canada Group wireline companies selectively expand internationally, the number and strength of competitors will also increase.

Technology

The telecommunications industry, as with many others, is characterized by rapidly changing technology with the related changes in customer demands and the need for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. The Bell Canada Group wireline companies' future success will be impacted by their ability to anticipate, invest in and implement new technologies with the levels of service and prices that consumers demand. Technological advances may also affect the Bell Canada Group wireline companies' level of earnings by shortening the useful life of some of their assets. Furthermore, technological advances may well emerge that reduce or replace the costs of plant and equipment and eliminate or reduce barriers that deter other companies from competing in particular market segments.

Decisions of the CRTC

During 1997, the CRTC released several important decisions that set out the rules for the evolution to total competition in Canada's telecommunications industry. Included in these decisions were those related to the introduction of local service competition, the implementation of price cap regulation, forbearance from long distance regulation and forbearance for some segments of the private line market. These decisions, which are described under the heading "Regulatory framework" of BCE Inc.'s Annual Information Form for the year ended December 31, 1999, represent significant challenges and opportunities for Bell Canada and certain of its subsidiaries and significantly influenced companies and are expected, together with continued intense competition across all lines of business coupled with the rapid pace of technological change (as previously discussed), to have a significant impact on such companies' results in the future.

WIRELESS – BELL MOBILITY

Competition

The Canadian wireless telecommunications industry is highly competitive. Bell Mobility competes directly with three other wireless service providers and expects competition to continue to increase through the development of new technologies, products and services.

Industry Canada will be conducting an auction for 40 MHz of spectrum in the 1.9 GHz band, which potentially could be licensed to Bell Mobility, competitors or companies not currently holding cellular or PCS licenses. The number of competitors may also increase if wireless system operators choose to sell wireless services in bulk to other companies for resale to the public.

Bell Mobility is a participant in Mobility Canada, which is owned and operated by the wireless affiliates or divisions of Canada's major telephone companies. In May 1999, Mobility Canada announced a significant restructuring of its organization, creating two groups of carriers who can compete anywhere in the country to bring the fast-evolving benefits of wireless communications to national customers. The new agreement, with implementation expected in the first quarter of the Year 2000, changes the wireless landscape in Canada by removing restrictions that kept Mobility Canada members from competing in each other's territories. The new groups will each be able to offer Canada-wide wireless service, either by selling network services to each other or competing head to head. Although the new agreement will permit Bell Mobility to expand its business from a territorial perspective, it will also have the effect of increasing competition in the territory in which Bell Mobility currently operates. There can be no assurance that Bell Mobility will be able to successfully geographically expand its operations nor that it will be able to successfully compete with new competitors in its traditional territory. These factors could, in the future, have a material adverse effect on Bell Mobility's financial condition and results of operations.

Rapid technological change

The operations of Bell Mobility depend in part upon the successful deployment of continually evolving wireless communications technologies, which will require significant capital expenditures to deploy. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial acceptance. Bell Mobility may be required to make more capital expenditures than are currently expected if suppliers fail to meet anticipated schedules, if a technology's performance falls short of expectations, or if commercial success is not achieved.

PCS operations

Bell Mobility launched PCS service in October 1997. Bell Mobility is continuing to incur significant costs to develop a PCS customer base including capital expenditures, promotional offerings and handset subsidies. Competition is intense in the PCS market with four PCS service providers in each service area. In addition, increases in Bell Mobility's PCS customer base will result in the reduction, over time, of Bell Mobility's existing cellular customer base. In particular, Bell Mobility has focused on migrating its existing high-usage cellular customers to PCS. While Bell Mobility believes its PCS operations will eventually become profitable and generate positive cash flow, building its PCS customer base will continue to adversely affect Bell Mobility's profitability and its margins in the short to medium term.

Regulation

The operation of cellular, PCS and other radio-telecommunications systems in Canada is subject to initial licensing requirements and the oversight of Industry Canada. Operating licenses are issued at the discretion of the Minister of Industry pursuant to the *Radiocommunication Act*. Industry Canada grants cellular and PCS licenses for a maximum term of five years. Bell Mobility's cellular and PCS licenses will expire on March 31, 2001 and April 30, 2001, respectively. Industry Canada has the authority at any time to require modifications to the license conditions applicable to the provision of such services in Canada to the extent necessary to ensure the efficient and orderly development of radiocommunication facilities and services in Canada. Industry Canada can revoke a license at any time for failure to comply with its terms. At this time, Bell Mobility knows of no reason why its current licenses will not be renewed as they expire.

On November 5, 1999, Industry Canada released its decision in its review of the PCS Spectrum Cap. Industry Canada has increased the cap, from its current level of 40MHz, to 55MHz. Industry Canada stated that the increased cap is intended to help address capacity constraints, i.e. in Toronto and Montreal, as well as to assist in the development of 3G PCS services. As noted earlier, Industry Canada will be conducting an auction for the remaining 40 MHz of PCS spectrum in the C and E blocks which will be completed by the Fall of 2000.

Radio frequency emission concerns

The actual or perceived health risks of wireless communications devices could adversely affect wireless communications service providers through reduced subscriber growth, reduced network usage per subscriber, threat of product liability lawsuits or reduced availability of external financing to the wireless communications industry.

NORTEL NETWORKS

Rapid technological change and voice and data convergence

Nortel Networks expects that data communications traffic will grow substantially in the future compared to the modest growth expected for voice traffic. The growth of data traffic and the use of the Internet are expected to have a significant impact on traditional voice networks and create market discontinuities which will drive the convergence of data and telephony and give rise to the demand for IP-optimized networks. Many of Nortel Networks' traditional customers have already begun to invest in data networking. Given the dynamic and evolving nature of the communications business and the technology involved, there can be no assurance as to the rate of such convergence. Consequently, there is no assurance that the market discontinuities and the resulting demand for IP-optimized network equipment will continue to develop. A lack of demand for IP-optimized network equipment in the future could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

In order to position Nortel Networks to take advantage of the anticipated growth in demand for IP-optimized network equipment, Nortel Networks has made, and may continue to make, strategic acquisitions which involve significant risks and uncertainties. The inability to successfully integrate significant acquisitions made by Nortel Networks could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

The markets for Nortel Networks' products are characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions, and short product life cycles. Nortel Networks' success is expected to depend, in substantial part, on the timely and successful introduction of new products and upgrades of current products to comply with emerging industry standards and to address competing technological and product developments carried out by others. An unanticipated change in one or more of the technologies affecting telecommunications and data networking, or in market demand for products based on a specific technology, particularly lower than anticipated demand for IP-optimized network products, could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks if it fails to respond in a timely and effective manner to such changes.

Competition

Nortel Networks' principal competitors are large telecommunications equipment suppliers, such as Lucent Technologies Inc. (Lucent), Siemens AG, and Telefonaktiebolaget LM Ericsson, and data networking companies such as Cisco Systems, Inc. and 3Com Corporation. Since some of the markets in which Nortel Networks competes are characterized by rapid growth and, in certain cases, low barriers to entry and rapid technological changes, smaller niche market companies and start-up ventures may become principal competitors in the future. One way to maximize market growth, enhance existing products and introduce new products is through acquisitions of companies, where advisable. These acquisitions may have the effect of inducing certain of Nortel Networks' other competitors to enter into additional business combinations, to accelerate product development, or to engage in aggressive price reductions or other competitive practices, thereby creating even more powerful or aggressive competitors. Increased competition could result in price reductions, reduced profit margins, and loss of market share, each of which could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

International growth, foreign exchange, and interest rates

Nortel Networks intends to continue to pursue growth opportunities in international markets. In many international markets, long-standing relationships between Nortel Networks' potential customers and their local providers, and protective regulations, including local content requirements and type approvals, create barriers to entry. In addition, pursuit of such international growth opportunities may require significant investments for an extended period before returns on such investments, if any, are realized. Such projects and investments could be adversely affected by reversals or delays in the opening of foreign markets to new competitors, exchange controls, currency fluctuations, investment policies, repatriation of cash, nationalization, social and political risks, taxation, and other factors, depending on the country in which such opportunity arises. Difficulties in foreign financial markets and economies, and of foreign financial institutions, could adversely affect demand from customers in the affected countries.

In order to successfully grow in international markets, it is expected that Nortel Networks will be required to provide significant amounts of customer financing in connection with the sale of products and services.

Consolidations in telecommunications industry

The telecommunications industry has experienced the consolidation of industry participants and this trend is expected to continue. Nortel Networks and one or more of its competitors may each supply products to the corporations that have merged or will merge. This consolidation could result in delays in purchasing decisions by the merged corporations and/or Nortel Networks playing a lesser role in the supply of communications products to the merged corporations, and could have a material adverse effect on Nortel Networks' business, results of operations and financial condition.

Employees

Competition for technical personnel in the high-technology industry is intense. Nortel Networks believes that Nortel Networks' future success depends in part on its continued ability to hire, assimilate, and retain qualified personnel. To date, Nortel Networks believes that it has been successful in recruiting qualified employees, but there is no assurance that it will continue to be successful in the future.

BELL CANADA INTERNATIONAL

Capital requirements

The majority of BCI's operations are in the start-up or early growth stages. Consequently, capital is required to fund ongoing operations and investment activities such as license fees, network construction and other start-up costs. Capital is also required for the acquisition of new properties.

BCI expects most of its operating companies to require additional debt and equity financing to complete or expand the construction of their networks. While BCI believes its operating companies will be able to secure debt financing from third parties and additional equity capital from the parent company and its partners, there can be no assurance that financing will be available on terms satisfactory to or when required by BCI and its operating companies.

Dependence upon cash flow from operating companies

BCI's assets consist almost entirely of its shareholdings in its operating companies. Many of BCI's principal operating companies are still in the start-up stages and do not currently generate distributable cash flows. There can be no assurance that BCI's operating companies will become profitable or produce positive cash flow. For those companies in which BCI holds a minority interest, BCI is legally unable to cause dividends or other distributions to be made to it.

Exchange rates

BCI reports its financial statements in Canadian dollars. BCI's principal operating companies function in different currency jurisdictions and all report in local currencies.

To the extent that the operating companies have commenced commercial operations, revenues that they generate will be paid to them in the local currency. However, many significant liabilities of these companies may be payable in currencies other than the local currency (such as U.S. dollar liabilities incurred for the financing of telecommunications equipment). As a result, any devaluation in the local currency relative to the currencies in which such liabilities are payable could have a material adverse effect on BCI. In some developing countries, significant devaluation relative to the Canadian and United States dollars have occurred in the past and may occur again in the future.

In September 1999, the Central Bank of Colombia eliminated its currency's trading band, allowing the peso to float freely according to the supply and demand of foreign currency.

As discussed in further detail below, under "Colombia", there is a climate of uncertainty and instability in Colombia which caused a substantial depreciation in value of the Colombian peso relative to the Canadian dollar. The peso appreciated 5% in the fourth quarter of 1999 and depreciated 28% for the full year of 1999, compared with an appreciation of 1% and a depreciation of 12% for the same periods in 1998.

Inflation

Inflation has had and may continue to have adverse effects on the economies and securities markets of certain emerging market countries and could have adverse effects on the operating companies and start-up projects in those countries, including their ability to obtain financing. Colombia, Brazil and Mexico have, in the past, periodically experienced relatively high rates of inflation.

Foreign exchange controls

Although there are currently no foreign exchange controls in the countries in which BCI's telecommunications companies operate which would significantly restrict the ability of such companies to repatriate cash, instruments of credit or securities in foreign currencies, difficulties may be encountered in some countries in converting large amounts of local currency into foreign currency due to limited foreign exchange markets.

Colombia

In Latin America, Colombia is experiencing its worst recession this century. The combination of economic contraction and sporadic guerilla activity in the run-up to peace negotiations has created a climate of uncertainty and instability, which caused a substantial depreciation in the value of the peso relative to the Canadian and U.S. dollars. Faced with these difficulties, the results of the BCI companies, Comcel and Occel, operating in Colombia have weakened sharply. On September 8, 1999, Comcel restructured its senior secured term loans. Although BCI is taking measures in order to support its Colombian companies through these difficult times, there can be no assurance that such difficulties will be resolved.

CGI AND BCE EMERGIS

Competition

The information technology services and e-commerce businesses are intensely competitive and both CGI and BCE Emergis have many competitors, with substantial financial, personnel and technological resources, competing for the same contracts. Other companies offer products and services that may be considered by customers to be acceptable alternatives to CGI's services and BCE Emergis' products. Principal competitors of CGI include IBM Global Services, EDS-Systemhouse Inc. and Computer Services Corporation, whereas principal competitors of BCE Emergis include General Electric Information Systems, IBM, Advantis Systems, Inc. and Harbinger Corporation.

Technological changes

The business markets in which CGI and BCE Emergis operate are characterized by rapid technological changes, frequent new product introductions and evolving industry standards. CGI's future success will depend in significant part on its ability to apply advances in technologies, enhance its current services, and develop and introduce new services on a timely basis that keep pace with technological developments. BCE Emergis' future success will depend in significant part on its ability to anticipate industry standards, continue to apply advances in technologies, enhance its current products, and develop and introduce new products on a timely basis that keep pace with technological developments. However, there can be no assurance that CGI and BCE Emergis will be successful in developing and marketing new services and products, respectively, that respond to technological change and achieve market acceptance.

Dependence and availability of key personnel

CGI's and BCE Emergis' success is largely dependent upon their executive officers, the loss of one or more of whom could have a material adverse effect. Their future success will depend in large part upon CGI's and BCE Emergis' ability to attract and retain talented and qualified personnel. Competition in the recruitment of highly qualified personnel in the information technology industry in the case of CGI, and in the e-commerce industry, in the case of BCE Emergis, is intense. The inability of CGI and BCE Emergis to locate and to retain such personnel may have a material adverse effect on their results of operations and financial condition.

Growth through acquisitions
A key element of CGI's and BCE Emergis' growth strategy has been strategic acquisitions. There can be no assurance that in the future, acquisition candidates will be found on acceptable terms or that CGI and BCE Emergis will have adequate resources to consummate any acquisition. Furthermore, acquisitions involve a number of other special risks, including time and expenses associated with identifying and evaluating acquisitions, the diversion of management's attention, the difficulty in combining different company cultures and the potential loss of key employees of the acquired company.

BCE Emergis – IP Networks
In order for BCE Emergis to be successful, IP networks must be widely adopted, in a timely manner, as a means of trusted and secure e-commerce and communications. Because e-commerce and communications over IP networks are new and evolving, it is difficult to predict the size of this market and its sustainable growth rate. Companies and government agencies that already have invested substantial resources in other methods of conducting business may be reluctant to adopt new methods. Also, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to change.

The Internet may continue to experience significant growth both in the number of users and the level of use. However, the Internet infrastructure may not be able to continue to support the demands placed on it by continued growth. Continued growth may also affect the Internet's performance and reliability. In addition, the growth and reliability of IP networks could be harmed by delays in development or adoption of new standards to handle increased levels of activity or by increased governmental regulation. Any of these factors could materially harm BCE Emergis' business.

BCE MEDIA

BELL EXPRESSVU

Capital requirements
Bell ExpressVu expects to generate operating losses for the next two to three years as it expands its subscriber base. To date, Bell ExpressVu has funded operating losses through capital injections from BCE. Bell ExpressVu believes that it will access sufficient sources of funding to achieve its business plan. However, such access is based on a business plan that is subject to various assumptions and estimates, including subscriber base, average revenue per subscriber and costs for acquiring new subscribers. If the business plan is not achieved, greater losses than planned would occur, requiring Bell ExpressVu to seek additional financing. There is no assurance that Bell ExpressVu will be successful in obtaining such financing on favourable terms and conditions.

DTH market risks
The size of the Canadian market for digital DTH services, the rates of penetration of that market, the churn rate, the extent and nature of the competitive environment, and the ability of Bell ExpressVu to meet revenue and cost expectations are uncertain. There is no assurance that a viable DTH market will develop in Canada or, even if such a market does develop, that Bell ExpressVu will be profitable in delivering its DTH services.

Competition
Bell ExpressVu faces competition from other DTH satellite service providers, cable operators and other distributors, grey market satellite service providers and other competitors such as off-air television broadcasters. Although Bell ExpressVu has, to date, been successful in increasing market share in the face of such competition, there is no assurance that such success will continue.

Satellite defects
Bell ExpressVu's DTH services are provided through the NIMIQ DBS satellite operated by Telesat. Satellites are subject to significant risks, including manufacturing defects, destruction or damage that may result in incorrect orbital placement and prevent proper commercial use, or in the loss of the satellite. Any such loss, damage or destruction of the satellite could have a material adverse impact on Bell ExpressVu's business and profits.

TELESAT CANADA

Risk of launch and in-orbit failure
Historically, 10% to 15% of satellite launches have experienced launch failure, failure to achieve orbit or failure to operate upon reaching orbit. Launch failure rates vary by launch vehicle and manufacturer. Although Telesat has been successful in all 12 of its launches, there is no assurance that future launches will result in the correct in-orbit placement with full satellite functionality. While Telesat purchases launch insurance to protect against launch failure, there is no certainty that such insurance will be available on a commercially reasonable basis. In addition to the risk of launch failure, satellites may also be subject to anomalies after they have been successfully deployed and are operational.

Business risks
Telesat's top five non-consulting customers accounted for approximately 30% of 1999 revenues. As Telesat will lose its monopoly over Fixed Satellite Services (FSS) in the domestic market on March 1, 2000, there can be no assurance that those major accounts will be retained and, if such losses occur, that Telesat will be successful in replacing the revenue lost from such accounts.

Competition
Telesat anticipates a loss of market share in connection with the loss of its monopoly on FSS business on March 1, 2000. Telesat's FSS competitors in the Canadian market are likely to be large U.S. based operators with greater financial resources than Telesat and these competitors may capture a larger market share than is currently anticipated.

Other than the FSS business in Canada, Telesat also competes in markets that are highly competitive. Certain of Telesat's competitors have economic resources greater than Telesat and are well established as suppliers to the markets that Telesat serves.

Governmental regulation
The CRTC currently regulates the rates, terms and conditions applicable to Telesat's RF Channel service rates under a form of rate of return regulation. However, in Telecom Decision 99-6, the CRTC has approved an alternative form of regulation based on certain price ceilings, effective immediately for RF Channel services offered after March 1, 2000. While these price ceilings levels were established based on prevailing market conditions and are above current rates for certain of Telesat's existing satellite services, there can be no assurance that these ceilings will be appropriate for services offered on any future satellites operated by Telesat in Canada.

IMPACT OF YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)

The Year 2000 issue relates to the way dates have traditionally been stored and used in computing systems. To conserve expensive memory space, years were stored as two digits, so that the year 2000 will appear in many computing systems as "00". Many systems and computers could have interpreted "00" as the year 1900 instead of the year 2000. This could have created difficulties in performing certain computing functions or potentially cause system failures. This in turn could have resulted in miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in other normal business activities. In addition, similar problems could have arisen in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue could have been experienced before or on, and may still be experienced after, January 1, 2000 (e.g., the leap year rollover).

The BCE Group companies (as defined under "FORWARD-LOOKING STATEMENTS") have established Year 2000 programs with the objective of seeking to ensure that all aspects of their operations are being addressed to meet the Year 2000 issue. The following discussion reviews the impact of the Year 2000 issue on Bell Canada and Nortel Networks. For a discussion of the impact of the Year 2000 issue on BCE Inc.'s other operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

Bell Canada

Bell Canada's subsidiary and significantly influenced companies established Year 2000 programs with the objective of seeking to ensure that all aspects of their operations were addressed to meet the Year 2000 issue. As of May 31, 1999, the corporate structure of Bell Canada changed with the transfer to Bell Canada of several companies formerly held by BCE. While each of these companies has its respective Year 2000 program, Bell Canada instituted an overview program with its subsidiaries to monitor the Year 2000 compliance status of these companies. As of December 31, 1999, Bell Canada's subsidiaries had completed the effort required to convert or upgrade, test and deploy (i.e., put back into service) their network elements, information systems/information technology and products and services to be Year 2000 ready.

As of February 23, 2000, Bell Canada had detected no major incidents in its information systems, network elements or products and services, related to the Year 2000 rollover. This includes its wireline services offered in Quebec and Ontario, its IP/Broadband Network and large business telecom services offered by Bell Nexxia, its wireless services offered through Bell Mobility, and **Sympatico**™ service offered by Bell ActiMedia. However, Bell Canada will continue to closely monitor its operating environments in the unlikely event that any unexpected Year 2000 incidents should occur after February 23, 2000.

While no major Year 2000 related incidents have been reported to date, the practical consequences of the Year 2000 issue were a significant risk and challenge to telecommunications companies such as Bell Canada because the nature of its business is highly dependent on complex systems and technology which have date sensitive aspects and a significant portion of its software had to be modified or replaced. The Year 2000 issue could have impacted and may still impact across most of Bell Canada's operations including the network (both its own and that shared with its business partners), the products and services provided to customers and its own internal systems and support activities. Many products and services, as well as their supporting elements (e.g., voice mail), are also dependent on date-related functionality.

From December 28, 1999 to January 4, 2000, Bell Canada activated its Emergency Operations Centres to monitor the rollover into the Year 2000. As expected, there were no major incidents within Bell Canada associated with the rollover into the Year 2000. As a result, Bell Canada has not had to invoke any of its business continuity plans as of February 23, 2000.

The Readiness and Activation phase will remain active until Bell Canada is satisfied that its Year 2000 business continuity plans are no longer required. This is expected to occur in March 2000. As part of the Readiness and Activation phase, Bell Canada intends to again activate its Emergency Operations Centres during certain critical periods (such as the leap year rollover on February 29, 2000) so that it can respond in a timely fashion to any unexpected event which may occur.

Since January 1997, Bell Canada has had in place a comprehensive vendor management program, which seeks to ensure that the products and services it receives from its suppliers are or will be Year 2000 compliant. As of December 31, 1999, Bell Canada had completed its due diligence process with its suppliers. Bell Canada intends to continue its monitoring of its suppliers to seek to ensure that products and services are Year 2000 compliant and will remain Year 2000 compliant.

Nortel Networks

The practical consequences of the Year 2000 issue were a significant risk and challenge to Nortel Networks. Nortel Networks' business operations, including, for example, its finance, human resources, manufacturing, and customer order management functions, make extensive use of information technology and, as such, could have been exposed to significant risk from the Year 2000 issue.

In 1996, Nortel Networks initiated its Year 2000 Program. Nortel Networks' Year 2000 Program consisted of a product program (the Product Program), an information services program (the IS Program) and a facilities program (the Facilities Program).

The Product Program focused on identifying and resolving Year 2000 issues relating to Nortel Networks' products and deploying solutions to customers. Through this program Nortel Networks has made its current product offerings Year 2000 ready. In addition, Nortel Networks provided an upgrade or migration path and other information to customers and distributors who had non-Year 2000 ready products. The Product Program consisted of the following three major phases: Phase I (analysis, remediation and verification); Phase II (deployment); and Phase III (business continuity planning). Phase I of the Product Program was completed as at the end of September 1999. Phase II of the Product Program, deployment of Year 2000 ready products and product upgrades, was commenced in 1998 and continued throughout 1999. This phase was substantially completed as of September 1999, excluding those customers who elected not to deploy Year 2000 ready products or product upgrades and excluding Enterprise customers who had purchased Nortel Networks' products through distributors.

Phase III of the Product Program was coordinated through the Business Continuity Planning Program (the BCP Program) discussed below.

The IS Program addressed business applications primarily used internally within Nortel Networks and included third-party supplier assessment and joint venture activities related to Year 2000 readiness. The IS Program consisted of the following three major phases: Phase I (assessment and validation – inventory of Year 2000 affected items, assessment of Year 2000 readiness, and prioritization of items determined to be material to Nortel Networks); Phase II (implementation and deployment – repair, retirement or replacement of items determined not to be Year 2000 ready, testing of all items that have been repaired or replaced or have been identified as Year 2000 ready and are considered to be material to Nortel Networks, and redeployment of tested items into Year 2000 ready operating environments); and Phase III (business continuity planning – planning to reduce the risk of business interruption to Nortel Networks resulting from potential Year 2000 issues). Nortel Networks completed Phases I and II of the IS Program at the end of October 1999. None of Nortel Networks' IT projects were delayed due to the implemetation of the IS Program. Phase III of the IS Program was coordinated through the BCP Program discussed below.

The Facilities Program encompassed the building infrastructure including environmental controls, security systems, life safety systems, and associated embedded systems that are used in the control or operation of all facilities operated by Nortel Networks. Also addressed under the Facilities Program was the Year 2000 readiness of factory-based embedded systems used in the manufacture and testing of Nortel Networks' products. The repair or replacement and testing of such equipment and systems determined not to be Year 2000 ready were completed by the end of the third quarter of 1999.

Business continuity planning, which commenced in the Product Program, IS Program and Facilities Program during the third and fourth quarters of 1998, was coordinated under the BCP Program. The governing objective of the BCP Program was to protect corporate resources in the face of a potential Year 2000 event, to continue the delivery of essential services to both internal and external customers, and to minimize the effects of the disruption on the operations of Nortel Networks' business and its customers. Business continuity plans were completely constructed as at the end of the third quarter of 1999. Implementation, monitoring, and execution of these plans occurred during the fourth quarter of 1999.

Nortel Networks' information technology systems, facilities and production infrastructure have not experienced any material adverse effects as a result of the Year 2000 issue. Similarly, there have been no material Year 2000 effects reported with respect to Nortel Networks' products that were classified as Year 2000 ready. In addition, Nortel Networks did not experience any material supply chain problems related to the date transition. Minor issues involving a few products and internal applications were triggered by the Year 2000 date transition and were promptly addressed and resolved through Nortel Networks' standard operating procedures. Long-term planning for, and detailed execution of, Nortel Networks' Year 2000 Program assured the Year 2000 readiness of Nortel Networks products, IT systems, facilities and supply chains.

Total Costs Associated With The Year 2000 Issue

The portion of the Year 2000 costs attributable to BCE's ownership interest in all its subsidiary and significantly influenced companies, are estimated at approximately $550 million. As of December 31, 1999, the costs incurred were approximately $540 million, of which approximately $310 million were expensed and the balance capitalized.

Year 2000 Issue Outlook

While BCE Inc. believes that the BCE Group companies have appropriate plans in place, the Year 2000 issue is a unique event which has raised and continues to raise unprecedented challenges and risks. BCE Inc. presently believes that the Year 2000 issue now represents significantly reduced risks and this view is supported by the fact that no major incidents have been reported. BCE Inc. further believes that the remaining risks associated with the Year 2000 issue can be mitigated. However, if any of the BCE Group companies' mission critical suppliers fail to deliver Year 2000 products and services, if products or systems of other companies which the BCE Group companies or their customers utilize or rely on are not converted in a timely and effective manner, or if there is a failure to convert by another company or a conversion that is incompatible with the BCE Group companies' systems, and if the BCE Group companies' business continuity plans are ineffective, the Year 2000 issue could have a material adverse effect on the financial condition and results of the BCE Group companies.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31 ($ millions, except per share amounts)	Notes	1999	1998
Operating revenues		**14,214**	27,207
Operating expenses		**11,522**	23,719
Purchased in-process research and development expense		**23**	688
Restructuring and other charges	(4)	**490**	654
Net operating revenues		**2,179**	2,146
Gains on reduction of ownership in subsidiary and significantly influenced companies	(5)	**4,902**	4,146
Equity in net losses of significantly influenced companies		**(160)**	(333)
Other income	(6)	**588**	1,327
Earnings before the under-noted items		**7,509**	7,286
Interest expense – long-term debt		**880**	1,022
– other		**209**	259
Total interest expense		**1,089**	1,281
Earnings before income taxes and non-controlling interest		**6,420**	6,005
Income taxes	(7)	**(963)**	(1,548)
Non-controlling interest		**2**	141
Net earnings		**5,459**	4,598
Dividends on preferred shares		**(93)**	(93)
Net earnings applicable to common shares		**5,366**	4,505
Net earnings per common share		**8.35**	7.07
Dividends per common share		**1.36**	1.36
Average number of common shares outstanding (millions)		**642.8**	637.6

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31 ($ millions)	Notes	1999	1998
Balance at beginning of year		**4,207**	596
Net earnings		**5,459**	4,598
		9,666	5,194
Deduct:			
Dividends – Preferred shares		**93**	93
– Common shares		**875**	868
		968	961
Purchase of common shares for cancellation	(16)	**–**	24
Costs related to issuance and redemption of share capital of BCE Inc. and of its subsidiaries		**7**	2
		975	987
Balance at end of year		**8,691**	4,207

CONSOLIDATED BALANCE SHEET

At December 31 ($ millions)	Notes	1999	1998
ASSETS			
Current assets			
Cash and cash equivalents		**2,395**	370
Accounts receivable		**2,598**	1,922
Other current assets		**514**	488
Total current assets		**5,507**	2,780
Investments in significantly influenced and other companies	(8)	**9,433**	9,536
Capital assets	(10)	**16,935**	16,745
Deferred charges	(11)	**2,714**	2,257
Goodwill and other assets		**2,371**	852
Total assets		**36,960**	32,170
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**3,618**	3,255
Income and other taxes payable		**248**	472
Debt due within one year	(11)	**1,677**	2,075
Total current liabilities		**5,543**	5,802
Long-term debt	(12)	**8,780**	9,260
Deferred income taxes		**783**	639
Other long-term liabilities		**1,502**	1,466
Total liabilities		**16,608**	17,167
Non-controlling interest	(14)	**2,460**	1,358
SHAREHOLDERS' EQUITY			
Preferred shares	(15)	**1,700**	1,700
Common shareholders' equity			
Common shares	(16)	**6,789**	6,559
Contributed surplus		**997**	997
Retained earnings		**8,691**	4,207
Currency translation adjustment		**(285)**	182
Total common shareholders' equity		**16,192**	11,945
Total shareholders' equity		**17,892**	13,645
Commitments and contingent liabilities	(18)		
Total liabilities and shareholders' equity		**36,960**	32,170

On behalf of the Board of Directors:

J. Edward Newall
Director

John H. McArthur
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31 ($ millions)	1999	1998
Cash flows from operating activities		
Net earnings	**5,459**	4,598
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization	**3,001**	3,501
Purchased in-process research and development expense	**23**	688
Restructuring and other charges	**441**	518
Gains on reduction of ownership in subsidiary and significantly influenced companies	**(4,902)**	(4,146)
Net gains on disposal of investments	**(547)**	(1,340)
Deferred income taxes	**34**	90
Dividends received in excess of equity in net losses of significantly influenced companies	**346**	444
Other items	**(300)**	(246)
Change in non-cash working capital components	**(957)**	(601)
	2,598	3,506
Cash flows from investing activities		
Capital expenditures	**(3,588)**	(3,774)
Investments	**(2,729)**	(2,650)
Divestitures	**6,412**	2,721
Proceeds from disposition of capital assets	**11**	768
Reduction in cash and cash equivalents due to deconsolidation of Nortel Networks Corporation	**–**	(3,007)
Other items	**(138)**	11
	(32)	(5,931)
Cash flows from financing activities		
Dividends paid on common and preferred shares	**(968)**	(961)
Dividends paid by subsidiaries to non-controlling interest	**(163)**	(134)
(Repayment) issue of notes payable and bank advances	**(191)**	2,227
Issue of long-term debt	**2,139**	922
Repayment of long-term debt	**(2,346)**	(2,174)
Issue of common shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	**771**	363
Issue of common shares	**152**	194
Purchase of common shares for cancellation	**–**	(32)
Other items	**57**	(7)
	(549)	398
Effect of exchange rate changes on cash and cash equivalents	**8**	148
Net increase (decrease) in cash and cash equivalents	**2,025**	(1,879)
Cash and cash equivalents at beginning of year	**370**	2,249
Cash and cash equivalents at end of year	**2,395**	370

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and all amounts are in Canadian dollars unless otherwise indicated. Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year presentation.

With respect to the financial statements of BCE Inc. (the Corporation) and its subsidiaries (collectively BCE), the material differences between Canadian and United States GAAP are described and reconciled in Note 19.

New accounting standards

The Consolidated Statement of Cash Flows for the year ended December 31, 1998, has been restated to reflect the new requirements under Section 1540 of the Canadian Institute of Chartered Accountants (CICA) Handbook, *Cash Flow Statements*. For purposes of the cash flow statement, all highly liquid investments with short-term maturities are classified as cash and cash equivalents.

Consolidation

The financial statements of entities which are controlled by the Corporation are consolidated; entities which are jointly controlled by the Corporation, referred to as joint ventures, are accounted for using the proportionate consolidation method; companies that the Corporation has the ability to significantly influence are accounted for using the equity method; investments in other companies are accounted for using the cost method.

On June 1, 1999, BCE and Ameritech Corporation (SBC/Ameritech), now a wholly-owned subsidiary of SBC Communications Inc., finalized their strategic partnership announced on March 24, 1999. Under the terms of the partnership, SBC/Ameritech acquired an indirect 20% minority interest in Bell Canada for a cash consideration of $5.1 billion. Bell Canada has been reorganized to hold certain telecommunications assets previously held by BCE. On May 31, 1999 Bell Canada acquired, at net book value from BCE, BCE's interests in Bell Mobility Inc. (Bell Mobility), formerly BCE Mobile Communications Inc., Teleglobe Inc., (Teleglobe), Aliant Inc. (Aliant), (the company under which, on May 31, 1999, Bruncor Inc. (Bruncor), Maritime Telegraph and Telephone Company, Limited (MT&T) and NewTel Enterprises Limited (NewTel) were combined; Bell Canada's ownership in Aliant was 41% at December 31, 1999), three other regional Canadian telecommunications companies and other investments. Furthermore, Bell Canada transferred to BCE, at net book value, its investments in BCE Emergis Inc. (BCE Emergis) and CGI Group Inc. (CGI).

On August 31, 1998, following the acquisition of Bay Networks, Inc. (Bay Networks) by Nortel Networks Corporation (Nortel Networks) (See Note 5), BCE's ownership in Nortel Networks decreased, from approximately 51% to 41%, resulting in BCE changing, prospectively, its accounting for Nortel Networks from consolidation to equity accounting effective September 1, 1998. Accordingly, BCE's consolidated statement of operations includes Nortel Networks' statement of operations on a line-by-line basis up to August 31, 1998 and includes in equity in net losses of significantly influenced companies, BCE's share of Nortel Networks' net earnings to common shareholders since September 1, 1998.

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.

Capital assets

Capital assets are carried at cost less accumulated depreciation, where applicable. Depreciation and amortization of capital assets are generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. In 1999, the composite depreciation rate for plant was approximately 6.2% (6.9% in 1998). The expected useful lives of machinery and equipment are 3 to 15 years, buildings are 20 to 40 years and licenses are 15 to 20 years.

Purchased in-process research and development (R&D) assets

Purchased in-process R&D assets represent the value of the acquired R&D which were not technologically feasible as of the acquisition date and have no alternative future use, and are charged to earnings using an accelerated amortization method over its estimated useful life.

Translation of foreign currencies

Self-sustaining foreign operations, which comprise most of BCE's foreign subsidiaries, joint ventures and significantly influenced companies, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses, net of related hedging activities, are accumulated in and reported as currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated foreign subsidiaries are financially or operationally dependent on the parent company. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are reflected in earnings.

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges or other long-term liabilities and amortized to earnings on a straight-line basis over the remaining lives of the related items.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

BCE uses a combination of derivative financial instruments to manage its interest and foreign exchange risk exposures. BCE does not trade derivative financial instruments for speculative purposes.

Gains and losses on forward contracts and cross currency swaps used to hedge foreign investments are deferred and reported as part of the currency translation adjustment in shareholders' equity. Gains and losses on forward contracts and cross currency swaps used to manage exposure to foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Amounts receivable or payable under interest rate swaps are accrued and recorded as adjustments to interest expense. Gains and losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums paid with respect to financial instrument contracts are deferred and expensed to earnings over the contract period.

Goodwill

Goodwill represents the excess, at the dates of acquisition, of the cost of investments over the fair value of the net identifiable assets acquired and is amortized on a straight-line basis, over its estimated useful life, up to a period of 40 years. The carrying value of goodwill is evaluated for potential permanent impairment on an ongoing basis. In order to determine whether permanent impairment exists, BCE's management considers each business segment's financial condition, as well as expected pre-tax earnings, undiscounted cash flows or market-related values. Any permanent impairment in the value of goodwill is written off against earnings in the year the impairment is recognized. Total goodwill amortization charged to operations, including that in Equity in net losses of significantly influenced companies, amounted to $118 million in 1999 and $126 million in 1998.

Postemployment benefits

The Corporation and most of its subsidiaries provide various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement, under specified circumstances. The cost of providing these benefits is charged to earnings in the period in which they are paid.

Postretirement benefits

The Corporation and most of its subsidiaries provide pension and certain health care and life insurance benefits for employees on retirement. The accounting for pension costs is outlined in Note 17. The cost of postretirement benefits, other than pensions, is charged to earnings in the period in which they are paid.

Income taxes

BCE uses the deferral method of accounting for income taxes. The deferred income tax balances reported on the consolidated balance sheet result from timing differences in the recognition of income and expenses for financial statement and income tax purposes.

Subscriber acquisition costs

BCE subsidizes the cost of the "Direct to Home" satellite hardware equipment sold to its customers. These subsidies are deferred and amortized over three years.

Stock-based compensation plans

The Corporation's stock-based compensation plans consist of the Employees' Savings Plan (ESP) and the Long-Term Incentive (Stock Option) Programs, which may include a Special Compensation Payment (SCP), which are fully described in Note 16. A compensation expense is recognized for the Corporation's portion of the contributions made under the ESP. In 1999, compensation expense related to the ESP amounted to $33 million ($34 million in 1998). No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. The amount of the SCP is accrued over the vesting period. In 1999, compensation expense related to the SCP amounted to $193 million ($29 million in 1998).

Future accounting changes

The CICA issued the new Handbook Section 3465, *Income Taxes*, which changes the accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the income statement, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new Handbook section is adopted, deferred income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all deferred income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new Handbook section (excluding Nortel Networks) is not expected to have a material effect on the financial statements of BCE.

The CICA issued the new Handbook Section 3461, *Employee Future Benefits*, which changes the accounting for pension and other types of employee future benefits. Effective for fiscal years beginning on or after January 1, 2000, the new Handbook section requires companies to accrue the costs of postretirement benefits other than pensions over the working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as paid. The new Handbook section also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term rate to a market-based interest rate. The impact of adopting the new Handbook section (excluding Nortel Networks) is expected to result in a charge to retained earnings in excess of $500 million, net of tax. In addition, BCE's pension credit (pre-tax) for 2000 is expected to be between $100 million and $125 million compared with $197 million in 1999.

2. SEGMENTED INFORMATION

Effective March 31, 1999, BCE's business segments were modified and now include two new segments: (1) CGI and BCE Emergis and (2) BCE Media (which includes Bell ExpressVu Limited Partnership (Bell ExpressVu) and Telesat Canada (Telesat)). These companies were previously included in the Bell Canada segment. In addition, Bell Canada International Inc. (BCI) is now reported as a separate segment. In 1998, BCI was included in the International Communications segment, which was comprised of BCI and Other International Telecom (Other International Telecom was comprised of BCE's equity investment in Cable & Wireless Communications plc (which was sold in June 1998) and Jones Intercable, Inc. (which was sold in April 1999)). Other International Telecom is now included in Corporate. Previously reported amounts have been reclassified to conform with the current presentation.

BCE operates the following business segments which have been segregated based on products and services and/or geographic area reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance:

Bell Canada – Represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries (including Bell Mobility, BCE Nexxia Inc. and Bell Actimedia Inc.). BCH owns 100% of Bell Canada. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech (See Note 1). This segment provides a full range of domestic and international telecommunications services to Canadian customers;

CGI and BCE Emergis – CGI provides end-to-end IT services, such as, outsourcing, systems integration, consulting and business solutions to customers worldwide. BCE Emergis is an electronic commerce services provider, which delivers network centric e-commerce solutions to customers worldwide;

BCE Media – includes Bell ExpressVu, Telesat, as well as Other media interests. These entities deliver satellite entertainment and business services;

Nortel Networks – delivers network solutions which are used by telecommunications operating companies and other service providers to interconnect access lines and transmission facilities to provide local or long-distance services, wireless communications systems, and solutions which transport voice, data and video communications between locations within a city or between cities, countries, or continents. In addition, Nortel Networks delivers solutions consisting of electronic business systems, including call centre, voice messaging and interactive response systems, Internet and data networking solutions, Open IP systems, and Enterprise telephony solutions; and

Bell Canada International – owns, develops and operates advanced telecommunications networks outside Canada, primarily in Latin America and the Asia Pacific region, with a focus on wireless technology.

The Corporation evaluates each segment's performance based on its contribution to consolidated net earnings. The accounting policies of the segments are the same as those described in Note 1, Significant Accounting Policies, except as noted in (i) on the next page. Inter-segment sales are made on arm's length terms. The following tables present summarized financial information for the years ended December 31, 1999 and 1998:

GEOGRAPHIC INFORMATION (i)

	1999		1998	
	Revenues from external customers	**Capital assets & goodwill**	Revenues from external customers	Capital assets & goodwill
Canada	**13,129**	**16,687**	13,235	15,449
United States	**139**	**157**	8,110	72
Other foreign countries	**946**	**2,412**	5,862	2,004
Total	**14,214**	**19,256**	27,207	17,525

(i) The point of origin (the location of the selling organization) of revenues and the location of capital assets and goodwill determine the geographic areas.

REVENUES BY PRODUCTS AND SERVICES

	1999	1998
Local and access services	**5,418**	5,364
Long distance and network services	**3,912**	4,196
Nortel Networks' products and services	**–**	14,253
Wireless services	**1,835**	1,723
Other	**3,049**	1,671
	14,214	27,207

2. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

	Bell Canada	CGI and BCE Emergis	BCE Media	Nortel Networks (i)	BCI
1999					
Total revenues	**12,583**	**848**	**452**	**32,961**	**807**
Interest income	**16**	**6**	**35**	**199**	**21**
Interest expense	**886**	**2**	**55**	**256**	**302**
Depreciation of capital assets and amortization of goodwill	**2,436**	**107**	**124**	**1,970**	**166**
Amortization of in-process R&D and acquired technology	**–**	**23**	**–**	**2,092**	**–**
Equity in net earnings (losses) of significantly influenced companies	**53**	**–**	**–**	**(19)**	**(11)**
Income tax expense	**889**	**32**	**7**	**1,034**	**26**
Net earnings (loss) (ii)	**5,364**	**(39)**	**(149)**	**449**	**(354)**
Other significant non-cash items:					
– Gain on reduction of ownership in subsidiary and significantly influenced companies	**4,242**	**–**	**–**	**591**	**69**
– Restructuring and other charges	**218**	**–**	**92**	**–**	**113**
1998					
Total revenues	12,405	362	188	26,270	772
Interest income	11	1	5	179	23
Interest expense	669	–	22	347	203
Depreciation of capital assets and amortization of goodwill	2,619	19	92	1,076	118
Amortization of in-process R&D and acquired technology	–	–	–	2,216	–
Equity in net earnings (losses) of significantly influenced companies	21	–	5	(28)	(28)
Income tax expense	837	28	(54)	902	7
Net earnings (loss) (ii)	1,186	22	(53)	3,227	(48)
Other significant non-cash items:					
– Gain on reduction of ownership in subsidiary and significantly influenced companies	315	–	–	3,696	135
– Restructuring and other charges	471	–	–	47	–

RECONCILIATIONS

	1999	1998
Revenues		
Total revenues for reportable segments	**47,651**	39,997
Corporate	**34**	34
Elimination of inter-segment revenues (iii)	**(1,568)**	(1,307)
Nortel Networks adjustment (i)	**(31,903)**	(11,517)
Total consolidated revenues	**14,214**	27,207
Net earnings		
Total net earnings for reportable segments	**5,271**	4,334
Corporate	**254**	360
Elimination of inter-segment earnings	**(66)**	(96)
Total consolidated net earnings	**5,459**	4,598

(i) Beginning September 1, 1998, Nortel Networks was no longer consolidated by BCE (See Note 1) and was recorded using the equity method. For segment reporting purposes, the statement of operations amounts represent Nortel Networks on a line-by-line basis for the 12 months of 1999 and 1998. To reconcile to the consolidated financial statements, Nortel Networks' statement of operations amounts for the 12 months of 1999 and the last four months of 1998 must be excluded as BCE no longer consolidates Nortel Networks line-by-line but instead only records its share of Nortel Networks' net earnings to common shareholders.

(ii) Represents each segment's contribution to BCE's net earnings.

(iii) The majority of inter-segment revenues are between Bell Canada and Nortel Networks.

3. BUSINESS ACQUISITIONS

SNS/ASSURE CORP. AND ASSURE HEALTH INC.

In November 1999, BCE Emergis acquired all of the outstanding shares of SNS/Assure Corp. and Assure Health Inc., two related companies operating in the electronic commerce industry. The aggregate purchase price was $224 million, comprised of $151 million in cash and approximately 2.2 million BCE Emergis common shares valued at $73 million. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $50 million, tangible liabilities for $66 million, acquired technologies and purchased in-process R&D assets for $40 million and goodwill for $200 million. Goodwill, acquired technologies and purchased in-process R&D are being amortized on a straight-line basis over 3 years.

BELL MOBILITY

On October 22, 1999, Bell Canada increased its ownership interest in Bell Mobility, Canada's largest full-service wireless communications company, from 65% to 100%. The aggregate purchase price was $1,570 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $597 million, tangible liabilities for $296 million and goodwill for $1,269 million. Goodwill is being amortized on a straight-line basis over 40 years.

CGI

On January 5, 1998, BCE increased its equity interest in CGI, an information technology services company, from 24% to 34%. The aggregate purchase price was approximately $138 million. This acquisition was accounted for using the purchase method.

In addition, on July 1, 1998, BCE entered into an agreement with CGI's three largest individual shareholders (the Shareholders) providing for certain put and call options, as well as rights of first refusal, on the shares of CGI held by the Shareholders. The agreement gives the Shareholders the right to gradually sell (put options) their shares to BCE through January 5, 2004 and, thereafter for a period of two years, the right to BCE to buy (call options) these shares to the extent not already acquired by BCE. The price per share payable on any exercise of the put or call options will be, in all cases, 115% of the market price for CGI shares on the exercise date payable in common shares of BCE. These options, if fully exercised, will increase BCE's equity ownership and voting interest in CGI to approximately 55%.

As part of this agreement, BCE transferred its system development and maintenance operations (both domestic and international) in exchange for CGI shares, therefore increasing BCE's ownership interest in CGI to 42%. In addition, under the terms of a ten-year outsourcing agreement, which became effective July 1, 1998, a wholly-owned subsidiary of CGI is the preferred provider of Bell Canada's required information systems and information technology services. Bell Canada's minimum commitment between January 1, 2000 and June 30, 2001 is approximately $ 400 million. Beyond this period, the amount of these expenditures will depend upon Bell Canada's business strategies and directions and the associated information systems and information technology requirements.

During 1999, BCE acquired additional CGI shares resulting mainly from the exercise, in part, of the above described put options in exchange for approximately 1.3 million BCE shares having a value of $78 million (1998 – 0.9 million BCE shares having a value of $54 million). This acquisition was accounted for using the purchase method. At December 31, 1999, 10,571,651 BCE common shares were reserved for future purchases of CGI shares. BCE's equity ownership in CGI was 45% and 43% at December 31, 1999 and 1998, respectively.

Effective July 1, 1998, BCE's interest in CGI has been accounted for under the proportionate consolidation method. As a result of the purchase of CGI shares through a series of transactions, BCE's purchase price in excess of the fair value of the net assets acquired at each step amounted to $71 million and $145 million in 1999 and 1998, respectively, and is being amortized on a straight-line basis over 20 years.

BROADBAND NETWORKS INC. (BNI)

On January 9, 1998, Nortel Networks acquired BNI, a company engaged in the design and manufacture of fixed broadband wireless communications networks. The aggregate purchase price was approximately US $433 million, comprising approximately US $149 million in cash and approximately 11.2 million (post-split) of Nortel Networks common shares. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to net tangible assets for US $29 million, purchased in-process R&D assets for US $329 million and goodwill for US $75 million. The purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over 5 years.

APTIS COMMUNICATIONS, INC. (APTIS)

On April 22, 1998, Nortel Networks acquired Aptis, a remote-access data networking start-up company. The aggregate purchase price was approximately US $286 million. At closing, Nortel Networks issued approximately 5 million (post-split) common shares and paid approximately US $5 million in cash to Aptis shareholders. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to net tangible assets for US $8 million, purchased in-process R&D assets for US $203 million and goodwill for US $75 million. The purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over 5 years.

OCCIDENTE Y CARIBE CELULAR S.A. (OCCEL)

On March 31, 1998, BCI acquired a 68.4% interest in Occel. The aggregate purchase price was approximately $445 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $177 million, licenses for $511 million, tangible liabilities for $381 million and goodwill for $138 million. Goodwill is being amortized on a straight-line basis over 16 years.

HANSOL PCS CO. LTD. (HANSOL)

During 1998, BCI acquired an 18.2% interest in Hansol, a nation-wide Korean mobile phone operator. The aggregate purchase price was approximately $179 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $365 million, licenses for $23 million, tangible liabilities for $267 million and goodwill for $58 million. Goodwill is being amortized on a straight-line basis over 20 years.

3. BUSINESS ACQUISITIONS (continued)

TELESAT CANADA (TELESAT)

On May 5, 1998, BCE increased its ownership interest in Telesat, a leader in satellite communications and systems management, from 58.7% to 100%. The aggregate purchase price was approximately $158 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $296 million, tangible liabilities for $228 million and goodwill for $90 million. Goodwill is being amortized on a straight-line basis over 20 years.

4. RESTRUCTURING AND OTHER CHARGES

In 1999, BCE recorded a pre-tax charge of $490 million ($270 million after tax and non-controlling interest) representing restructuring and other charges of $163 million and $327 million, respectively. The restructuring charges, mainly employee severance (for approximately 2,600 employees) and directly related incremental costs, resulted principally from the decision to outsource a portion of the Operator Services group, the windup of Stentor Canadian Network Management and cost rationalization within other operating groups. These restructuring programs are expected to be substantially completed by mid 2000. Other charges relate mainly to the write-down of the Iridium and SkyView Media Group, Inc. investments as well as the write-off of certain assets by BCI. The BCI write-off related mainly to handset subsidy costs associated with certain customer contracts. BCI no longer defers and amortizes these costs, as current circumstances indicate that the benefit from these expenditures relates more appropriately to current period activities.

In 1998, BCE recorded a pre-tax charge of $654 million ($407 million after tax and non-controlling interest) representing restructuring and other charges of $102 million and $552 million, respectively. The restructuring charges related to plans for rationalization of real estate and the integration of business units. Included in the charges were costs relating to lease terminations and associated costs and employee severance. Other charges mainly included a provision for the costs of implementing local service competition and providing local number portability to the extent such costs were estimated not to be recoverable. Also included in other charges were costs relating to the write-down of certain assets and other provisions.

As at December 31, 1999, the remaining balance of the restructuring provision is $130 million ($61 million in 1998). This provision is comprised primarily of unpaid severance payments to the members of the Operator Services group for $60 million, other unpaid incremental costs of $12 million associated with the outsourcing of the Operator Services group, and $30 million for costs relating to the rationalization of real estate.

5. GAINS ON REDUCTION OF OWNERSHIP IN SUBSIDIARY AND SIGNIFICANTLY INFLUENCED COMPANIES

	1999	1998
Bell Canada (a)	**4,242**	–
Hansol (b)	**69**	–
Nortel Networks (c)	**591**	3,613
Teleglobe (d)	**–**	315
Comunicacion Celular S.A. (Comcel) (e)	**–**	135
Other	**–**	83
	4,902	4,146

(a) In 1999, BCE recognized a gain of $4,242 million on the reduction of its ownership in Bell Canada, from 100% to 80% for cash proceeds of $5.1 billion, as a result of the SBC/Ameritech partnership (See Note 1).

(b) In 1999, BCI recognized a gain of $69 million on the reduction of its ownership in Hansol from 23% to 21% as a result of Hansol's issuance of 15.7 million shares to the public.

(c) In 1999, BCE recognized gains of $591 million on the reduction of its ownership, from 40.4% to 39.2%, as a result of Nortel Networks' acquisitions, through the issuance of shares, of Periphonics Corporation and Shasta Networks, Inc. and the issuance of shares under Nortel Networks' stock option plan.

In 1998, BCE recognized a gain of $3,613 million on the reduction of its ownership, from approximately 51% to 41%, as a result of Nortel Networks' acquisition of Bay Networks for an aggregate purchase price of approximately US $6.9 billion. At closing, Nortel Networks issued approximately 270 million (post-split) common shares and assumed the equivalent of approximately 47.3 million (post-split) options to purchase common shares of Nortel Networks. The allocation of the purchase price was to tangible assets for US $1.9 billion, assumed liabilities for US $500 million, acquired technology assets for US $2.1 billion, purchased in-process R&D assets for US $1 billion and goodwill for US $2.4 billion. The acquired technology assets are being charged to earnings on a straight-line basis over thirty-six months and the purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over five years.

(d) In 1998, Bell Canada recognized a gain of $315 million on the reduction of its ownership in Teleglobe, from approximately 25% to 20%, as a result of Teleglobe's acquisition of Excel Communications, Inc. (Excel) for an aggregate purchase price of approximately $5.2 billion, satisfied through the issuance of common shares, of which approximately $4.0 billion was allocated to goodwill and is being amortized over 40 years.

(e) In 1998, BCI recognized gains of $135 million on the transfer to Comcel of its 68.4% interest in Occel and on the reduction of its ownership in Comcel from 51.1% to 49.9% following American International Group Inc.'s investment in Comcel.

6. OTHER INCOME

	1999	1998
Gain on disposal of investments:		
Jones Intercable, Inc. (Jones) (a)	**309**	–
Phone.Com, Inc. (Phone.Com) (b)	**89**	–
Cable & Wireless Communications plc (CWC) (c)	**–**	1,075
Bell Emergis' Electronic Business Solutions (EBS) unit (d)	**–**	74
Nortel Networks – net (e)	**–**	191
Other	**149**	–
Interest income	**153**	141
Other	**(112)**	(154)
	588	1,327

(a) In April 1999, BCE recorded a gain of $309 million on the sale of its 31% interest in Jones for net cash proceeds of $763 million.

(b) In December 1999, BCE recorded a gain of $89 million on the sale of its interest in Phone.Com for net cash proceeds of $116 million.

(c) In June 1998, BCE recorded a gain of $1,075 million on the sale of its 14.2% interest in CWC for net cash proceeds of $2,289 million.

(d) Effective August 31, 1998, BCE acquired a 65% controlling interest in MPACT Immedia Corporation (renamed BCE Emergis Inc. (BCE Emergis) on January 21, 1999) in exchange for the EBS unit of Bell Emergis and a cash investment of $68 million. The exchange of the EBS unit resulted in BCE recording a gain of $74 million.

(e) In the first eight months of 1998, Nortel Networks recorded net gains of $191 million on the sale of various businesses and other investments for net cash proceeds of $234 million.

7. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes follows:

	1999	1998
Earnings before income taxes and non-controlling interest	**6,420**	6,005
Statutory income tax rates in Canada	**42.3%**	42.4%
Income taxes at Canadian statutory rates	**2,716**	2,546
Gain on reduction of ownership in subsidiary and significantly influenced companies	**(2,063)**	(1,729)
Purchased in-process research and development expense	**9**	292
Losses not tax effected	**273**	168
Equity in net losses of significantly influenced companies	**68**	141
Gain on disposal of investments	**(113)**	95
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**36**	(30)
Large corporations tax	**13**	8
Other	**24**	57
Total income taxes	**963**	1,548

Details of income tax expense:

	1999	1998
Current	**1,072**	1,471
Deferred	**(109)**	77
	963	1,548

8. INVESTMENTS IN SIGNIFICANTLY INFLUENCED AND OTHER COMPANIES

Investments are accounted for using the equity method, except where otherwise noted.

	Ownership (%)			
At December 31	**1999**	1998	**1999**	1998
Bell Canada				
Teleglobe (a)	**23.1**	20.0	**1,601**	1,308
Aliant (b)	**41.2**	–	**456**	–
Bruncor (b)	**–**	44.8	**–**	158
MT & T (b)	**–**	34.4	**–**	132
Manitoba Telecom Services Inc. (MTS) (c)	**20.8**	–	**336**	–
Other, at equity			**18**	134
Investments, at cost			**56**	90
Nortel Networks (d)	**39.2**	40.7	**6,879**	7,081
Jones (See Note 6)			**–**	454
Other investments, at equity			**–**	51
Other investments, at cost			**87**	128
Total investments in significantly influenced and other companies (e)			**9,433**	9,536

(a) In 1999, Bell Canada increased its ownership interest in Teleglobe from 20 % to 23% for an aggregate purchase price of $312 million. Goodwill recorded on the acquisition amounted to $111 million and is being amortized over 20 years on a straight-line basis.

On November 10, 1998, Teleglobe acquired Excel (See Note 5). In connection with the closing of the transaction, BCE exercised an existing option and acquired approximately 5.4 million Teleglobe common shares for an aggregate purchase price of approximately $218 million. In addition, in 1998, BCE purchased, on the open market, common shares of Teleglobe and Excel for an aggregate purchase price of $518 million.

(b) On May 31, 1999, Bruncor, MT&T, and NewTel (NewTel was consolidated up to May 31, 1999) were combined under one company, Aliant.

(c) In the first quarter of 1999, Bell Canada acquired 20% of MTS for an aggregate purchase price of $339 million. Goodwill recorded on the acquisition amounted to $189 million and is being amortized over 20 years on a straight-line basis.

(d) Summarized financial information as reported by Nortel Networks for the years ended December 31, 1999 and 1998, respectively is as follows:

		(US$ millions)
	1999	1998
Statement of operations		
Revenues	**22,217**	17,575
Gross profit	**9,620**	7,525
Amortization of intangibles	**2,047**	1,709
Net loss applicable to common shares	**197**	569
Balance sheet		
Current assets	**13,068**	10,317
Total assets	**22,597**	19,732
Current liabilities	**7,790**	5,893
Long-term liabilities and non-controlling interest	**2,289**	2,274
Shareholders' equity	**12,518**	11,565
Total liabilities and shareholders' equity	**22,597**	19,732

Nortel Networks' Significant Acquisitions in 2000

On January 28, 2000, Nortel Networks acquired Qtera Corporation (Qtera), a producer of ultra-long-reach optical networking systems. Each outstanding share of Qtera was converted into a right to receive 1.3350 Nortel Networks common shares (an aggregate of approximately 23 million Nortel Networks common shares). In addition, up to US $500 million in Nortel Networks common shares may be issued to the former Qtera shareholders, option holders and warrant holders, subject to the achievement of certain business objectives by Qtera.

On October 18, 1999, Nortel Networks announced the signing of a definitive agreement to acquire Clarify Inc. (Clarify), a provider of front office solutions for eBusiness. Under the terms of the agreement, Clarify stockholders will receive a fixed exchange ratio of 1.3 Nortel Networks common shares for each share of Clarify common stock. Based on the closing price of US $52.69 per Nortel Networks common share on October 15, 1999, this represents an aggregate purchase price of approximately US $2.1 billion. The transaction is expected to close in the first quarter of 2000.

Nortel Networks' Contingencies

On October 14, 1998, a class action complaint was filed in the United States District Court for the Southern District of New York, purportedly on behalf of certain former Bay Networks securities holders, alleging that the proxy statement/prospectus and registration statement (the Bay Networks Proxy Statement) in connection with the merger of Bay Networks with a subsidiary of Nortel Networks, as well as certain public statements made by Nortel Networks and certain named officers, violated applicable securities laws by containing materially false and misleading statements and omissions concerning Nortel Networks' financial condition. Two additional class action complaints were

8. INVESTMENTS IN SIGNIFICANTLY INFLUENCED AND OTHER COMPANIES (continued)

filed in the same court on November 16, 1998, and December 11, 1998, alleging substantially similar claims. The court granted the plaintiffs' motion to consolidate all three actions on February 1, 1999. On January 31, 2000, the court granted Nortel Networks' motion to dismiss the plaintiffs' consolidated amended class action complaint and closed the case. The plaintiffs have until March 6, 2000 to appeal the dismissal.

In June 1998, four class action complaints were filed in the Delaware Court of Chancery, New Castle County, purportedly on behalf of all common shareholders of Bay Networks, alleging that the Bay Networks directors breached fiduciary duties owed to the Bay Networks shareholders and that Nortel Networks aided and abetted the alleged breaches of fiduciary duty. On July 23, 1998, Bay Networks, Nortel Networks, and counsel for the plaintiff class entered into an agreement in principle (the Settlement Agreement) under which the actions will be dismissed (subject to confirmation by the parties and the approval of the court) and which provided that additional disclosures be made in the final Bay Networks Proxy Statement and that counsel for the plaintiff class may apply to the court for an award of legal fees up to US $450 thousand and expenses up to US $25 thousand. Nortel Networks provided for these amounts in 1998. On August 26, 1998, a class action complaint was filed in the same court purportedly on behalf of all Bay Networks common shareholders, alleging that the Bay Networks Proxy Statement was materially misleading by failing to disclose pending litigation by Bay Networks against nine former employees. On January 27, 2000, the court approved the Settlement Agreement, thereby dismissing with prejudice the five actions described above, and awarded US $400 thousand in legal fees and expenses. The plaintiffs have until February 28, 2000 to appeal.

On April 18, 1997, a lawsuit was filed in the California Superior Court, County of Santa Clara, purportedly on behalf of a class of shareholders who acquired Bay Networks common shares pursuant to the registration statement and prospectus that became effective on November 15, 1995. On March 4, 1997, Bay Networks announced that shareholders had filed two separate lawsuits in the United States District Court for the Northern District of California and the California Superior Court, County of Santa Clara against Bay Networks and ten of Bay Networks then current and former officers and directors, purportedly on behalf of a class of shareholders who purchased Bay Networks common shares during the period of May 1, 1995, through October 14, 1996. The two actions in the California Superior Court, County of Santa Clara, were consolidated in April 1998 but the plaintiffs' motion for class certification was denied. In January 2000, the California Court of Appeal rejected the plaintiffs' appeal of the decision. The plaintiffs have 40 days to appeal.

In June 1993, certain holders of Nortel Networks' securities commenced a class action in the United States District Court for the Southern District of New York alleging that Nortel Networks and certain of its officers violated the *Securities Exchange Act* of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Nortel Networks. In January 2000, the court heard arguments on Nortel Networks' motion for summary judgment with respect to all claims in the case.

Nortel Networks is also a defendant in various other suits, claims and investigations which arise in the normal course of business.

Except where noted above, Nortel Networks is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact of these matters and therefore cannot determine whether these actions will, individually or collectively, have a material adverse impact on the consolidated financial position or results of operations of Nortel Networks. Unless otherwise noted, Nortel Networks and any named directors and officers intend to vigorously defend these actions.

(e) The goodwill implicit in investments in significantly influenced companies amounted to $506 million at December 31, 1999 ($229 million in 1998).

9. INTERESTS IN JOINT VENTURES

BCE's proportionate share of interests in joint ventures are included in the consolidated financial statements and are summarized in the table below.

A substantial portion of the amounts proportionately consolidated relate to BCE's interest in CGI (See Note 3), BCI's interests in Americel S.A., Axtel S.A. de C.V., Hansol, Telet S.A. and KG Telecommunications Co. Ltd., Vesper S.A., Vesper Sao Paulo S.A. and Nortel Networks' interest in various joint ventures up to August 31, 1998 (See Note 1).

	1999	1998
Balance sheet		
Current assets	**679**	356
Long-term assets	**1,728**	1,058
	2,407	1,414
Current liabilities	**648**	385
Long-term liabilities	**764**	257
	1,412	642
Statement of operations		
Revenues	**1,072**	1,239
Net loss	**156**	46
Statement of cash flows		
Cash flows from operating activities	**(126)**	16
Cash flows from investing activities	**(763)**	(306)
Cash flows from financing activities	**447**	120

10. CAPITAL ASSETS

At December 31	1999		1998	
	Cost	**Net book value**	Cost	Net book value
Plant	**26,162**	**10,269**	26,128	10,208
Machinery and equipment	**6,448**	**2,827**	5,668	2,852
Buildings	**2,228**	**1,299**	2,274	1,281
Licenses	**928**	**783**	1,084	952
Plant under construction	**1,561**	**1,561**	1,215	1,215
Land	**94**	**94**	86	86
Other	**176**	**102**	231	151
	37,597	**16,935**	36,686	16,745

Included in operating expenses are depreciation and amortization of capital assets amounting to $2,725 million in 1999 ($3,220 million in 1998).

In the first quarter of 1998, Bell Canada sold commercial properties to TrizecHahn Corporation for net proceeds of $753 million.

11. SUPPLEMENTARY INFORMATION

	1999	1998
BALANCE SHEET		
Deferred charges		
Deferred pension asset (See Note 17)	**1,620**	1,364
Unrealized foreign currency losses, net of amortization (a)	**389**	173
Debt issue expenses, net of amortization (a)	**106**	98
Amounts receivable under cross currency contracts	**–**	136
Other	**599**	486
	2,714	2,257
Debt due within one year		
Bank advances	**438**	728
Notes payable	**157**	258
Long-term debt due within one year (See Note 12)	**1,082**	1,089
	1,677	2,075
STATEMENT OF CASH FLOWS		
Interest paid	**905**	1,050
Income taxes paid	**745**	1,074

(a) Included in operating expenses and other income are amortization of deferred charges amounting to $208 million in 1999 ($203 million in 1998).

12. LONG-TERM DEBT

At December 31	1999	1998
BCE Inc.		
8.75% Series 11 Notes repaid in 1999	**–**	200
7.81% Series 12 Notes (£50 million) repaid in 1999	**–**	127
9.95% Series 13 Notes due 2000	**173**	173
5.55% Medium Term Notes due 2001 (a)	**–**	150
8.95% Series 8 Notes due 2002 (a)	**–**	300
LIBOR plus 0.225% term credit facility (US $400 million) due 2002, swapped to Canadian dollar principal and interest with fixed rate of 7.72% to 2000 (a)	**–**	612
6.2% Series 14 Notes due 2007	**300**	300
Total – BCE Inc.	**473**	1,862

(a) Repaid prior to maturity in 1999.

12. LONG-TERM DEBT (continued)

At December 31	Weighted average rate of interest %	1999	1998
Bell Canada			
Debentures and notes (b)			
Repaid in 1999	9.60	–	605
Due 2000	8.60	**753**	859
2001	7.41	**171**	171
2002	7.69	**323**	325
2003	6.86	**497**	559
2004	10.88	**207**	276
2005-2014	8.17	**3,254**	2,366
2015-2054	9.21	**1,425**	1,266
Subordinated debentures			
Due 2026-2031	8.21	**275**	275
Other (c)	–	**126**	64
Total – Bell Canada		**7,031**	6,766

(b) Debentures and notes include US $400 million maturing in 2006 and 2010; 300 million Swiss francs, due 2003, swapped into U.S. dollar obligations; and, 150 million German marks, due 2000, swapped into Canadian dollar obligations. In addition, $750 million of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.

(c) Other includes an obligation under a capital lease of $45 million, net of a loan receivable of $246 million. This obligation resulted from an agreement entered into in 1999, whereby Bell Canada sold and leased back telecommunication equipment for proceeds of $316 million. A portion of these proceeds was invested in an interest bearing loan receivable.

At December 31	1999	1998
CGI and BCE Emergis		
Other	**49**	10
Total – CGI and BCE Emergis	**49**	10

At December 31	1999	1998
BCE Media		
11.59% Notes due in 2001	**50**	50
10.75% Notes due in 2002	**75**	75
7.40% Notes due in 2006	**150**	–
Other	**47**	80
Total – BCE Media	**322**	205

At December 31	1999	1998
BCI		
LIBOR plus 4.25% Senior term loan (1999 – US $240 million, 1998 – US $300 million) due in varying semi-annual payments ending in 2002	**346**	456
14.0% Senior discount notes (1999 – US $157 million, 1998 – US $137 million) due 2004	**226**	208
11.0% Senior unsecured notes, redeemable at the option of the issuer, repayable in 2004	**160**	–
6.0% to 12.93% Debentures (1999 KRW 167 billion, 1998 – KRW 48 billion), repayable in varying amounts ending in 2004	**212**	60
14.13% Senior deferred coupon bonds (1999 – US $254 million, 1998 – US $222 million) due 2005	**367**	338
Other (d)	**676**	444
Total – BCI	**1,987**	1,506

(d) Other consists mainly of bank, term equipment and other financing at various rates due at different dates no later than 2011.

At December 31	1999	1998
Total long-term debt	**9,862**	10,349
Less: due within one year (See Note 11)	**1,082**	1,089
Long-term debt	**8,780**	9,260

12. LONG-TERM DEBT (continued)

Long-term debt maturities during each of the next five years are summarized below:

Years ending December 31	2000	2001	2002	2003	2004
BCE Inc.	173	–	–	–	–
Bell Canada	782	171	323	497	207
CGI and BCE Emergis	10	6	5	22	1
BCE Media	2	52	77	3	3
BCI	115	415	327	163	360
Total maturities	1,082	644	732	685	571

At December 31, 1999, unused bank lines of credit, for general corporate purposes and to support commercial paper borrowings, generally at the banks' prime rate of interest, amounted to approximately $3 billion.

13. FINANCIAL INSTRUMENTS

Risk management

BCE Inc. uses interest rate swaps to reduce its financing costs.

Bell Canada uses cross currency swaps, forward contracts and interest rate swaps to manage its foreign currency and interest rate positions associated with its debt instruments. Bell Canada generally uses these derivative contracts to reduce its financing costs and to diversify Bell Canada's access to capital markets.

BCI operates internationally and as such is exposed to fluctuations in foreign exchange rates. BCI does not currently use derivative financial instruments to limit its exposure to fluctuations in foreign exchange rates on its investments or long-term debt, or to manage the risk of interest rate fluctuations on existing long-term debt.

Credit risk

BCE is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments, but does not anticipate non-performance by any of the counterparties. BCE deals only with highly-rated financial institutions and monitors the credit risk and credit standing of counterparties on a regular basis. BCE manages its exposure so that there is no substantial concentration of credit risk resulting from interest rate swaps and cross currency contracts.

In addition, BCE is exposed to credit risk from customers. However, BCE's businesses have a large number of diverse customers which minimizes the concentration of this risk. The introduction of competition in the local exchange market may increase credit risk at Bell Canada.

13. FINANCIAL INSTRUMENTS (continued)

Currency exposures

The terms of the cross currency contracts essentially match the terms of the hedged items. The following table summarizes the debt-related strategies used to manage the exposure to fluctuations in foreign exchange rates, as at December 31, 1999:

		Before-hedging strategies		After-hedging strategies	
	Total	Canadian dollars	Foreign currency	Canadian dollars	Foreign currency
Long-term debt					
BCE Inc.	473	473	–	473	–
Bell Canada	7,031	5,736	1,295	6,107	924
CGI and BCE Emergis	49	49	–	49	–
BCE Media	322	310	12	310	12
BCI	1,987	160	1,827	160	1,827
Total long-term debt	9,862	6,728	3,134	7,099	2,763
Notes payable	157	46	111	46	111

Principal amounts to be received under cross currency contracts include DM 150 million, SF 300 million, US $280 million and $74 million. Principal amounts owed under cross currency contracts include US $250 million and $547 million.

Interest rate exposures

Long-term debt is issued mainly at fixed interest rates and notes payable are issued at market rates for commercial paper. The terms of the interest rate swaps are related to the hedged items and are principally between one and eight years in duration. The following table summarizes the debt and preferred share-related strategies used to manage the exposure to interest rate fluctuations and to reduce financing costs, as at December 31, 1999:

		Before-hedging strategies		After-hedging strategies	
	Total	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Long-term debt					
BCE Inc.	473	473	–	473	–
Bell Canada	7,031	7,031	–	6,881	150
CGI and BCE Emergis	49	49	–	49	–
BCE Media	322	307	15	307	15
BCI	1,987	1,091	896	1,091	896
Total long-term debt	9,862	8,951	911	8,801	1,061
Preferred shares	1,700	1,700	–	1,050	650
Notes payable	157	24	133	24	133

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

13. FINANCIAL INSTRUMENTS (continued)

At December 31, 1999 and 1998, the carrying value of all financial instruments approximates fair value with the following exceptions:

	1999		1998	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt due within one year	**1,082**	**1,137**	1,089	1,112
Long-term debt	**8,780**	**9,077**	9,260	10,731
Derivative financial instruments, net assets (liability) position:				
Cross currency contracts (a)	**(44)**	**(28)**	120	110
Interest rate swaps	**–**	**(19)**	–	73

(a) Amounts receivable or payable under cross currency contracts are included in current assets, deferred charges or liabilities, as appropriate.

Sale of accounts receivable

Under an agreement effective October 14, 1997, Bell Canada sold accounts receivable for aggregate cash proceeds of $650 million. Pursuant to the agreement, the purchaser will use the funds from collections to purchase further receivables from Bell Canada until the expiration of the agreement on October 6, 2002.

Guarantees

At December 31, 1999, BCE had outstanding guarantees of $85 million representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

14. NON-CONTROLLING INTEREST

At December 31	1999	1998
Non-controlling interest in subsidiaries:		
Bell Canada	**829**	470
BCI	**66**	126
BCE Emergis	**121**	47
	1,016	643
Preferred shares, equity-settled notes and convertible debentures issued by subsidiaries:		
Bell Canada	**959**	645
BCI	**415**	–
Other	**70**	70
	1,444	715
	2,460	1,358

15. PREFERRED SHARES

Authorized

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching to them.

Authorized and outstanding

The following table provides a summary of the principal terms and conditions relating to the Corporation's authorized and outstanding series of First Preferred Shares. The detailed terms and conditions of such shares are set forth in the Corporation's articles of incorporation.

All series outstanding as at December 31, 1999, are non-voting except under certain circumstances when the holders are entitled to one vote per share and are convertible at the holder's option.

CUMULATIVE REDEEMABLE FIRST PREFERRED SHARES

										Authorized		Outstanding	
												At December 31 Stated capital	
Series	Annual dividend rate		Convertible date (on or after)	Convertible into	Redemption date	Redemption price		Number of shares		**1999**	1998		
P	$1.600		July 15, 2002 (a)(i)	common shares	April 15, 2002	$25		16,000,000	(h)	**400**	400		
Q	$1.725	(b)	December 1, 2000	Series R	December 1, 2000	$25	(c)	8,000,000	(h)	**200**	200		
R			December 1, 2005	Series Q	December 1, 2005	$25		8,000,000	(g)	**–**	–		
S	$1.320	(b)	November 1, 2001	Series T	November 1, 2001	$25	(c)	8,000,000	(h)	**200**	200		
T			November 1, 2006	Series S	November 1, 2006	$25		8,000,000	(g)	**–**	–		
U	$1.385	(d) (e)	March 1, 2007	Series V	March 1, 2007	$25	(f)	22,000,000	(h)	**350**	350		
V			March 1, 2012	Series U	March 1, 2012	$25		22,000,000	(g)	**–**	–		
W	$1.363	(d) (e)	September 1, 2007	Series X	September 1, 2007	$25	(f)	20,000,000	(h)	**300**	300		
X			September 1, 2012	Series W	September 1, 2012	$25		20,000,000	(g)	**–**	–		
Y	$1.150	(b)	December 1, 2002	Series Z	December 1, 2002	$25	(c)	10,000,000	(h)	**250**	250		
Z			December 1, 2007	Series Y	December 1, 2007	$25		10,000,000	(g)	**–**	–		
										1,700	1,700		

(a) The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder. The Series P shares are, subject to the approval of certain stock exchanges, also convertible into common shares at the Corporation's option.

(b) Holders of Series Q, Series S and Series Y shares will be entitled to floating adjustable cumulative dividends commencing with the month of January 2001, December 2001 and January 2003, respectively.

(c) The Corporation may redeem the Series Q, Series S and Series Y shares at any time after December 1, 2000, November 1, 2001 and December 1, 2002, respectively, for $25.50 per share.

(d) The Corporation has entered into interest rate swap agreements until 2007 to effectively convert the Series U and W fixed dividends to floating rate dividends equal to the 90-day Bankers' Acceptance Rate less 0.675% and 0.594%, respectively.

(e) Holders of Series U and Series W shares will be entitled to floating cumulative dividends commencing with the month of April 2007 and October 2007, respectively.

(f) The Corporation may redeem the Series U and Series W shares on and after March 1, 2007 and September 1, 2007, respectively. However, if these Series are listed on The Toronto Stock Exchange, the redemption price after these dates shall be $25.50 per share.

(g) Authorized but not issued.

(h) Authorized and outstanding, except that only 14,000,000 Series U shares and 12,000,000 Series W shares are outstanding.

(i) A special meeting of the holders of Series P shares will be held on March 14, 2000, whereby the holders will be asked to vote for the removal of the conversion feature and the addition of a provision allowing for the shares to be redeemed at the option of the holders, on a quarterly basis on or after July 15, 2002. If the holders agree to the above changes, these shares will be henceforth classified in Other long-term liabilities.

16. COMMON SHARES

Authorized: an unlimited number of common shares.

	1999		1998	
	Number of shares	Stated capital	Number of shares	Stated capital
Outstanding at beginning of year	**640,131,136**	**6,559**	635,949,923	6,316
Shares issued				
For cash				
Shareholder Dividend Reinvestment and Stock Purchase Plan (a)	**1,020,402**	**71**	2,017,882	106
Employees' Savings Plan (b)	**1,047,926**	**70**	1,338,311	75
Exercise of stock options (c)	**355,216**	**11**	603,375	15
Exercise of put options by CGI shareholders (See Note 3)	**1,250,304**	**78**	878,045	54
Shares purchased for cancellation	**–**	**–**	(656,400)	(7)
Outstanding at end of year	**643,804,984**	**6,789**	640,131,136	6,559

During the year ended December 31, 1998, the Corporation purchased 656,400 of its common shares, under a normal course issuer bid, for an aggregate price of $32 million, of which $1 million was charged to contributed surplus and $24 million was charged to retained earnings.

(a) Shareholder dividend reinvestment and stock purchase plan (DRP)

Until September 1999, the Corporation's DRP allowed holders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of the Corporation. In September 1999, the Corporation's DRP was amended to provide that common shares to be acquired upon reinvestment of cash dividends and investment of optional cash payments will, at the Corporation's option, either be purchased on the open market through a stock exchange or will continue to be purchased directly from BCE Inc. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of $20,000 in each 12-month period ending October 15. Optional cash payments amounted to $15 million in 1999 and $20 million in 1998.

The price at which BCE Inc. common shares are purchased is, for open market purchases, the average of the actual cost (excluding brokerage commissions, fees and service charges) incurred by the DRP agent to purchase such shares during an Investment Period and, for direct purchases from BCE Inc., the weighted average price of all board lot trades of BCE Inc. common shares on The Toronto Stock Exchange during the three trading days immediately preceding an Investment Period on which at least a board lot of BCE Inc. common shares was traded. In the case of common shares to be purchased from BCE Inc., Investment Period means the first business day following the 15th day of each month. In the case of open market purchases, Investment Period means, to the extent deemed practicable by the DRP agent, with respect to a month during which there is a common dividend payment date, a maximum period of five business days commencing on the trade date for transactions which settle on the common dividend payment date and, with respect to any other month, the first business day following the 15th day of such month. No price discount is offered to participants. As at December 31, 1999, 8% of the number of outstanding common shares were enrolled in the DRP (8% as at December 31, 1998).

At December 31, 1999, 5,448,577 common shares were reserved for issuance under the DRP.

(b) Employees' savings plan (ESP)

The ESP enables employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. Under the terms of the ESP, employees can choose each year to have up to 10% of their annual earnings withheld to purchase the Corporation's common shares. The Corporation contributes up to a maximum of 2% of the employee's annual earnings. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1999, was 34,835 employees (34,793 employees in 1998).

Common shares of the Corporation are purchased by the ESP trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of ESP shares purchased on behalf of employees, including purchases from the Corporation shown in the table above, was 2,106,419 during 1999 and 3,004,844 in 1998.

At December 31, 1999, 8,452,289 common shares were reserved for issuance under the ESP.

(c) Stock options

Under the Long-Term Incentive Stock Option Programs (Programs) of the Corporation, options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation generally at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. At December 31, 1999, a total of 26,517,986 common shares remain authorized for issuance under the Programs. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment except when a special vesting period is granted. In 1999, 2,440,000 options and, in 1998, 220,000 options were granted with a five-year special vesting period that are fully exercisable in 2004 and 2003, respectively. Options are not generally exercisable during the first 12 months after the date of the grant. However, if there is a change of control of the Corporation, the options may, if an optionee's employment is terminated under certain circumstances, become immediately exercisable. Furthermore, with respect to optionees employed by certain subsidiaries of the Corporation, the same result may also occur if the Corporation ceases, under certain circumstances, to hold a specific percentage ownership interest (as set forth in the Programs) in such subsidiaries.

16. COMMON SHARES (continued)

Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. SCPs have been granted as follows: 3,371,400 in 1999 and 1,421,650 in 1998. At December 31, 1999, 5,382,679 SCPs covering the same number of shares as the options to which they are related were outstanding.

The following table summarizes the status of the Corporation's Stock Option Programs as of, and changes during the years ended, December 31, 1999 and 1998:

	1999		1998	
	Number of options	**Weighted-average exercise price**	**Number of options**	**Weighted-average exercise price**
Options outstanding at beginning of year	**2,820,295**	**$40**	2,329,629	$28
Granted	**3,645,109**	**$66**	1,421,650	$53
Exercised	**(355,216)**	**$32**	(603,375)	$24
Forfeited/Expired	**(343,176)**	**$59**	(327,609)	$39
Options outstanding at end of year	**5,767,012**	**$56**	2,820,295	$40
Options exercisable at December 31	**1,361,937**	**$35**	733,789	$26

The following table summarizes information about the Corporation's Stock Option Programs at December 31, 1999:

	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**
$18 to 40	1,096,652	5	$28	901,158	$28
$41 to 60	865,772	7	$47	328,032	$46
$61 to 80	3,804,588	9	$66	132,747	$61
$18 to 80	5,767,012	8	$56	1,361,937	$35

17. PENSIONS

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages.

The pension credit and the projected plan benefits are based on management's best estimates including long-term rate of return on the pension asset portfolio, long-term interest rates and long-term salary escalation rates. Variances between such estimates and actual experience, which may be material, are amortized over the average remaining service lives of the employees. In addition, included in the restructuring charges are curtailment gains associated with employee severance.

The following table sets forth the consolidated financial position of the pension plans and BCE's net pension asset:

At December 31	1999	1998
Plan assets at market value	**12,000**	10,824
Actuarially projected plan benefits		
Accumulated plan benefits	**7,749**	6,622
Effect of salary projections	**878**	721
Projected plan benefits	**8,627**	7,343
Plan assets in excess of projected plan benefits	**3,373**	3,481
Unrecognized net experience gains	**(1,908)**	(2,282)
Unrecognized net assets existing at January 1, 1987	**(31)**	(42)
Unrecognized prior period costs	**90**	108
Net pension asset reflected on the consolidated balance sheet	**1,524**	1,265
Deferred pension asset, included in deferred charges (See Note 11)	**1,620**	1,364
Deferred pension obligation, included in other long-term liabilities	**(96)**	(99)
Net pension asset	**1,524**	1,265

17. PENSIONS (continued)

The components of BCE's pension credit are as follows:

	1999	1998
Service cost – benefits earned	**156**	288
Interest cost on projected plan benefits	**606**	939
Expected return on plan assets	**(837)**	(1,217)
Net amortization and other	**(122)**	(82)
Pension credit	**(197)**	(72)

18. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At December 31, 1999, the future minimum lease payments under capital leases were $133 million. At December 31, 1999, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were $253 million in 2000, $216 million in 2001, $188 million in 2002, $164 million in 2003, $141 million in 2004 and $806 million thereafter. Rental expense applicable to operating leases for the year 1999 was $450 million ($659 million in 1998).

In addition, at December 31, 1999, BCI was committed to purchase $775 million in network equipment.

Litigation

In the normal course of operations, BCE becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 1999, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

Uncertainty due to the year 2000 issue (year 2000 readiness disclosure)

The Year 2000 issue arose because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems could have recognized the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 was processed. In addition, similar problems could have arisen in some systems which used certain dates in 1999 to represent something other than a date. Although the rollover to the Year 2000 has occurred, it is not possible to conclude, at this point in time, that all aspects of the Year 2000 issue that may affect BCE, including those related to customers, suppliers, or other third parties, have been fully resolved.

19. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP WITH UNITED STATES GAAP

The material differences between Canadian and United States GAAP affecting the consolidated financial statements of BCE are reconciled in the table below.

	1999	1998
Net earnings applicable to common shares – Canadian GAAP	**5,366**	4,505
Adjustments		
Purchased in-process research and development (a)	**264**	(319)
Goodwill (b)	**(345)**	(123)
Postretirement benefits other than pensions (c)	**(58)**	(65)
Postemployment benefits (d)	**(8)**	(17)
Income taxes (e)	**392**	(527)
Income tax benefit related to stock options (f)	**(142)**	(20)
Pension credit (g)	**(23)**	(13)
Foreign exchange (h)	**(63)**	(24)
Gain on exchange of investments (i)	**99**	–
Gains on reduction of ownership in subsidiary and significantly influenced companies (j)	**(85)**	(698)
Additional pick-up of non-controlling interest losses (k)	**(80)**	–
Pre-operating expenses (l)	**(17)**	(6)
Other	**(49)**	(26)
Net earnings applicable to common shares – U.S. GAAP	**5,251**	2,667
Other comprehensive earnings items:		
Change in currency translation adjustment	**(467)**	(17)
Change in unrealized gain on investments, net	**8**	6
Comprehensive earnings – U.S. GAAP	**4,792**	2,656
Net earnings per common share – Canadian GAAP	**8.35**	7.07
– U.S. GAAP (m)		
• Basic	**8.17**	4.18
• Fully diluted	**7.97**	4.12

The cumulative effect of differences between Canadian and United States GAAP is to reduce retained earnings by $2,735 million as at December 31, 1999 and $2,620 million as at December 31, 1998.

(a) Purchased in-process R&D

Under United States GAAP, purchased in-process R&D having no alternative future use must be written-off at the time of acquisition. The adjustment represents the difference between the write-off of purchased in-process R&D recorded under United States GAAP and the purchased in-process R&D expense recorded under Canadian GAAP. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $55 million.

(b) Goodwill

Under Canadian GAAP, the aggregate purchase price on acquisitions is based on the market price for a reasonable period before and after the date of acquisition. Under United States GAAP, the aggregate purchase price on acquisitions is based on the market price for a reasonable period before and after the date of the transaction's announcement. The difference in the purchase price under Canadian and United States GAAP creates a difference in the amount of the purchase price allocated to goodwill. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $468 million.

(c) Postretirement benefits other than pensions

Under Canadian GAAP, the costs of postretirement benefits other than pensions, such as health and life insurance benefits for retirees, are charged to earnings when paid. United States GAAP requires the accrual of actuarially determined postretirement benefit costs as active employees earn these benefits. In reporting the impact of the adoption of Financial Accounting Standards Board Statement No. 106, *Employers' Accounting for Postretirement Benefits other than Pensions*, the transitional obligation (i.e. employees' service prior to adopting the new method of accounting effective January 1, 1993) of most of BCE's telecommunications subsidiary and significantly influenced companies is being amortized over 20 years. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $577 million.

(d) Postemployment benefits

Under Canadian GAAP, the costs of postemployment benefits are recognized as the claims are paid. United States GAAP requires the accrual of the postemployment benefits at the occurrence of an event that renders an employee inactive. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $133 million.

19. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP WITH UNITED STATES GAAP (continued)

(e) Income taxes

Under United States GAAP, BCE adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities, including investments in significantly influenced companies, for financial reporting purposes and the amounts used for income tax purposes, computed based on the rates and provisions of the enacted tax law. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $110 million.

(f) Income tax benefit related to stock options

Under United States GAAP, the tax benefit associated with deductible stock option compensation is treated as an increase in contributed surplus. Under Canadian GAAP, the income tax benefit can be treated as a reduction to the income tax provision if compensation costs are not recorded. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $189 million.

(g) Pension credit

The difference arises mainly from variations in methodology for calculating pension expense, curtailments and settlements under Canadian GAAP compared with United States GAAP. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $37 million.

(h) Foreign exchange

Under Canadian GAAP, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are deferred and amortized over the remaining lives of the related items. Under United States GAAP, the translation gains and losses are reported in earnings immediately. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $182 million.

(i) Gain on exchange of investments

On May 31, 1999, Bruncor, MT&T and NewTel combined their businesses to form Aliant. As a result, Bell Canada exchanged the ownership interest it had in Bruncor (45%), MT&T (34%) and NewTel (55%) for a 42% interest in Aliant (See note 8). For United States GAAP purposes, the transaction represents, for Bell Canada, a series of non-monetary exchanges. Generally, exchanges of similar productive assets are accounted for at carrying value and no gain or loss is recognized. However, as a consolidated investment is not considered a productive asset, the exchange of Bell Canada's interest in NewTel was recorded at fair value. The cumulative effect of this difference is to increase retained earnings as reported under Canadian GAAP by $99 million.

(j) Gains on reduction of ownership in subsidiary and significantly influenced companies

Under Canadian and United States GAAP, a gain on reduction of ownership in a subsidiary or significantly influenced company is calculated in a similar manner. However, Canadian and United States GAAP differences will cause the underlying equity value of a subsidiary or significantly influenced company to be different; therefore, the resulting gain will be different. In addition, under United States GAAP, a gain on reduction of ownership in a significantly influenced company is tax effected. Furthermore, under United States GAAP, if certain conditions are met, the pooling of interest method can be used to account for an acquisition. Under Canadian GAAP the pooling of interest method can only be used when none of the parties included can be identified as the acquirer. Accordingly, under United States GAAP, the purchase of Excel by Teleglobe in 1998 (See Note 5) would have been accounted for using the pooling of interest method and the gain on reduction of ownership and goodwill referred to in Note 5 (d) would not have been recorded. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $783 million.

(k) Additional pick-up of non-controlling interest losses

Under Canadian and United States GAAP, the controlling shareholder is required to account for 100% of a subsidiary's losses when the non-controlling interest, related to that subsidiary, has been eliminated on the balance sheet. However, Canadian and United States GAAP differences will cause the point at which 100% of the losses are allocated to the controlling shareholder to be different. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $80 million.

(l) Pre-operating expenses

Under Canadian GAAP, pre-operating expenses can be deferred and amortized if they meet certain criteria. Under the United States GAAP, these costs are expensed as incurred. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $74 million.

(m) Earnings per share

Under United States GAAP, companies are required to present diluted earnings per share using the treasury stock method, which differs from the method of computing fully diluted earnings per common share under Canadian GAAP.

20. SUBSEQUENT EVENTS

Distribution of Nortel Networks

On January 26, 2000, BCE announced a plan to distribute an approximate 37% interest in Nortel Networks to BCE common shareholders. As at February 23, 2000, the interest to be distributed was approximately 36% as a result of the issuance of additional common shares by Nortel Networks. BCE and Nortel Networks have signed a definitive agreement, which was approved by their respective boards of directors, to implement the proposed transaction by way of a plan of arrangement. Under the proposed plan of arrangement, BCE common shareholders will receive, for each common share of BCE held, approximately 0.78 (subject to adjustment at the time of completion of the transaction) of a common share of a new publicly traded Canadian company that will own all the shares of, and continue as, Nortel Networks. Each BCE shareholder will retain the same number of BCE common shares which will, after the distribution, reflect BCE's remaining interests in communications services. BCE is expected to retain an approximate 2% interest in Nortel Networks following completion of the distribution. The transaction will be recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's current approximate 38% interest in Nortel Networks (BCE's remaining approximate 2% interest in Nortel Networks will be recorded as an investment at cost). Accordingly, no gain or loss will be recorded on the transaction. Commencing in 2000, Nortel Networks will be presented as a discontinued operation. The transaction will be subject to customary conditions, including relevant tax rulings, and the approval of the plan of arrangement by the court and the common shareholders of BCE and Nortel Networks. BCE expects the new structure to be in place by the end of the second quarter of 2000.

Assuming that this transaction had occurred as at January 1, 1999, Net earnings applicable to common shares for the year ended December 31, 1999, would have been reduced by $0.4 billion to $5 billion, Investments in significantly influenced and other companies as at December 31, 1999, would have been reduced by $6.5 billion to $2.9 billion, and Common shareholders' equity as at December 31, 1999, would have been reduced by $6.5 billion to $9.7 billion.

Acquisition of Teleglobe

On February 15, 2000, BCE announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Teleglobe it currently does not own for approximately $9.65 billion in BCE common shares. BCE currently owns 23% of Teleglobe through Bell Canada. The number of BCE common shares to be issued to Teleglobe's shareholders is subject to a fixed "collar" share exchange ratio and will be based on BCE's share price following the distribution of Nortel Networks common shares to BCE's shareholders. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including Teleglobe's shareholders' approval, and is anticipated to close as soon as possible after regulatory and shareholder approvals have been received.

Acquisition of United Payors & United Providers, Inc. (UP&UP)

On February 6, 2000, BCE Emergis announced that it had entered into a definitive agreement to acquire 100% of UP&UP of Rockville, Maryland. UP&UP provides claims processing between insurance companies and health care providers, designed to produce cost savings and to offer benefits for insurance companies while increasing liquidity and improving efficiency in claims submissions for providers. The aggregate purchase price will be for a cash consideration of approximately US $580 million, subject to certain adjustments. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including UP&UP shareholders' approval, and is anticipated to close in the second quarter of 2000. Management of UP&UP and other major shareholders have agreed to vote their shares in favour of this transaction.

In order to facilitate this transaction, BCE Inc. has committed up to $800 million consisting of up to $650 million of BCE Emergis common equity, and a stand-by credit facility of up to $150 million represented by convertible notes.

Acquisition of Aliant

In January 2000, BCE successfully completed the acquisition of 15.8 million outstanding common shares, for $27.50 per share, of Aliant. This brings BCE's and Bell Canada's total ownership in Aliant to 54% (approximately 41% held by Bell Canada and approximately 13% held by BCE Inc.), or approximately 53% on a fully diluted basis. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

Issue and redemption of preferred shares by Bell Canada

On January 11, 2000, Bell Canada issued to the public 4,200,000 Cumulative Redeemable Class A Preferred Shares Series 15 (Series 15 Preferred Shares) at a price of $25 per share for an aggregate price of $105 million. On the same date, an additional 11,800,000 Series 15 Preferred Shares were issued at the price of $25 per share, for an aggregate price of $295 million, to the holders of Bell Canada's $150 million Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 (Series 11 Preferred Shares) and $145 million Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 13 (Series 13 Preferred Shares). In addition, on January 11, 2000, Bell Canada redeemed the Series 11 Preferred Shares and the Series 13 Preferred Shares for an aggregate purchase price of $295 million.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

(Unaudited)	1999	1998	1997	1996	1995	1994
Statement of operations data ($ millions)						
Operating revenues	**14,214**	27,207	34,237	28,079	24,547	21,598
Earnings before extraordinary item	**5,459**	4,598	1,414	1,152	782	1,178
Extraordinary item	**–**	–	(2,950)	–	–	–
Net earnings (loss)	**5,459**	4,598	(1,536)	1,152	782	1,178
Net earnings (loss) applicable to common shares	**5,366**	4,505	(1,610)	1,076	695	1,086
Balance sheet data ($ millions)						
Total assets	**36,960**	32,170	40,298	41,261	38,861	38,193
Long-term debt (including current portion)	**9,862**	10,349	12,784	12,586	13,062	11,738
Preferred shares	**1,700**	1,700	1,700	1,450	1,250	1,229
Common shareholders' equity	**16,192**	11,945	8,109	10,522	10,039	10,123
Capital expenditures	**3,588**	3,774	3,413	3,128	2,804	2,811
Common share data (i)						
Earnings (loss) per common share						
Before extraordinary item	**8.35**	7.07	2.11	1.70	1.12	1.76
Extraordinary item	**–**	–	(4.64)	–	–	–
Net earnings (loss)	**8.35**	7.07	(2.53)	1.70	1.12	1.76
Dividends declared per common share	**1.36**	1.36	1.36	1.36	1.36	1.34
Other data						
Network access services (thousands)	**11,579**	11,556	11,221	10,869	10,593	10,300
Number of employees (thousands)	**55**	53	122	121	121	116

(i) Adjusted to reflect the BCE two-for-one stock split effective May 14, 1997

QUARTERLY FINANCIAL DATA

($ millions except per share amounts)	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
(Unaudited)	1999	1998	1999	1998	1999	1998	1999	1998
Operating revenues	**3,707**	3,654	**3,632**	6,536	**3,451**	9,056	**3,424**	7,961
Net earnings (loss)	**732**	344	**146**	3,740	**4,673**	318	**(92)**	196
Net earnings (loss) applicable to common shares	**709**	320	**123**	3,716	**4,649**	295	**(115)**	174
Net earnings (loss) per common share	**1.10**	0.50	**0.19**	5.83	**7.23**	0.46	**(0.18)**	0.27
Average number of common shares outstanding (millions)	**643.8**	639.7	**643.6**	637.9	**642.8**	636.7	**641.1**	636.2

board of directors*

L.R. Wilson, O.C
Oakville, Ontario
Chairman of the Board, BCE Inc.
A director from May 1985 to September 1989 and since November 1990. Chairman of the Corporate Governance Committee. A director of Bell Canada International Inc. and Nortel Networks Corporation.

Jean C. Monty, C.M.
Montreal, Quebec
President and Chief Executive Officer, BCE Inc.
A director from May 1991 to September 1992 and since October 1997. Chairman and Chief Executive Officer of Bell Canada and Chairman of the Board of Bell ExpressVu Inc. and Teleglobe Inc. A director of Bell Canada International Inc., CGI Group Inc. and Nortel Networks Corporation.

Ralph M. Barford
Toronto, Ontario
President
Valleydene Corporation Limited
A director since April 1987. Chairman of the Management Resources and Compensation Committee and a member of the Corporate Governance Committee. A director of Nortel Networks Corporation.

Micheline Charest
Westmount, Quebec
Co-founder, Chairman of the Board and Co-Chief Executive Officer
CINAR Corporation
A director since April 1999. Member of the Management Resources and Compensation Committee. A director of BCE Emergis Inc.

Richard J. Currie, C.M.
Toronto, Ontario
President
George Weston Limited
A director since May 1995. A member of the Management Resources and Compensation Committee. A director of Nortel Networks Corporation.

Donna S. Kaufman
Toronto, Ontario
Lawyer and Corporate Director
A director since June 1998. A member of the Audit Committee. A director of Bell Canada International Inc.

Thomas E. Kierans
Toronto, Ontario
Chairman and Chief Executive Officer
Canadian Institute for Advanced Research
A director since April 1999. A member of the Audit Committee. A director of CGI Group Inc.

Brian M. Levitt
Montreal, Quebec
Corporate Director
A director since May 1998. A member of the Management Resources and Compensation Committee. A director of Bell Canada and BCE Media Inc.

Judith Maxwell
Ottawa, Ontario
President
Canadian Policy Research Networks Inc.
A director since January 2000. A member of the Audit Committee.

John H. McArthur
Wayland, Massachusetts
Dean Emeritus
Harvard University Graduate School of Business Administration
A director since May 1995. A member of the Audit Committee and the Management Resources and Compensation Committee.

J. Edward Newall, O.C.
Calgary, Alberta
Chairman of the Board
NOVA Chemicals Corporation
A director since May 1989. Chairman of the Audit Committee and a member of the Corporate Governance Committee. A director of Bell Canada.

Guy Saint-Pierre, O.C.
Montreal, Quebec
Chairman of the Board
SNC-Lavalin Group Inc.
A director since May 1995. A member of the Corporate Governance Committee. A director of Bell Canada.

Paul M. Tellier, P.C., C.C., Q.C.
Westmount, Quebec
President and Chief Executive Officer
Canadian National Railway Company
A director since April 1999. Member of the Management Resources and Compensation Committee. A director of Bell Canada.

Victor L. Young, O.C.
St. John's, Newfoundland
Chairman and Chief Executive Officer
Fishery Products International Limited. A director since May 1995. A member of the Audit Committee.

corporate officers

Jean C. Monty
President and Chief Executive Officer

William D. Anderson
Chief Financial Officer

Peter J.M. Nicholson
Chief Strategy Officer

C. Wesley M. Scott
Chief Corporate Officer

Martine Turcotte
Chief Legal Officer

Michael T. Boychuk
Corporate Treasurer

Barry W. Pickford
Vice-President, Taxation

Marc J. Ryan
Corporate Secretary

*As of February 23, 2000

There are three standing committees of the Board of Directors: the Audit Committee, the Corporate Governance Committee ("CGC") and the Management Resources and Compensation Committee ("MRCC").

Effective January 27, 1999, the Management Resources and Nominating Committee (the "MRNC") was replaced by two separate committees, the CGC and the MRCC. In essence, the CGC performs the governance and nominating functions (as they pertain to the Board of Directors) previously performed by the MRNC, and the MRCC performs the compensation functions previously performed by the MRNC. Dividing committee responsibilities in this manner has permitted a diversity of membership and resulted in a deeper engagement of committee members to distinct spheres of responsibility, thus enhancing BCE's corporate governance.

Furthermore, in order to promote greater effectiveness of the committees of the Board of Directors, the Audit Committee and the Pension Fund Policy Committee ("PFPC") were combined, effective April 28, 1999, into a single committee, the Audit Committee. Accordingly, all functions previously performed by the PFPC are now performed by the Audit Committee.

The Audit Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the annual and interim consolidated financial statements and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation's processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement, independence and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other standing committees of the Board of Directors and management.

Since April 28, 1999, the Audit Committee performs all of the functions of the PFPC. Accordingly, the Audit Committee advises the Board of Directors on policy with respect to the administration, funding and investment of the Corporation's pension plan (the "Plan") and fund (the "Fund") and the unitized pooled fund sponsored by the Corporation for the collective investment of the Fund and participating subsidiaries' pension funds (the "Master Fund"). More particularly, the Audit Committee reviews the impact of the Plan liabilities and funding of proposed changes to benefits under the Plan; approves long-term funding objectives in relation to the Plan liabilities; approves the appointment or removal of the actuary of the Plan; and with respect to the Plan, the Fund and the Master Fund, reviews the system in place for carrying out the Corporation's responsibilities as employer and administrator of the Plan, the Fund and the Master Fund, including supervision and monitoring procedures and reports to the Board of Directors on its appropriateness; approves changes to the investment policies and goals to be followed in the investment of the Fund and the Master Fund; reviews the investment performance of the Fund and the Master Fund; and reviews and approves the audited financial statements of the Fund and the Master Fund. The Audit Committee met six times in 1999.

The CGC reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board of Directors and matters of corporate governance including standards of performance for directors, the size of the Board, tenure of directors, performance of directors, directors' remuneration in relation to current compensation practices, structure, responsibility and composition of Board committees and the merits of shareholder proposals. The CGC also undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his or her own participation on the Board. It reports to the Board periodically on the Board's assessment of its effectiveness. It also assists newly appointed Board members in becoming acquainted with the Corporation and its governance process. The CGC met five times in 1999.

The MRCC reviews, reports and, where appropriate, provides recommendations to the Board on: the appointment of the Chief Executive Officer and other officers; existing management resources and succession plans for officers and other management ranks; the performance of the Chief Executive Officer and other officers; the Corporation's executive compensation policy and the compensation of the Chief Executive Officer and other officers; and any proposed major changes in organization or personnel, or changes to the Corporation's pension and benefit plans. The MRCC met seven times in 1999.

MEMBERS OF COMMITTEES OF THE BOARD

AUDIT

J.E. Newall
Chairman

D.S. Kaufman
T.E. Kierans
J. Maxwell
J.H. McArthur
V.L. Young

CORPORATE GOVERNANCE

L.R. Wilson
Chairman

R.M. Barford
J.E. Newall
G. Saint-Pierre

MANAGEMENT RESOURCES AND COMPENSATION

R.M. Barford
Chairman

M. Charest
R.J. Currie
B.M. Levitt
J.H. McArthur
P.M. Tellier

NUMBER OF SHARES AND SHAREHOLDERS

At December 31, 1999, there were 643,804,984 BCE common shares outstanding and 191,218 registered common shareholders, and 68,000,000 preferred shares outstanding, and 709 registered preferred shareholders.

FOREIGN OWNERSHIP OF BCE SHARES

In order to maintain the eligibility of its Canadian common carrier subsidiaries under the Telecommunications Act, BCE has certain powers to limit foreign ownership to no more than one-third of all of its outstanding voting shares. At December 31, 1999, foreign ownership of BCE common shares was some 6.4%.

STOCK EXCHANGE LISTINGS

Toronto, New York, London and the Swiss Exchange.

SPECIAL SERVICES FOR SHAREHOLDERS

1 Join BCE's Dividend Reinvestment and Stock Purchase Plan and increase your investment in BCE common shares without brokerage costs.
2 Avoid postal delays and trips to the bank by joining BCE's bank deposit program for your dividends.
3 Help BCE control costs and eliminate duplicate mailings by consolidating your accounts.

For more information, contact Montreal Trust Company

TRANSFER OFFICES AND REGISTRAR FOR SHARES

CANADA
Montreal Trust Company:
(514) 982-7555 in the Montreal area
or 1 800 561-0934
(toll free in Canada and the U.S.)

NEW YORK
Harris Trust Company of New York:
(212) 701-7600

LONDON
CIBC Mellon Trust Company:
(44) 181 478 1888

DIVIDENDS ON COMMON SHARES*

Record Date	Payment Date
March 15, 2000	April 15, 2000
June 15, 2000	July 15, 2000
September 15, 2000	October 15, 2000
December 15, 2000	January 15, 2001

*Subject to approval by the Board of Directors.

DIVIDENDS PAID†

Since 1995, quarterly dividends of $0.34 per common share have been paid.

ESTATE AND SUCCESSION DUTIES

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

CANADIAN WITHHOLDING TAXES ON FOREIGN INVESTORS

Dividends on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents' withholding tax rate is 15%.

If you have questions concerning withholding taxes, please contact BCE Investor Relations:
1 800 339-6353
(toll free in Canada and the U.S.)
Fax: (514) 786-3970

2000 ANNUAL AND SPECIAL MEETING

The annual and special meeting of BCE shareholders will take place at 10:30 a.m., Wednesday, April 26, 2000, at the Metro Toronto Convention Centre, 222 Bremner Blvd., Toronto, Ontario.

CORPORATE DOCUMENTS

Most of BCE Inc. corporate documents can be found on our Web site at **www.bce.ca**

Corporate documents can also be requested:

BY E-MAIL
investor.relations@bce.ca

BY TELEPHONE
1 800 339-6353
(toll free in Canada and the U. S.)

BY MAIL
BCE Inc.
1000, rue de La Gauchetière O.
Bureau 3700
Montréal (Québec)
H3B 4Y7

Documents available are annual and quarterly reports, news releases, stock quote data, annual information forms, notices of meetings and management proxy circulars, and quarterly management's discussion and analysis.

† Adjusted to reflect the BCE two-for-one stock split effective May 14, 1997.

where to reach us on the web

BCE INC.
www.bce.ca
1000, rue de La Gauchetière O.
Bureau 3700
Montréal (Québec)
H3B 4Y7

CORPORATE COMMUNICATIONS
email: bcecomms@bce.ca
tel: 1 888 932-6666
fax: (514) 786-3964

INVESTOR RELATIONS
email: investor.relations@bce.ca
tel: 1 800 339-6353
fax: (514) 786-3970

SHAREHOLDER ACCOUNT AND DIVIDEND INQUIRIES
Montreal Trust Company
P.O. Box 1100, Station B
Montréal (Québec)
H3B 3K9
email: faq@montrealtrust.com
tel: (514) 982-7555 *or*
1 800 561-0934
fax: (514) 982-7635

CANADIAN COMMUNICATIONS SERVICES	
BELL CANADA	www.bell.ca
BELL ACTIMEDIA	www.bellactimedia.com
BELL MOBILITY	www.bellmobility.ca
BELL NEXXIA	www.bellnexxia.com
BELL INTRIGNA	www.intrigna.com
ALIANT	www.aliant.ca
MANITOBA TELECOM SERVICES	www.mts.mb.ca
NORTHERN TELEPHONE	www.northerntel.on.ca
NORTHWESTEL	www.nwtel.ca
TÉLÉBEC	www.telebec.qc.ca
GLOBAL TELECOMMUNICATIONS	
TELEGLOBE	www.teleglobe.com
BELL CANADA INTERNATIONAL	www.bci.ca
EXCEL COMMUNICATIONS	www.excel.com
ORBCOMM	www.orbcomm.com
E-COMMERCE / SYSTEMS INTEGRATION	
BCE EMERGIS	www.emergis.com
CGI GROUP	www.cgi.ca
MEDIA	
BCE MEDIA	www.bcemedia.ca
BELL EXPRESSVU	www.expressvu.com
TELESAT CANADA	www.telesat.ca
TMI COMMUNICATIONS	www.msat.tmi.ca
OTHER	
NORTEL NETWORKS	www.nortelnetworks.com
BCE CAPITAL	www.bcecapital.com

Out of concern for the environment, BCE's Annual Report is printed with vegetable-based ink and is completely recyclable. The glue used in the binding is recoverable.

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www.bce.ca

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Exhibit XX

NOTICE OF 2006 ANNUAL AND SPECIAL SHAREHOLDER MEETING AND MANAGEMENT PROXY CIRCULAR

Our annual and special shareholder meeting will be held
at 9:30 a.m. (Eastern time) on Wednesday, June 7, 2006
at Le Centre Sheraton Montréal,
1201 René-Lévesque Blvd. W., Montréal, Québec, in the Ballroom.

A simultaneous webcast of the meeting will be
available on BCE's website at www.bce.ca.

As a shareholder of BCE, you have the right to vote
your shares, either by proxy or in person at the meeting.

Your vote is important.
This document tells you who can vote, what you will be voting on
and how to exercise your right to vote your shares.
Please read it carefully.

BELL CANADA ENTERPRISES

WHAT'S INSIDE

LETTER FROM THE CHAIR OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholder:

You are invited to attend this year's annual and special shareholder meeting. It will be held on Wednesday, June 7, 2006 at 9:30 a.m. (Eastern time), at Le Centre Sheraton Montréal, 1201 René-Lévesque Blvd. West, Montréal, Québec, in the Ballroom. If you cannot attend the meeting in person, you can view a simultaneous webcast on our website at www.bce.ca.

As a shareholder of BCE, you have the right to vote your shares on all items that come before the meeting. This circular tells you about these items and how to exercise your right to vote. In addition to information relating to the special business you will be voting on, you will find in this circular information about the nominated directors, the auditors, our corporate governance practices, compensation of our directors and officers, as well as a shareholder proposal.

This year, in addition to the usual business, you will be asked to vote on a plan of arrangement providing for the distribution by BCE of units in the Bell Aliant Regional Communications Income Fund (Fund) and for a consolidation in the number of common shares outstanding, as recommended by the board of directors. The Fund is the new regional telecommunications service provider to be created, as announced on March 7, 2006, that will combine Bell Canada's regional wireline operations in Ontario and Québec with Aliant's wireline operations. The Fund will also own our 63.4% indirect interest in the operating subsidiaries of Bell Nordiq Group Inc. By combining these assets, we are creating a new entity with significant scale and scope that brings a strong focus to customer service and regional needs.

The Fund is a further step in the simplification of our asset base by bringing together all of our regional assets under a single BCE-controlled trust vehicle and in surfacing significant value for shareholders. The wireline assets that we have included in the Fund are located in regions with lower levels of competition and are ideally suited to an income trust model as they provide stable and predictable cash flows. By grouping our most similar assets under a single, more "strategic" vehicle, we are better positioned to pursue growth opportunities. Moreover, by virtue of having all our regional assets under a single and dedicated management team, the Fund will benefit from a greater focus on profitability and efficiency. At the same time, we will strengthen our national wireless strategy by acquiring Aliant's wireless business and its retail operations.

Upon closing, BCE will hold a 73.5% interest in the Fund (on a fully-diluted basis). Subject to obtaining the required approval of our shareholders, we intend to distribute an approximate 28.5% interest in the Fund to our shareholders through the distribution of Fund units, reducing our interest to approximately 45% (on a fully-diluted basis). Aliant's minority shareholders will hold the remaining 26.5% interest, while Bell Nordiq Income Fund will continue to trade and operate independently. The Fund will remain integral to Bell Canada's operations and, in line with comparable income trust precedents, we will retain the ability to nominate a majority of the trustees of the Fund and to appoint a majority of the directors of its operating entities as long as we own a 30% or more interest in the Fund (on a fully-diluted basis), and to veto certain actions as long as we own a 20% or more interest in the Fund (on a fully-diluted basis).

The closing of the transactions leading to the creation of the Fund is anticipated to take place in the third quarter of 2006 and the distribution of units in the Fund to our shareholders and the concurrent share consolidation pursuant to the BCE plan of arrangement will take place shortly thereafter. The proposed BCE plan of arrangement is described in detail in the accompanying circular which also includes certain additional information regarding the Fund.

Please note that you are only asked to vote on the distribution of units in the Fund by BCE to its shareholders and the concurrent common share consolidation and not on the creation of the Fund and the transactions related thereto.

Finally, "best practices" being the cornerstone of our corporate governance philosophy, the board has voluntarily established guidelines specifying that, in an uncontested election (i.e., the election does not involve a proxy battle), any director nominee who receives a greater number of votes "withheld" than votes "for" his or her election, must submit to the Corporate Governance Committee (CGC) his or her resignation letter no later than 10 days following the public disclosure of the vote results. The resignation will take effect upon its acceptance by the board. It is generally expected that the CGC will recommend, absent exceptional circumstances, that the board accept such resignation. Within 90 days following the filing of the vote results, the board will, upon recommendation of the CGC, decide to accept or refuse the resignation and will promptly publicly disclose its decision via press release. A director who so tenders his or her resignation will not participate in any discussion or action of the CGC or of the board with respect to the decision to accept or not his or her resignation. In cases where the board determines to refuse the resignation, the reasons for its decision will also be disclosed. If a resignation is accepted, the board may appoint a new director to fill any vacancy, or may reduce the size of the board.

Thank you for your continued confidence in BCE. We look forward to seeing you at this year's annual and special meeting.

Sincerely,

Richard J. Currie

RICHARD J. CURRIE
Chair of the board

MICHAEL J. SABIA
President and Chief Executive Officer

Bell Canada Enterprises

April 12, 2006

NOTICE OF 2006 ANNUAL AND SPECIAL SHAREHOLDER MEETING

YOU ARE INVITED TO OUR ANNUAL AND SPECIAL SHAREHOLDER MEETING

When

Wednesday, June 7, 2006
9:30 a.m. (Eastern time)

Where

Le Centre Sheraton Montréal,
1201 René-Lévesque Blvd. W.,
Montréal, Québec
in the Ballroom

Webcast

A simultaneous webcast of the meeting will be available on BCE's website at www.bce.ca.

What the meeting is about

We will be covering five items at the meeting:

1. receiving BCE's financial statements for the year ended December 31, 2005, including the auditor's report
2. electing directors who will serve until the end of the next annual shareholder meeting
3. appointing the auditor who will serve until the end of the next annual shareholder meeting
4. considering and, if thought advisable, approving, with or without variation, a special resolution (the full text of which is reproduced as Schedule A to the accompanying management proxy circular) to approve the BCE plan of arrangement described in the accompanying management proxy circular
5. considering the shareholder proposal described in Schedule E.

The meeting may also consider other business that properly comes before the meeting.

You have the right to vote

You are entitled to receive notice of and vote at our annual and special shareholder meeting, or any adjournment, if you were a holder of BCE common shares on April 10, 2006.

You have the right to vote your shares on electing directors, appointing the auditor, the BCE plan of arrangement, the shareholder proposal and any other items that may properly come before the meeting or any adjournment.

Your vote is important

As a shareholder of BCE, it is very important that you read this material carefully and then vote your shares, either by proxy or in person at the meeting.

The following pages tell you more about how to exercise your right to vote your shares.

By order of the board,

PATRICIA A. OLAH
Corporate Secretary

Montréal, Québec
April 12, 2006

MANAGEMENT PROXY CIRCULAR

In this document, *you, your* and *shareholder* refer to the common shareholder of BCE. *We, us, our* and *BCE* refer to BCE Inc. **The information in this document is at April 12, 2006, unless otherwise indicated.**

This management proxy circular is for our annual and special shareholder meeting on June 7, 2006 (meeting). As a shareholder, you have the right to vote your shares on electing directors, appointing the auditor, approving the special resolution (Special Resolution), the full text of which is reproduced as Schedule A, to approve the proposed BCE plan of arrangement (BCE Plan of Arrangement) pursuant to which BCE would distribute units in the Bell Aliant Regional Communications Income Fund as a return of capital to holders of common shares and effect a reduction of approximately 75 million common shares, the shareholder proposal and any other items that may properly come before the meeting or any adjournment.

To help you make an informed decision, please read this circular and our annual report for the year ended December 31, 2005 which you can access on BCE's website at www.bce.ca. This circular tells you about the meeting, the nominated directors, the proposed auditor, our corporate governance practices, compensation of directors and officers, the BCE Plan of Arrangement, and the shareholder proposal. The annual report gives you a review of the activities of the BCE group of companies for the past year and includes a copy of our annual financial statements and annual management's discussion and analysis of financial condition and results of operations (MD&A).

Your proxy is solicited by the management of BCE. In addition to solicitation by mail, our employees or agents may solicit proxies by telephone or other ways at a nominal cost. We have retained Georgeson Shareholder Communications Canada Inc. (Georgeson) to solicit proxies for us in Canada and the United States at an estimated cost of $55,000. We pay the costs of these solicitations.

If you have any questions about any of the information in this document, please call Georgeson at 1-866-565-4741 for service in English or in French.

Approval of this management proxy circular

The board of directors approved the contents of this management proxy circular and authorized it to be sent to each shareholder who is eligible to receive notice of and vote his or her shares at our annual and special shareholder meeting, and to each director and to the auditor.

Patricia A. Olah

PATRICIA A. OLAH
Corporate Secretary

Montréal, Québec
April 12, 2006

ABOUT VOTING YOUR SHARES

Your vote is important — As a shareholder of BCE, it is very important that you read this information carefully and then vote your shares, either by proxy or in person at the meeting.

VOTING BY PROXY

This is the easiest way to vote. Voting by proxy means that you are giving the person or people named on your proxy form (proxyholder) the authority to vote your shares for you at the meeting or any adjournment. A proxy form is included in this package.

You can choose from five different ways to vote your shares by proxy:
1. by telephone
2. on the Internet
3. by mail
4. by fax
5. by appointing another person to go to the meeting and vote your shares for you.

The directors who are named on the proxy form will vote your shares for you, unless you appoint someone else to be your proxyholder. If you appoint someone else, he or she must be present at the meeting to vote your shares.

If you are voting your shares by proxy, our transfer agent, Computershare Trust Company of Canada (Computershare), or other agents we appoint, **must receive your completed proxy form by 4:45 p.m. (Montréal time) on Tuesday, June 6, 2006.**

You are a registered shareholder

if your name appears on your share certificate. Your proxy form tells you whether you are a registered shareholder.

You are a non-registered (or beneficial) shareholder

if your bank, trust company, securities broker or other financial institution holds your shares for you (your nominee). For most of you, your proxy form tells you whether you are a non-registered (or beneficial) shareholder.

If you are not sure whether you are a registered or non-registered shareholder, please contact Computershare.

COMPUTERSHARE TRUST COMPANY OF CANADA
100 University Avenue
9th Floor
Toronto, Ontario, Canada M5J 2Y1

TELEPHONE
1-800-561-0934 (toll-free in Canada and the United States)
514-982-7555 (in the Montréal area or from outside Canada and the United States)

FAX
1-888-453-0330 (toll-free in Canada and the United States)
416-263-9394 (outside Canada and the United States)

E-MAIL
bce@computershare.com

HOW TO VOTE — REGISTERED SHAREHOLDERS

A. By proxy

1 BY TELEPHONE

- Call 1-866-673-3260 (toll-free in Canada and the United States) or 312-601-6919 (International Direct Dial) from a touch-tone phone and follow the instructions.
- You will need your holder account number and proxy access number. You will find these two numbers on the information sheet attached to your proxy form.

If you vote by telephone, you cannot appoint anyone other than the directors named on your proxy form as your proxyholder.

2 ON THE INTERNET

- Go to BCE's website at www.bce.ca and follow the instructions on screen.
- You will need your holder account number and proxy access number. You will find these two numbers on the information sheet attached to your proxy form.

3 BY MAIL

- Detach the proxy form from the information sheet, complete pages 1 and 2 of the proxy form, sign and date your proxy form and return it in the envelope we have provided.
- Please see *Completing the proxy form* for more information.

4 BY FAX

- Detach the proxy form from the information sheet, complete pages 1 and 2 of the proxy form, sign and date your proxy form and send both pages (in one transmission) by fax to 1-866-249-7775 (toll-free in Canada and the United States) or 416-263-9524 (outside Canada and the United States).
- Please see *Completing the proxy form* for more information.

5 BY APPOINTING ANOTHER PERSON TO GO TO THE MEETING AND VOTE YOUR SHARES FOR YOU

- This person does not have to be a shareholder.
- **Strike out the four names that are printed on the proxy form and write the name of the person you are appointing in the space provided. Complete your voting instructions, date and sign the form, and return it to Computershare as instructed.**
- Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.
- At the meeting, he or she should see a representative of Computershare at the table marked "Alternate attorneys/External proxyholders".
- Please see *Completing the proxy form* for more information.

B. In person at the meeting

You do not need to complete or return your proxy form.

You will need an admission ticket to enter the meeting. Your ticket is attached to your proxy form.

You should see a representative of Computershare before entering the meeting to register your attendance at the meeting.

Voting in person at the meeting will automatically cancel any proxy you completed and submitted earlier.

HOW TO VOTE — NON-REGISTERED SHAREHOLDERS

1 BY PROXY

- Your nominee is required to ask for your voting instructions before the meeting. Please contact your nominee if you did not receive a request for voting instructions or a proxy form in this package.
- In most cases, you will receive a voting instruction form that allows you to provide your voting instructions by telephone, on the Internet, by mail or by fax. If you want to provide your voting instructions on the Internet, go to BCE's website at www.bce.ca (or go to the website noted on your voting instruction form), and follow the instructions on screen. You will need your 12-digit control number, which you will find on your voting instruction form.
- Alternatively, you may be a non-registered shareholder who will receive from your nominee a voting instruction form which:
  - is to be completed and returned, as directed in the instructions provided OR
  - has been pre-authorized by your nominee indicating the number of shares to be voted, which is to be completed, dated, signed and returned to Computershare, by mail or fax.

2 IN PERSON AT THE MEETING

- We do not have access to the names or holdings of our non-registered shareholders. That means you can only vote your shares in person at the meeting if you have previously appointed yourself as the proxyholder for your common shares by printing your name in the space provided on the voting instruction form and submitting such instruction form as directed on the form. **Your voting instructions must be received in sufficient time to allow your voting instruction form to be forwarded to Computershare by 4:45 p.m. (Montréal time) on Tuesday, June 6, 2006.**
- Your vote will be taken and counted at the meeting.
- Prior to the meeting, you should see a representative of Computershare at the table marked “Alternate attorneys/External proxyholders”.

COMPLETING THE PROXY FORM

You can choose to vote "For", "Against" or "Withhold", depending on the items listed on the proxy form.

When you sign the proxy form, you authorize Mr. R.J. Currie, Mr. M.J. Sabia, Ms. J. Maxwell or Mr. A. Bérard, who are all directors of BCE, to vote your shares for you at the meeting according to your instructions. **If you return your proxy form and do not tell us how you want to vote your shares, your vote will be counted:**

- **FOR electing the nominated directors who are listed in the management proxy circular**
- **FOR appointing Deloitte & Touche LLP as auditor**
- **FOR the approval of the BCE Plan of Arrangement**
- **AGAINST shareholder proposal No. 1.**

Your proxyholder will also vote your shares as he sees fit on any other matter that may properly come before the meeting.

If you are appointing someone else to vote your shares for you at the meeting, strike out the four names of the directors and write the name of the person voting for you in the space provided. **If you do not specify how you want your shares voted, your proxyholder will vote your shares as he or she sees fit on each item and on any other matter that may properly come before the meeting.**

If you are an individual shareholder, you or your authorized attorney must sign the form. If you are a corporation or other legal entity, an authorized officer or attorney must sign the form.

If you need help completing your proxy form, please contact Georgeson at 1-866-565-4741 for service in English or in French.

CHANGING YOUR VOTE

You can revoke a vote you made by proxy by:

- voting again by telephone or on the Internet before **4:45 p.m. (Montréal time) on Tuesday, June 6, 2006**
- completing a proxy form that is dated later than the proxy form you are changing and mailing it or faxing it to Computershare so that it is received before **4:45 p.m. (Montréal time) on Tuesday, June 6, 2006**
- sending a notice in writing from you or your authorized attorney to our Corporate Secretary so that it is received before **4:45 p.m. (Montréal time) on Tuesday, June 6, 2006**
- giving a notice in writing from you or your authorized attorney to the Chair of the meeting, at the meeting or any adjournment.

How the votes are counted

You have one vote for each common share you hold on April 10, 2006. At April 10, 2006, 906, 266, 256 common shares were entitled to be voted at the meeting.

The election of directors (subject to our majority voting guidelines — see *What the meeting will cover — Electing directors*), the appointment of the auditor and the shareholder proposal will each be determined by a majority of votes cast at the meeting by proxy or in person, whereas the Special Resolution concerning the BCE Plan of Arrangement will be subject to the affirmative vote of not less than two-thirds of the votes cast at the meeting by proxy or in person. If there is a tie, the Chair of the meeting will cast the deciding vote.

Computershare counts and tabulates the votes. It does this independently of us to make sure that the votes of individual shareholders are confidential. Computershare refers proxy forms to us only when:

- it is clear that a shareholder wants to communicate with management
- the validity of the form is in question
- the law requires it.

WHAT THE MEETING WILL COVER

Five items will be covered at the meeting:

1. receiving BCE's financial statements for the year ended December 31, 2005, including the auditor's report
2. electing directors who will serve until the end of the next annual shareholder meeting
3. appointing the auditor who will serve until the end of the next annual shareholder meeting
4. considering and, if thought advisable, approving the Special Resolution set out as Schedule A approving the BCE Plan of Arrangement
5. considering the shareholder proposal described in Schedule E.

The meeting may also consider other business that properly comes before the meeting. As of the date of this circular, management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

1. Receiving our financial statements

We will place before the meeting BCE's financial statements, including the auditor's report, for the year ended December 31, 2005. The financial statements are included in our 2005 annual report which you can access on BCE's website at www.bce.ca.

2. Electing directors

You will be electing a board of directors (board) of 15 members. Please see *About the nominated directors* for more information. Directors appointed at the meeting will serve until the end of the next annual shareholder meeting.

All of the individuals nominated for election as directors are currently members of the board and were all elected at our 2005 annual shareholder meeting.

BCE recently adopted new guidelines with respect to election of directors. Notwithstanding BCE's By-Laws and the *Canada Business Corporations Act* (CBCA), at any shareholders' meeting at which directors are to be elected in an uncontested election (i.e., the election does not involve a proxy battle), if any director nominee receives a greater number of votes "withheld" from his or her election than votes "for" such election, then such director nominee shall, no later than 10 days following the receipt of the audited and final scrutineer's report relating to such meeting (vote results), submit to the board his or her resignation letter, which shall take effect only upon the acceptance of such resignation by the board.

The board, upon the recommendation of the Corporate Governance Committee (CGC), shall within 90 days following the public disclosure of the vote results, determine either to accept or not the subject director's offer to resign, and the board shall cause BCE to promptly publicly disclose, via press release, the board's determination, including, in cases where the board has determined not to accept the resignation, the reasons therefor. It is generally expected that the CGC will recommend that the board accept such resignation, except in extraordinary circumstances.

If you do not specify how you want your shares voted, the directors named as proxyholders in the enclosed proxy form intend to cast the votes represented by proxy at the meeting FOR the election as directors of the nominated directors in this circular.

3. Appointing the auditor

The board, on the advice of the audit committee, recommends that Deloitte & Touche LLP be re-appointed as auditor. Deloitte & Touche LLP and its predecessors have been the auditor of BCE since it was created in 1983. The audit firm appointed at the meeting will serve until the end of the next annual shareholder meeting.

If you do not specify how you want your shares voted, the directors named as proxyholders in the enclosed proxy form intend to cast the votes represented by proxy at the meeting FOR the appointment of Deloitte & Touche LLP as auditor.

4. Approving the BCE Plan of Arrangement

On March 7, 2006, we announced with Aliant Inc. (Aliant) our agreement to combine Bell Canada's wireline operations in its regional territories in Ontario and Québec with the wireline operations of Aliant and our 63.4% indirect interest in Télébec, Limited Partnership and NorthernTel, Limited Partnership (collectively, the Bell Nordiq Partnerships) to form the Bell Aliant Regional Communications Income Fund (Fund). The Fund is expected to have 3.4 million local access lines and over 422,000 high-speed Internet subscribers in six provinces, and will be headquartered in Atlantic Canada. As part of this transaction, we will also acquire Aliant's wireless assets and the shares of Aliant's subsidiary, DownEast Ltd. (DownEast), which operates retail outlets throughout Atlantic Canada. We will hold a 73.5% interest in the Fund (on a fully-diluted basis) following the completion of the foregoing transactions (Fund Transactions), which is anticipated to occur in the third quarter of 2006.

We intend to reduce our interest in the Fund to approximately 45% (on a fully-diluted basis) by way of a return of capital through a distribution of approximately 64 million units in the Fund (Units) to our shareholders under the BCE Plan of Arrangement. As a result, you will receive 0.0725 Units for each common share you own as of the effective date of the arrangement (Effective Date) provided for under the BCE Plan of Arrangement (BCE Arrangement), which is currently anticipated to occur immediately after the completion of the Fund Transactions.

Concurrently with this distribution of Units, we will also effect a consolidation in the number of common shares outstanding under the BCE Plan of Arrangement whereby you will receive 0.915 common shares for each common share you own as of the Effective Date. This will result in the reduction of the number of common shares outstanding by approximately 75 million common shares.

We intend to maintain our current dividend of $1.3200 per common share following our distribution of Units and reduction in the number of common shares outstanding. It is expected that a shareholder holding Units received pursuant to the BCE Arrangement will receive annual cash distributions of $1.4065 in Fund distributions and BCE common share dividends combined (per pre-consolidation common share). The increase from $1.3200 to a $1.4065 payout represents a 6.5% increase to shareholders.

You will be voting on the Special Resolution approving the BCE Plan of Arrangement as set out in Schedule A. The BCE Plan of Arrangement relates solely to the return of capital through the distribution of the Units and the consolidation of the common shares. **You are not being asked to approve the Fund Transactions as such approval is not required from our shareholders under applicable law.**

The BCE Plan of Arrangement was unanimously approved by the board at a meeting held on April 12, 2006. The BCE Plan of Arrangement and related transactions are described in greater detail under *The BCE Plan of Arrangement*. **This circular contains important information relating to the BCE Plan of Arrangement, and you are urged to read it carefully and in its entirety.** In addition, further information about the Fund and the Units is contained under *Background Information to the BCE Plan of Arrangement* and in the management proxy circular of Aliant dated April 14, 2006, certain portions of which are incorporated herein by reference (Aliant Circular). The Aliant Circular includes historical and pro-forma financial information on the Fund and its operating entities: please see the Aliant Circular for more information. A copy of the Aliant Circular may be obtained upon request without charge from Georgeson and is also available electronically at www.sedar.com.

The BCE Plan of Arrangement is being considered by our shareholders pursuant to an order of the Superior Court of Québec dated April 20, 2006 (Interim Order). A copy of the Interim Order is included as Schedule C. In order for the BCE Plan of Arrangement to be implemented as provided in the Interim Order, the Special Resolution must be approved by a two-thirds majority of the votes cast at the meeting in person or by proxy. The text of the Special Resolution is included as Schedule A.

As described under *The BCE Plan of Arrangement — Dissenting Shareholders' Rights*, any registered holder of common shares is entitled to be paid the fair value of all, but not less than all, of such shares in accordance with the Interim Order, if the registered shareholder dissents from the BCE Plan of Arrangement and such BCE Plan of Arrangement becomes effective. You will not be entitled to dissent rights with respect to the BCE Plan of Arrangement if you vote any shares in favour of the Special Resolution.

Only registered shareholders may exercise the dissent rights in respect of common shares that are registered in such holder's name. Each registered shareholder who might desire to exercise dissent rights should carefully consider and comply with the provisions of the Interim Order and of the CBCA, a summary of which is set out under *The BCE Plan of Arrangement—Dissenting Shareholders' Rights*, and consult his or her legal advisor.

Notwithstanding the approval of the shareholders or of the Superior Court of Québec, the board may decide not to proceed with the BCE Arrangement or revoke the Special Resolution at any time prior to the Effective Date, including, without limitation: (i) in the event the closing of the Fund Transactions does not take place, or (ii) in the event that the Final Order is not in form and on terms satisfactory to us.

The board recommends that shareholders vote **FOR** the approval of the BCE Plan of Arrangement.

If you do not specify how you want your shares voted, the directors named as proxyholders in the enclosed proxy form intend to cast the votes represented by proxy at the meeting according to the board's recommendations noted in the above paragraph.

5. Considering the shareholder proposal

You will be voting on one shareholder proposal that has been submitted for consideration at the meeting. This proposal is set out in Schedule E. The board recommends that shareholders vote **AGAINST** shareholder proposal No. 1.

If you do not specify how you want your shares voted, the directors named as proxyholders in the enclosed proxy form intend to cast the votes represented by proxy at the meeting according to the board's recommendations noted in the above paragraph.

Other business

Following the conclusion of the formal business to be conducted at the meeting, we will:

- report on recent events that are significant to our business
- report on other items that are of interest to our shareholders
- invite questions and comments from shareholders.

If you are not a shareholder, you may be allowed into the meeting after speaking with a representative of Computershare and if the Chair of the meeting allows it.

ABOUT THE NOMINATED DIRECTORS

The table below tells you about the people who have been nominated for election as directors and the voting securities that they own directly or indirectly. Generally, all non-management directors sit on at least one board committee and also serve as directors on the board of Bell Canada, our principal subsidiary. We have also included other directorships held by the nominated directors during the past five years with public companies that are currently listed on an exchange.

Also see *Corporate Governance committee report — Directors' compensation — Directors' share unit plan* for a description of our deferred share unit plan for non-management directors.

ANDRÉ BÉRARD, O.C. Québec, Canada

CORPORATE DIRECTOR (SINCE MARCH 2004)

Mr. Bérard was Chairman of the board of National Bank of Canada (chartered bank) from 2002 to March 2004, and Chairman of the board and Chief Executive Officer of National Bank of Canada from 1990 to March 2002. He holds a Fellow's Diploma of the Institute of Canadian Bankers and was Chairman of the Executive Council of the Canadian Bankers' Association from 1986 to 1988. He was appointed an Officer of the Order of Canada in 1995.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
January 2003	1,225 BCE common shares 16,529 BCE deferred share units	1,225 BCE common shares 9,619 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Arbec Forest Products Inc. (Chair)	2004 – May 2006[2]	Bell Canada[1]	Audit Committee
Bombardier Inc.	2004 – present	Telesat[1]	CGC
Canam Group Inc.	2003 – April 2006[2]		
Falconbridge Limited (formerly Noranda Inc.)	1990 – June 2006[2]		
Groupe BMTC Inc.	2001 – present		
Groupe Saputo Inc.	1997 – present		
Kruger Inc.	2002 – 2005		
LMS Medical Systems Ltd.	2004 – 2005		
National Bank of Canada	1985 – 2004		
Société financière Bourgie Inc.	1997 – 2005		
Tembec Inc.	2006 – present		
TransForce Inc.	2003 – present		
Vasogen Inc.	2000 – 2006		

RONALD ALVIN BRENNEMAN[10] Alberta, Canada

PRESIDENT AND CHIEF EXECUTIVE OFFICER, PETRO-CANADA (PETROLEUM COMPANY) (SINCE JANUARY 2000)

Before January 2000, Mr. Brenneman spent more than 30 years with Imperial Oil Limited and its parent company, Exxon Corporation (both petroleum companies) where he completed his career as General Manager — Corporate Planning. He is a member of the board of the Canadian Council of Chief Executives.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
November 2003	24,113 BCE common shares 12,832 BCE deferred share units	17,714 BCE common shares 6,082 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Bank of Nova Scotia	2000 – present	Bell Canada	MRCC
Petro-Canada	2000 – present	Telesat	

RICHARD JAMES CURRIE, O.C.[3, 10] Ontario, Canada

CHAIR OF THE BOARD, BCE AND BELL CANADA (SINCE APRIL 2002)

Mr. Currie was President and a director of George Weston Limited (food distribution, retail and production company) from 1996 to May 2002 and President and a director of Loblaw Companies Limited (grocery chain) from 1976 to January 2001. In 1997, Mr. Currie was appointed a Member of the Order of Canada and was promoted to Officer in 2004. In 2001 he was elected "Canada's outstanding CEO of the year" and in 2003 entered the Canadian Business Hall of Fame. In 2004 he received the McGill University Management Achievement Award and was inducted as Fellow of the Institute of Corporate Directors.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
May 1995	1,030,303 BCE common shares 28,574 BCE deferred share units	1,030,264 BCE common shares 27,335 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
CAE Inc.	2001 – present	Bell Canada (Chair)	MRCC (Chair)
George Weston Limited	1975 – 2002	Telesat (Chair)	
Imperial Oil Limited	1987 – 2002		
Loblaw Companies Limited	1973 – 2001		
Petro-Canada	2003 – present		
Staples, Inc.	2002 – present		

ANTHONY SMITHSON FELL, O.C.[3, 10] Ontario, Canada

CHAIRMAN OF THE BOARD, RBC DOMINION SECURITIES LIMITED (INVESTMENT BANK) (SINCE DECEMBER 1999)

Mr. Fell was the Chairman of the board and Chief Executive Officer of RBC Dominion Securities Limited from 1992 to December 1999. He was also, until June 2005, Chairman of the University Health Network Trustees. He was appointed an Officer of the Order of Canada in 2001.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
January 2002	100,000 BCE common shares 17,705 BCE deferred share units	100,000 BCE common shares 11,970 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
CAE Inc.	2000 – present	Bell Canada	CGC
Loblaw Companies Limited	2001 – present	Telesat	MRCC
Munich Reinsurance Company of Canada (Chair)	1990 – present		

DONNA SOBLE KAUFMAN Ontario, Canada

CORPORATE DIRECTOR (SINCE JULY 1997) AND LAWYER

Mrs. Kaufman was formerly Chair and Chief Executive Officer of Selkirk Communications Ltd. (communications company) from 1988 to 1989 and a partner of Stikeman Elliott, LLP (law firm) from 1985 until 1997. In 2001, she was named Fellow of the Institute of Corporate Directors. She is also a director of Historica, a private sector-led education initiative to promote knowledge of Canadian history and heritage, and Baycrest, a centre for elderly and specialized care.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006[4]	OWNERSHIP AT MARCH 2, 2005[4]
June 1998	2,000 BCE common shares 19,775 BCE deferred share units	2,000 BCE common shares 15,821 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Hudson's Bay Company	2000 – 2006	Bell Canada	CGC (Chair)
TransAlta Corporation (Chair)	1998 – present	Telesat	
UPM-Kymmene Corporation (Finland)	2001 – 2004		

BRIAN MICHAEL LEVITT Québec, Canada

PARTNER AND CO-CHAIR, OSLER, HOSKIN & HARCOURT LLP (LAW FIRM) (SINCE JANUARY 2001)

Mr. Levitt was the President and Chief Executive Officer of Imasco Limited (consumer products and services company) from 1995 to 2000 and he is currently a director of the Montréal Museum of Fine Arts.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
May 1998	2,813 BCE common shares 36,095 BCE deferred share units	2,813 BCE common shares 28,337 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Alcan Inc. Cossette Communication Group Inc. Domtar Inc. (Chair)	2001 – 2003 1999 – 2004 1997 – present	Bell Canada Telesat	PFC

THE HONOURABLE EDWARD C. LUMLEY, P.C.[5] Ontario, Canada

VICE-CHAIRMAN, BMO NESBITT BURNS INC. (INVESTMENT BANK) (SINCE DECEMBER 1991)

Mr. Lumley was chairman of Noranda Manufacturing Group Inc. from 1986 to 1991. From 1974 to 1984, Mr. Lumley was a member of parliament during which time he held various cabinet portfolios in the Government of Canada including minister of industry, international trade, communications and science and technology.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
January 2003	10,000 BCE common shares 10,781 BCE deferred share units	10,000 BCE common shares 4,120 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Air Canada Canadian National Railway Company Dollar-Thrifty Automotive Group Intier Automotive Inc. Magna Entertainment Corp. Magna International Inc. (Lead Director)	1994 – 2004 1996 – present 1997 – present 2001 – 2005 2000 – present 1989 – present	Bell Canada Telesat	CGC

JUDITH MAXWELL, C.M. Ontario, Canada

RESEARCH FELLOW, CANADIAN POLICY RESEARCH NETWORKS INC. (NON-PROFIT ORGANIZATION CONDUCTING RESEARCH ON WORK, FAMILY, HEALTH, SOCIAL POLICY AND PUBLIC INVOLVEMENT) (SINCE FEBRUARY 2006)

Ms. Maxwell was founder and President of Canadian Policy Research Networks Inc. from 1995 to January 2006, is a former associate director of the School of Political Studies at Queen's University and a former Chair, Economic Council of Canada. She was appointed Member of the Order of Canada in 1996.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
January 2000	1,000 BCE common shares 14,647 BCE deferred share units	1,000 BCE common shares 12,463 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Clarica Life Insurance Company	1994 – 2002	Bell Canada Telesat	Audit Committee

JOHN HECTOR MCARTHUR Massachusetts, United States of America

DEAN EMERITUS, HARVARD UNIVERSITY GRADUATE SCHOOL OF BUSINESS ADMINISTRATION (SINCE JUNE 1995)

Mr. McArthur was a senior advisor to the President, The World Bank Group, from 1996 to May 2005. Mr. McArthur was Dean of the Faculty, Harvard University Graduate School of Business Administration from 1980 through 1995. Mr. McArthur has been awarded honorary doctorates from Middlebury College, Queens University, Simon Fraser University, the University of British Columbia, University of Navarra (Spain) and the University of Western Ontario. Other awards have included a Management Achievement Award, McGill University, a Harvard Statesman Award from the HBS Club in New York and a Canadian Business Leadership Award from the combined HBS Clubs of Canada.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
May 1995	912 BCE common shares 41,363 BCE deferred share units	879 BCE common shares 33,713 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
AES Corporation	1997 – present	Bell Canada	CGC
Cabot Corporation	1995 – present	Telesat	MRCC
Emergis Inc. (formerly BCE Emergis Inc.)	2000 – 2004		
GlaxoSmithKline plc	1996 – 2004		
HCA Inc.	1998 – present		
KOC Holdings, A.S. (Turkey)	1999 – present		
Rohm and Haas Company	1978 – 2004		
Springs Industries, Inc.	1995 – 2001		

THOMAS CHARLES O'NEILL, F.C.A.[10] Ontario, Canada

CORPORATE DIRECTOR (SINCE OCTOBER 2002) AND CHARTERED ACCOUNTANT

Mr. O'Neill is also Vice-Chairman of the board of Governors at Queen's University. He was Chief Executive Officer of PricewaterhouseCoopers Consulting (provider of management consulting and technology services) from January 2002 to May 2002 and then Chairman of the board from May 2002 to October 2002. He was also Chief Operating Officer of PricewaterhouseCoopers LLP global organization (professional services firm in accounting, auditing, taxation and financial advisory) from 2000 to January 2002 and Chief Executive Officer of PricewaterhouseCoopers LLP in Canada from 1998 to July 2000. He is currently a director of the Ontario Teachers' Pension Plan.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
January 2003	3,000 BCE common shares 9,505 BCE deferred share units	3,000 BCE common shares 9,093 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Adecco S.A.	2004 – present	Bell Canada	Audit Committee (Chair)
Dofasco Inc.	2003 – 2006	Telesat	
Loblaw Companies Limited	2003 – present		
Nexen Inc.	2002 – present		

JAMES ALLEN PATTISON, O.C., O.B.C.[6] British Columbia, Canada

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE JIM PATTISON GROUP (DIVERSIFIED CONSUMER-ORIENTED COMPANY) (SINCE MAY 1961)

Mr. Pattison is also a trustee of the Ronald Reagan Presidential Foundation. He was appointed a Member of the Order of Canada in 1987 and of the Order of British Columbia in 1990.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
February 2005	100,000 BCE common shares 5,192 BCE deferred share units	100,000 BCE common shares

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Canaccord Capital Inc. Canfor Corporation	2004 – present 2003 – present	Bell Canada Telesat	PFC

ROBERT CHARLES POZEN Massachusetts, United States of America

CHAIRMAN OF THE BOARD, MFS INVESTMENT MANAGEMENT (GLOBAL INVESTMENT MANAGER) (SINCE FEBRUARY 2004)

Mr. Pozen was Vice-Chairman of the board of Fidelity Investments (investment manager) from 2000 to December 2001 and President and a director of Fidelity Management and Research Company (provider of financial services and investment resources) from 1997 to June 2001. He also served as a visiting professor, Harvard Law School, from 2002 to August 2004.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
February 2002	121,970 BCE common shares 27,481 BCE deferred share units	121,970 BCE common shares 18,944 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Bank of New York Medtronic Inc.	2004 – 2005 2004 – present	Bell Canada Telesat	PFC (Chair) Audit Committee

MICHAEL JONATHAN SABIA[3] Québec, Canada

**PRESIDENT AND CHIEF EXECUTIVE OFFICER (SINCE APRIL 2002)
BCE, AND CHIEF EXECUTIVE OFFICER (SINCE MAY 2002), BELL CANADA**

Mr. Sabia was President and Chief Operating Officer of BCE from March 2002 to April 2002 and Chief Operating Officer of Bell Canada from March 2002 to May 2002. He was President of BCE from 2000 to March 2002 and Executive Vice-President of BCE from July 2000 to December 2000, and Vice-Chair of Bell Canada from 2000 to March 2002. He was previously Vice-Chair and Chief Executive Officer of BCI from 1999 to June 2000 and then Vice-Chair of BCI from 2000 to November 2001. Before joining BCE, Mr. Sabia was an executive of Canadian National Railway Company (railway company) where he joined as Vice-President, Corporate Development in 1993 and was appointed Executive Vice-President and Chief Financial Officer in 1995. Prior to 1993, Mr. Sabia held a number of senior positions in the Canadian Federal Public Service, including Director-General of Tax Policy in the Department of Finance and Deputy Secretary to the Cabinet (Plans) in the Privy Council Office.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
October 2002	35,132 BCE common shares 204,612 BCE deferred share units	30,708 BCE common shares 122,740 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
CGI Group Inc. Emergis Inc. (formerly BCE Emergis Inc.)	2003 – 2006 2002 – 2004	Bell Globemedia[7] (Chair) Bell Canada Telesat	N/A

PAUL MATHIAS TELLIER, P.C., C.C., Q.C. Québec, Canada

CORPORATE DIRECTOR (SINCE DECEMBER 2004)

Mr. Tellier was President and Chief Executive Officer of Bombardier Inc. (manufacturer of business jets, regional aircraft and rail transportation equipment) from 2003 to December 2004, and President and Chief Executive Officer of Canadian National Railway Company from 1992 to December 2002. He is a director of Alcan Inc. (global materials company), also a director of the advisory board of General Motors of Canada (car manufacturer) and a director of McCain Foods Limited (food distribution, retail and production company). In 2005, Mr. Tellier was Advisor to the Canadian Government on the Softwood Lumber Negotiations with the U.S. In 1998, he was elected "Canada's outstanding CEO of the year" and was elected in 2003 as the most respected Canadian CEO by KPMG/Ipsos-Reid Survey. He was appointed Companion of the Order of Canada in 1992 and was awarded Honorary Doctorates from the following universities: St-Mary's University (Halifax), University of New Brunswick (Fredericton), McGill University (Montréal), University of Alberta (Edmonton) and University of Ottawa (Ottawa).

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006	OWNERSHIP AT MARCH 2, 2005
April 1999	1,700 BCE common shares 37,390 BCE deferred share units	1,700 BCE common shares 29,576 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
Alcan Inc.	1998 – present	Bell Canada	PFC
Bombardier Inc.	1997 – 2004	Telesat	
Canadian National Railway Company	1992 – 2002		

VICTOR LEYLAND YOUNG, O.C. Newfoundland and Labrador, Canada

CORPORATE DIRECTOR (SINCE MAY 2001)

Mr. Young was Chairman of the board and Chief Executive Officer of Fishery Products International Limited (frozen seafood products company) from 1984 to May 2001. He is also a director of RBC Dexia Investor Services Trust (institutional investor services company) and McCain Foods Limited (food distribution, retail and production company). He was appointed an Officer of the Order of Canada in 1996 and was awarded an Honorary Doctorate from Memorial University in Newfoundland and Labrador.

DATE JOINED BOARD	OWNERSHIP AT APRIL 12, 2006[8]	OWNERSHIP AT MARCH 2, 2005[8]
May 1995	6,040 BCE common shares 14,350 BCE deferred share units	5,835 BCE common shares 12,179 BCE deferred share units

OTHER PUBLIC BOARD DIRECTORSHIPS DURING THE LAST FIVE YEARS		OTHER BCE GROUP COMPANIES' BOARD APPOINTMENTS	COMMITTEE APPOINTMENTS
FPI Limited	1984 – 2001	Bell Canada	Audit Committee
Imperial Oil Limited	2002 – present	Telesat	MRCC
Royal Bank of Canada	1991 – present	Aliant[9]	

Aliant = Aliant Inc., **Telesat** = Telesat Canada, **Bell Globemedia** = Bell Globemedia Inc., **BCI** = Bell Canada International Inc.

CGC = Corporate Governance Committee, **MRCC** = Management Resources and Compensation Committee, **PFC** = Pension Fund Committee

1. Bell Canada and Telesat are wholly-owned subsidiaries of BCE.
2. Expected date of resignation.
3. Mr. Currie, Mr. Fell and Mr. Sabia were directors of Teleglobe Inc. until April 2002. Teleglobe Inc. filed for court protection under insolvency statutes on May 15, 2002.
4. Mrs. Kaufman also currently holds 8 BCI common shares and 9,854 BCI share units and held at March 2, 2005 8 BCI common shares, and 9,854 BCI share units.
5. Mr. Lumley was a director of Air Canada until October 2004. Air Canada filed for court protection under insolvency statutes on April 1, 2003.
6. Mr. Pattison was a director of Livent Inc. until September 1999. Livent Inc. filed for court protection under insolvency statutes on November 18, 1998.
7. Bell Globemedia is currently 68.5% owned by BCE.
8. Mr. Young also currently holds 1,500 Aliant common shares, and 4,894 Aliant share units and held at March 2, 2005, 1,500 Aliant common shares, and 3,224 Aliant share units.
9. Aliant is currently 53.1% owned by Bell Canada.
10. Mr. Brenneman and Mr. Currie both serve as directors of Petro-Canada. Mr. Currie and Mr. Fell both serve as directors of CAE Inc. Mr. Fell and Mr. O'Neill both serve as directors of Loblaw Companies Limited.

SHAREHOLDINGS OF NOMINATED DIRECTORS AS AT APRIL 12, 2006:

- Equity participation of nominated directors in BCE: 1,440,208 common shares
- Total number of deferred share units held by nominated directors: 292,219 deferred share units
- Total value of common shares and deferred share units held by nominated directors: $40,225,009 (based on the closing price of common shares on the Toronto Stock Exchange (TSX) as of the close of business on April 12, 2006 ($27.93 per share).

COMMITTEE REPORTS

The board has four standing committees:
- audit committee
- corporate governance committee (CGC)
- management resources and compensation committee (MRCC)
- pension fund committee (PFC).

This section includes reports from each committee, which tell you about its members, responsibilities and activities in the past year.

AUDIT COMMITTEE REPORT

As a public company, we are required by law to have an audit committee. The purpose of the audit committee is set forth in its written charter which is available in the governance section of BCE's website at www.bce.ca.

This report tells you how the audit committee is managed and BCE's process for complying with applicable laws and regulations.

See *Schedule 1 — Audit Committee* in our annual information form dated March 1, 2006 for more information about the audit committee, including the audit committee's charter, information about independence, financial literacy, relevant education and experience of audit committee members, as well as audit committee policies and procedures for engaging BCE's external auditor.

ABOUT THE AUDIT COMMITTEE

The audit committee is currently made up of five independent directors: Mr. T.C. O'Neill (Chair), Mr. A. Bérard, Ms. J. Maxwell, Mr. R.C. Pozen and Mr. V.L. Young. The audit committee communicates regularly and directly with management and the internal and external auditors. The audit committee met seven times in 2005. Time is set aside at each regularly scheduled committee meeting, for the committee members to meet without management, and without the internal and external auditors.

The audit committee continued to focus on three key areas in 2005:
- assessing the appropriateness of BCE's financial reporting
- reviewing the adequacy of BCE's policies and processes for internal control over financial reporting, risk management and compliance with laws and regulations that apply to us, and oversight of our code of business conduct and environmental policy
- overseeing all aspects of the internal and external audit functions.

Since BCE has securities registered in the United States, we are subject to certain provisions of the United States Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act) and related rules and regulations of the U.S. Securities and Exchange Commission (SEC) (related SEC rules). In addition, since BCE's common shares are listed on the New York Stock Exchange (NYSE), we are subject to certain NYSE corporate governance rules (NYSE rules). The Canadian Securities Administrators (CSA) also issued rules relating to audit committees and certification of financial information (Canadian Financial rules).

FINANCIAL REPORTING

The audit committee meets to review the following documents with management and the external auditor and recommends them to the board for approval:
- our annual and interim financial statements
- the related management's discussion and analysis of financial condition and results of operation (MD&A)
- our annual report for U.S. purposes on Form 40-F
- our annual information form (AIF)
- our earnings press releases.

This review is to provide reasonable assurance that:
- BCE's financial reporting is complete and fairly presented in all material respects
- the accounting standards used to prepare our financial reporting are appropriate, in particular, where judgment, estimates, risks and uncertainties are involved
- we have provided adequate disclosure of critical issues.

The audit committee also reviews new legal and regulatory initiatives that apply to us and the adoption and disclosure of new accounting pronouncements. It also assesses the potential impact of choosing between accounting alternatives, when appropriate.

Under the Sarbanes-Oxley Act and related SEC rules, and under the Canadian Financial rules, BCE is required to design and maintain controls and procedures to ensure that the information we publicly disclose is recorded, processed, summarized and reported on a timely basis. The board has approved guidelines reflecting BCE's disclosure controls and procedures as well as a written charter outlining the responsibilities, membership and procedures of BCE's disclosure and compliance committee. This committee consists of officers and other key employees responsible for overseeing the accuracy and timeliness of BCE's disclosure documents.

As part of its disclosure controls and procedures, BCE has established a comprehensive process to support the annual certifications required under the Sarbanes-Oxley Act and related SEC rules, and to support the annual and quarterly certifications required under the Canadian Financial rules. Among other things, these certifications by the President and Chief Executive Officer and the Chief Financial Officer state that:
- they are responsible for establishing and maintaining BCE's disclosure controls and procedures
- they have evaluated the effectiveness of these disclosure controls and procedures
- BCE's financial statements, related MD&A and the AIF do not contain any untrue statement of a material fact
- BCE's financial statements and other financial information fairly present in all material respects BCE's financial condition, results of operation and cash flows.

Internal control over financial reporting

The audit committee has the overall responsibility of providing reasonable assurance that BCE's internal control systems are adequate and effective. It reviews the policies in place, monitors compliance and approves recommendations for changes.

The audit committee also ensures that BCE's processes for identifying and managing risks are adequate and that BCE complies with its business ethics and environmental policies. The Sarbanes-Oxley Act and related SEC rules require, as part of the annual certifications discussed above, that the President and Chief Executive Officer and the Chief Financial Officer certify that they have disclosed to BCE's external auditor and to the audit committee:
- all significant deficiencies and material weaknesses in the design or operation of BCE's internal control over financial reporting that could negatively affect our ability to record, process, summarize and report financial information
- any fraud involving management or other employees who have a significant role in our internal control over financial reporting.

The audit committee also oversees the requirements of the Sarbanes-Oxley Act and related SEC rules for the certification of BCE's internal control over financial reporting. These rules are scheduled to be applicable to BCE's 2006 annual report that will be filed in 2007. These rules require a management internal control report that contains:
- a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting
- a description of the framework used to evaluate, and management's assessment of, the effectiveness of BCE's internal control over financial reporting
- a statement that the external auditor has issued a report that confirms management's assessment.

BCE has undertaken the following initiatives to meet these requirements:
- established a financial controls project
- appointed an external accounting firm (other than the external auditor) to assist BCE in the project
- held regular meetings with the audit committee, senior management and BCE's disclosure and compliance committee to update them on the progress of the project.

BCE is on schedule to comply with these rules when they come into effect.

Audit function

EXTERNAL AUDITOR

Deloitte & Touche LLP is the current external auditor.

The audit committee is responsible for recommending to the board the appointment of the external auditor and its compensation. The audit committee is directly responsible for:
- evaluating the external auditor to make sure that it fulfills its responsibilities. The audit committee reviews its performance against acceptable auditing standards, as well as its qualifications, independence, internal quality control procedures, audit plans and fees
- assessing the adequacy of the auditor independence policy and approving recommendations for changes to, and monitoring compliance with, the policy. This includes the process for approving all audit and other services in advance.

AUDITOR INDEPENDENCE POLICY

BCE's Auditor Independence Policy is a comprehensive policy governing all aspects of BCE's relationship with the external auditor, including:
- establishing a process for determining whether various audit and other services provided by the external auditor affect its independence
- identifying the services that the external auditor may and may not provide to BCE and its subsidiaries
- pre-approving all services to be provided by the external auditor of BCE and its subsidiaries
- establishing a process outlining procedures (as part of a separate policy) when hiring current or former personnel of the external auditor in a financial oversight role to ensure auditor independence is maintained.

The Auditor Independence Policy is available in the governance section of BCE's website at www.bce.ca.

The following summary includes a breakdown of fees for services provided in 2005 and 2004.

EXTERNAL AUDITOR'S FEES

The table below shows the fees that Deloitte & Touche LLP billed to BCE and its subsidiaries for various services for each year in the past two fiscal years.

(millions)	2005	2004
Audit fees	$ **12.2**	$ 11.4
Audit-related fees	$ **1.9**	$ 3.1
Tax fees	$ **1.4**	$ 1.9
Other fees	**–**	–
TOTAL	$ **15.5**	$ 16.4

AUDIT FEES

These fees include professional services provided by the external auditor for the review of the interim financial statements, statutory audits of the annual financial statements, the review of prospectuses, review of financial accounting and reporting matters, other regulatory audits and filings and translation services.

AUDIT-RELATED FEES

These fees relate to non-statutory audits, Sarbanes-Oxley Act initiatives, due diligence, pension plan audits and the review of financial accounting and reporting matters.

TAX FEES

These fees include professional services for administering compliance with our conflict of interest policy for senior management, tax compliance, tax advice and assistance with tax audits and appeals. Since October 2005, the external auditor no longer provides services with respect to compliance with our conflict of interest policy for senior management.

OTHER FEES

These fees include any other fees for permitted services not included in any of the above-stated categories.

INTERNAL AUDITOR

The audit committee also oversees the internal audit function. This includes:
- overseeing internal audit plans, staffing and budgets
- evaluating the responsibilities and performance of the internal auditor
- reviewing periodic internal audit reports and corrective actions being taken.

The senior vice-president, audit and risk management reports directly to the Chair of the audit committee.

RISK MANAGEMENT

The audit committee also reviews, monitors, reports and, where appropriate, provides recommendations to the board regarding:
- our processes for identifying, assessing and managing risk
- our major financial risk exposures and the steps we take to monitor and control such exposures.

OTHER

The audit committee also reviews our compliance with respect to our environmental policies and also carries out an annual evaluation of its performance with the CGC, including a review of the adequacy of its charter.

Finally, the audit committee reports regularly to the board on its activities.

Report presented April 12, 2006 by:

T.C. O'NEILL, CHAIR
A. BÉRARD
J. MAXWELL
R.C. POZEN
V.L. YOUNG

CORPORATE GOVERNANCE COMMITTEE REPORT

The purpose of the CGC is set forth in its written charter which is available in the governance section of BCE's website at www.bce.ca.

This report describes how the CGC is managed and how it ensures that BCE maintains the highest standards of corporate governance to meet, and in some cases exceed, laws, regulations and other corporate governance initiatives that apply to us. It also tells you how non-management directors are compensated and the process by which such compensation in general is determined.

ABOUT THE CORPORATE GOVERNANCE COMMITTEE

The CGC is currently made up of five independent directors: Mrs. D. Soble Kaufman (Chair), Mr. A. Bérard, Mr. A.S. Fell, the Honourable E.C. Lumley and Mr. J.H. McArthur.

The CGC communicates regularly and directly with BCE's officers. The CGC met five times in 2005. Time is set aside at each regularly scheduled meeting, for the committee members to meet without management.

Under its charter, the CGC reviewed and reported, or made recommendations, to the board on the following matters in 2005 and up to the date of this management proxy circular:

- the size and composition of the board to ensure that the board and its committees continue to benefit from the range of skills, expertise and experience needed to function effectively and for sound succession planning
- the independence of directors
- the financial literacy and expertise of the members of the audit committee
- the consideration of existing and new board interlocks
- the consideration of the possible effect of any change in a director's external directorships or principal occupation on such director's suitability to continue to serve as a director of BCE
- the nominees for director who will stand for election at the meeting
- the annual review of the effectiveness of the board and of its committees and the assessment of the performance of each director and of the board, the board Chair, board committees and each committee Chair
- the directors' attendance record
- the annual review of the adequacy and form of non-management directors' compensation for serving on the board and its committees, including the requirement for minimum share ownership, to ensure that it continues to be appropriate
- how BCE aligns with the new corporate governance guidelines of the CSA National Instrument 58-101 — Corporate Governance Guidelines (Canadian Governance rules), NYSE rules, the Sarbanes-Oxley Act and other corporate governance initiatives
- the statement of corporate governance principles & guidelines, including our new majority voting guidelines for the election of directors
- the update of our director independence standards to ensure consistency with the Canadian Governance rules and the NYSE rules; these standards are available in the governance section of BCE's website at www.bce.ca
- BCE's responses to the proposal submitted by a shareholder for the meeting; see Schedule E for details
- the manner in which BCE's shareholders will exercise their voting right at the meeting
- the Bell Community Investment Program.

Such Community Investment Program provides in-kind support to registered charitable organizations and their initiatives taking place in Canada with the focus on the well-being, safety, security and education of children or youth living within Canada.

The CGC also carries out an annual evaluation of its performance with the board, including the review of the adequacy of each committee's charter.

Finally, the CGC reports regularly to the board on its activities.

DIRECTORS' ATTENDANCE RECORD

	ATTENDANCE AT MEETINGS IN 2005	
DIRECTORS	BOARD	COMMITTEES
A. Bérard, O.C.	11/11	10/10
R.A. Brenneman	10/11	6/7
R.J. Currie, O.C.	11/11	7/7
A.S. Fell	10/11	11/12
D. Soble Kaufman	11/11	5/5
B.M. Levitt	10/11	4/4
The Honourable E.C. Lumley, P.C.	10/11	5/5
J. Maxwell, C.M.	11/11	7/7
J.H. McArthur	10/11	11/12
T.C. O'Neill, F.C.A.	11/11	7/7
J.A. Pattison, O.C., O.B.C.[1]	8/10	2/2
R.C. Pozen	10/11	10/11
M.J. Sabia	11/11	N/A
P.M. Tellier, P.C., C.C., Q.C.	11/11	3/4
V.L. Young, O.C.	11/11	14/14

1 Mr. Pattison joined the Board and the Pension Fund Committee in February 2005 and May 2005, respectively, and therefore was not a director at the time of the first board meeting and the first two Pension Fund Committee meetings held in 2005.

DIRECTORS' COMPENSATION

BCE's objective is to ensure that the membership of our board is of the highest quality, with an extensive and relevant breadth of experience. As a result, the directors' compensation program is designed to attract and retain high quality individuals to serve on the board and its committees and to align the interests of directors with those of BCE's shareholders.

BCE's objective is to provide adequate compensation in light of the risks and responsibilities of being an effective director. The board sets the compensation of non-management directors based on the CGC's recommendations. The CGC regularly reviews such compensation and recommends to the board such adjustments as it considers appropriate and necessary to recognize the workload and responsibility of the board and committee members. In performing such compensation review, the CGC uses industry survey comparative data.

In 2005, the CGC refined the process for the annual review of the determination of the compensation of non-management directors by adopting more formal parameters for setting such remuneration. These parameters are established on the basis of a comparator group being the applicable publicly traded companies included in the peer group of comparator companies (Canadian and U.S.) that is used by the MRCC to benchmark its executive compensation policy. Within such comparator group, the total compensation of non-management directors is positioned at the same level as our executive compensation (see *Report on Executive Compensation — Total Compensation*). Following a review of the non-management directors' compensation in relation to these parameters, the CGC and the board determined that the current levels of compensation of non-management directors are generally in line with market practice at this time. Any director who is also an employee of BCE, or any of its subsidiaries, does not receive any compensation as a director.

Cash compensation

The compensation listed below also compensates non-management directors for their services as directors of any subsidiaries whose common shares are not publicly traded, such as Bell Canada and Telesat. Directors receive annual fees and do not receive additional retainers or attendance fees. The table below shows the annual fee (paid quarterly) for each position.

POSITION	ANNUAL FEE
Non-management directors who live in Canada and future directors who live outside of Canada	$ 150,000
Two non-management directors who live outside of Canada and who were members of the board when the annual flat fee arrangement was approved in November 2002 (Mr. J.H. McArthur and Mr. R.C. Pozen)	US$ 150,000
Chair of the board, who also currently serves as Chair of the board of Bell Canada with no additional compensation	$ 300,000
Chair of the audit committee, who also currently serves as Chair of Bell Canada's audit committee with no additional compensation	$ 225,000

Directors' share unit plan

The *Share unit plan for non-employee directors (1997)* serves to more closely link the interests of the non-management directors to those of BCE's shareholders.

Each non-management director receives his or her compensation in the form of share units. One share unit is equal in value to one BCE common share and each director accumulates share units until he or she reaches the minimum share ownership requirement of 10,000 BCE common shares or share units. Once the director reaches this minimum requirement, he or she can choose how much, if any, of his or her compensation will be paid in share units.

Each director has an account where share units are credited and held until the director leaves the board. The number of share units credited to each director's account is calculated by dividing the amount of the payment by the BCE common share price on the day the credit is made.

Holders of share units are credited additional units that are equal to the dividends on BCE's common shares. Additional share units are credited to each non-management director's account on each dividend payment date. The number of share units is calculated using the same rate as the dividends paid on BCE common shares.

When a director retires from the board, BCE will buy the same number of BCE common shares on the open market as the number of share units the director holds in the plan, after deducting the appropriate tax. These shares are then delivered to the former director.

Compensation of directors of subsidiary boards

The flat fee discussed above (see *Cash compensation*) also compensates non-management directors for their services as directors of subsidiaries whose common shares are not publicly traded, including Bell Canada and Telesat. As a result, only those directors who sit on boards of subsidiaries whose common shares are publicly traded, such as Aliant, receive additional compensation.

During 2005, one non-management director of BCE, Mr. V.L. Young, also served as a director of Aliant and certain of its subsidiaries.

Mr. Young received regular director fees from Aliant according to its rates for non-management directors. Mr. Young's compensation from Aliant in 2005 is based on the following fee structure:

Annual retainer[1]	
board	$ 35,000
committees	$ 3,000
Attendance fees	
board	$ 1,500
committees	$ 1,500

1 All or part of the annual retainer and fees may have been paid in share units under the share unit plan of Aliant.

Minimum share ownership requirement

Non-management directors must own at least 10,000 BCE common shares or share units. They must meet this requirement within five years of being elected to the board or November 26, 2002 (when this requirement was adopted), whichever is later. As of the date of this circular, all non-management directors have met this minimum share ownership requirement.

The board believes that the current share ownership requirement continues to effectively link the interests of the non-management directors to those of the shareholders.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board and management believe that good corporate governance practices help create and maintain shareholder value. Accordingly, we are committed to attaining high standards in all aspects of corporate governance.

In June 2005, the Canadian Governance rules came into force. The CGC conducted a careful review of these new rules and evaluated our corporate governance practices against them. The board has concluded that we comply with, and in some cases exceed, the Canadian Governance rules. Likewise, the CGC and the board reviewed our corporate governance practices against the *Sarbanes-Oxley Act*, other related SEC rules, NYSE rules, Canadian Financial rules, and other similar indicators.

Although we are not required to comply with most of the NYSE rules, our governance practices generally comply with them. You will find a summary of the differences between our governance practices and the NYSE rules in the governance section of BCE's website at www.bce.ca.

Acting on the recommendation of the CGC, the board has recently adopted a Statement of Corporate Governance Principles & Guidelines.

These guidelines complement the board's written mandate and provide a general description of the board's expectations and responsibilities of its individual directors.

Board of Directors

The board has overall responsibility for the supervision of the management of our business in BCE's best interests. In exercising this responsibility, the board must act in accordance with a number of rules and standards, including:

- the *CBCA*
- the *Bell Canada Act*
- other laws that apply to telecommunications companies
- laws of general application
- BCE's Articles and By-Laws
- BCE's administrative resolution and the written charters of the board and each of its committees
- BCE's Code of Business Conduct (code of conduct) and other internal policies.

Role of the Board

In 2005, the board approved its written mandate, which is attached as Schedule F. The mandate can also be found in the governance section of BCE's website at www.bce.ca. We have summarized below the principal duties and responsibilities of the board. Some of these duties and responsibilities are first reviewed and recommended by the appropriate committee and then submitted to the full board for its consideration and approval.

STRATEGY & BUDGET

The board approves our overall strategic direction and objectives during an annual key planning session. This session is typically held in November, coincident with the board's approval of the business plan and budget for the coming year. The annual business plan outlines our strategy and objectives and sets out measurable financial and operating targets. Management reports to the board on any developments that could affect our objectives and strategic direction.

GOVERNANCE

In the broad area of governance, the board is responsible for:

- developing our approach to, and disclosure of, corporate governance practices, including developing a Statement of Corporate Governance Principles & Guidelines
- approving the nomination of directors and ensuring that a majority of directors are independent
- developing appropriate qualifications and criteria for the selection of new directors and establishing the criteria for determining director independence
- appointing the board Chair and the Chair and members of each board committee
- ensuring that each audit committee member is financially literate, and determining who among the members of the audit committee qualify as an "audit committee financial expert"
- providing an orientation program for new directors and identifying continuing education opportunities for all directors
- annually assessing the effectiveness and contribution of the board, its directors, the board Chair, each board committee and their respective Chairs
- developing written position descriptions for the board Chair, and the Chair of each board committee
- approving the compensation policy for non-management directors.

The board has also established an administrative procedure which sets out rules governing the approval of transactions carried out in the ordinary course of BCE's operations. These rules also provide for the delegation of authority and the signing or execution of documents on behalf of BCE.

At each regularly scheduled board meeting, the directors meet without management. Since the advent of the Canadian Governance rules on June 30, 2005, the board also met without the non-independent directors at each such regularly scheduled meeting (4 meetings).

The board and each committee may hire outside advisors at our expense. With the approval of the CGC, individual directors may also hire outside advisors.

CHIEF EXECUTIVE OFFICER AND OTHER OFFICERS

The board is responsible for:

- appointing the Chief Executive Officer and all other officers of the company
- developing a written position description for the role of the Chief Executive Officer
- developing the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing his performance against these corporate goals and objectives annually
- approving the compensation and benefits policy (including pension plans) for officers and approving (by the independent directors) all forms of compensation for the Chief Executive Officer
- providing stewardship in terms of succession planning, including the appointment, training and monitoring of the Chief Executive Officer, other officers and senior management personnel.

RISK MANAGEMENT, CAPITAL MANAGEMENT AND INTERNAL CONTROLS

In this area, the board is responsible for:

- identifying and assessing the principal risks of our business
- ensuring the implementation of appropriate systems to manage these risks
- ensuring the integrity of our internal control systems and management information systems and safeguarding BCE's assets
- reviewing, approving and overseeing as required compliance with our disclosure policy
- reviewing, approving and overseeing our disclosure controls and procedures.

FINANCIAL REPORTING AND EXTERNAL AUDITORS

The board is responsible for:

- reviewing and approving, as required, our financial statements and related financial information
- appointing (subject to approval of shareholders) and removing the external auditor
- appointing and removing our internal auditor
- reviewing processes for identifying and managing our principal risks, including risk management policies, internal control procedures and standards relating to risk management.

LEGAL REQUIREMENTS AND COMMUNICATION

In addition, the board oversees the adequacy of our processes to ensure compliance with applicable legal and regulatory requirements.

The board also establishes measures for receiving feedback from shareholders. In addition to our annual shareholder meeting, we have a toll-free number for shareholder inquiries (1-888-932-6666) and for investor and general inquiries (1-800-339-6353). Shareholders and other interested parties may also communicate with the board and its Chair by contacting the Corporate Secretary's Office at corporate.secretariat@bell.ca or 514-786-3891. Finally, the company communicates regularly with the investment community and the media to explain our results and to answer questions. This includes meetings, conferences, press releases and quarterly conference calls. Our quarterly financial results conference calls are broadcast live on BCE's website at www.bce.ca.

Composition of the Board

In terms of the composition of our board, our objective is to have a sufficient range of skills, expertise and experience to ensure that the board can carry out its responsibilities effectively. We also seek to have a reasonable geographical representation that reflects where our shareholders live and where we conduct our business. Directors are chosen for their ability to contribute to the broad range of issues with which the board routinely deals. The board reviews each director's contribution and determines whether the board's size allows it to function efficiently and effectively. The board believes that its current size and range of skills promote effectiveness and efficiency.

The CGC receives suggestions for board candidates from individual board members, the Chief Executive Officer, shareholders and professional search organizations. On a regular basis, the CGC reviews the current profile of the board, including average age and tenure of individual directors and the representation of various areas of expertise and experience.

MAJORITY VOTING

Early in 2006, the board adopted, on a voluntary basis, majority voting principles for the election of directors at the annual shareholders' meeting.

As we have for several years, we will continue to ensure that the proxy forms we use for the election of directors at our shareholders' meeting enable shareholders to vote in favor of, or to withhold their vote, separately for each director nominee. We will also continue an initiative we implemented at the 2005 annual meeting to call for a vote by ballot on the election of directors rather than a vote by show of hands. The official "vote results" will be presented in the audited and final scrutineers' report for the meeting, and the company will disclose the vote results through a report filed on SEDAR (www.sedar.com), Canada's System for Electronic Document Analysis and Retrieval. This vote results report will include the number and percentage of votes cast for, and votes withheld from, each individual director nominee.

The board also established guidelines specifying that, in an uncontested election (i.e., the election does not involve a proxy battle), any director nominee who receives a greater number of votes "withheld" than votes "for" his or her election, must submit to the CGC his or her resignation letter no later than 10 days following the public disclosure of the vote results. The resignation will take effect upon its acceptance by the board. It is generally expected that the CGC will recommend, absent exceptional circumstances, that the board accept such resignation. Within 90 days following the filing of the vote results, the board will, upon recommendation of the CGC, decide to accept or refuse the resignation and will promptly publicly disclose its decision via press release. A director who so tenders his or her resignation will not participate in any discussion or action of the CGC or of the board with respect to the decision to accept or not his or her resignation. In cases where the board determines to refuse the resignation, the reasons for its decision will also be disclosed. If a resignation is accepted, the board may appoint a new director to fill any vacancy, or may reduce the size of the board.

Independence of the Board

It is the board of director's policy that a majority of its members must be independent. Again acting on the recommendation of the CGC, the board is responsible for determining whether or not each director is independent. The board analyzes all of the relationships each director has with BCE and its subsidiaries. To guide this analysis, the board has adopted director independence standards. These standards are consistent with the Canadian Governance rules and the NYSE rules and can be reviewed in the governance section of BCE's website at www.bce.ca. In general, a director who meets these standards and who does not otherwise have a material relationship with BCE would be considered independent under the Canadian Governance rules and the NYSE rules.

Evaluating the information provided by each director against the independence standards outlined above, the board determined that all of the directors standing for election at the 2006 annual and special shareholder meeting (with the exception of our President and Chief Executive Officer M.J. Sabia) do not have a material relationship with BCE and are considered to be independent under the Canadian Governance rules and the NYSE rules. Because he is an officer of BCE, Mr. Sabia is not considered to be independent under these rules.

Other directors represent a wide variety of business sectors. Certain directors may be partners in or officers of entities that provide legal, financial or other services to us or to our subsidiaries. The board considers these directors to be independent given that:

- the amount of fees received by such entities for services rendered to us or our subsidiaries are not material to these entities or to BCE
- such services are provided on customary commercial terms by these entities and are received by us or our subsidiaries in the ordinary course of our respective businesses
- we are at liberty to choose from among other service providers which maintain similar quality standards.

As well, each committee of the board consists only of independent directors. None of the members of the audit committee has directly or indirectly accepted any consulting, advisory or other compensatory fee from BCE or any of its subsidiaries, other than ordinary director fees. The board has concluded that all of the audit committee members are independent under the more stringent audit committee independence tests under the Canadian Financial rules and the NYSE rules.

Board Chair

Our By-Laws provide that directors may determine from time to time whether the Chair should not be an officer and should act solely in a non-executive capacity. Should they decide that the Chair should be an officer acting in an executive capacity, the board must designate one of its members as the "lead director". The lead director is responsible for ensuring that the board can function independently of management. For the past several years, the board decided that the Chair should be separate from management and appointed as Chair Mr. R.J. Currie. Mr. Currie is not an executive officer of BCE or its subsidiaries and is considered independent under the Canadian Governance rules and the NYSE rules.

The detailed mandate of the board Chair can be found in Schedule F and in the governance section of BCE's website at www.bce.ca. The principal duties and responsibilities of the board Chair consist of leading the board in all aspects of its work, effectively managing the affairs of the board and ensuring that the board is properly organized and functions efficiently. The board Chair also advises the Chief Executive Officer in all matters concerning the interests of the board and the relationships between management personnel and board members.

Director's Expectation and Personal Commitment

The board expects all of its members to comply with BCE's Statement of Corporate Governance Principles & Guidelines. Members are also expected to comply with BCE's policies that apply to directors and the various board procedures and practices. These procedures include the declaration of interest and changes in principal occupation (see below for details), the conflict of interest guidelines (see below for details), the share ownership guidelines (see *Corporate Governance Committee Report — Directors' Compensation* for details) and the code of conduct (see below under *Ethical Business Conduct* for details). The board also expects all of its members to demonstrate beyond reproach personal and professional characteristics. These characteristics include high ethical standards and integrity, leadership, financial literacy, and current fluency in their own field of expertise.

The board further expects all of its members to make meaningful commitments during their time as directors of BCE. Each director is expected to participate in the director orientation program and in continuing education and development programs. They are expected to develop and expand a broad, current knowledge of the nature and operation of our major businesses. Similarly, all members are expected to commit the necessary time required to be an effective and fully contributing member of the board and of each board committee on which they serve.

With respect to time commitment, the board approved the following recommended guidelines:

- each director should periodically review their other commitments (including their commitments as directors on other public and private company boards or non-profit organizations) and
- each director should consider whether their current or intended future commitments may limit their ability to be an effective and fully contributing member of the BCE board and each committee on which they serve.

The CGC periodically reviews each director's external commitments and considers whether such commitments may impair the director's service on the board or each board committee on which such director serves, and provides recommendations to the board in this respect.

The CGC is also responsible for administering our policy on directors' attendance at meetings of the board and its committees. Under this policy, the Corporate Secretary must report to the CGC any director who did not attend at least 75 per cent of the board and committee meetings held in the year. The CGC reviews each director's attendance record and takes this into consideration when proposing the list of nominated directors for election to the board at the next annual shareholders' meeting.

Directors must follow BCE's procedure for declaration of interest and changes in their principal occupation. The procedure is designed to enable the CGC to be notified in a timely fashion of any change in a director's external directorships and any change in a director's principal occupation, and to permit the CGC to review and consider any possible effect of such a change on the suitability of that director's continued service as a member of the board. This procedure also states that directors are expected to tender their resignation upon a change in their principal occupation, which only becomes effective when it is accepted by the board upon the recommendation of the CGC. Similarly, any change in a director's external directorships must be promptly reported to the CGC for its consideration.

BCE's conflict of interest guidelines for directors sets out how conflict situations will be managed during a board meeting. If a director is deemed to have a conflict of interest because of an interest in a party to a proposed contract or transaction with BCE, then a specific "declaration of interest" is noted in the minutes of the meeting. As well, the conflicted director must abstain from voting on the matter. Depending on circumstances, the director may also withdraw from the meeting while the board deliberates. This procedure is followed on an "as-required" basis.

Orientation and Continuing Education

New directors are given the opportunity to individually meet with members of senior management to aid in their understanding of our business. All directors have regular access to senior management to discuss board presentations and other matters of interest.

We also give directors a reference manual which is updated regularly. This comprehensive manual contains information about our various businesses and special legislation affecting us and our investments. It also covers the structure and responsibilities of the board and its committees, the legal duties and liabilities of directors, BCE's Articles and By-Laws, BCE's Statement of Corporate Governance Principles & Guidelines and other significant policies.

As part of its mandate, the CGC assists in the orientation of newly elected or appointed directors. The CGC assists new directors in becoming acquainted with BCE and its governance processes and encourages continuing education opportunities for all members of the board. To facilitate this process, BCE reimburses the costs of attending outside director education programs. During regularly scheduled board meetings presentations are made on various aspects of our business, and directors are also given the opportunity to visit our various business units.

Board Assessments

As part of its charter, the CGC is required to develop and oversee a process to enable each director to assess the effectiveness and performance of the board and its Chair, the committees of the board and their respective Chairs and themselves as a member of the board. In 2005, the assessment process was conducted through one-on-one meetings. Each director met firstly with the Chair of the board to discuss their assessment of the performance of the board as a whole, the performance of each board committee on which they serve, the CGC Chair (if they serve on the CGC), and their own performance as a member of the board and secondly with the Chair of the CGC to discuss the performance of the Chair of the board and the Chair of each committee (other than the CGC Chair). To facilitate these meetings, a written guide (approved by the CGC) was given to each board member for their review and use in preparing for these meetings. The guide included suggestions for topics and questions for discussion at the meetings, including (among others) the board's responsibilities, its relationship with management, its operations and its composition, committee structure and operations, and materials prepared for board and committee meetings and timeliness of delivery to directors. Following the one-on-one meetings, an *in camera* session of the board was held at which the board discussed and reviewed feedback from the one-on-one meetings and considered the appropriateness of any modifications or enhancements to the effective performance of the board, its committees and individual directors.

Board Committees

There are four standing committees of the board: the Audit Committee, the Corporate Governance Committee, the Management Resources and Compensation Committee and the Pension Fund Committee.

COMMITTEE	MEMBERS	ALL MEMBERS INDEPENDENT?	NUMBER OF MEETINGS HELD IN 2005
Audit	T.C. O'Neill (Chair) A. Bérard J. Maxwell R.C. Pozen V.L. Young	Yes	7
Corporate Governance (CGC)	D. Soble Kaufman (Chair) A. Bérard A.S. Fell E.C. Lumley J.H. McArthur	Yes	5
Management Resources and Compensation (MRCC)	R.J. Currie (Chair) R.A. Brenneman A.S. Fell J.H. McArthur V.L. Young	Yes	7
Pension Fund (PFC)	R.C. Pozen (Chair) B.M. Levitt J.A. Pattison P.M. Tellier	Yes	4

It is our policy that each of the Audit Committee, the MRCC and the CGC must be comprised solely of independent directors.

The complete charter of each board committee can be found in the governance section of BCE's website at www.bce.ca. As well, the position description of the committee Chairs is detailed in the corresponding committee charter. The principal duties and responsibilities of each committee Chair consists of leading the committee in all aspects of its work, effectively managing the committee's affairs and ensuring that it is properly organized and functions efficiently. At each regularly scheduled board committee meeting, each board committee provides a report to the board of directors on its activities.

Audit Committee

The purpose of the audit committee is to assist the board in its oversight of:

- the integrity of BCE's financial statements and related information
- BCE's compliance with applicable legal and regulatory requirements
- the independence, qualifications and appointment of the external auditor
- the performance of both the external and internal auditor
- management's responsibility for reporting on internal controls and risk management.

Please see *Audit Committee Report* for a complete review of the activities of the committee during 2005.

FINANCIAL LITERACY, EXPERTISE AND SIMULTANEOUS SERVICE

Under the *Sarbanes-Oxley Act* and related SEC and NYSE rules, BCE is required to disclose whether its audit committee members include at least one "audit committee financial expert", as defined by these rules. In addition, the Canadian Financial rules and the NYSE rules require that all audit committee members be financially literate.

The board of directors has determined that at least one of the members of the audit committee, being the Chair of the audit committee, Mr. T.C. O'Neill, is qualified as "audit committee financial expert". Please see *Schedule 1 — Audit Committee* in our annual information form dated March 1, 2006, for the relevant education and experience of all our audit committee members.

The NYSE rules require that if an audit committee member serves simultaneously on the audit committee of more than three public companies, the board must determine and disclose that this simultaneous service does not impair the ability of the member to effectively serve on the BCE audit committee.

In addition to serving on BCE's audit committee, the following audit committee members currently serve on the audit committees of the following public companies: Mr. Bérard — Bombardier Inc., Groupe BMTC Inc. and TransForce Inc.; and Mr. O'Neill — Nexen Inc., Adecco, S.A., and Loblaw Companies Limited. The board has carefully reviewed the audit committee service of each of Mr. Bérard and Mr. O'Neill and has concluded in each case that these other activities do not impair their ability to effectively serve on BCE's audit committee. This conclusion is based on the following:

- each is retired and is not involved in professional activities other than sitting on various public company boards and audit committees;
- each has extensive accounting and financial knowledge and experience, which serves the best interests of BCE and
- each makes valuable contributions to BCE's audit committee.

Corporate Governance Committee

The purpose of the CGC is to assist the board in:

- developing and implementing our corporate governance guidelines
- identifying individuals qualified to become board members
- determining the composition of the board and its committees
- determining the directors' remuneration for board and committee service
- developing and overseeing a process to assess the board Chair, the board, board committees, Chairs of committees, and individual directors
- reviewing and recommending for board approval our policies concerning business conduct, ethics, public disclosure of material information and other matters.

Please see *Corporate Governance Committee Report* for a complete review of the activities of the corporate governance committee during 2005.

COMPENSATION OF DIRECTORS

The CGC annually reviews BCE's compensation policy for non-management directors. It compares their compensation to that of similar companies and recommends any changes to the board. As of January 1, 2003, a "flat fee" compensation arrangement was established for non-management directors.

Please see *Corporate Governance Committee Report — Directors' Compensation* for more information on directors' compensation, including a description of the process by which the board determines the compensation of directors based on the recommendations of the CGC.

NOMINATION OF DIRECTORS

The CGC also performs the functions of a nominating committee. The CGC proposes new candidates to be nominated for election or appointment to the board and has developed qualifications and criteria to assist in the selection process.

See above under *Board of Directors — Composition of the Board* for more details on the nomination of directors.

Management Resources and Compensation Committee

The purpose of the MRCC is:

- to assist the board in its oversight responsibilities concerning compensation, nomination, evaluation, and succession of officers and other management personnel
- to oversee BCE's health and safety policies and practices.

Please see *Management Resources and Compensation Committee Report* for a complete review of the activities of the MRCC during 2005.

COMPENSATION OF OFFICERS

Please see *Management Resources and Compensation Committee Report — Officers' Compensation* for information on the compensation of our President and Chief Executive Officer and other officers, and on details on the process by which the board determines the compensation of officers based on the recommendations of the MRCC.

INDEPENDENT ADVICE

The company retains the firm of Towers Perrin to provide expertise and advice in connection with the design of compensation programs and policies. During 2005 management requested Towers Perrin to provide advice on various compensation matters such as a compensation market review for our directors and executive positions and our Mid and Long Term Incentive plans. They were also used to provide advice on various specific compensation issues.

Pension Fund Committee

The purpose of the PFC is to assist the board in its oversight responsibilities related to:

- the administration, funding and investment of BCE's pension plans and fund
- the unitized pooled fund sponsored by BCE for the collective investment of the fund and the participant subsidiaries' pension funds.

Please see *Pension Fund Committee Report* for a complete review of the activities of the committee during 2005.

Chief Executive Officer

Our Chief Executive Officer has primary responsibility for the management of the business and affairs of BCE. As such, the Chief Executive Officer, subject to the board's approval, develops our strategic and operational orientation. In so doing, the Chief Executive Officer provides leadership and vision for the effective overall management, profitability, and growth of the company, and for increasing shareholder value and ensuring compliance with policies adopted by the board. The Chief Executive Officer is directly accountable to the board for all of BCE's activities. In 2005, the board approved a written position description for the Chief Executive Officer, a copy of which is attached at Schedule G and is also available in the governance section of BCE's website at www.bce.ca.

Ethical Business Conduct

In mid 2005, we established a new Ethics and Policy Management Group (EPMG) which reports to our Corporate Secretary, and in turn to the CGC and the audit committee. The creation of this new group is part of a corporate-wide initiative to strengthen our governance practices, our ethics program and our oversight of corporate policies across BCE and Bell Canada.

The EPMG has responsibility, among others, for:

- the oversight of our ethics program, including the code of conduct and ethics training
- our 24/7 Employee Help Line that assists employees with any ethical issues on a completely confidential and anonymous basis
- our complaint tool allowing for anonymous reporting of issues relating to questionable accounting, internal controls, auditing matters or corporate fraud
- the implementation and oversight of a new corporate policy management framework designed to improve employee awareness and access to some of the core corporate policies and business unit-specific processes, procedures and systems.

Corporate Policies

The most significant corporate-wide policies with respect to business ethics are the code of conduct, the complaint procedures for accounting and auditing matters, the disclosure policy and the auditor independence policy. These policies are available in the governance section of BCE's website at www.bce.ca.

CODE OF CONDUCT

Our code of conduct provides various rules and guidelines for ethical behaviour based on our mission and values and on applicable laws and regulations. Our code of conduct applies to all employees, officers and directors. In recognition of the important role of the directors and senior management personnel of BCE in demonstrating their commitment to and support of the company's ethics program, as embodied in the values and rules set out in the code of conduct, in 2005 the board determined to require all directors, officers and vice-presidents to certify annually their compliance with the code of conduct. This certification also confirms their express support for the setting of standards to discourage wrongdoing and to promote honest and ethical conduct throughout the organization.

Our shareholders, customers and suppliers expect honest and ethical conduct in all aspects of our business. Accordingly, we require that employees, officers and directors certify annually that they have reviewed and understood the code of conduct. In addition, all new employees are required to complete an on-line training course on the code of conduct within the first few weeks of being hired.

Employees must also report to their manager any real or potential conflict of interest, and, as required, provide written disclosure of such conflict to the EPMG. The EPMG is responsible for managing the conflict of interest issues of employees. In addition to the requirements to comply with the conflict of interest guidelines and procedures set out in the code of conduct applicable to employees, all officers and vice-presidents are required to disclose to the EPMG any potential or actual conflicts of interest. Any actual or potential conflict of interest is resolved by the EPMG or BCE's Chief Legal Officer.

BCE considers it vital that employees have the most effective tools to pose questions or raise issues concerning any ethical dilemma. To that end, as part of our ethics compliance initiative, we made important improvements to our long standing Employee Help Line in 2005. We implemented a new support system which can be accessed either by telephone or on-line. The system enables employees, on a completely anonymous and confidential 24/7 basis, to pose questions or report concerns relating to issues under the code of conduct. The system is administered by an independent outside firm specializing in the field. Our new support system also provides employees a means to track the progress of their enquiries on-line and provides the company with an auditable record of issues raised.

COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

In early 2004, the audit committee established procedures for receiving, filing and treating complaints that BCE or any of its subsidiaries might receive about

- accounting, internal accounting control or auditing matters
- evidence of an activity that may constitute corporate fraud, violation of federal or provincial laws, or misappropriation of property that belongs to BCE or any of its subsidiaries, if such activity is deemed material by BCE's Chief Legal Officer.

The audit committee also established "whistleblowing" procedures for confidentially and anonymously submitting concerns from employees of BCE or any of its subsidiaries about questionable accounting or auditing matters. To this end, we developed an internal innovative on-line web tool that allows all employees to report questionable accounting and auditing practices in complete confidence. This is in addition to the other means of communication available to our employees, such as the Employee Help Line discussed above, contact with the EPMG, e-mail and regular mail.

DISCLOSURE POLICY

The board periodically approves policies for communicating with our various stakeholders including shareholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities. Several years ago, we adopted a disclosure policy governing our communications to the investment community, the media and the general public. This policy is designed to assist us in ensuring that our communications are timely, accurate and broadly disseminated according to the laws that apply to us. Among others, the policy establishes guidelines for the verification of the accuracy and completeness of information disclosed publicly and the "principles of disclosure" with respect to material information, news releases, conference calls and webcasts, electronic communications and rumours.

AUDITOR INDEPENDENCE POLICY

Our Auditor Independence Policy is a comprehensive policy governing all aspects of BCE's relationship with its external auditor. Please see *Audit Committee Report — Auditor Independence Policy* for more details.

Oversight and Reports

The board is responsible for ensuring that management creates and supports a culture in which ethical business conduct is recognized, valued and exemplified throughout the organization. The board must also satisfy itself as to the integrity of the Chief Executive Officer, other corporate officers and senior management. Both the CGC and the audit committee support the board in its oversight of our ethics program. The CGC has the responsibility for the content of the policies discussed above, while the audit committee has the oversight responsibility for compliance with these policies.

The audit committee receives a quarterly report prepared by the EPMG on the number, nature and scope of issues raised under the code of conduct and provides details of the complaints received in respect of accounting and auditing matters. This report also details the status of investigations and any follow-up action required. In addition, the EPMG provides an annual report to the audit committee identifying the officers and vice-presidents who have signed their annual certification statement under the code of conduct.

The Chair of the audit committee is notified by the Chief Legal Officer of any complaints that relate to accounting, internal controls, auditing matters or corporate fraud. The results of any investigation or follow-up action are provided to the audit committee.

Report presented April 12, 2006 by:

D. SOBLE KAUFMAN, CHAIR
A. BÉRARD
A.S. FELL
THE HONOURABLE E.C. LUMLEY
J.H. MCARTHUR

The purpose of the MRCC is set forth in its written charter which is available in the governance section of BCE's website at www.bce.ca.

The first part of this report tells you how the MRCC is managed, what its responsibilities and powers are and how it makes sure that BCE's strategies for management resources in general, and executive compensation in particular, are consistent with its business plan.

The second part of this report tells you how certain executive officers are compensated and the process by which such compensation of officers in general is determined.

ABOUT THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The MRCC met seven times in 2005. Time is set aside at each regularly scheduled committee meeting, for the committee members to meet without management. It communicates regularly and directly with BCE's officers.

The MRCC reviewed and reported, or made recommendations, to the board on the following items in 2005 and up to the date of this management proxy circular:

- the appointment or resignation of officers and the terms of these changes to ensure that they are appropriate in relation to both external and internal benchmarks
- the review of proposed major changes in organization or personnel with the President and Chief Executive Officer
- the position description of the President and Chief Executive Officer
- the review of the President and Chief Executive Officer's performance against pre-set specific corporate and individual goals and objectives approved by the MRCC and recommendation for approval by the independent directors of the board of the terms of his compensation
- the review with the President and Chief Executive Officer of the performance of the other officers and the terms of their compensation
- the review with the President and Chief Executive Officer of the BCE group's management resources and plans for ensuring appropriate succession to officers and other management personnel
- the review of significant changes to benefit plans (excluding pension plans which are overseen by the PFC, see *Pension fund committee report*)
- the review of the share ownership requirement and the monitoring of interim measures for executives to ensure such share ownership requirements are met
- the review of BCE's executive compensation policy, as further detailed in this report under *Executive officers' compensation*
- the review of this report on the compensation of executive officers
- the review of health and safety procedures and compliance with respect to the health and safety policies.

The MRCC also carried out an annual evaluation of its performance with the CGC, including the review of the adequacy of its charter.

Finally, the MRCC reports regularly to the board on its activities.

EXECUTIVE OFFICERS' COMPENSATION

Report on Executive compensation

The executive compensation policy is designed to attract, motivate and retain the executive officers needed to achieve and surpass BCE's corporate objectives and to build a company that leads the industry in terms of operational performance and creation of value for our shareholders.

Our compensation philosophy is to offer total compensation that is competitive in the marketplace. To complement this market positioning, we also ensure (for internal equity) that the compensation of each position fairly reflects the responsibilities of that position compared to other positions at BCE.

A substantial portion of every executive officer's cash compensation each year is based on meeting annual corporate performance objectives. In addition, BCE has in place mid-term and long-term incentive programs. These are mainly in the form of restricted share units and stock options that are designed to:

- compensate and retain executive officers
- link the executive officers' interests to those of the shareholders
- encourage executive officers to pursue value-creating opportunities for BCE by allowing them to participate in the appreciation of share value
- encourage the type of leadership and behaviour required for the achievement of strategic objectives by creating an even stronger link between executive compensation and BCE's mid-term and long-term operational and financial success.

We periodically review our executive compensation policy to make sure that it continues to meet our objectives. This review also includes a specific review of the compensation of the President and Chief Executive Officer and of the executive officers. In this document, executive officers whose compensation is disclosed in the *Summary compensation table* are referred to as the "named executive officers". Named executive officers are determined on a BCE consolidated basis.

In light of the evolving internal and external environments, the MRCC recommended changes to the compensation policy which were approved by the board in January 2006. The changes to the compensation policy are discussed in more detail under *Change to the compensation policy for 2006 and in the future.*

Total Compensation

In 2005, total compensation consisted of:

- base salary
- annual short-term incentive awards
- mid-term incentive awards
- long-term incentives, and
- benefits and perquisites, including pension benefits, described under *Other compensation information*.

Total compensation is positioned at the 60th percentile of compensation paid by the group of companies that BCE compares itself against (comparator group). Paying at the 60th percentile of the comparator group means that 40% of the companies in the comparator group pay more than BCE and 60% pay less for similar positions. This allows BCE to attract and retain high-performing executives.

Base salary and the annual short-term incentive are positioned at the 50th percentile (median) and the 75th percentile, respectively. This further reinforces the importance of meeting annual financial targets. The other components of total compensation are used to bring overall compensation of the various executive officers to the 60th percentile. This reflects our objective to put a significant portion of compensation at risk, encouraging the required behaviour for achieving the desired business results.

Since 2004, there is less emphasis on the use of long-term incentive plans under which stock options are granted in light of grants of Restricted Share Units (RSUs) made under a mid-term incentive plan. Moreover, stock options granted since 2004 have performance vesting criteria. For more information on key features of these plans, see *Mid-term incentive plan* and *Long-term incentives.*

We did not assign specific weightings to any element of the total compensation other than the positioning of base salary, short-term incentive and total compensation value in relation to the market.

The comparator group for 2005 consisted of 45 publicly traded Canadian and U.S. companies. The companies in the comparator group were selected based on one or more of the following criteria: telecommunications/high technology, strategic use of technology, most admired companies and revenues. The annual review of the comparator group in 2005 resulted in a net addition of two companies.

Please see *Other compensation information — Executive compensation table* for more information on compensation paid to the named executive officers over the past three years.

BASE SALARY

We determine the base salary of each executive officer within a salary range to reflect individual performance and responsibilities related to the position. The mid-point of the salary range corresponds to the median of the comparator group for similar positions. The minimum for the salary range is 20% below the mid-point and the maximum is 20% above.

ANNUAL SHORT-TERM INCENTIVE AWARDS

The short-term incentive program is designed to support the achievement of corporate objectives and reward executive officers based on BCE's success. To recognize the increased focus of BCE's senior executives on Bell Canada, BCE's core asset, we decided that all short-term incentive awards for executive officers would have their corporate performance factor based on Bell Canada's results. In 2005, the following components of Bell Canada's performance were used for setting short-term incentive awards:

- EBITDA[1] (45%)
- revenue[2] (25%)
- and customer loyalty[3] (30%).

This resulted in a Bell Canada corporate performance factor of 70% of the target award for executive officers which was computed based on total results for Bell Canada as opposed to results by business units.

We determine the annual short-term incentive awards by taking both the corporate performance and the executive officer's individual contribution into consideration.

In 2005, the individual contribution was evaluated based on the achievement of objectives (results) and the demonstration of leadership behaviour required to drive BCE's success (leadership attributes). The individual performance factor may vary between 0 and 200%.

Each year, we set target values for the awards. In 2005 the target awards ranged from 40% of base salary for the lowest eligible officer's position to 125% of base salary for the President and Chief Executive Officer. The lowest target for the named executive officers was 75% of base salary.

On the basis of the above factors, we determine the size of the annual short-term incentive awards. Awards are calculated based on the product of the target award, the corporate performance factor and the individual performance factor. The maximum payout is two times the target award. In most cases, awards granted for a year are paid at the beginning of the following year.

Executive officers who are eligible to participate in the BCE share unit plan for senior executives and other key employees (1997) (deferred share unit plan) or in the employees' profit sharing plan can choose to have up to 100% of their annual short-term incentive award paid in deferred share units (DSUs) under the deferred share unit plan or contributed to the employees' profit sharing plan. They must decide how they wish to receive their award by the end of the year in which the award is earned. Please see *Deferred share unit plan* for more information. Executive officers who choose to have their incentive awards contributed to the employees' profit sharing plan will be taxed for the year the contribution was made. Taxes will need to be paid by the time they file their income tax return for that year.

Awards in the form of DSUs can be used as a means to achieve the mandatory share ownership levels described under *Share ownership requirements.*

MID-TERM INCENTIVE PLAN

We may grant to BCE executive officers and other key employees, and those of certain of BCE's subsidiaries, restricted share units (RSUs). The RSU plan is designed to more closely link the compensation of the executives with the achievement of specific operating objectives that are key in supporting the overall business strategy.

RSUs are granted for a given performance period based on position and level of contribution.

1 The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and is therefore unlikely to be comparable to similar measures presented by other issuers. We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans credit (cost) and restructuring and other charges. EBITDA should not be confused with net cash flows from operating activities. The most comparable Canadian GAAP earnings measure is operating income.

2 Represents the total value of products and services sold.

3 For 2005, Bell Canada determined a Customer Loyalty Measurement (CLM) by conducting telephone interviews and using operational measures every month with customers of all its business units. The CLM includes a short-term and a long-term component which have a 60% and a 40% weighting, respectively. In order to determine Bell Canada's performance on the short-term component, operational measures were used in combination with transactional surveys where customers, after having interacted with Bell Canada, were asked to evaluate the service received. With respect to the long-term component, customers evaluated their likelihood to stay with Bell. Evaluations of both components were done using 10 point scale surveys ranging from high (10) to low (1).

At any time, the value of one RSU is equal to the value of one BCE common share. RSUs vest according to the vesting schedule relating to the performance period for the award. Under the vesting schedule, RSUs vest over time, provided that pre-set operating objectives directly aligned to specific goals are met. RSUs that are granted during a given performance period will all be subject to the same vesting rules and operating objectives attached to the performance period.

Dividend equivalents in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equal in value to the dividend paid on BCE common shares. These additional RSUs are subject to the same vesting schedule that applied to the original grant of RSUs.

At the end of the performance period, we assess the actual performance against pre-set objectives to determine the percentage of RSUs that will become vested (vesting percentage). RSUs become vested on the date the board confirms the vesting percentage. All unvested RSUs as of that date are forfeited. If an employee participating in the plan is terminated prior to the end of the performance period, he or she must have participated in at least half of the performance period to be entitled to receive his or her vested RSUs.

Participants may choose to receive their payment of RSUs in cash, in BCE common shares, or a combination of both. We may, however, determine that all or a portion of a participant's RSUs is to be paid out in BCE common shares if he or she has not met the minimum share ownership requirements described under *Share ownership requirements*. Payment in cash is calculated based on the number of vested RSUs in the participant's account times the percentage chosen for payment in cash times the market value of a BCE common share on the day before the board confirms the vesting percentage (after withholding taxes and any other deductions). For payment in BCE shares, BCE will buy a number of BCE shares on the open market equal to the number of vested RSUs chosen to be taken in BCE common shares less withholding taxes and any other deductions. Such purchase will occur within 45 days from the day the board confirms the vesting percentage.

The vesting of the RSUs granted for the two-year performance period from January 1, 2004 to December 31, 2005 (2004-2005 RSUs) was based on reaching operating objectives directly aligned to specific goals for each of the core business units of Bell Canada. These preset objectives focused on specific operating targets designed, amongst others, to enhance service performance and increase the number of multi-product customers. For more information related to the payment of vested 2004-2005 RSUs, see the table under *Other compensation information — Executive compensation table*.

Long-Term Incentives

STOCK OPTIONS

We may grant to BCE executive officers and other key employees as well as those of certain BCE subsidiaries, options to buy BCE common shares under stock option plans[4]. Under the BCE Inc. Long-Term Incentive (Stock Option) Program (1999), not more than 50% of the BCE common shares covered by options under the plan may be granted to insiders (as defined in the Plan) who participate in it. We may recommend special grants of stock options to recognize specific achievements or, in some cases, to retain or motivate executive officers and key employees. We may also determine, within the parameters of the stock option plans (see *Amendments* section) and subject to board approval, the terms and conditions of each grant. The number of outstanding options held by an employee is not taken into account when determining if and how many new options are awarded to him or her.

The exercise price is the price at which a common share may be purchased when an option is exercised. The exercise price[5] is at least equal to the market value of a BCE common share on the day before the grant becomes effective, except under certain circumstances. For example, we may set a higher exercise price when we grant the option. Or, subject to regulatory approval, in the case when a pre-existing option to acquire shares of one of BCE's subsidiaries or of a company that BCE is acquiring is converted into an option to acquire BCE common shares, we may set a lower exercise price to maintain the economic position of the option holder.

Since 2004, the use of stock options that vest solely over time (time vesting options) has been reduced with the introduction of a performance component to the vesting schedule of options granted. These options are front-loaded meaning that options are granted at the beginning of a performance period (or later in the period when someone is hired or promoted), for the entire performance period.

Performance vesting options granted in 2004 have a performance period of January 1, 2004 to December 31, 2006 and are called the 2004-2006 Front-loaded options.

Under the terms of our stock option plans, the right to exercise an option accrues or "vests" by 25% a year for four years from the day of grant, unless we determine otherwise. In 2004, we determined that the vesting of the 2004-2006 Front-loaded options would be based on a combination of time and performance. The performance condition will be achieved if the BCE total shareholder return (BCE TSR) meets or exceeds the median total shareholder return (median TSR) of a group of 12 Canadian and U.S. publicly traded telecommunications companies. On January 31, 2006, the board confirmed that the BCE TSR did not meet the median TSR for the two-year period ending December 31, 2005. As a result, none of the 2004-2006 Front-loaded options vested on January 31, 2006. 50% of the 2004-2006 Front-loaded options were to vest if the two-year BCE TSR met or exceeded the two-year median TSR. Each TSR was calculated over the same two-year period i.e., from January 1, 2004 to December 31, 2005. There is however an opportunity for all of these options to vest at the end of 2006 depending on the results of the BCE TSR for the three-year period ending December 31, 2006. Vesting can be accelerated in certain circumstances if there is a change of control of BCE or of a subsidiary as described under *Change of control*.

The stock option plans provide that the term of any option may not exceed 10 years from the day it is granted. The term of the 2004-2006 Front-loaded options is six years. If the option holder retires, leaves the BCE group of companies, dies, or the company he or she works for is no

4 Three stock option plans are in place: the BCE Inc. Long-Term Incentive (Stock Option) Program (1985), the BCE Inc. Long-Term Incentive (Stock Option) Program (1999) and the BCE Inc. Replacement Stock Option Plan (Plan of Arrangement 2000). All such plans are substantially similar in their terms and, unless specifically noted where material differences exist, this section refers to the terms of the 1999 Stock Option Program.

5 In the BCE Inc. Replacement Stock Option (Plan of Arrangement 2000), the exercise price was set in direct relation to the value of the optionee's existing options immediately prior to the effective date of the 2000 Arrangement and this was in connection with the spin-off of Nortel by BCE in 2000.

longer part of the BCE group of companies, the term may be reduced pursuant to the stock option plan under which it was granted. Options are not assignable by the optionee, except to the optionee's estate upon the optionee's death. We may use our discretionary authority under the relevant plan as described under *Amendments* in order to otherwise alter the terms of the options within the parameters of the relevant plans.

Option holders will lose all of their unexercised options granted after 2001 if they engage in prohibited behaviour after they leave the BCE group of companies. This includes using BCE's confidential information for the benefit of another employer. In addition, the option holder must reimburse BCE the after-tax profit realized on exercising any options during the twelve-month period preceding the date on which the unfair employment practice began.

Prior to November 1999, some options were granted with related rights to special compensation payments (SCPs). SCPs are cash payments equal to the excess of the market value of the shares on the day of exercise of the related option over the exercise price of the option. SCPs, if any, are attached to options and are triggered when the options are exercised.

Effective January 1, 2003, BCE adopted the fair value method of accounting for stock option compensation on a prospective basis.

Change of control of BCE

In 1999, we introduced special vesting provisions that will apply if there is a change of control of BCE. A change of control of BCE occurs when:

- another party acquires 50% or more of the outstanding securities of a class of voting or equity securities of BCE
- the composition of a majority of the BCE board changes for a reason such as a dissident proxy solicitation
- BCE's shareholders approve plans or agreements for disposing of all or substantially all of BCE's assets, liquidating or dissolving BCE, or in certain cases, merging, consolidating or amalgamating BCE, or
- we determine that an event is a change of control.

If there is a change of control of BCE and the option holder's employment is terminated within 18 months of the change of control for a reason other than for cause or if the option holder terminates his employment for good reason, his or her unvested options can be exercised for a period of 90 days from the date of termination, or for a longer period that we may determine.

Change of control or partial change of control of Bell Canada or a designated entity

Unvested options of an option holder who is employed in one of BCE's business units, such as Bell Canada or another subsidiary that we identify as a "designated business unit", will become exercisable if:

- BCE's interest in the business unit or subsidiary falls below 50% but remains at least 20%, and
- the option holder's employment is terminated within 18 months of the reduction for a reason other than for cause or if the option holder terminates employment for good reason.

The option holder has up to 90 days from that day, or longer if we so determine, to exercise the options.

If BCE's interest in a designated business unit falls below 20%, option holders who are employed in that business unit may exercise all of their unvested options effective upon the earlier of:

- one year following the reduction in the interest, or
- the day the option holder was terminated.

The option holder has up to 90 days from that day, or longer if we so determine, to exercise the options.

Termination clauses

The following provisions for early termination apply to stock options, unless we have, for specific circumstances, determined otherwise either at the time an option is granted or later, based on our discretionary authority under the relevant stock option plan. See *Amendments* for more information.

All non-vested options are forfeited when an employee ceases to be employed by BCE or an applicable subsidiary. Participants have 30 days following their termination date (without exceeding the original option period) to exercise their vested options. At the end of the 30-day period or, as of the expiry date, all outstanding options are forfeited. The same provisions apply when someone dies except that the estate has 12 months instead of 30 days to exercise all vested options (without exceeding the original expiry date).

When an employee retires, options granted after September 2000 continue to vest for three years after retirement. Participants have three years following their retirement date (without exceeding the original expiry date) to exercise their vested options. At the end of the three-year period or, on the original expiry date if it is earlier, all outstanding options are forfeited.

For options granted before September 2000 which are already vested, participants have five years following their retirement date (without exceeding the original expiry date) to exercise their vested options. At the end of the five-year period or on the original expiry date if it is earlier, all outstanding options are forfeited.

We have determined that the termination provisions applicable to the 2004-2006 Front-loaded options will be as follows:

If an employee ceases to be employed before January 1, 2006, all options are forfeited on the date employment is terminated. If an employee ceases to be employed in 2006, vested options on the termination date can be exercised within 30 days. Unvested options are forfeited. Given that the vesting percentage established at the end of 2005 was 0%, if an employee ceases to be employed in 2006, 25% of the participant's options will vest at the end of 2006 if the performance goal is met at that time. The participants will have 30 days after the date the board confirms the vesting percentage to exercise vested options. Unvested options are forfeited. The same provisions apply if someone dies except that the estate has 12 months to exercise vested options. At the end of this period, all outstanding options are forfeited.

If retirement occurred in 2005, one-third of the options forfeited. No options will forfeit if retirement occurs in 2006. Options that are not forfeited upon retirement continue to vest for three years after the retirement date under the vesting schedule. Participants have three years following their retirement date (without exceeding the original expiry date) to exercise their vested options. At the end of this period or, on the original expiry date if it is earlier, all outstanding options are forfeited.

Amendments

Under the discretionary authority granted to our committee in the relevant stock options plans[6], we may use such authority to depart from standard vesting provisions, exercise schedules or termination provisions at the time of grant of new options or later on with respect to any outstanding option, without shareholder approval. We may not, without shareholder approval, extend the term of any option beyond 10 years from the original date of grant.

Our committee is also authorized to interpret the rules of the plans and effect non-material amendments including those of a housekeeping nature to the plans, without shareholder approval.

All amendments to the stock option plans are subject to regulatory and stock exchange approvals, when applicable.

DEFERRED SHARE UNIT PLAN

The deferred share unit plan is designed to more closely link the interests of the executive officers to those of the shareholders. Deferred share units (DSUs) may be awarded to certain executive officers and other key employees and those of certain subsidiaries.

DSUs have the same value as BCE common shares. The number and terms of outstanding DSUs are not taken into account when determining if DSUs will be awarded and how many DSUs will be awarded under the plan. DSUs vest immediately.

Dividend equivalents in the form of additional DSUs are credited to the participant's account on each dividend payment date and are equal in value to dividends paid on BCE common shares.

Executive officers can choose to have up to 100% of their annual short-term incentive award paid in DSUs instead of cash. The award is converted into DSUs based on the market value of a BCE common share on the day before the award becomes effective. These DSUs count towards the minimum share ownership requirements, which are described under *Share ownership requirements.*

We may also grant special awards of DSUs to recognize outstanding achievements or for reaching certain corporate objectives.

Holders of DSUs may not redeem their DSUs while they are employed by a company of the BCE group. Once they leave the BCE group, BCE will buy a number of BCE common shares on the open market equal to the number of DSUs a participant holds in the plan, after withholding taxes and any other deductions. These shares are then delivered to the former employee.

Share Ownership Requirements

BCE believes in the importance of substantial share ownership and has compensation programs designed to encourage share ownership by executive officers. A minimum share ownership level has been set for each position as a percentage of annual base salary:

- President and Chief Executive Officer — 500%
- Chief Operating Officer — 400%
- Group Presidents[7] and heads of major lines of business — 300%
- other officers — 200%.

These officers must meet their target within five years (5-year target) with the objective that 50% of their target will be reached within 3 years (3-year target). The 5-year target must be reached by April 2006, or within five years of when they were hired or promoted if it was after April 1, 2001. Share ownership requirements also apply to all Vice-Presidents with a target of 100% of annual base salary.

Shares or DSUs received under the following programs can be used to reach the minimum share ownership level:

- deferred share unit plan, described under *Deferred share unit plan*
- employees' savings plan, described in *Other compensation information — Executive compensation table*, footnote (7)
- shares acquired and held by exercising stock options granted under BCE's stock option plans, described under *Long-term incentives*, and
- shares received upon payment of restricted share units, described under *Mid-term incentive plan.*

Concrete measures are taken if the 3-year target or the 5-year target is missed. These measures include, but are not limited to, the payment of a portion of the short-term annual incentive award in DSUs, the payment of RSUs in shares and, when BCE stock options are exercised, the requirement to hold BCE common shares having a market value equal to a portion of the net financial gain resulting from the exercise. These measures remain in effect until the target is reached.

Chief Executive Officer's Compensation

When Mr. Sabia was appointed President and Chief Executive Officer in 2002, he asked that his current and future base salary and incentive compensation be adjusted to place more weight on variable (at risk) compensation. As a result, we reduced the mid-point of the salary range for the Chief Executive Officer from the median of the comparator group to 90% of that value (adjusted mid-point). At the same time, we increased the target value of the annual short-term incentive from 100% to 125% of base salary to preserve the alignment of the total cash compensation.

We believe, as mentioned in last year's report, that the compensation of Mr. Sabia for 2004 was not fully competitive in the marketplace. As a result, in early 2005, we recommended and the board approved that Mr. Sabia's base salary for year 2005 be set at $1.25 million. This is the adjusted mid-point for the comparator group.

We evaluate at the beginning of each year the performance of the Chief Executive Officer for the preceding year based on his contribution to the:

- financial performance of BCE compared to financial targets set at the beginning of the year
- progress of BCE in reaching its operating and strategic objectives
- development of the executive team and succession planning
- maintenance of BCE's leadership in the telecommunications industry.

In 2005, BCE met or exceeded its 2005 guidance for revenue growth, cost reduction, earnings per share, free cash flow and capital intensity. Its revenues increased by 4% to $19.1 billion, with revenues from growth services outpacing the decline in the legacy business. BCE finished the year on a strong financial footing.

In the past year, BCE has made ongoing progress in lowering its cost structure and improving the customer experience. These continuing efforts are important in setting the foundations for the continued expansion of growth services and further improvements in their profitability.

In addition, BCE has recently announced a series of significant transactions to streamline BCE, to focus on its core telecom business and to surface significant value for shareholders — the latter amounting to approximately $7 billion.

6 See footnote 4 on page 28.
7 Except Mr. Wetmore who has a target of 400% given his level of responsibilities.

With respect to talent management, we believe that significant progress was made during 2005 in strengthening the executive team through the recruitment of highly talented operating executives and through continuing efforts to strengthen the company's execution capabilities through a wide range of executive development and culture change initiatives. We are especially focused on the solid progress being made as a result of these initiatives on the operating procedures and culture of the company.

In light of Mr. Sabia's substantial contribution in all of these areas, we recommended and the board awarded him a short-term incentive in the amount of $2,200,000 for the year 2005 which was computed based on an individual performance factor of 200%.

As President and Chief Executive Officer, Mr. Sabia received a grant of 100,604 RSUs in February 2004 which covers the two-year performance period of January 1, 2004 to December 31, 2005. In early 2006, the board confirmed the vesting of all RSUs granted to executives based on the achievement of specific operating objectives established at the outset of the program two years ago. Mr. Sabia has elected to use all of the after-tax proceeds (about $1.5 million) to purchase BCE common shares which he has also elected to retain throughout his tenure as President and Chief Executive Officer. Mr. Sabia will be purchasing shares on the secondary market as soon as a trading window will open (from the 3rd to the 30th business day following the announcement of BCE's quarterly results) provided he is not otherwise precluded from trading. The payment of such RSUs has been deferred until such time as Mr. Sabia is permitted to purchase such BCE common shares.

Mr. Sabia was not granted any options in 2005 as he received Front-loaded options in February 2004 for the three-year performance period of January 1, 2004 to December 31, 2006.

We did not make any changes to Mr. Sabia's pension arrangements in 2005.

Compensation Policy of Subsidiaries

Bell Canada's compensation policy is the same as BCE's. The board approved the recommendations of Bell Canada for grants of BCE options to Mr. Wetmore in 2005.

Composition of MRCC

During 2005 and up to date of this report, the MRCC consisted of five independent directors: Mr. R.J. Currie (Chair), Mr. R.A. Brenneman, Mr. A.S. Fell, Mr. J.H. McArthur and Mr. V.L. Young.

Change to the compensation policy for 2006 and in the future

While market forces are reshaping the industry resulting in profound changes, particularly in the traditional wireline business, BCE and its core asset, Bell Canada, are rethinking and adapting their business model to better serve the needs of customers with unrivalled integrated communication services delivered efficiently and cost-effectively. In such an evolutive environment, it is of the utmost importance that we encourage the required leadership skills and behaviour needed to successfully deliver on the business strategy.

Our compensation philosophy provides for a prudent approach to fixed compensation while placing significant emphasis on variable (at risk) compensation through the use of three distinct incentive plans (short-term, mid-term and long-term plans), all uniquely designed to support the achievement of specific business performance targets: annual financial results, two-year strategic operational objectives by business units and total shareholder return compared to peer companies over a three-year period. Under each of these incentive plans the performance targets must be met for any payments to be triggered.

Starting in 2006, and to remain consistent with the business directions, we will place even more emphasis on variable (at risk) compensation to reinforce a culture geared towards greater individual accountability and higher levels of performance. As such, 2005 base salaries and mid-points for executives will be maintained at current levels going forward, while short-term incentive targets will be increased by up to 10% of salary to preserve our current competitive positioning to the North American market. The incentive targets of the CEO and of the two most senior executive officers, however, will remain at the 2005 level.

Conclusion

In our view, the total compensation of the named executive officers for 2005 was appropriate in supporting the business strategy and very competitive in the marketplace.

We believe that compensation must reflect corporate performance. As a result, the annual short-term incentive award for the named executive officers was based on a corporate performance factor of 70% because the corporate objectives were not fully achieved. Conversely, the achievement of the strategic operational objectives attached to the RSU plan has significantly helped move the business forward and resulted in the vesting of all 2004-2005 RSUs. With respect to the 2004-2006 Front-loaded options, none of these vested as the BCE total shareholder return (TSR) over the last two years did not meet the median return of the peer companies. There is however an opportunity for all of these options to vest at the end of 2006 depending on the results of the BCE TSR over the three-year period ending December 31, 2006.

Overall, we are confident that our approach to compensation has allowed BCE to attract, motivate and retain executive officers whose type of leadership is considered essential for success now and in the future, and align their interests with those of our shareholders.

Report presented April 12, 2006 by:

R.J. CURRIE, CHAIR
R.A. BRENNEMAN
A.S. FELL
J.H. MCARTHUR
V.L. YOUNG

Other compensation information

This section describes how the named executive officers are compensated, their pension arrangements and termination and other employment arrangements.

Executive compensation table

Compensation information for 2005, 2004 and 2003 for the President and Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers (on a BCE consolidated basis) other than the President and Chief Executive Officer and the Chief Financial Officer (our named executive officers) in 2005 is presented in the following table.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			
NAME AND PRINCIPAL POSITION [1]	YEAR	SALARY [$]	BONUS [$]	OTHER ANNUAL COMPENSATION [$] [3]	SECURITIES UNDER OPTIONS OR [SARS] GRANTED [#] [4]	SHARES OR UNITS SUBJECT TO RESALE RESTRICTIONS [#] [5]	LONG-TERM INCENTIVE PLAN [LTIP] PAYOUTS [$] [6]	ALL OTHER COMPENSATION [$] [7]
Michael J. Sabia President and Chief Executive Officer, BCE Chief Executive Officer, Bell Canada	2005	1,250,000	–	34,700	–	76,309 deferred share units based on $2,200,000	3,005,053	218,073
	2004	1,000,000	[2]	33,006	300,000	[2]	–	180,595
	2003	1,000,000	–	12,788	525,000	41,918 deferred share units based on $1,250,000	–	29,574
Siim A. Vanaselja Chief Financial Officer, BCE and Bell Canada	2005	482,500	318,300	315,190	–	–	1,202,033	42,142
	2004	465,000	208,000	–	100,000	–	–	31,499
	2003	440,000	–	–	117,899	11,136 deferred share units based on $332,100	–	14,332
Stephen G. Wetmore Group President — Corporate Performance and National Markets, BCE and Bell Canada	2005	695,237	945,000	–	200,000	–	1,202,033	56,978
	2004	617,000	355,000	–	110,000	–	–	66,755
	2003	614,167	231,400	–	181,860	–	494,800	497,511
Patrick Pichette President — Operations, Bell Canada	2005	633,333	–	–	–	17,579 deferred share units based on $477,800	1,302,187	45,168
	2004	478,000	219,050	–	120,000	7,561 deferred share units based on $219,050	–	27,286
	2003	438,000	197,100	–	107,583	6,914 deferred share units based on $206,200	–	11,350
Karen Sheriff President — Small and Medium Business, Bell Canada	2005	591,667	472,500	66,860	–	–	1,202,033	178,473
	2004	550,000	243,440	62,758	110,000	2,100 deferred share units based on $60,860	–	166,415
	2003	506,667	181,500	53,181	132,637	12,726 deferred share units based on $379,500	–	143,068

(1) MR. SABIA was appointed Executive Vice-President of BCE and Vice-Chairman of Bell Canada on July 3, 2000. On December 1, 2000, he was appointed President of BCE while maintaining his responsibilities at Bell Canada. On March 1, 2002, he became President and Chief Operating Officer of BCE and Chief Operating Officer of Bell Canada. He became President and Chief Executive Officer of BCE on April 24, 2002 and Chief Executive Officer of Bell Canada on May 2, 2002. The board determined his compensation for 2005 according to our compensation policies. We paid his 2005 total compensation, but charged 40% of it to Bell Canada for services provided to Bell Canada.

MR. VANASELJA was appointed Chief Financial Officer of BCE on January 15, 2001 and also Chief Financial Officer of Bell Canada on December 13, 2003. We paid his 2005 total compensation, but charged 40% of it to Bell Canada for services provided to Bell Canada.

MR. WETMORE was appointed Vice-Chairman, Corporate of Bell Canada on March 1, 2002 and also Executive Vice-President of BCE on May 2, 2002. On June 1, 2003, he was appointed Executive Vice-President of Bell Canada while maintaining his responsibilities at BCE. In addition to his role at BCE , he became Group President — National Markets of Bell Canada on November 10, 2003. On October 19, 2005, MR. WETMORE was appointed Group President — Corporate Performance and National Markets of BCE and Bell Canada. Prior to March 1, 2002, he was President and Chief Executive Officer of Aliant, a subsidiary of Bell Canada. His 2005 total compensation was paid by Bell Canada, but 50% of it was charged to us for services provided to BCE.

MR. PICHETTE was appointed Chief Financial Officer of Bell Canada on September 25, 2002. He was appointed Executive Vice-President of Bell Canada on December 1, 2003. On November 1, 2004, he was appointed President — Operations, Bell Canada. His 2005 total compensation was paid by Bell Canada.

MRS. SHERIFF was appointed on secondment from SBC/Ameritech, Senior Vice-President — Product Management and Product Development of Bell Canada on May 31, 1999 and Chief Marketing Officer on January 26, 2000. She was hired by Bell Canada on June 16, 2001 as Chief Marketing Officer. On June 1, 2003, she was appointed President — Small and Medium Business. Her 2005 total compensation was paid by Bell Canada.

The main terms of their employment with us are described under *Pension arrangements* and *Termination and other employment arrangements*.

(2) The board believes that the company made considerable progress in 2004 especially with respect to the resolution of important labour negotiations, the development and implementation of the Galileo initiative and the company's accelerated transition to Internet Protocol and a new generation of services. The board is of the view that MR. SABIA has made a particularly substantial contribution to this progress in 2004. By virtue of this contribution, the MRCC recommended and the board awarded him a short-term incentive in the amount of $1,475,000 for the year 2004. However, given the disruption in customer service that occurred in 2004 as a result of the implementation of the new wireless billing system and MR. SABIA's belief in the final accountability of the CEO, he declined payment.

(3) This column does not include an amount for perquisites and other personal benefits if they total less than $50,000 or 10% of the total of the annual salary and bonus, which is the disclosure threshold set by the laws that apply to us. Other types of annual compensation are disclosed in this column, as described below. For MR. SABIA, this includes an amount of $18,362 and $18,363 for payment of taxes on an additional life insurance policy of $10 million in his name for year 2005 and 2004, respectively. For MR. VANASELJA, this consists of a special compensation payment (SCP) of $315,190. Please see *Management Resources and Compensation Committee (MRCC) Report — Long-term incentives* for details.

For MRS. SHERIFF, "Other annual compensation" consists of perquisites which includes an amount of $40,310, $42,050 and $38,238 for 2005, 2004 and 2003, respectively, to cover tuition fees for her children during a 5-year period ending June 2006 related to her transition from AT&T/SBC to Bell Canada.

(4) Further to MR. WETMORE's appointment as Group President — Corporate Performance and National Markets of BCE and Bell Canada, he received a grant of 200,000 options in 2005 which will vest at 100% on November 7, 2008.

No other options were granted in 2005 as all executive officers received a grant of 2004-2006 Front-loaded options in 2004 for the 3-year performance period ending December 31, 2006. Please see *MRCC Report — Long-term incentives* and the tables under *Stock Options* for details.

We do not grant freestanding stock appreciation rights (SARs) under our stock option plans.

(5) DSUs have the same value as BCE common shares. The number of DSUs awarded was calculated using the closing price of BCE common shares on the TSX on the day preceding the effective date (3rd business day following the date the award is approved by the board). The dollar amount included in this table is the pre-tax value of the DSUs on the day the award was effective. This column includes DSUs granted as payment of the annual short-term incentive award. For 2003, this column also includes DSUs granted as payments made under the two-year capital efficiency incentive plan of Bell Canada for MR. VANASELJA, MR. PICHETTE and MRS. SHERIFF.

The two-year capital efficiency incentive plan expired in 2003. For more information on this plan, please see BCE's 2004 management proxy circular filed with Canadian securities regulatory authorities. Additional DSUs are credited to each named executive officer's account on each BCE common share on the dividend payment date. The number of DSUs is calculated using the same rate as the dividends paid on our common shares. Please see *MRCC Report — Deferred share unit plan* for details. RSUs are not included in this column. See *MRCC Report — Mid-term incentive plan* for further details. The table below shows the total number of DSUs that each named executive officer held and their value at December 31, 2005, based on a BCE common share price of $27.87 at year-end. The total number of DSUs shown excludes DSUs granted in 2006 as payment of the 2005 annual short-term incentive award which are disclosed in the Summary compensation table.

NAME	AT DECEMBER 31, 2005 TOTAL NUMBER OF DSUS HELD	TOTAL VALUE $
Michael J. Sabia	126,834	3,534,857
Siim A. Vanaselja	20,407	568,745
Stephen G. Wetmore	–	–
Patrick Pichette	19,533	544,379
Karen Sheriff	31,147	868,067

Since December 31, 2005, MR. SABIA received DSUs in March 2006 as payment of the 2005 annual short-term incentive award and DSUs credited in lieu of dividends on January 15, 2006, for a total number of DSUs currently held of 204,612, as shown on page 13.

(6) For 2005, this consists of amounts payable under the Restricted share unit (RSU) plan related to the RSUs granted in February 2004 for the 2-year performance period ending December 31, 2005 (2004-2005 RSUs). The vesting of the 2004-2005 grant of RSUs was based on reaching operating objectives directly aligned to specific goals for each of the core business units of Bell Canada. The 2004-2005 RSUs became fully vested on January 31, 2006 when the board confirmed the achievement of all specific operational objectives established at the outset of the program two years ago. The value was determined on the day the RSUs became vested i.e., January 31, 2006, based on a BCE share price of $27.38 (the day preceding the vesting date).

MR. SABIA has elected to use all of the after-tax proceeds (about $1.5 million) from RSUs to purchase BCE common shares which he has also elected to retain throughout his tenure as President and Chief Executive Officer. MR. SABIA will be purchasing shares on the secondary market as soon as a trading window will open (from the 3rd to the 30th business day following the announcement of BCE's quarterly results), provided he is not otherwise precluded from trading. The payment of such RSUs has been deferred until such time as MR. SABIA is permitted to purchase such BCE common shares.

For 2003, this includes amounts payable under the two-year capital efficiency incentive plan of Bell Canada for MR. WETMORE. The two-year capital efficiency incentive plan expired in 2003. We have not reported an amount for MR. SABIA because he declined payment of $1,437,500 that he was entitled to receive under the two-year capital efficiency incentive plan. For more information on this plan, please see BCE's 2004 management proxy circular filed with Canadian securities regulatory authorities.

(7) For all the named executive officers, amounts in this column include company contributions under the BCE *employees' savings plan*.

Under BCE employees' savings plan, when employees, including executive officers, elect to contribute up to 6% of their base salary, short-term incentive awards and/or, for 2003, payment under the two-year capital efficiency incentive plan to buy BCE common shares, BCE or Bell Canada contributes $1 for every $3 that the employee contributes.

This column also includes payments for life insurance premiums for all of the named executive officers.

For MR. SABIA, it includes an amount of $19,721 for premiums paid in both 2004 and 2005 for an additional life insurance policy of $10 million in his name.

For MR. WETMORE, it also includes:

- $17,000 for premiums paid in 2005 for an additional life insurance policy
- $350,608 paid in 2003 by Aliant as retention bonus awarded when Aliant was formed in May 1999
- $102,184 that Bell Canada paid in 2003 as a relocation allowance.

For MRS. SHERIFF, it also includes an amount of $120,000 per year payable until June 2006 as a special allowance to assist with her transition from AT&T/SBC to Bell Canada.

In 2004 and 2005, this also includes the value of additional DSUs credited in lieu of dividends on BCE common shares represented by DSUs, except for MR. WETMORE who does not participate in the DSU plan. For 2004 and 2005 respectively, this represents an amount of $129,494 and $159,321 for MR. SABIA, $19,531 and $25,634 for MR. VANASELJA, $11,062 and $22,290 for MR. PICHETTE and $28,648 and $38,501 for MRS. SHERIFF.

Stock options

The table below shows grants of stock options made to each of the named executive officers under BCE's stock option program for the financial year ended December 31, 2005.

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

NAME	SECURITIES UNDER OPTIONS/SARS GRANTED [#] [1][2]	% OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FINANCIAL YEAR [2]	EXERCISE OR BASE PRICE [$/ SECURITY] [3]	MARKET VALUE OF SECURITIES UNDERLYING OPTIONS/SARS ON THE DATE OF THE GRANT [$/SECURITY] [3]	EXPIRATION DATE
Michael J. Sabia	–	–	–	–	–
Siim A. Vanaselja	–	–	–	–	–
Stephen G. Wetmore[4]	200,000	13.5%	$27.82	$27.82	Nov. 6, 2011
Patrick Pichette	–	–	–	–	–
Karen Sheriff	–	–	–	–	–

1 All of the executive officers received a grant of Front-loaded options in February 2004 for the three-year period ending December 31, 2006 (2004-2006 Front-loaded options). The vesting of the 2004-2006 Front-loaded options is based on the BCE total shareholder return (BCE TSR) meeting or exceeding the median total shareholder return (median TSR) of a group of 12 Canadian and U.S. publicly traded telecommunications companies. The performance was evaluated at the end of 2005 and will be evaluated again at the end of 2006:

- **At the end of 2005 (end of second year of the performance period)**
  On January 31, 2006, the board confirmed that the BCE TSR did not meet the median TSR for the two-year period ending December 31, 2005. As a result, none of the 2004-2006 Front-loaded options vested on January 31, 2006. 50% of the 2004-2006 Front-loaded options were to vest if the two-year BCE TSR met or exceeded the two-year median TSR. Each TSR was calculated over the same two-year period i.e., from January 1, 2004 to December 31, 2005. There is however an opportunity for all of these options to vest at the end of 2006 depending on the results of the BCE TSR for the three-year period ending December 31, 2006.
- **At the end of 2006 (end of third year of the performance period)**
  100% of the 2004-2006 Front-loaded options will vest if the three-year BCE TSR meets or exceeds the three-year median TSR. Each TSR will be calculated over the same three-year period i.e., from January 1, 2004 to December 31, 2006.

Each option granted under one of the BCE stock option plans covers one common share of BCE. No rights to SCPs were attached to options granted in 2005. Please see *MRCC Report — Long-term incentives for details*.

2 These numbers represent stock options. No freestanding SARs are granted.

3 The exercise price of the stock options in this table is equal to the closing price of the common shares of BCE on the TSX on the day before the grant was effective.

4 Time-vesting options granted as a result of MR. WETMORE's appointment as Group President — Corporate Performance and National Markets of BCE and Bell Canada on October 19, 2005. These stock options will vest at 100% on November 7, 2008.

The table below is a summary of all of the stock options that each of the named executive officers exercised under BCE's stock option plans and the Aliant stock option plan in the financial year ended December 31, 2005. It also shows the total value of their unexercised options at December 31, 2005.

AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

NAME		SECURITIES ACQUIRED ON EXERCISE [#]	AGGREGATE VALUE REALIZED [$] [1]	UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 2005 [#] [2]		VALUE OF UNEXERCISED "IN-THE-MONEY" OPTIONS/SARS AT DECEMBER 31, 2005 [$] [2][3]	
				EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Michael J. Sabia	BCE	–	–	925,400	652,500	1,842,707	–
Siim A. Vanaselja	BCE	16,800	315,190	220,490	187,798	–	–
Stephen G. Wetmore	BCE	–	–	353,430	533,430	306,450	214,300
Stephen G. Wetmore	Aliant[4]	–	–	254,351	–	108,281	–
Patrick Pichette	BCE	–	–	305,403	215,997	–	–
Karen Sheriff	BCE	–	–	235,240	205,960	–	–

1 The total value realized is calculated using the closing price of a board lot of common shares of BCE or Aliant, whichever applies, on the TSX on the day the options were exercised less the exercise price. It does not include SCPs. These appear under "Other annual compensation" in the *Summary compensation table*. Please see *MRCC Report — Long-term incentives* for more information.

2 These numbers relate only to stock options. No freestanding SARs are granted.

3 An option is "in-the-money" when it can be exercised at a profit. This happens when the market value of the shares is higher than the price at which they may be exercised. The value of unexercised in-the-money options is calculated using the closing price of a board lot of common shares of BCE or Aliant, whichever applies, on the TSX on December 31, 2005, less the exercise price of those options.

4 Aliant has a stock option plan that is almost the same as BCE's, except that the options vest at 33⅓% a year for three years from the day of the grant. As President and Chief Executive Officer, MR. WETMORE participated in Aliant's stock option plan until the end of February 2002 and still had outstanding options in that plan as of the end of 2005.

ADDITIONAL INFORMATION WITH RESPECT TO SECURITY-BASED COMPENSATION PLANS

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS # [A]	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS $ [B]	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS [EXCLUDING SECURITIES REFLECTED IN COLUMN [A] # [C]
Equity compensation plans approved by securityholders	979,644	20	2,294,209
Equity compensation plans not approved by securityholders [1]	26,363,091	33	36,010,987 [2]
Total	27,342,735	32	38,305,196

1 The material features of the BCE Inc. Long-Term Incentive (Stock Option) Program 1999 are provided in the section *MRCC Report — Stock Options* and the material features of the Employees' Savings Plans 1970 and 2000 are provided in the section *Employees' Savings Plans.*

2 This number includes 13,513,812 BCE common shares issuable pursuant to employee subscriptions under the Employees' Savings Plans (1970) and 2000.

The following table sets out the number of securities issued and issuable under each of the Corporation's security-based compensation arrangements and the number of BCE common shares underlying outstanding options and percentages represented by each calculated over the number of BCE common shares outstanding as at December 31, 2005.

	COMMON SHARES ISSUABLE [1]		COMMON SHARES ISSUED TO DATE		COMMON SHARES UNDER OUTSTANDING OPTIONS	
	#	% [2]	#	% [2]	#	% [2]
BCE Inc. Long-Term Incentive (Stock Option) Program 1985	2,294,209	0.2%	4,310,395	0.5%	–	–
BCE Inc. Long-Term Incentive (Stock Option) Program 1999	48,860,266	5.3%	833,639	0.1%	26,363,091	2.8%
BCE Inc. Replacement Stock Option Plan (Plan of Arrangement 2000)	515,915	0.1%	3,185,576	0.3%	515,915	0.1%
Teleglobe Stock Options	463,729	0.1%	5,752,899	0.6%	463,729	0.1%
Employee Savings Plans 1970 and 2000	13,513,812	1.5%	16,574,937	1.8%	n/a	n/a

1 This number excludes BCE common shares issued to date and represents the aggregate of BCE common shares underlying outstanding options and BCE common shares remaining available for future grants of options and subscriptions under the Employees' Savings Plans.

2 Outstanding BCE Common Shares as at December 31, 2005 = 927,317,254.

Employees' savings plans (ESPs)[8]

ESPs are designed to encourage employees of BCE and its participating subsidiaries to own shares of BCE. Each year, eligible employees who participate in the plans can choose to have up to a certain percentage of their annual earnings withheld through regular payroll deductions to buy BCE common shares. In some cases, the employer may also contribute up to a maximum percentage of the employee's annual earnings to the plan. The number of shares which may be issued under the ESPs to any insider, within any one-year period, combined with the number of shares issued to such insider within the same one-year period under any stock option plan may not exceed 5% of all outstanding BCE common shares. Each participating company decides on its maximum contribution percentage. Employees can contribute up to 12% of their annual earnings. BCE or Bell contributes up to 2%. The trustee of the ESPs buys BCE common shares for the participants on the open market, by private purchase or from BCE (issuance of treasury shares). The price of the shares purchased by the trustee on the open market or by private purchase is equal to the value paid by the trustee for such shares. The price for treasury shares (if any) purchased from BCE shall be equal to the weighted average prices of the shares purchased by the trustee on the open market and by private purchase (if any) in the week immediately preceding the week in which the purchase is made from BCE. The purchase price for treasury shares may not be below the market price of the securities, as established pursuant to the plan. All the shares have been purchased on the market in 2005, but we may issue shares from treasury from time to time to fill employee subscriptions. Upon termination of employment, participation in the ESPs ceases and the participant receives all the shares or the value of such shares in the participant's account, excluding those purchased by contributions made by the participating company during the year of termination unless the participating company authorizes it. In instances of retirement or death, such entitlement to the company contribution is automatic. Participation in the ESPs is not assignable. Under the terms of the ESPs, we are authorized to interpret the rules of the plans and effect amendments, including those of a housekeeping nature to the plans, without shareholder approval.

8 Two ESPs are in place: The BCE Inc. Employees' Savings Plan (1970) and the BCE Inc. Employee's Savings Plan (2000). The ESP (2000) is not currently in use and thus, there are no accumulated shares currently issued under this plan. The terms of both plans are substantially similar.

Pension arrangements

All of the named executive officers participate in the non-contributory defined benefit component of the BCE or Bell Canada pension plan. The BCE and Bell Canada plans are very similar. In addition, officers including the named executive officers enter into supplementary executive retirement agreements (SERPs).

SERPS

Named executive officers receive 1.5 years of pensionable service under the defined benefit SERPs for every year they serve as an officer of BCE , one of its subsidiaries or an associated company. Retirement eligibility is based on the executive officer's age and years of service. The board may credit additional years of service towards retirement eligibility, pension calculation or both, through a special arrangement.

In general, a named executive officer will receive SERP benefits when he or she reaches:

- at least age 55, and the sum of age and service is at least 85
- at least age 60, and the sum of age and service is at least 80
- age 65 and has 15 years of service.

Pensions are calculated based on pensionable service and pensionable earnings. Pensionable earnings include salary and short-term incentive awards, up to the target value, whether they are paid in cash or DSUs. The one-year average of the named executive officers' best consecutive 36 months of pensionable earnings is used to calculate his or her pension.

A named executive officer may receive up to 70% of his or her average pensionable earnings as total pension benefits under the defined benefit pension plans and SERPs.

Pensions are payable for life. Surviving spouses receive about 60% of the pension that was payable to the named executive officer.

Named executive officers receive a retirement allowance equal to one year's base salary when they retire. This is not included in their pensionable earnings.

ESTIMATED ANNUAL PENSION BENEFITS

The table below shows the estimated annual pension benefits for various categories of pensionable earnings and years of pensionable service that would be payable under the defined benefit pension plans and SERPs, assuming that a named executive officer retired on December 31, 2005 at age 65.

These benefits are not subject to any deductions for government benefits or other offset amounts. They are partly indexed every year to increases in the Consumer Price Index, subject to a maximum of 4% per year.

	YEARS OF PENSIONABLE EARNINGS			
PENSIONABLE EARNINGS [$]	20 YEARS	30 YEARS	40 YEARS	50 YEARS
500,000	164,200	244,900	317,200	350,000
900,000	300,200	447,700	580,000	630,000
1,300,000	436,200	650,500	842,800	910,000
1,700,000	572,200	853,300	1,105,600	1,190,000
2,100,000	708,200	1,056,100	1,368,400	1,470,000
2,500,000	844,200	1,258,900	1,631,200	1,750,000
2,900,000	980,200	1,461,700	1,894,000	2,030,000
3,300,000	1,116,200	1,664,500	2,156,800	2,310,000
3,700,000	1,252,200	1,867,300	2,419,600	2,590,000

PENSION BENEFITS FOR NAMED EXECUTIVE OFFICERS

The number of years of service for calculating total pension benefits at December 31, 2005 was 24.5 years for Mr. Sabia (age 52), 17.3 years for Mr. Vanaselja (age 49), 9.8 years for Mr. Wetmore (age 53), 7.4 years for Mr. Pichette (age 43) and 9.9 years for Mrs. Sheriff (age 47).

Mr. Sabia is eligible for SERP benefits if he retires on or after age 60. If Mr. Sabia's employment is terminated on or after age 55 but before age 60, his pension will be at least equal to 40% of his pensionable earnings. In this case, the calculation will be based on the annual average of his best consecutive 60 months of pensionable earnings. If Mr. Sabia's employment is terminated before age 55 for a reason other than for cause or a change of control, his pension from age 55 will be calculated as if he was age 55 when he left the company.

Mr. Vanaselja and Mrs. Sheriff are eligible for SERP benefits if they retire on or after age 60. If they retire from the company between age 55 and 60, they will receive a pension calculated according to the company pension plan with the exclusion of the maximum pension provision prescribed by the Income Tax Act (Canada).

Mr. Wetmore can retire at age 55 under his SERP. His pension will equal 25% of his average pensionable earnings if he retires at age 55, 40% at age 60 and 55% at age 65. This includes pension benefits he earned when he was employed at Aliant.

Mr. Pichette can retire at age 55 under his SERP. If Mr. Pichette's employment terminates on or after age 47 but before age 55, or if his employment is severed for any reasons other than cause between age 45 and 47, he will be eligible for a deferred pension at age 55 according to the company pension plan with deemed service being credited until age 55 and with the exclusion of the maximum pension provision prescribed by the Income Tax Act (Canada).

Based on current pensionable earnings and service accrual to the earliest eligibility date for a supplementary pension, the estimated annual benefits payable are as follows:

EXECUTIVE	AGE AT EARLIEST ELIGIBILITY DATE	ESTIMATED ANNUAL BENEFIT $
Michael J. Sabia	55	662,400
Siim A. Vanaselja	60	330,900
Stephen G. Wetmore	55	285,400
Patrick Pichette	55	260,900
Karen Sheriff	60	343,000

Termination and other employment arrangements

We entered into an agreement with Mr. Sabia on April 24, 2002 setting out the terms of his employment. In addition to the total compensation elements and pension arrangements described above, the agreement provides for the following principal terms:

Mr. Sabia will receive payments if:

- he is terminated without cause, including following a change of control, or
- he resigns for certain reasons, including if there is a major change in his responsibilities, such as being removed as a director of BCE (other than if required by law), a reduction in his total compensation or specific benefits or perquisites, or for any reason within one year of a change of control. The employment agreement defines a change of control primarily as another party acquiring at least 33⅓% of BCE's voting shares or at least 33⅓% of its assets.

These payments include:

- base salary and annual short-term incentive award, prorated to the number of complete months expired immediately after the termination
- a lump-sum payment equal to his base salary plus the target value of the annual short-term incentive award for up to 36 months or the period between the day he is terminated and the day he is eligible to receive his pension at age 65, whichever is less. The current target for the annual short-term incentive award for the Chief Executive Officer is 125% of base salary.
- any other benefits, such as pension, disability, insurance proceeds, stock options or other amounts that may be payable under any other plan or agreement if Mr. Sabia's employment is terminated.

The above payments are subject to Mr. Sabia's compliance with the non-competition and non-solicitation provisions of his employment agreement.

If there is a change of control, all of Mr. Sabia's BCE stock options will vest, whether his employment is terminated or not.

Mr. Sabia's employment agreement also covers compensation and treatment of stock options if he leaves BCE because of illness or disability, if he retires or if he dies.

Mr. Wetmore's employment agreement dated December 22, 2003 with Bell Canada covers compensation and provides for payments if:

- he is terminated without cause, or
- he resigns for certain reasons, including any significant change in his duties, functions or total compensation and which are not reasonable to Mr. Wetmore.

These payments include:

- a severance indemnity equal to his base salary and annual short-term incentive award at target for a period of 24 months or a period equal to the amount of time between the date of termination and age 65, whichever is less
- vesting of all of Mr. Wetmore's BCE stock options.

The above payments are subject to Mr. Wetmore's compliance with the non-competition and non-solicitation provisions of his employment agreement.

Mr. Pichette will receive the following severance payout if his employment is terminated for any reasons other than cause:

- a severance indemnity equal to his base salary and annual short-term incentive award at target for a period of 24 months.

Mrs. Sheriff's offer of employment dated May 9, 2001 provides for a severance payout if she resigns prior to age 60 for reasons other than cause. The severance payout is as follows:

- A lump-sum payment equal to one time salary for termination of employment before having reached five years of service from her date of hire by Bell Canada
- A lump-sum payment ranging from one time up to two and a half times base salary plus annual short-term incentive award at target for termination of employment between five years from her date of hire by Bell Canada and age 60.

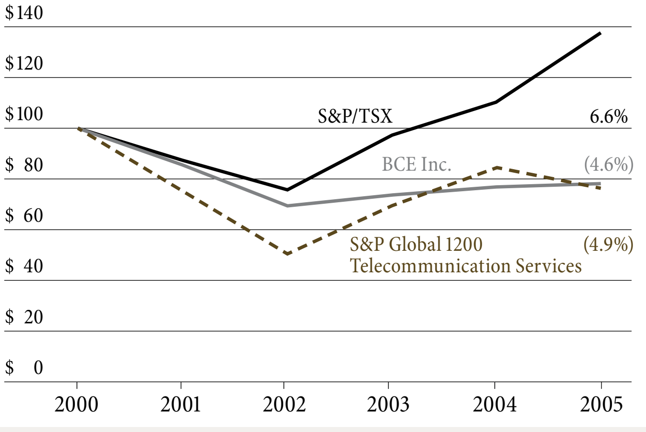
In the case of Bell Canada initiated termination of employment for reasons other than cause, Mrs. Sheriff would be entitled to a severance payout equal to two times base salary plus annual short-term incentive award at target.

Performance graph

SHAREHOLDER RETURN PERFORMANCE GRAPH

The graphs below compare the cumulative annual total return of BCE common shares against the cumulative annual total return of the S&PTSX Composite Index and the S&P Global 1200 Telecommunication Services Index, assuming an initial investment of $100 and that all subsequent dividends were reinvested. Percentages shown within the graphs represent compounded annual rates of return over the period.

FIVE-YEAR CUMULATIVE TOTAL RETURN ON $100 INVESTMENT
December 31, 2000—December 31, 2005



S&P/TSX

100	87	77	97	111	138

BCE Inc.

100	86	71	75	78	79

S&P Global 1200 Tel.

100	76	55	69	83	78

INDEX

BCE's total return index is based on BCE's share price on the Toronto Stock Exchange plus any unpaid dividends.

S&P/TSX COMPOSITE INDEX

The S&P/TSX Composite Index comprises approximately 71% of the total market capitalization of Canadian-based companies listed on the Toronto Stock Exchange. Such companies include amongst others: BCE Inc., Bombardier Inc., Nortel Networks Corp., Royal Bank of Canada, and Canadian National Railway Company. The S&P/TSX total return data was obtained from Standard & Poor's.

S&P GLOBAL 1200 TELECOMMUNICATIONS SERVICES INDEX

The S&P Global 1200 Telecommunications Services Index consists of 39 companies worldwide including amongst others: BCE Inc., TELUS Corp., Rogers Communications Inc., the U.S. Regional Bell Operating Companies (BellSouth Corp., AT&T Inc., Verizon Communications Inc., Qwest Communications International Inc.), European Incumbent Local Exchange Carriers (BT Group, Deutsche Telekom AG, France Telecom SA, Telecom Italia SpA, Telefonica S.A.), the U.S. Regional Local Exchange Carriers (ALLTEL Corp., Century Telephone, Citizens Communications) and wireless companies (Sprint Nextel Corp., Vodafone Group PLC, China Mobile (Hong Kong) Ltd., NTT Docomo Inc.). The S&P Global 1200 Telecommunication Services total return data was obtained from Standard & Poor's.

PENSION FUND COMMITTEE REPORT

The purpose of the PFC is set forth in its written charter which is available in the governance section of BCE's website at www.bce.ca.

A pension fund committee is not required under the Sarbanes-Oxley Act, the related SEC rules, the NYSE rules, the Canadian Financial rules or Canadian Governance rules. However, the board believes that the PFC further enhances BCE's corporate governance practices.

This report tells you how the PFC is managed and how it makes sure that BCE's applicable pension plans, pension funds and master fund are properly managed.

ABOUT THE PENSION FUND COMMITTEE

The PFC is currently made up of four independent directors: Mr. R.C. Pozen (Chair), Mr. B.M. Levitt, Mr. J.A. Pattison and Mr. P.M. Tellier. The PFC communicates regularly and directly with BCE's officers. The PFC met four times in 2005. Time is set aside at each regularly scheduled committee meeting, for the committee members to meet without management.

The PFC advises the board on policies relating to the administration, funding and investment of the pension plan, pension fund and master fund. The master fund is a unitized pooled fund that BCE sponsors for the collective investment of its pension fund and the pension funds of its participating subsidiaries.

The PFC focused on five key areas in 2005:

- monitoring the performance of the pension fund
- updating the statements of investment policies and procedures for the master fund together with more specific reviews of certain investment components provided for in such investment policies
- reviewing the financial situation of BCE's applicable pension plans in light of new actuarial standards and lower interest rates
- overseeing the implementation of a defined contribution pension plan option for eligible BCE group employees. This pension alternative was introduced in late 2004 and features active and passive investment options offered through a multi-manager structure.
- adopting policies in respect of revised legislative requirements applicable to certain of BCE's pension plans.

Under its charter, the PFC also reviewed and reported, or made recommendations, to the board on the following key items in 2005 and up to the date of this management proxy circular:

- the overall structure of the investment process, including the periodic review of the performance of applicable investment managers
- the review of the operating systems (including control systems and procedures for supervising and monitoring the operating systems) in place for carrying out BCE's responsibilities as employer and administrator of the pension plan, pension fund and master fund.

The PFC reports to the board on the appropriateness of these operating and control systems.

The PFC also carries out an annual evaluation of its performance with the CGC, including the adequacy of its charter.

Finally, the PFC reports regularly to the board on its activities.

Report presented April 12, 2006 by:

R.C. POZEN, CHAIR
B.M. LEVITT
J.A. PATTISON
P.M. TELLIER

BACKGROUND INFORMATION TO THE BCE PLAN OF ARRANGEMENT

The information concerning Aliant contained in this circular has been provided to BCE by Aliant or has been taken from or is based upon publicly available documents and records of Aliant on file with Canadian securities regulatory authorities and other public sources and has not been independently verified by BCE. Although we have no knowledge that would indicate that any of the statements contained herein and taken from or based on such information are untrue or incomplete, we do not assume any responsibility for the accuracy or completeness of such information, or for any failure by Aliant to disclose publicly events or acts that may have occurred or that may affect the significance or accuracy of any such information and that are unknown to us. Unless otherwise indicated, information concerning Aliant is given as at April 12, 2006.

PROCESS LEADING TO THE CREATION OF THE FUND

In early December 2005, Michael J. Sabia, our President and Chief Executive Officer, met with Charles White, the Chairman of the Board of Directors of Aliant, to discuss a possible transaction which would involve (i) a combination of Bell Canada's wireline telecommunications operation in its regional low density territories in Ontario and Québec with Aliant's wireline telecommunications and related operations into an income trust, and (ii) a transfer by Aliant to Bell Canada of Aliant's wireless telecommunications operation and retail outlets. Following this meeting, our management engaged in extensive discussions with the management of Aliant. In late January, following negotiations, the parties had not reached agreement, and we terminated our discussions with Aliant.

On February 1, 2006, we announced that we would be forming a new telecommunications income trust that would own and manage 1.6 million local access lines in parts of Bell Canada's territory in regional Ontario and Québec (Bell Regional Trust).

During the second week of February 2006, the parties reconvened to engage in further discussions at which time the discussions expanded to include the contribution of BCE's 63.4% indirect interest in the Bell Nordiq Partnerships to the proposed combination. On March 6, 2006, we reached an agreement on the final terms of the transaction. From December 2005 to March 2006, we presented our business and financial analyses to the board comparing, among other things, the economic and strategic merits of the Bell Regional Trust alternative to that of the larger combined income trust including Aliant's wireline operation and BCE's indirect interest in the Bell Nordiq Partnerships.

On March 7, 2006, we and Aliant announced the proposed creation of the Fund, expected to be one of the largest regional telecommunications service providers in North America. The Fund's operating entities will own and manage 3.4 million local access lines and over 422,000 high speed Internet subscribers in Ontario, Québec and Atlantic Canada. The transaction also includes Bell Canada acquiring Aliant's wireless assets and Aliant's DownEast retail outlets.

The board believes that the Fund will bring additional strategic value relative to the Bell Regional Trust initiative from (i) the simplification of our ownership of regional telecommunications assets by combining our regional telecommunications holdings into a BCE-controlled trust vehicle, (ii) the creation of an entity with greater scale and scope for future growth opportunities, and (iii) the strengthening of Bell Canada's overall national wireless strategy with the acquisition of Aliant's wireless assets.

SUMMARY OF THE FUND TRANSACTIONS

Generally speaking, in order to complete the Fund Transactions leading to the creation of the Fund and its related entities, the following will occur:

- Aliant will contribute all of its operations to a new entity in which the Fund will hold an indirect interest,
- we will contribute our wireline operations in our regional territories in Ontario and Québec to the same entity, and will contribute to another entity in which the Fund will hold an indirect interest both (i) our approximate 53.1% interest (on an undiluted basis) held in Aliant through Bell Canada and its affiliates and (ii) our 63.4% indirect interest in the Bell Nordiq Partnerships,
- Aliant's wireless assets and Aliant's shares in its wholly-owned subsidiary, DownEast, will be transferred to Bell Canada,
- $1.256 billion of BCE consolidated debt will effectively be transferred to the Fund, and
- as a result of these transactions, we will hold a 73.5% interest in the Fund (on a fully-diluted basis).

We will have the ability to appoint a majority of the directors of the operating entities of the Fund and to nominate a majority of the trustees of the Fund as long as we own a 30% or more fully-diluted interest in the Fund and certain major commercial agreements are in place. Otherwise, we will be entitled to appoint our proportionate share of directors of the operating entities of the Fund and to nominate our proportionate share of the trustees of the Fund (rounded up to the next whole number) based on our fully-diluted ownership of Units. Also, if certain major commercial agreements are in place, we will be entitled to appoint two directors of the operating entities of the Fund, irrespective of our ownership interest in the Fund. Also, we will have the ability to veto certain actions of the Fund and the operating entities of the Fund (*i.e.* approval of business plan, significant corporate transactions, material changes in business, leverage in excess of 2.5 times debt to EBITDA, appointment and change of Chief Executive Officer and material commercial agreements with competitors of BCE) as long as we own a 20% or more fully-diluted interest in the Fund.

You are not being asked to approve the transactions leading to the creation of the Fund as BCE shareholder approval is not required under applicable law.

For detailed information on the Fund Transactions, see the sections of the Aliant Circular entitled: *The Arrangement – Overview of the Arrangement, – Structure Following the Closing of the Arrangement,* and *– Anticipated Timing,* which are incorporated herein by reference.

THE BUSINESS OF THE FUND

For more information, see the section of the Aliant Circular entitled: *Summary – The Business of the Fund,* which is incorporated herein by reference.

Overview

The Fund's operating entities will provide local and access services, long-distance, Internet, data services, IPTV, product and service bundles, wholesale services and other related services to approximately 2.2 million residential and 160,000 business customers. The Fund's operating entities will also provide information technology services through Xwave Solutions Inc.

The table below sets out certain key operational and footprint statistics regarding the Fund's operating entities:

SELECTED METRICS-YEAR ENDED DECEMBER 31, 2005

Local Access Lines	3.36 million
Residential	2.17 million
Business	1.19 million
Internet Subscribers	685,000
Dial-up Internet Subscribers	263,000
High-Speed Internet Subscribers	422,000
Wireless Subscribers	69,000 (1)
Employees	Approximately 10,500
Provinces	Newfoundland and Labrador, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Québec
Total Population	5.3 million
Land Area Covered	1.5 million km^2
Line Density	2.2 lines per km^2
High-Speed Internet Footprint	70% coverage

1 Served by the Bell Nordiq Partnerships

Geography and Customers

The territory served by the Fund's operating entities is broadly contiguous, covering over 1.5 million km^2 and spanning six provinces (Newfoundland and Labrador, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Québec), with a population of approximately 5.3 million. The Fund's operating entities will service all territory in Atlantic Canada, all or parts of the 418, 450 and 819 area codes in Québec and all or parts of the 519, 613, 705 and 807 area codes in Ontario.

The territory covered by the Fund's operating entities is comprised predominantly of small to medium sized cities and a vast dispersion of low population rural areas, resulting in line density of only 2.2 lines/km^2. The population in this territory has grown modestly since 2001 by a compound annual growth rate of approximately 0.4%. The largest 20 cities and towns served by the Fund's operating entities are as follows:

CITY	POPULATION (THOUSANDS)
Halifax, NS	359
St. John's, NL	172
Sudbury, ON	161
Chatham, ON	109
Sydney, NS	106
Sault Ste. Marie, ON	74
Sarnia, ON	74
Saint John, NB	70
North Bay, ON	66
Moncton, NB	61
Cornwall, ON	60
Chicoutimi, QC	58
Jonquière, QC	54
Brockville, ON	47
Fredericton, NB	47
Victoriaville, QC	43
Owen Sound, ON	33
Charlottetown, PEI	32
Alma, QC	30
Orangeville, ON	29

Financial Information(1)

On a *pro forma* basis for 2005, the Fund had approximately $3.3 billion of combined operating revenue and $1.5 billion of combined EBITDA, corresponding to an EBITDA margin of approximately 45%. In addition, the Fund had approximately $2.7 billion of total long-term debt outstanding on a *pro forma* basis, which is equal to approximately 1.8x combined EBITDA. *Pro forma* cash available for distribution in 2005 would have been approximately $685 million. Initially, it is expected that the Fund will pay out approximately 90% of its cash available for distribution to its unitholders.

1 For more information, see the sections of the Aliant Circular entitled: *Description of Non-GAAP Measures, Summary of Distributable Cash,* and *Reconciliation of Historical Results to EBITDA and Adjusted EBITDA,* which are incorporated herein by reference.

Commercial Agreements with Bell Canada

The Fund will be a significant core asset for us, with its business closely aligned with that of Bell Canada for the long-term. In addition to the outsourced services currently provided to Aliant, Bell Canada will provide a number of outsourced services to enable the Fund's operating entities to operate in their regional territories in Ontario and Québec. These outsourcing services will include contact center management, billing services, information systems and technology development and support, network operations and new product and services development. The outsourcing agreements will represent approximately 65% of the current cost base of the Ontario and Québec regional operations.

Competitive Strengths

The Fund's operating entities have competitive strengths, which include the following:

SIGNIFICANT SCALE OF OPERATIONS

Following the completion of the Fund Transactions, the Fund's operating entities will collectively be the third largest incumbent local exchange carrier (ILEC) in Canada, giving them a significant scale advantage relative to other carriers in regional markets. The larger scale provides for increased cost efficiency due to the significant fixed cost structure of the telecommunications industry.

STRONG CUSTOMER FRANCHISE

As the incumbent operators, with approximately 2.2 million residential customers and 160,000 business customers, and leading providers of both residential local and high-speed Internet, the Fund's operating entities have built very strong customer franchises.

FINANCIAL STRENGTH AND FLEXIBILITY

On closing of the Fund Transactions, the Fund will have a prudent capital structure that will provide it with financial flexibility.

In addition, the policy to retain approximately 10% of cash available for distribution is expected to provide a recurring source of additional capital which could be used to pursue growth initiatives, reduce debt, or increase distributions to unitholders, among other options.

FULL-SERVICE SOLUTION PROVIDER

The Fund's operating entities will provide their residential customers with access to a full suite of information, communications and entertainment products and services. In addition to a full wireline product suite, the Fund's operating entities will offer wireless solutions and satellite broadcast services through agency resale arrangements with Bell Canada provided individually or in combination with other products as part of a bundle. This in combination with single bill capability, self service options and bundled solutions will make it convenient, easy and affordable for customers.

STATE-OF-THE-ART NETWORK

The Fund's operating entities have a state-of-the-art network because of the significant capital that had been invested to ensure the network is able to support current and next generation services such as IP based services, high-speed access and multi-media services.

The high-speed Internet footprint for the Fund's operating entities covers 70% of homes in the territory, with 81% coverage in Atlantic Canada and 60% in Bell Canada's wireline territories in regional Ontario and Québec.

ONGOING RELATIONSHIP WITH BELL CANADA

The Fund's operating entities will be able to leverage Bell Canada's platforms and scale of operations to improve operational performance and cost competitiveness and ensure that the Fund's operating entities will have continued strong back-end support in Bell Canada's wireline territories in regional Ontario and Québec. The Fund's operating entities will outsource a significant portion of their operations to Bell Canada under long-term agreements.

Financial Statements

As a result of our governance rights, we will continue to consolidate the financial results of the Fund for accounting purposes as we currently do with Aliant's results.

THE UNITS

An unlimited number of Units may be issued pursuant to the Fund declaration of trust that will establish and govern the Fund (Fund Declaration of Trust). Each Unit will be transferable and will represent an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of its termination or winding-up. Each Unit will entitle the holder thereof to certain rights of redemption and to one vote at all meetings of unitholders of the Fund. Pursuant to the Fund Declaration of Trust and the investor liquidity and exchange agreement to be entered into among us, Bell Canada, the Fund, and various related entities of the Fund, the Fund will issue special voting units to the holders of exchangeable limited partnership units of each of the following subsidiaries of the Fund: (i) Bell Aliant Regional Communications, Limited Partnership, and (ii) Bell Aliant Regional Communications Holdings, Limited Partnership, which special voting units will carry such number of votes, in the aggregate, exercisable at any meeting at which unitholders of the Fund are entitled to vote, equal to the number of such units outstanding on the record date established for a meeting.

For more information, see the section of the Aliant Circular entitled: *Description of the Fund,* which is incorporated herein by reference.

STRATEGIC BENEFITS OF THE FUND TRANSACTIONS FOR BCE

The following are some of the principal strategic benefits of the Fund Transactions for BCE:

Creates One of the Largest North American Regional Telecommunications Service Providers: The operations of the Fund will span six provinces and have a broadly contiguous footprint across all of Atlantic Canada and regional areas located in Ontario and Québec. The Fund will have significant scale, as one of the largest wireline operators in North America and a scope of service equivalent to other North American providers. By creating an expanded regional service provider, we are simplifying our ownership structure of regional telecommunications assets, while ensuring our control of a group of assets that is core to our overall business going forward.

Simplifies Bell Canada's Regional Asset Structure: The similar customer and operational characteristics of Bell Canada's regional wireline operations in Ontario and Québec, Aliant's wireline operations, and the operations of the Bell Nordiq Partnerships, provide strong incentives to combine these businesses into a single entity. Grouping our most similar assets under a single holding with greater strategic and operational focus better positions the Fund to pursue both organic and acquisition growth opportunities.

Creates an Entity Well Suited for an Income Trust: The predictability and stability of the cash flows of the combined operations provide strong incentives to structure them under an income trust vehicle, given the necessary stability and reliability of trust distributions. The Fund will be well positioned for future growth opportunities, including additional low density wireline communications acquisitions or other acquisitions that support its strategy.

Sharpens Focus on Customer Needs for Lower Density Markets with a Dedicated Management Team: Bell Canada's regional wireline operations in Ontario and Québec are similar to Aliant's existing wireline business. Both operations are stable, modestly growing businesses with predictable cash flows. The Ontario and Québec operations are located in regions with lower population density and less cable television penetration, and are therefore not experiencing the same degree of fundamental competitive transformation that is occurring in the major cities. The characteristics are very similar to those of Aliant's and the Bell Nordiq Partnerships' operations. This business is ideally suited to be managed by a dedicated management team focused on local customer needs, through a different operating model and capital structure.

Combines Bell Canada's Wireless Operations: Under the Fund Transactions, Bell Canada will take full ownership of Aliant's wireless assets and DownEast retail distribution network. This acquisition will make our national wireless strategy more efficient by facilitating the use of a single platform to serve customers in all provinces.

Surfaces Value and Return of Capital to Shareholders: We estimate that the Fund Transactions will increase Bell Canada's net asset value by approximately $3.5 billion. In addition, the Fund Transactions will allow us to distribute an approximate 28.5% interest in the Fund to our shareholders, which is expected to increase annual cash distributions to them to $1.4065 in combined Fund distributions and BCE common share dividends compared to the current dividend of $1.3200 per common share. See *The BCE Plan of Arrangement.*

QUESTIONS AND ANSWERS

The following questions and answers have been compiled from questions frequently asked of our investor relations department since our intention to proceed with the BCE Arrangement was publicly announced on March 7, 2006:

1. **What am I being asked to vote on?**

   You are being asked to approve a transaction under which we will (i) distribute, as a return of capital to our shareholders, an approximate 28.5% interest in the Fund (on a fully-diluted basis) through a distribution of approximately 64 million Units, which translates into 0.0725 Units for each common share held by you, and (ii) consolidate our common shares outstanding by effecting a reduction of approximately 75 million common shares which translates into 0.915 consolidated common shares for each common share held by you.

   You are not being asked to approve the Fund Transactions leading to the creation of the Fund as approval is not required from our shareholders under applicable law.

2. **How will I as a common shareholder be impacted if the BCE Arrangement is implemented?**

   Upon implementation of the BCE Plan of Arrangement, you will receive in exchange for each common share that you own at the Effective Date:

   (1) 0.0725 Units, and

   (2) 0.915 consolidated common shares.

   We intend to maintain our current dividend of $1.3200 per common share following our distribution of Units and reduction in the number of common shares outstanding. It is expected that a shareholder holding Units received pursuant to the BCE Arrangement will receive annual cash distributions of $1.4065 in Fund distributions and BCE common share dividends combined (per pre-consolidation common share). The increase from $1.3200 to a $1.4065 payout represents a 6.5% increase to shareholders. Please see Question 3 for more information.

3. **Will the dividend policy change as a result of the implementation of the BCE Arrangement?**

   We intend to maintain our current dividend of $1.3200 per common share following the distribution of the Units and the reduction in the number of common shares outstanding. As mentioned in the response to Question 2, it is expected that a shareholder holding Units received pursuant to the BCE Arrangement will receive annual cash distributions of $1.4065 in combined Fund distributions and common share dividends, per pre-consolidation common share. The increase from $1.3200 to a $1.4065 payout represents a 6.5% increase to shareholders. The expected combined Fund distributions and common share dividend payout of $1.4065 would represent your proportionate interest in your consolidated common share and Units. The table below illustrates proportionate Fund distributions and common share dividend payouts.

Expected approximate annual distribution per Fund Unit	(a)		$ 2.74
Fund Units per current common share	(b)		0.0725
Implied proportionate distribution	(c)	(a) * (b)	$ 0.1987
Dividend per common share	(d)		$ 1.3200
Number of common shares post consolidation	(e)		0.915
Implied proportionate dividend	(f)	(d) * (e)	$ 1.2078
Combined Fund distributions and common share dividends per common share		**(c) + (f)**	**$ 1.4065**[1]

1 Shareholders will continue to receive $1.3200 per post-consolidation common share which equates to $1.2078 per pre-consolidation common share plus Unit distributions of $0.1987 per pre-consolidation common share based on an expected annual distribution of $2.74 per Unit times 0.0725 in fractional Units received per pre-consolidation common share. This results in a combined proportionate Fund distribution and common share dividend of $1.4065 per pre-consolidation common share.

4. **What will be the distribution policy of the Fund?**

   It is expected that the Fund will make monthly cash distributions to its unitholders and it is anticipated that initially it will pay out approximately 90% of its cash available for distribution to its unitholders. The board of trustees of the Fund will meet periodically to determine the monthly distribution rate and this will be announced via news releases as appropriate.

   For more information, see the section of the Aliant Circular entitled: *Description of the Fund,* which is incorporated herein by reference.

5. **What is an income trust and why has this structure been chosen to combine your Ontario and Québec regional wireline operations with Aliant's wireline operations and your 63.4% interest in the Bell Nordiq Partnerships on a going-forward basis?**

   Income trust structures are flow-through entities that hold assets or operating businesses which, themselves, are income-generating. Where operating businesses are held by an income trust, these are typically structured in a manner which flows the cash generated by their operations through to the income fund which then distributes such cash to holders of its units. Income funds generally distribute cash on a regular basis and are generally highly tax-efficient. Ideal corporate candidates for conversion to an income trust structure are mature and stable cash-generating businesses with predictable capital expenditure requirements. Our wireline operations in our regional territories in Ontario and Québec, that of Aliant in Atlantic Canada, and our 63.4% interest in the Bell Nordiq Partnerships fall within this categorization, leading to the decision to combine these operational segments under an income trust structure.

6. **What is a plan of arrangement?**

   A plan of arrangement is a statutory procedure under Canadian corporate law which, upon shareholder and court approvals being obtained, permits companies to engage in complex restructurings. A plan of arrangement is frequently used where a corporate transaction has many steps that must occur in a particular sequence that would not be practicable to organize under statutory provisions lacking the arrangement provision's flexibility.

7. How will the transactions leading to the creation of the Fund be undertaken?

In order to effect the transactions leading to the creation of the Fund, Aliant will be proceeding with a plan of arrangement of its own (Aliant Plan of Arrangement). For more information, see the sections of the Aliant Circular entitled: *The Arrangement — Overview of the Arrangement, — Structure Following the Closing of the Arrangement,* and *— Anticipated Timing,* which are incorporated herein by reference.

8. What does the Aliant Plan of Arrangement provide for?

The Aliant Plan of Arrangement sets out the steps required to implement the Fund Transactions which will lead to the creation of the Fund and its related entities. Generally speaking, in order to complete the Fund Transactions, the following will occur:

- Aliant will contribute all of its operations to a new entity in which the Fund will hold an indirect interest,
- we will contribute our wireline operations in our regional territories in Ontario and Québec to the same entity, and will contribute to another entity in which the Fund will hold an indirect interest both (i) our approximate 53.1% interest (on an undiluted basis) held in Aliant through Bell Canada and its affiliates and (ii) our 63.4% indirect interest in the Bell Nordiq Partnerships,
- Aliant's wireless assets and Aliant's shares in its wholly-owned subsidiary, DownEast, will be transferred to Bell Canada,
- $1.256 billion of BCE consolidated debt will effectively be transferred to the Fund, and
- as a result of these transactions, we will hold a 73.5% interest in the Fund (on a fully-diluted basis).

Subject to obtaining the required approval of shareholders, we expect to reduce such interest to approximately 45% (on a fully-diluted basis) through a distribution by way of a return of capital of approximately 64 million Units to our shareholders and consolidation of our common shares pursuant to the BCE Plan of Arrangement. As part of the Fund Transactions, Aliant's minority shareholders will exchange their existing common shares of Aliant for Units, retaining a 26.5% interest in the Fund (on a fully-diluted basis).

9. Will you still control the Fund if you only hold a 45% interest (on a fully-diluted basis) after closing of the BCE Arrangement?

The governance structure of the Fund will be in line with comparable income trust precedents and will provide, amongst other things, that we will retain the ability to appoint a majority of the directors of the Fund's operating entities and to nominate a majority of the trustees of the Fund as long as we own a 30% or more fully-diluted interest in the Fund and certain major commercial agreements are in place. Please see *Background Information to the BCE Plan of Arrangement — Summary of the Fund Transactions* for more information. Also, we will have the ability to veto certain actions of the Fund and of the operating entities of the Fund (approval of business plan, significant corporate transactions, material changes in business, leverage in excess of 2.5 times debt to EBITDA, appointment and change of Chief Executive Officer and material commercial agreements with competitors of BCE) as long as we own a 20% or more fully-diluted interest in the Fund.

10. How will the Fund Transactions affect the business activities and branding of each of Bell Canada and Aliant?

The transition to the Fund will be seamless for all customers of Bell Canada and Aliant. Customers will continue to enjoy the same products and services, including bundles, and all the benefits of the Bell Canada and Aliant brands. Products and services will be sold under the Bell Canada and Sympatico brands within operating territories in Ontario and Québec, and the Aliant and DownEast brands in Atlantic Canada. The Bell Nordiq Income Fund will continue to trade and operate independently, with no change for its customers or to operations within its territory.

The Fund will be a significant core asset for us, with its business closely aligned with that of Bell Canada for the long-term. At the closing of the Fund Transactions, Bell Canada and the Fund's operating entities will enter into a number of outsourcing and commercial agreements pursuant to which Bell Canada will support over the long-term the operations of the Fund's operating entities in their regional territories in Ontario and Québec. Similar agreements will be entered into between the Fund's operating entities and Bell Canada to support Bell Canada's wireless operations in Atlantic Canada.

11. When is the BCE Arrangement likely to occur?

It is presently anticipated that, if approved, the BCE Arrangement will become effective immediately after the completion of the Fund Transactions, which is expected to occur in the third quarter of 2006. The board may decide not to proceed with the BCE Arrangement or revoke the Special Resolution at any time prior to the Effective Date, including, without limitation: (i) in the event the closing of the Fund Transactions does not take place, or (ii) in the event that the Final Order is not in form and on terms satisfactory to us.

12. What approvals are required for the BCE Arrangement to become effective?

In addition to shareholder approval, the principal approval required will be that of the Superior Court of Québec, which, under the CBCA, must approve the fairness of the BCE Arrangement. We will announce by news release the time and place of the fairness hearing. For the BCE Arrangement to be adopted, a two-thirds majority of the common shares present or represented by proxy and voting at the meeting is required.

The board has the option to decide not to proceed with the BCE Arrangement, including in the event the Fund Transactions do not close. Please see Question 11 for more information.

13. When must I be a shareholder in order to receive Units and consolidated common shares?

You need to be a shareholder on the close of business on the Effective Date.

Your receipt of Units and consolidated common shares is subject however to the terms of the BCE Arrangement on fractional Units and consolidated common shares and small lots of Units. Please see Questions 17 and 18 for more information.

14. **When is the Effective Date expected to occur?**

The Effective Date is expected to occur immediately afer the closing of the Fund Transactions which, themselves, are expected to occur in the third quarter of 2006. We will announce the expected Effective Date by news release approximately 10 days prior thereto.

15. **What will I have to do as a shareholder to receive my Unit certificates?**

Unless you are a shareholder resident in the United States, you do not need to do anything in order to receive your certificates representing the Units.

U.S. shareholders as of the Effective Date will receive a Qualified Purchaser Certification prior to the Effective Date and will be required to send in such Qualified Purchaser Certification duly completed to Computershare prior to the Effective Date to attest of their status as a "qualified purchaser" under the *United States Investment Company Act of 1940* and as a "qualified institutional buyer" under the *United States Securities Act of 1933* (Qualified U.S. Shareholder). Only Qualified U.S. Shareholders which have returned their duly completed Qualified Purchaser Certification within the prescribed delay will be entitled to receive Units. Units to other U.S. shareholders will not be distributed but will be aggregated and sold in the market on their behalf by Computershare, which will distribute the net cash proceeds after expenses to such holders, *pro rata*, based on their entitlements. Please see *The BCE Arrangement — Qualified U.S. Shareholder and Non-Qualified U.S. Shareholder or Non-Resident* for more information.

Unit certificates representing Units to which registered shareholders as of the Effective Date are entitled will be mailed by ordinary prepaid post commencing after the Effective Date. If you are a non-registered shareholder, the Units to be received by you will be credited to your account with your broker, trust company or other intermediary. However, you should contact your intermediary if you have any questions regarding this process.

16. **What will I have to do as a shareholder to receive my certificates representing my consolidated common shares?**

Registered shareholders will receive a Letter of Transmittal and will be required to send in such Letter of Transmittal duly completed accompanied by the certificates representing their common shares to Computershare in order to receive their certificates representing their consolidated common shares. Until such documents are received by Computershare and you receive a share certificate representing your consolidated common shares, common share certificates outstanding on the Effective Date will represent the number of consolidated common shares you are entitled following the BCE Arrangement. **You will not be able to sell or otherwise transfer your common shares unless you obtain a new certificate representing your common shares following the Consolidation.** Share certificates representing consolidated common shares which registered shareholders are entitled to receive as of the Effective Date, are expected to be mailed by ordinary prepaid post within five business days following the reception date of the duly completed Letter of Transmittal and former share certificates by Computershare.

If you are a non-registered shareholder, the consolidation will be effected through your account with your broker, trust company or other intermediary. You should contact your intermediary if you have any questions regarding this process.

17. **What will happen if I'm entitled to receive fractions of Units or fractions of consolidated common shares pursuant to the BCE Arrangement?**

Fractional Units and fractional consolidated common shares will not be distributed but will be aggregated and sold in the market by a broker appointed by Computershare, which will distribute the net cash proceeds, after commission expenses, to registered shareholders *pro rata* based on their fractional entitlements. Thus, you will receive such net cash proceeds instead of fractional Units or fractional consolidated common shares, unless your shares are held in a dividend reinvestment plan, in which case you will continue to hold fractional consolidated common shares in your dividend reinvestment plan account.

18. **How many common shares must I hold in order to receive Units?**

If you own less than 150 common shares prior to the BCE Arrangement, you will not be entitled to receive Units. Instead, you will receive a cash payment for the value of your Units. This payment will be in the amount of net cash proceeds, after commission expenses, arising out of the sale in the marketplace by a broker appointed by Computershare of your small interest in Units.

19. **How will my common shares in the dividend reinvestment plan be affected by the consolidation?**

Your common shares in the dividend reinvestment plan will automatically be consolidated by 0.915 and the fractions resulting from the consolidation will remain in your dividend reinvestment plan. You are not required to take any action regarding your common shares acquired through the dividend reinvestment plan. Your dividend reinvestment plan statement will reflect the consolidation.

20. **What is the tax impact of the BCE Arrangement?**

The distribution of Units by way of a return of capital will essentially be a tax-deferred transaction for which no current income taxes should be payable by shareholders resident in Canada. However, there will be a reduction in the adjusted cost base of your common shares.

The distributions of Units or cash to U.S. shareholders should not be subject to any Canadian non-resident withholding tax.

We have applied for an advance income tax ruling from the Canada Revenue Agency (CRA) confirming, amongst other things, the aforementioned Canadian tax implications for Canadian and U.S. shareholders.

Please see *Income Tax Considerations* for more information.

21. **What happens to the preferred shareholders of BCE?**

BCE's preferred shareholders will continue to hold identical BCE preferred shares.

22. **What will the Fund be called on completion of the BCE Arrangement?**

The Fund will be named Bell Aliant Regional Communications Income Fund.

THE BCE ARRANGEMENT

The following description of the BCE Arrangement is qualified in its entirety by reference to the full text of the BCE Plan of Arrangement set forth in Schedule B.

BOARD'S DECISION TO PROPOSE THE BCE PLAN OF ARRANGEMENT TO OUR SHAREHOLDERS

From September 2005 through March 2006, in conjunction with considering a broad range of strategic alternatives to enhance shareholder value, the board evaluated both the creation of a standalone income trust for Bell's regional lines in Ontario and Québec, referred to herein as Bell Regional Trust, and the combination of such regional lines with Aliant's wireline operations and our 63.4% indirect interest in the Bell Nordiq Partnerships in a larger trust. In that context, the board evaluated the distribution of units in Bell Regional Trust and in the Fund to shareholders and the consolidation of the number of common shares outstanding as a means of creating shareholder value. Management presented its findings on value creation, in conjunction with financial analysis and updates on the creation of Bell Regional Trust and the Fund Transactions, to the board at numerous meetings between September 2005 and March 2006. On April 12, 2006 the board met to review the terms of the BCE Arrangement with management. The board concluded that the BCE Arrangement was in the best interests of shareholders. **The board has unanimously approved the BCE Arrangement and recommends that shareholders vote FOR the Special Resolution.** In reaching this conclusion and in making its recommendation, the board considered and relied upon, among other things, the following factors:

- shareholders will benefit from the distribution of approximately $2.4 billion in value in the Fund, assuming a 7.25% yield for the Fund,
- shareholders holding their consolidated common shares and Units after the Effective Date will receive higher combined Fund distributions and common share dividends, relative to the common share dividends they currently receive. We anticipate that the combined common share dividends and Fund distributions for a shareholder (per current common share) will be $1.4065 per annum *versus* the current dividend payout of $1.3200 per common share per annum. This represents an increase in dividends and distributions to shareholders of 6.5%,
- the distribution of Units is expected to be treated as a tax-deferred return of capital to shareholders resident in Canada and should not be subject to Canadian non-resident withholding tax for shareholders resident outside of Canada, and
- we will retain an approximate 45% interest in the Fund (on a fully-diluted basis), together with certain rights down to 30% ownership (on a fully-diluted basis) such as the ability to appoint a majority of the directors of the operating entities of the Fund and to nominate a majority of the trustees of the Fund, and certain veto rights down to 20% ownership (on a fully-diluted basis).

Recommendation of the Board

The board has unanimously approved the BCE Arrangement and unanimously recommends that shareholders vote **FOR** the Special Resolution.

Pre-Arrangement Matters

Prior to the implementation of the BCE Arrangement, we will have, in accordance with the terms of the Fund Transactions, indirectly contributed to the Fund's operating entities, through a series of transactions, our wireline operations in our regional territories in Ontario and Québec and our 63.4% indirect interest in the Bell Nordiq Partnerships. In exchange, we will have received Aliant's wireless assets as well as Aliant's DownEast retail outlets. A total of $1.256 billion of consolidated BCE debt will also have been effectively transferred to the Fund, and upon completion of the Fund Transactions, we will hold a 73.5% interest in the Fund (on a fully-diluted basis).

The BCE Arrangement

Schedule A to this circular contains the full text of the Special Resolution that will be considered by shareholders at the meeting. The Special Resolution seeks shareholders' approval of the BCE Plan of Arrangement. The following is a summary of the principal steps of the BCE Arrangement:

1. We will distribute to our shareholders as of the Effective Date, other than to Dissenting Shareholders, 0.0725 Units per common share held by shareholders prior to the Consolidation (Distribution) and, in consideration and exchange for the Distribution, the stated capital in respect of our common shares shall be reduced by any amount equal to the value of all Units so distributed.
2. All of the common shares issued and outstanding immediately prior to the Effective Date, other than common shares held by Dissenting Shareholders, will be consolidated on the basis of 0.915 consolidated common shares for each common share (Consolidation).
3. Fractional common shares pursuant to the Consolidation, fractional Units in the Fund pursuant to the Distribution, and Units to be otherwise distributed to shareholders holding less than 150 common shares pursuant to the Distribution will be transferred to, and sold in the market on behalf of such shareholders by Computershare, which will distribute the net cash proceeds after expenses to such holders, *pro rata*, based on their fractional and small interest entitlements.
4. Units in the Fund will not be distributed to Non-Qualified U.S. Shareholders pursuant to the Distribution but will be transferred to, and sold in the market on behalf of such shareholders by Computershare, which will distribute the net cash proceeds after expenses to such holders, *pro rata,* based on their entitlements.
5. Subject to applicable laws and regulatory requirements, the terms of outstanding BCE stock options will be adjusted to provide that notwithstanding the Distribution and the Consolidation, the number of options held by individuals under such plans, as well as the pricing thereof, will remain the same, given that the Consolidation is largely offset by the Distribution and that stock options are designed as a long-term compensation instrument and are not dependent on single events adjustments.
6. Subject to applicable laws and regulatory requirements, the terms of outstanding BCE deferred share units will be adjusted to provide for benefits which, to the extent possible, are the economic equivalent of the Distribution and the Consolidation.

Conditions to the BCE Arrangement

The Interim Order provides that, for the BCE Arrangement to be implemented, the Special Resolution must be passed, with or without variation, by at least two-thirds of the votes cast thereon by shareholders present in person or voting by proxy at the meeting.

The BCE Arrangement requires Court approval under the CBCA. Prior to the mailing of this circular, the Interim Order was granted providing for the calling and holding of the meeting and certain other procedural matters. A copy of the Interim Order is set forth in Schedule C.

Notwithstanding the approval of the shareholders or of the Superior Court of Québec, the board may decide not to proceed with the BCE Arrangement or revoke the Special Resolution at any time prior to the Effective Date, including, without limitation: (i) in the event the closing of the Fund Transactions does not take place, or (ii) in the event that the Final Order is not in form and on terms satisfactory to us.

Following determination to proceed with the BCE Arrangement and approval of the BCE Arrangement by the shareholders, an application will be made to the Court for the Final Order. The Court in hearing the motion for the Final Order will consider, among other things, the fairness and reasonableness of the BCE Arrangement. The Court may approve the BCE Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. At the hearing in respect of the Final Order, any shareholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing a notice of appearance within the prescribed time periods and satisfying certain other requirements as set out in the Interim Order. We will announce by news release the time and place of the hearing with respect to the Final Order.

Distribution of Share Certificates

ENTITLEMENT

On the close of business on the Effective Date, you will be entitled, subject to the restrictions described below, to receive Units pursuant to the Distribution and consolidated common shares pursuant to the Consolidation. We will announce the expected Effective Date by news release approximately 10 days prior thereto.

UNIT CERTIFICATES

Subject to what is indicated below under *Fractional Interest in Units or Consolidated Common Shares*, *Small Interest in Units*, and *Qualified U.S. Shareholder and Non-Qualified U.S. Shareholder or Non-Resident,* unit certificates representing Units to which shareholders are entitled as of the Effective Date will be mailed by ordinary prepaid post commencing after the Effective Date without any action on your part, other than if you are a U.S. shareholder.

SHARE CERTIFICATES

Registered shareholders will receive a Letter of Transmittal prior to the Effective Date and will be required to send in such Letter of Transmittal duly completed accompanied by the certificates representing their common shares prior to the BCE Arrangement to Computershare in order to receive their certificates representing their consolidated common shares. Until such documents are received by Computershare and you receive a share certificate representing your consolidated common shares, common share certificates outstanding on the Effective Date will represent the number of consolidated common shares you are entitled following the BCE Arrangement. **You will not be able to sell or otherwise transfer your common shares unless you obtain a new certificate representing your common shares following the Consolidation.** Share certificates representing consolidated common shares to which you are entitled as of the Effective Date are expected to be mailed by ordinary prepaid post within five days following the reception date of the duly completed Letter of Transmittal and former share certificates by Computershare.

Fractional Interest in Units or Consolidated Common Shares

Fractional interests in a Unit or consolidated common share, as the case may be, will be distributed to Computershare on behalf of each registered shareholder otherwise entitled thereto, and each such registered shareholder will receive a cash payment in Canadian dollars equal to such registered shareholder's *pro rata* portion of the net proceeds after expenses received by Computershare upon the sale of the aggregate of all whole Units or consolidated common shares, as the case may be, representing an accumulation of all such fractional interests in a Unit or a consolidated common share, as the case may be, to which all such registered shareholders would otherwise be entitled.

Small Interest in Units

Units to be received under the Distribution by registered and beneficial holders of small interests of less than 150 common shares will be distributed to Computershare on behalf of each registered and beneficial shareholder otherwise entitled thereto, and each such registered and beneficial shareholder will receive a cash payment in Canadian dollars equal to such registered and beneficial shareholder's *pro rata* portion of the net proceeds after commission expenses received by Computershare upon the sale of the aggregate of all such Units representing an accumulation of all small interests in Units, to which all such registered and beneficial shareholders would otherwise be entitled.

Qualified U.S. Shareholder and Non-Qualified U.S. Shareholder or Non-Resident

A U.S. shareholder who satisfies the requirements for treatment as a Qualified U.S. Shareholder will receive Units distributable to shareholders pursuant to the BCE Arrangement if such U.S. shareholder submits a properly completed and executed Qualified Purchaser Certification certifying such U.S. shareholder's status as a Qualified U.S. Shareholder. Qualified Purchaser Certifications will be delivered to U.S. shareholders within a number of days prior to the Effective Date.

All non-Qualified U.S. Shareholders or U.S. shareholders who fail to submit the required certification will not receive their Units. Such Units will be distributed to Computershare on behalf of such non-Qualified U.S. Shareholder or non-resident, as the case may be, and each such non-Qualified U.S. Shareholder or non-resident will receive a cash payment in Canadian dollars equal to such non-Qualified U.S. Shareholder's or non-resident's *pro rata* portion of the net proceeds after expenses received by Computershare upon the sale of the aggregate of such Units in the Fund to which all such non-Qualified U.S. Shareholders or non-residents, as the case may be, would otherwise be entitled.

We and Computershare will be entitled to deduct and withhold from any consideration otherwise payable to any non-Qualified U.S. Shareholder or non-resident, such amounts as we or Computershare are required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) (the Tax Act), the United States *Internal Revenue Code of 1986* or any provision of provincial, state, local or foreign tax law, in each case, as amended or succeeded. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. Please see *Income Tax Considerations – Certain United States Federal Income Tax Consequences* for more information.

INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Consequences

In the opinion of our counsel, Stikeman Elliott LLP, the following summary, as at the date hereof, describes the principal Canadian federal income tax consequences under the Tax Act of the Distribution of Units and the consolidation in the number of common shares outstanding to a shareholder who, for purposes of the Tax Act, at all relevant times, (i) holds the common shares as capital property and (ii) deals at arm's length with BCE and is not affiliated with BCE. Generally, common shares will be considered to be capital property to a shareholder provided the shareholder does not hold the common shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain shareholders who might not otherwise be considered to hold their common shares as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such shareholders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a shareholder that is a "financial institution" for purposes of the mark-to-market rules contained in the Tax Act, a "specified financial institution", or a shareholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). Such shareholders should consult their own tax advisors with respect to the tax consequences to them of the Distribution of Units and the consolidation in the number of common shares outstanding.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder in force as of the date hereof (Regulations), and counsel's understanding of the current administrative practices of the Canada Revenue Agency (CRA). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (Proposed Amendments) and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative practice whether by legislative, regulatory, administrative, or judicial action, nor does it take into account tax legislation or considerations of any province, territory, or foreign jurisdiction, which may differ significantly from those discussed herein. This summary is of a general nature only and is not intended to be legal or tax advice to any particular shareholder. This summary is not exhaustive of all federal income tax considerations. **Accordingly, shareholders should consult their own tax advisors having regard to their own particular circumstances.**

Generally, when a public corporation, as defined in the Tax Act, reduces the paid-up capital in respect of a class of its shares, the amount paid on such reduction is deemed to be a dividend. However, where the paid-up capital of the issuer exceeds the amount of the proposed distribution (which is our case in respect of the Distribution), a distribution not in excess of the amount by which the paid-up capital is reduced may be treated as a tax-free return of capital (subject to the comments below concerning the reduction of the adjusted cost base of the shares) and not as a dividend where (i) the distribution is made on the winding-up, discontinuance or reorganization of its business or (ii) under the Proposed Amendments where the amount of the distribution is derived from proceeds realized from certain non-ordinary course transactions. More specifically, under the Proposed Amendments, where an amount is paid on a reduction of "paid-up capital" as defined in the Tax Act, the amount will be treated as a return of capital where: (i) the amount may reasonably be considered to be a distribution of proceeds realized from a transaction or event that did not occur in the ordinary course of business and (ii) the proceeds were received from a transaction or event that occurred no more than 24 months before the return of capital.

We have applied for an advance income tax ruling from the CRA confirming, *inter alia*, that the Distribution made by BCE on a reduction of its paid-up capital will be treated as a tax-free return of capital and not as a deemed dividend under the first alternative mentioned above, being that the Distribution is made on the winding-up, discontinuance or reorganization of its business. No assurance can be given that a favourable ruling will be obtained from the CRA. At the time of payment of the Distribution, we will inform shareholders whether we have received a favorable ruling from the CRA.

If the Distribution is treated as a return of capital, the adjusted cost base of each share to a shareholder that holds common shares as capital property would be reduced by an amount equal to the amount per share received on account of the Distribution. If such amount exceeds the adjusted cost base, such shareholder would be deemed to have realized a capital gain equal to such excess.

Such amount received as a return of capital by a shareholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, is not, and is not deemed to be, resident in Canada and does not use or hold common shares in a business carried on in Canada (Non-resident Holder) will not be subject to Canadian withholding tax.

If the Distribution is treated as a deemed dividend, the tax consequences of such dividend would be the same as those applicable to ordinary course dividends paid on common shares described below.

A shareholder who, at all relevant times, is resident or deemed to be resident in Canada for the purposes of the Tax Act (Resident Holder) will be required to include in computing its income for a taxation year any dividends received or deemed to be received, by such shareholder on the shares. In the case of a Resident Holder who is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. A dividend received or deemed to be received by a Resident Holder that is a corporation will generally be deductible in computing the corporation's taxable income. A "private corporation" as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a refundable tax of 33⅓% under Part IV of the Tax Act on dividends received or deemed to be received on the common shares to the extent such dividends are deductible in computing taxable income for the year. In the case of a Resident Holder that is a corporation, it is possible that in certain circumstances, all or part of the amount deemed to be a dividend will be treated as a capital gain and not as a dividend, except to the extent that the corporation was subject to Part IV tax in respect of the dividend or deemed dividend as described herein.

Dividends received or deemed to be received on the common shares by a Non-resident Holder will be subject to a Canadian withholding tax under the Tax Act. The rate of withholding tax is 25%, although such rate may be reduced under the provisions of an applicable income tax convention between Canada and the Non-resident Holder's country of residence.

Shareholders otherwise entitled to receive Units or a fractional interest in a Unit or in a consolidated common share and who will receive a cash payment in lieu thereof, will realize a capital gain (or a capital loss) equal to the amount, if any, by which the cash payment received by such shareholder is greater (or less) than the fair market value of the Unit, or fractional interest therein as of the Effective Date, or the adjusted cost base to the shareholder of the fractional interest in a consolidated common share, immediately prior to the disposition by Computershare on its behalf, as the case may be.

CONSEQUENCES OF THE CONSOLIDATION ON THE ADJUSTED COST BASE OF CONSOLIDATED COMMON SHARES

As a result of the consolidation in the number of common shares outstanding, the adjusted cost base to a shareholder of each of its consolidated common shares will be equal to the aggregate adjusted cost base to the shareholder of its common shares immediately prior to the consolidation (which will have been reduced by the fair market value as of the Effective Date of the Units received on the Distribution, as discussed above), reduced by the adjusted cost base to the shareholder of fractional interest in common shares which the shareholder would otherwise have been entitled to receive, divided by the number of consolidated common shares received by the shareholder.

CAPITAL GAINS AND CAPITAL LOSSES

One-half of any capital gain realized by a shareholder on the disposition by Computershare on its behalf of a Unit, or a fractional interest in a Unit or in a consolidated common share (Taxable Capital Gain) will be included in the shareholder's income. One-half of any capital loss (Allowable Capital Loss) realized by a shareholder on the disposition of a Unit, or a fractional interest in a Unit or in a consolidated common share generally must be deducted from Taxable Capital Gains of the shareholder for the year of disposition. Any unused Allowable Capital Losses may be carried back to any of the three preceding taxation years or forward to any subsequent taxation year, and deducted against net Taxable Capital Gains of the shareholder in any such other year to the extent and under the circumstances described in the Tax Act.

A shareholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year, which will include Taxable Capital Gains.

Taxable Capital Gains realized by a Non-resident Holder will not be subject to tax under the Tax Act (and Allowable Capital Losses realized by a Non-resident Holder will not be available as a deduction to offset any Taxable Capital Gain in computing taxable income earned in Canada), provided that the Units or consolidated common shares, as the case may be, do not constitute taxable Canadian property of the holder. Units or consolidated common shares will generally not be taxable Canadian property of a Non-resident Holder unless: (i) at any time during the 60-month period immediately preceding the disposition of Units, or a fractional interest in a Unit or in a consolidated common share, as the case may be, by Computershare on behalf of such Non-resident Holder, not less than 25% of the issued Units or consolidated common shares, as the case may be, were owned by the shareholder, by persons with whom the shareholder did not deal at arm's length, or by any combination thereof; (ii) the Fund does not qualify as a mutual fund trust at the time of disposition, or consolidated common shares are not listed on a prescribed stock exchange (which includes the TSX) at the time of disposition, as the case may be; or (iii) the Non-resident Holder's Units, or fractional interest in a Unit or in a consolidated common share, are otherwise deemed to be taxable Canadian property. Where the Units, or fractional interest in a Unit or in a consolidated common share, held by Computershare on behalf of a Non-resident Holder are taxable Canadian property, a capital gain from the disposition of Units, or fractional interest in a Unit or in a consolidated common share, may be exempted from tax under the Tax Act pursuant to an applicable income tax treaty or convention.

Certain United States Federal Income Tax Consequences

United States Holders (as defined below) deciding whether to vote for the Special Resolution approving the BCE Plan of Arrangement should be aware that the receipt of the Distribution will be taxable as a dividend for U.S. federal income tax purposes to the extent it is paid out of current or accumulated earnings and profits of BCE. Furthermore, if BCE is classified as a passive foreign investment company (or has been so classified during a United States Holder's holding period of common shares), that United States Holder may be subject to adverse consequences upon the receipt of the Distribution under the passive foreign investment company (PFIC) rules. United States Holders are urged to read the discussion of these matters below and to consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations.

The following summary, as at the date hereof, describes the principal U.S. federal income tax consequences under the *Internal Revenue Code of 1986*, as amended (the Code), of the Distribution of Units and the consolidation in the number of common shares outstanding to United States Holders (as defined). This discussion is of a general nature only and is not exhaustive of all U.S. federal income tax implications, and it is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of common shares. No opinion or representation with respect to U.S. federal income tax consequences to any such holder is made. Accordingly, shareholders are urged to consult their own tax advisors to determine the U.S. federal, state, local and foreign income and other tax consequences of the Distribution on common shares, as well as the effect of tax laws of the jurisdictions of which they are citizens, residents or domiciliaries or in which they conduct business.

The following is a discussion of certain U.S. federal income tax consequences of the Distribution on the common shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's holdings of common shares. The discussion applies only to United States Holders who hold common shares as capital assets for U.S. federal income tax purposes, and it does not address foreign, state, local or other non-U.S. federal income tax consequences. Furthermore, it does not describe all of the tax consequences that may be relevant to holders subject to special rules, such as: certain financial institutions and insurance companies; dealers and traders in securities or foreign currencies; persons holding common shares as part of a hedge, straddle or conversion transaction; persons holding common shares in a tax-deferred or tax-advantaged account, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, persons who are partners, shareholders or beneficiaries of an entity that holds common shares, partnerships or other entities classified as partnerships for U.S. federal income tax purposes; persons liable for the alternative minimum tax; tax-exempt organizations; or persons holding common shares that own or are deemed to own ten percent or more of BCE's voting shares.

This discussion is based on the Code, final, temporary and proposed Treasury regulations thereunder, administrative pronouncements, judicial decisions and the current income tax treaty between the United States and Canada (Treaty), all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). United States Holders are urged to consult their own tax advisors concerning the U.S. federal, state, local and foreign tax consequences of the Distribution with respect to their particular circumstances.

As used herein, the term "**United States Holder**" means a beneficial owner of common shares that is, for U.S. federal income tax purposes: a citizen or individual resident of the United States; a corporation, or other entity characterized as a corporation for U.S. federal income tax purposes and which is created or organized in or under the laws of the United States or any political subdivision thereof; an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a U.S. person.

If a partnership, including for this purpose any entity treated as a partnership for U.S. federal income tax purposes, is a holder of common shares, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of such partner and the activities of the partnership.

In compliance with United States Treasury Department Circular 230, holders of common shares are hereby notified that: (A) any discussion of United States federal tax issues in this section of the circular is not intended nor written to be relied upon, and cannot be relied upon, by any particular holder of common shares for the purpose of avoiding penalties that may be imposed on such holder under the Code; (B) such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the Distribution; and (C) holders of common shares should seek advice based on their particular circumstances from an independent tax advisor.

Distribution on, and Consolidation of, Common Shares

Subject to the discussion under *Passive Foreign Investment Company Rules*, below, the gross amount of distributions paid to United States Holders, including the Distribution, paid on common shares, will be included in the gross income of such United States Holder, as a dividend, to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). United States Holders receiving consolidated common shares in exchange for their common shares should qualify for non-recognition treatment. In the case of United States Holders who will receive a cash payment in lieu of Units, or a fractional interest in a Unit or in a consolidated common share, the amount of the Distribution will be computed as of the Effective Date.

The amount of the dividend will be treated as foreign source dividend income to United States Holders and will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code.

Generally, such dividends will constitute passive income for foreign tax credit purposes.

To the extent that the amount of any Distribution exceeds our current or accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the Distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted tax basis of the common shares with regard to which the distribution was made, and to the extent in excess of such basis, will be treated as capital gain. We will not calculate our earnings and profits under U.S. federal income tax rules. Therefore, we will not provide United States Holders with such information. United States Holders should consult their own tax advisors regarding the amount of the Distribution that will be treated as a dividend for U.S. federal income tax purposes.

Dividends received by non-corporate United States Holders may be subject to U.S. federal income tax at lower rates than other types of ordinary income (generally 15%) in taxable years beginning on or before December 31, 2008 if certain conditions are met. These conditions include us not being classified as a PFIC (as defined below), being eligible for benefits under the Treaty, the United States Holder's satisfaction of a holding period requirement and the United States Holder not treating the dividend as "investment income" for purposes of the investment interest deduction rules. Furthermore, if the dividend is an "extra-ordinary dividend", certain losses that would otherwise be characterized as short-term capital loss will be treated as long-term capital loss. A United States Holder should consult its own tax advisor regarding the application of these rules.

Dividends paid in Canadian dollars will be included in a United States Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt of the dividend, or, in the case of United States Holders who will receive a cash payment in lieu of Units, or a fractional interest in a Unit or in a consolidated common share, the U.S. dollar amount should be calculated by reference to the exchange rate in effect as of the date of receipt of the Units, or a fractional interest in a Unit or in a consolidated common share, as the case may be, by Computershare on its behalf, regardless of whether the Canadian dollars are converted into U.S. dollars.

If the dividend is converted into U.S. dollars on the date of receipt, United States Holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. However, a conversion into U.S. dollars at a later date including any differential in value of the cash payment received by a United States Holder from Computershare, in the case of United States Holders who will receive such cash payments in lieu of Units, or a fractional interest in a Unit or in a consolidated common share, as the case may be, when compared to value of said Units, or a fractional interest in a Unit or in a consolidated common share, as the case may be, on the date of receipt by Computershare, may have U.S. federal income tax consequences.

Canadian taxes withheld from dividends on common shares generally will be creditable against a United States Holder's U.S. federal income tax liability, subject to applicable limitations that vary depending upon the United States Holder's particular circumstances. Instead of claiming a credit, a United States Holder may, at its election, deduct such otherwise creditable Canadian taxes in computing its taxable income, subject to generally applicable limitations under U.S. law. **The rules governing the foreign tax credit are complex and United States Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.**

Passive Foreign Investment Company Rules

We do not believe that we are currently, or are likely to become, a PFIC for U.S. federal income tax purposes. A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either: (a) at least 75 percent of its gross income is "passive income", or (b) on average at least 50 percent of the gross value of its assets is attributable to assets (such as cash) that produce "passive income" or are held for the production of passive income. Passive income for this purpose generality includes dividends, interest, royalties, rents and gains from commodities and securities transactions. In determining whether it is a PFIC, a foreign corporation is required to take into account a *pro rata* portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 percent interest.

Since our PFIC status during a taxable year that includes a United States Holder's holding period depends upon the composition of its income and assets and the market value of its assets from time to time (including the remainder of the taxable year after the Distribution), there can be no assurance that we will not be considered a PFIC for any taxable year. If we are treated as a PFIC for any taxable year during which a United States Holder holds common shares, certain adverse consequences, including not being eligible for the reduced rate of tax on certain dividends described above, could apply to the United States Holder.

We urge you to consult your tax advisors concerning our status as a PFIC and the tax considerations relevant to the Distribution.

Information Reporting and Backup Withholding

Payment of dividends that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting to the Internal Revenue Service and to backup withholding unless the United States Holder (i) is a corporation or other exempt recipient or (ii) in the case of backup withholding, provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to a United States Holder will be allowed as a credit against the U.S. federal income tax liability of the United States Holder and may entitle the United States Holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

DISSENTING SHAREHOLDERS' RIGHTS

Registered shareholders are entitled to dissent from the Special Resolution in the manner provided in Section 190 of the CBCA as modified by the Interim Order and the BCE Plan of Arrangement.

This section summarizes the provisions of Section 190 as modified by the Interim Order and the BCE Plan of Arrangement. Registered shareholders who wish to dissent should obtain legal advice and read the provisions of the BCE Plan of Arrangement, Interim Order, and Section 190 of the CBCA, which are set out in Schedules B, C, and D, respectively, to this circular.

Any registered shareholder dissenting from the Special Resolution (Dissenting Shareholder) will be entitled, in the event that the BCE Arrangement becomes effective, to be paid by BCE the fair value of the common shares (Dissent Shares) held by such Dissenting Shareholder determined as at the close of business on the business day immediately preceding the meeting at which the Special Resolution is adopted. **There can be no assurance that a Dissenting Shareholder will receive consideration for its shares of equal value to the consideration that such Dissenting Shareholder would have received upon completion of the BCE Arrangement.**

A registered shareholder who wishes to dissent must provide a written objection to the BCE Arrangement (Dissent Notice) to the Corporate Secretary of BCE at its registered office located at 1000 de La Gauchetière Street West, Suite 4100, Montréal, Québec, Canada H3B 5H8 or to the

Secretary of the meeting, in either case no later than the commencement of the meeting to take place on June 7, 2006 in Montréal, Québec at 9:30 a.m. (Eastern time). The filing of a Dissent Notice does not deprive a registered shareholder of the right to vote; however, a registered shareholder who has submitted a Dissent Notice and who votes in favour of the Special Resolution will no longer be considered a Dissenting Shareholder with respect to common shares voted in favour of the Special Resolution. If such Dissenting Shareholder votes in favour of the Special Resolution in terms only of a portion of the common shares registered in its name and held by same on behalf of any one beneficial owner, such vote approving the Special Resolution will be deemed to apply to the entirety of common shares held by such Dissenting Shareholder in the name of that beneficial owner, given that Section 190 of the CBCA provides there is no right of partial dissent. **The CBCA does not provide, and we will not consider, that a vote against the Special Resolution constitutes a Dissent Notice.**

We are required, within 10 days after adoption of the Special Resolution, to notify each Dissenting Shareholder that the Special Resolution has been adopted. Such notice is however not required to be sent to a registered shareholder who voted for the Special Resolution or who has withdrawn a Dissent Notice previously filed.

A Dissenting Shareholder must, within 20 days after the Dissenting Shareholder receives notice that the Special Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after the Dissenting Shareholder learns that the Special Resolution has been adopted, send us a written notice (Payment Demand) containing the Dissenting Shareholder's name and address, the number of Dissent Shares held by the Dissenting Shareholder dissents, and a demand for payment of the fair value of such shares. Within 30 days after sending a Payment Demand, the Dissenting Shareholder must send to the Corporate Secretary of BCE at its registered office located at 1000 de La Gauchetière Street West, Suite 4100, Montréal, Québec, Canada H3B 5H8, or to Computershare, BCE's transfer agent, located at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2YI, the certificates representing the Dissent Shares in respect of which the Dissenting Shareholder dissented. A Dissenting Shareholder who fails to send the certificates representing the Dissent Shares forfeits its right to make a claim under Section 190 of the CBCA. We or Computershare will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder under Section 190 of the CBCA and will forthwith return the share certificates to the Dissenting Shareholder.

On the filing of a Payment Demand, a Dissenting Shareholder ceases to have any rights as a registered shareholder, other than the right to be paid the fair value of its Dissent Shares as determined pursuant to Section 190 of the CBCA and the Interim Order, except where, prior to the date at which the BCE Arrangement becomes effective: (i) the Dissenting Shareholder withdraws its Payment Demand before we make an Offer to Pay (as defined below) to the Dissenting Shareholder; (ii) we fail to make an Offer to Pay and the Dissenting Shareholder withdraws its Payment Demand; or (iii) the board revokes the Special Resolution, in which case we will reinstate the Dissenting Shareholder's rights as a registered shareholder as of the date the Payment Demand was sent, all subject to the terms of the Interim Order which provides that registered shareholders who exercise the rights of dissent as set out in the CBCA as modified by the Interim Order and who (a) are ultimately entitled to be paid fair value for their common shares shall be deemed to have transferred their common shares to us, free and clear of any encumbrances and claims, as of the date at which the BCE Arrangement becomes effective, or (b) are ultimately not entitled, for any reason, to be paid fair value for their common shares shall be deemed to have participated in the BCE Arrangement on the same basis as any non-Dissenting Shareholder.

We are required, not later than seven days after the later of the date at which the BCE Arrangement becomes effective and the date at which BCE received the Payment Demand of a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent us a Payment Demand a written offer to pay (Offer to Pay) for its Dissent Shares in an amount considered by the board to be the fair value thereof, accompanied by a statement showing how the fair value was determined. Every Offer to Pay must be on the same terms.

We must pay for the Dissent Shares of a Dissenting Shareholder within 10 days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such Offer to Pay lapses if we do not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

If we fail to make an Offer to Pay for the Dissent Shares of a Dissenting Shareholder, or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, we may, within 50 days after the date at which the BCE Arrangement becomes effective, or within such further period as a court may allow, apply to a court to fix a fair value for the Dissent Shares of Dissenting Shareholders. If we fail to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application. The court of competent jurisdiction to which a Dissenting Shareholder is required to bring such application is set out at Section 190(17) of the CBCA.

Upon an application to a court brought by us or a Dissenting Shareholder, all Dissenting Shareholders whose Dissent Shares have not been purchased by us will be joined as parties and bound by the decision of the court, and we will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of the right of each affected Dissenting Shareholder to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any other person is a Dissenting Shareholder who should be joined as a party, and the court will then fix a fair value for the Dissent Shares of all such Dissenting Shareholders. The final order of a court will be rendered against us in favour of each Dissenting Shareholder joined as a party and for the amount of the Dissent Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each such Dissenting Shareholder from the date at which the BCE Arrangement becomes effective until the date of payment.

The above is only a summary of the Dissenting Shareholder provisions of the CBCA as modified by the Interim Order and the BCE Plan of Arrangement which are technical and complex. It is suggested that any registered shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice as failure to comply strictly with the provisions of the CBCA as modified by the Interim Order and the BCE Plan of Arrangement may prejudice their right of dissent.

FORWARD-LOOKING STATEMENTS

A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as *anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target* and *will*.

Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company's future prospects and make informed investment decisions.

This circular, its schedules, and the documents incorporated herein by reference, contain forward-looking statements about our objectives, plans, strategies and businesses. Furthermore, certain statements made herein, including, but not limited to, our future financial condition and results of operations and those of the Fund, the expectation that the creation of the Fund will provide stable and predictable cash flows for holders of Units, the proposed Distribution to shareholders, our anticipated remaining interest in the Fund, the tax treatment of shareholders, the expectation that shareholders will receive value from this proposed transaction consistent with the value we anticipated distributing to our shareholders in the context of the Bell Regional Trust initiative announced on February 1, 2006, the expected level of dividends and Fund distributions, the expected increase in the value of distributions to shareholders, the expected increase in the equity value of the assets involved in the proposed transaction, the expected seamless nature of the transition to the Fund for customers, the expected closing date of the proposed transactions and other statements that are not historical facts, are forward-looking statements and are subject to important risks, uncertainties and assumptions. These statements are forward-looking because they are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment and our ability to attract and retain customers and to manage network assets and operating costs. All such forward-looking statements are made pursuant to the "safe harbor" provisions of the *United States Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation, including the *Securities Act* (Ontario). It is important to know that:

- unless otherwise indicated, forward-looking statements in this circular, its schedules, and the documents incorporated herein by reference, describe our expectations at April 12, 2006,
- our actual results could differ materially from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize, and accordingly, you are cautioned not to place undue reliance on these forward-looking statements,
- except as we otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. Such statements do not, unless we otherwise specified, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business, and
- we disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

We made a number of assumptions in making forward-looking statements in this circular, its schedules, and the documents incorporated herein by reference, such as certain Canadian economic assumptions, market assumptions, operational and financial assumptions and assumptions about transactions. In particular, in making these statements, we have assumed, among other things, that the proposed transactions and subsequent Distribution by us of Units in the Fund will receive the required regulatory and securityholder approvals and that the other conditions to the transactions can be satisfied in accordance with their terms.

Certain factors that could cause results or events to differ materially from our current expectations include, among others, our ability to implement our strategies and plans, our ability to implement the changes required by our strategic direction, the intensity of competitive activity and the ability to achieve customer service improvement while significantly reducing costs. Other factors that could cause results or events related to the proposed transaction to differ materially from current expectations include, among other things: the fact that the proposed transactions involves the integration of various operations previously operated independently and that there can be no assurance that the combined operation resulting from the proposed transactions will realize the anticipated synergies, or that other benefits expected from the transactions will be realized; our ability to complete the proposed transactions without adverse effects on the customers of Bell Canada, Aliant or the Fund; the ability of the Fund to make cash distributions; the Fund's financial results and ability to make cash distributions will be subject to various risks including, without limitation, intensity of competitive activity, general economic and market conditions, the level of consumer confidence and spending and the demand for, and prices of, the Fund's services, the impact of pending or future litigation or regulatory proceedings, and the other risk factors applicable to BCE companies, which can be found in BCE's Annual Information Form for the year ended December 31, 2005 (BCE 2005 AIF), filed by BCE with the U.S. Securities and Exchange Commission (available on EDGAR at www.sec.gov) under Form 40-F, and with the Canadian securities commissions (available at www.bce.ca or on SEDAR at www.sedar.com).

Assumptions made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in the BCE 2005 AIF.

Caution Concerning Aliant Forward-Looking Statements

Please see the sections of the Aliant Circular entitled: *Forward-Looking Statements* and *Risk Factors* for an explanation of the forward-looking statements contained therein, as well as for important information on the assumptions made by Aliant in the preparation of its forward-looking statements and important information on the risks that could cause Aliant's actual results to differ materially from its current expectations.

OTHER IMPORTANT INFORMATION

PERSONAL LOANS TO DIRECTORS AND OFFICERS

BCE and its subsidiaries have not granted loans or extended credit to any current or nominated directors or executive officers or to individuals who have held these positions during the last fiscal year, or to any of their associates.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We and our subsidiaries have bought directors and officers liability insurance coverage of US$200 million (approximately $230 million). This insurance is to protect the directors and officers and those of our subsidiaries against certain liabilities they may incur in this capacity. In 2005, BCE charged a total of $4,001,435 against earnings for its portion of the premium.

When we are not permitted by law to indemnify a director or officer, the deductible is zero. When we are permitted to indemnify him or her, the deductible is US$10 million (approximately $11.5 million). In addition, BCE pays 25% of all defence costs (other than securities claims). With respect to losses (other than securities claims losses), the percentage of allocation between BCE and the insurer is negotiated between them.

CANADIAN OWNERSHIP AND CONTROL REGULATIONS

Since 1994, the *Telecommunications Act* and associated regulations have governed Canadian ownership and control of Canadian telecommunications carriers. Bell Canada and certain of its affiliates are subject to this Act.

Under the *Telecommunications Act*, in order for a corporation to operate as a Canadian common carrier, the following conditions have to be met:

- Canadians own at least 80% of its voting shares
- at least 80% of the members of the carrier company's board of directors are Canadians
- the carrier company is not controlled by non-Canadians.

In addition, where a parent company owns at least 66⅔% of voting shares of the carrier company (Carrier holding company), the Carrier holding company must have at least 66⅔% of its voting shares owned by Canadians and must not be controlled by non-Canadians. Regulations give certain powers to the Canadian Radio-television and Telecommunications Commission (CRTC) and to Canadian carriers themselves to ensure that they comply with the *Telecommunications Act*. These powers include the right to:

- suspend the voting rights attached to shares considered to be owned or controlled by non-Canadians
- refuse to register a transfer of voting shares to a non-Canadian
- force a non-Canadian to sell his or her voting shares
- suspend the voting rights attached to that person's shares, if that person's holdings would affect our status as "Canadian" under the Act.

However, in BCE's case, there is an additional control restriction under the *Bell Canada Act*. Prior approval by the CRTC is necessary for any sale or other disposal of Bell Canada's voting shares unless BCE retains at least 80% of all Bell Canada voting shares.

Similarly, the Canadian ownership rules for broadcasting licensees, such as CTV (one of our subsidiaries) and Bell ExpressVu LP, is generally in line with the rules for Canadian common carriers by restricting allowable foreign investments in voting shares at the licensee operating company level to a maximum of 20% and at the holding company level to a maximum of 33⅓%. The CRTC is precluded under a direction issued under the *Broadcasting Act* from issuing, amending or reviewing a broadcasting licence of an applicant that does not satisfy these Canadian ownership criteria.

Cultural concerns over increased foreign control of broadcasting activities led to a restriction that prevents a holding company that exceeds the former 20% limit or its directors from exercising control or influence over any programming decisions of a subsidiary licensee.

In addition, because we hold a broadcasting licence as a limited partner in Bell ExpressVu LP, we are subject to the 20% foreign ownership limit for broadcasting licensees.

The percentage of non-Canadian ownership of our common shares was approximately 15.6% at December 31, 2005. We monitor and periodically report on the level of non-Canadian ownership of our common shares.

HOW TO REQUEST MORE INFORMATION

DOCUMENTS YOU CAN REQUEST

You can ask us for a copy of the following documents at no charge:

- our most recent annual report, which includes our comparative financial statements and MD&A for the most recently completed financial year together with the accompanying auditor's report
- any interim financial statements that were filed after the financial statements for our most recently completed financial year
- our MD&A for the interim financial statements
- the management proxy circular for our most recent annual shareholder meeting
- our most recent AIF, together with any document, or the relevant pages of any document, incorporated by reference into it
- Aliant's management proxy circular

Please write to the Corporate Secretary's Office of BCE or the Investor Relations Group of BCE at 1000, de La Gauchetière Street West, Suite 4100, Montréal, Québec, Canada H3B 5H8 or call 1-800-339-6353.

These documents are also available on BCE's website at www.bce.ca, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. All of our news releases are also available on BCE's website.

Receiving information electronically is Faster, Cleaner and Cheaper

You can choose to receive electronically all of our corporate documents, such as future management proxy circulars and annual reports. We will send you an email telling you when they are available on BCE's website.

FASTER — RECEIVE YOUR DOCUMENTS EARLIER

CLEANER — SAVE TREES, ENERGY AND WATER, AND REDUCE AIR EMISSIONS

CHEAPER — REDUCE YOUR COMPANY PRINTING AND POSTAGE COSTS

To sign up, go to BCE's website at www.bce.ca, click on the "Vote online" link and follow the instructions. You will need your holder account number and proxy access number, or your 12-digit control number, which you will find on the information sheet attached to your proxy form or on your voting instruction form.

If you do not sign up for this service, we will continue to send you these documents by mail, unless you tell us otherwise on your proxy form or voting instruction form.

SHAREHOLDER PROPOSALS FOR OUR 2007 ANNUAL MEETING

We will consider proposals from shareholders to include as items in next year's management proxy circular for our 2007 annual shareholder meeting. Please send your proposal to us by January 11, 2007.

SCHEDULE A — SPECIAL RESOLUTION APPROVING THE BCE PLAN OF ARRANGEMENT

The following special resolution approving the BCE Plan of Arrangement is being submitted for consideration at the meeting and, if thought advisable, approval, with or without variation:

RESOLVED, AS A SPECIAL RESOLUTION:

1. THAT the Arrangement under section 192 of the *Canada Business Corporations Act* substantially as set forth in the Plan of Arrangement attached as Schedule B to the Notice of 2006 Annual and Special Shareholder Meeting and Management Proxy Circular of BCE Inc. ("BCE") be and is hereby approved and authorized;
2. THAT notwithstanding that this resolution has been duly passed by the shareholders of BCE or has received the approval of the Superior Court of Québec, the board of directors of BCE may decide not to proceed with the Arrangement or revoke this resolution at any time prior to the issue of certificates giving effect to the Arrangement without further approval of the shareholders of BCE; and
3. THAT any director or officer of BCE be and is hereby authorized, for and on behalf of BCE, to execute and deliver articles of arrangement and all other documents and do all such other acts or things as such person may determine to be necessary or advisable to give effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF THE BCE PLAN OF ARRANGEMENT.

For a description of the BCE Plan of Arrangement and for the reasons why the board of directors recommends that shareholders vote for the approval of the BCE Plan of Arrangement, please see *The BCE Arrangement — Board's Decision to Propose the BCE Plan of Arrangement to our Shareholders* in this circular.

SCHEDULE B — BCE PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"1933 Act" means the *United States Securities Act of 1933*, as amended;

"1940 Act" means the *United States Investment Company Act of 1940*, as amended;

"Arrangement" means the arrangement pursuant to Section 192 of the CBCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 6.1 or made at the direction of the Court in the Final Order (with the consent of BCE);

"BCE" means BCE Inc., a corporation amalgamated under the CBCA, and includes its successors;

"Board" means the board of directors of BCE;

"Business Day" means any day on which commercial banks are generally open for business in Montréal, Québec, other than a Saturday, a Sunday or a day observed as a holiday in Montréal, Québec under applicable laws;

"CBCA" means the *Canada Business Corporations Act* and the regulations made thereunder, as amended;

"Certificate of Arrangement" means the certificate of arrangement to be issued by the Director pursuant to Subsection 192(7) of the CBCA giving effect to the Arrangement;

"Common Shares" means the common shares in the capital of BCE;

"Consolidated Common Share" means a post-Consolidation Common Share;

"Consolidated Deferred Share Unit" means a post-Consolidation Deferred Share Unit;

"Consolidation" means the consolidation of the Common Shares to be carried out under Subsection 3.1(c);

"Consolidation Ratio" means 0.915 Consolidated Common Shares for each Common Share;

"Court" means the Superior Court of Québec;

"Deferred Share Units" means all deferred share units granted under the Deferred Share Unit Plans;

"Deferred Share Unit Plans" means the share unit plans for BCE's non-employee directors, senior executives and other key employees;

"Director" means the Director appointed pursuant to Section 260 of the CBCA;

"Distribution" means the distribution of the Fund Units to be carried out under Subsection 3.1(b);

"Distribution Ratio" means 0.0725 Fund Units per Common Share;

"Dissent Rights" has the meaning ascribed in Section 4.1;

"Dissent Shares" means the Common Shares held by a Dissenting Shareholder in respect of which the Dissenting Shareholder has duly and validly exercised the Dissent Rights;

"Dissenting Shareholder" means a registered Shareholder who validly exercises Dissent Rights and is entitled to be paid the fair market value of its Common Shares (as determined in accordance with Section 4.1);

"Effective Date" means the date shown on the Certificate of Arrangement;

"Effective Time" means 12:01 a.m. (Montréal time) on the Effective Date;

"Entitlement Date" has the meaning ascribed thereto in the relevant Deferred Share Unit Plan;

"Final Order" means the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date (so long as such amendment has the consent of BCE) or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed;

"Fund" means Bell Aliant Regional Communications Income Fund, a trust to be established under the laws of Ontario pursuant to the Fund Declaration of Trust;

"Fund Declaration of Trust" means the declaration of trust that will establish and govern the Fund, as amended or amended and restated from time to time;

"Fund Units" means the units of the Fund to be designated as "Units" in the Fund Declaration of Trust, but does not include any securities convertible into or exchangeable for Fund Units that have not been so converted or exchanged at the relevant time;

"Information Circular" means, collectively, the notice of Meeting and the management proxy circular of BCE, including all schedules thereto, sent to the Shareholders in connection with the Meeting;

"Interim Order" means the interim order of the Court, as it may be amended by the Court (with the consent of BCE), in connection with the Arrangement and related matters;

"Letter of Transmittal" means the letter of transmittal to be sent to registered Shareholders which, when duly completed and returned with the certificate or certificates for Common Shares and any other required documents, will enable registered Shareholders to surrender such certificates for certificates representing Consolidated Common Shares;

"Market Value" has the meaning ascribed thereto in the relevant Deferred Share Unit Plan, and, when used in connection with Notional Fund Units, with the appropriate adjustments;

"Meeting" means the annual and special meeting of Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider, among other things, the Arrangement;

"Non-Qualified U.S. Shareholder" means a U.S. Shareholder who is not a Qualified U.S. Shareholder;

"Non-Resident" means (i) a Person (other than a partnership) who is not a resident of Canada for the purposes of the Tax Act or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

"Notional Fund Units" has the meaning ascribed in subsection 3.1(h);

"Participant Agreement" has the meaning ascribed thereto in the relevant Deferred Share Unit Plan;

"Participants" has the meaning ascribed thereto in the relevant Deferred Share Unit Plan;

"Person" means and includes any individual, corporation, limited partnership, general partnership, joint stock company, limited liability corporation, joint venture, association, company, trust, bank, trust company, pension fund, business trust or other organization, whether or not a legal entity, and any government agency and political subdivision thereof;

"Plan of Arrangement, hereof, herein, hereunder" means this Plan of Arrangement, subject to any amendments or variations made in accordance with Section 6.1 or made at the direction of the Court in the Final Order (with the consent of BCE);

"Qualified Purchaser" means a U.S. shareholder that is a "qualified purchaser" as set forth in Section 2(a)(51)(A) of the 1940 Act and a "qualified institutional buyer" as set forth in Rule 144A of the 1933 Act;

"Qualified U.S. Shareholder" means a U.S. Shareholder who has properly submitted to BCE, a qualified purchaser certification in the form to be sent to U.S. Shareholders certifying that it is a Qualified Purchaser and has elected in such qualified purchaser certification to receive Fund Units rather than the net cash proceeds of the sale of such Fund Units;

"Shareholders" means the registered and beneficial (as applicable) holders of Common Shares;

"Small Interest" means 150 or less Common Shares;

"Stock Option Plans" means the stock option plans for BCE's senior executives and other key employees;

"Stock Options" means all options to purchase Common Shares granted under any of the Stock Option Plans;

"Tax Act" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

"Transfer Agent" means Computershare Trust Company of Canada or such other institution BCE may select;

"United States" or **"U.S."** means the United States of America and any territory or possession thereof;

"U.S. Person" means a U.S. Person as defined in Rule 902(k) under the Regulation S under the 1933 Act including, but not limited to, any natural person resident in the United States; and

"U.S. Shareholder" means any Shareholder who is, at the Effective Time, either in the United States or a U.S. Person.

1.2 Interpretation

In this Plan of Arrangement:

(a) **Headings** — The division of this Plan of Arrangement into Articles, Sections and Schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

(b) **References** — Unless otherwise indicated, all references to Articles, Sections and Schedules are to Articles, Sections and Schedules of this Plan of Arrangement.

(c) **Number and Gender** — Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing any gender include all genders.

(d) **Date for Any Action** — In the event that the date on which any action to be taken hereunder by any Person hereunder is not a Business Day, such action shall be taken on the next succeeding day which is a Business Day.

(e) **Statutory References** — References in this Plan of Arrangement to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supercedes any such statute or regulation.

(f) **Time** — Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein are local time (Montréal, Québec) unless otherwise stipulated herein or therein.

(g) **Currency** — All references to money amounts are to the lawful currency of Canada.

ARTICLE 2
EFFECT OF ARRANGEMENT

2.1 Arrangement Binding

The Arrangement will become effective at, and be binding at and after, the Effective Time in accordance with its terms on: (i) BCE; and (ii) all registered holders and all beneficial holders (as applicable) of Common Shares, Stock Options and Deferred Share Units; without any further act or formality required on the part of any Person.

ARTICLE 3
ARRANGEMENT

3.1 The Arrangement

Commencing on the Effective Date, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality required on the part of any Person:

(a) all Common Shares held by Dissenting Shareholders which remain valid immediately before the Effective Date will be deemed to have been transferred to BCE and be cancelled and cease to be outstanding and such holders will cease to have any rights as Shareholders other than the right to be paid the fair value of their Common Shares as set out in Section 4.1;

(b) subject to Subsections 3.1(d), 3.1(e) and 3.1(f), BCE shall distribute to the Shareholders as of the Effective Time, other than Dissenting Shareholders, that number of Fund Unit per Common Share equal to the Distribution Ratio (the "**Distribution**") and, in consideration and in exchange for the Distribution, the stated capital in respect of the Common Shares shall be reduced by an amount equal to the value of all of the Fund Units distributed by BCE to the Shareholders, or on their behalf, determined by the Board at its sole discretion, such stated capital being further reduced by the amount paid by BCE pursuant to the Dissent Rights;

(c) subject to Subsection 3.1(d), all Common Shares issued and outstanding immediately prior to the Effective Time held by Shareholders, other than Common Shares held by Dissenting Shareholders, will be consolidated on the basis of that number of Consolidated Common Share for each Common Share equal to the Consolidation Ratio (the "**Consolidation**");

(d) fractional interest in a Fund Unit or a Consolidated Common Share, as the case may be, which would otherwise be distributed to a registered Shareholder pursuant to Subsections 3.1(b) and 3.1(c), respectively, will be distributed to the Transfer Agent as agent for such registered Shareholder after aggregating all such fractional Fund Units or Consolidated Common Shares, as the case may be, and each such registered Shareholder will receive a cash payment in Canadian dollars equal to such registered Shareholder's pro rata portion of the net proceeds after expenses received by the Transfer Agent upon the sale of whole Fund Units or Consolidated Common Shares, as the case may be, representing an accumulation of all fractional interests in Fund Units or Consolidated Common Shares, as the case may be, to which all such registered Shareholder would otherwise be entitled pursuant to Subsections 3.1(b) and 3.1(c);

(e) Fund Units which would otherwise be distributed pursuant to Subsection 3.1(b) to a registered or beneficial Shareholder holding a Small Interest will be distributed to the Transfer Agent as agent for such registered or beneficial Shareholder after aggregating all such Fund Units, and each such registered or beneficial Shareholder will receive a cash payment in Canadian dollars equal to such registered or beneficial Shareholder's pro rata portion of the net proceeds after expenses received by the Transfer Agent upon the sale of Fund Units representing the aggregate number of the Fund Units to which all such Shareholders would otherwise be entitled pursuant to Subsection 3.1(b);

(f) Fund Units that are to be distributed pursuant to Subsection 3.1(b) to a Non-Qualified U.S. Shareholder, or to a Non-Resident if it appears to BCE that it would be contrary to applicable law to distribute such Fund Units to such Non-Resident, will be distributed to the Transfer Agent as agent for such Non-Qualified U.S. Shareholder or Non-Resident, as the case may be, and each such Person will only be entitled to receive a cash payment in Canadian dollars equal to such Person's pro rata portion of the net proceeds after expenses received by the Transfer Agent upon the sale of the aggregate of such Fund Units to which all such Shareholders would otherwise be entitled pursuant to Subsection 3.1(b);

(g) subject to applicable laws and regulatory requirements, the terms of the Stock Option Plans and of the outstanding Stock Options as of the Effective Time shall be adjusted to provide that, notwithstanding the Distribution and the Consolidation, the number of outstanding Stock Options held by any Person under the Stock Option Plans, as well as the exercise price thereof, will remain the same; and

(h) subject to applicable laws and regulatory requirements, the terms of the Deferred Share Unit Plans and of the outstanding Deferred Share Units shall be adjusted to provide that (i) BCE shall credit to each Participant as of the Effective Time that number of notional Fund Units ("**Notional Fund Units**") per Deferred Share Unit equal to the Distribution Ratio, (ii) all Deferred Share Units outstanding immediately prior to the Effective Time will be consolidated on the basis of that number of Consolidated Deferred Share Unit for each Deferred Share Unit equal to the Consolidation Ratio, (iii) Notional Fund Units shall be the economic equivalent of Fund Units and Participants shall be credited on a quarterly basis with additional Deferred Share Units during the term of their Participant Agreement(s) to reflect monthly distributions made on the Notional Fund Units during such period, such number of additional Deferred Share Units to be equal to the amount of the notional distribution on Notional Fund Units divided by the Market Value of a Common Share as at the payment date of such notional distributions, and (iv) in satisfaction of the number of Notional Fund Units recorded in a Participant's account on the Entitlement Date, a number of Deferred Share Units equal to the Market Value of the Notional Fund Units divided by the Market Value of a Common Share shall be credited to the Participant, provided that if required regulatory consents, including a favourable ruling confirmation from the Canada Revenue Agency, are not obtained prior to the Final Order, BCE shall be entitled to make such other adjustment to the terms of the Deferred Share Unit Plans and of the outstanding Deferred Share Units such that they provide for benefits which, to the extent possible, are the economic equivalent of the Distribution and the Consolidation, the whole as determined by the Board acting reasonably.

3.2 Transfers Free and Clear of Title Restrictions

Any transfer of any securities of a holder pursuant to the Arrangement shall be free and clear of any hypothecs, liens, claims, encumbrances, charges, adverse interests or security interests.

ARTICLE 4
RIGHTS OF DISSENT

4.1 **Rights of Dissent**

Registered Shareholders may exercise rights of dissent with respect to their Common Shares pursuant to and in the manner set forth in section 190 of the CBCA as modified by the Interim Order and this Section 4.1 (the "**Dissent Rights**"), provided that written notice setting forth a registered Shareholder's objection to the Arrangement and exercise of Dissent Rights must be received by the Corporate Secretary of BCE at its registered office set out in the Information Circular or to the Secretary of the Meeting, in either case not later than the commencement of the Meeting. Dissenting Shareholders who duly exercise their rights of dissent and who:

(a) are ultimately entitled to be paid fair value for their Common Shares, shall be deemed to have transferred their Common Shares to BCE as of the Effective Time and shall be entitled to be paid the fair value of such Common Shares, and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their Common Shares shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholder.

4.2 **Recognition of Dissenting Shareholders**

From and after the Effective Time, neither BCE nor any other Person shall be required to recognize a Dissenting Shareholder as a holder of Common Shares and the names of the Dissenting Shareholders shall be deleted from the register of holders of Common Shares previously maintained or caused to be maintained by BCE.

ARTICLE 5
CERTIFICATES FOR CONSOLIDATED COMMON SHARES AND FUND UNITS

5.1 Right to Consolidated Common Shares and Fund Units

(a) BCE shall, as soon as practicable following the later of the Effective Date and the date of deposit with the Transfer Agent by a registered Shareholder of a duly completed Letter of Transmittal and the certificates representing the Common Shares held by such registered Shareholder prior to the Effective Date or other documentation as provided in the Letter of Transmittal, cause the Transfer Agent either:

(i) to forward or cause to be forwarded by first class mail (postage prepaid) to the registered Shareholder at the address specified in the Letter of Transmittal; or

(ii) if requested by the registered Shareholder in the Letter of Transmittal, to make available at an office of the Transfer Agent specified in the Letter of Transmittal for pick-up by the registered Shareholder; or

(iii) if the Letter of Transmittal neither specifies an address nor contains a request as described in (ii), to forward or cause to be forwarded by first class mail (postage prepaid) to such registered Shareholder at the address of such registered Shareholder as shown on the central securities register of BCE,

certificates representing the number of Consolidated Common Shares issuable to such registered Shareholder as determined in accordance with the provisions hereof. BCE shall provide the Transfer Agent with sufficient certificates representing Consolidated Common Shares for such purpose.

(b) BCE shall, as soon as practicable following the Effective Date, cause the Transfer Agent to forward or cause to be forwarded by first class mail (postage prepaid) to the registered Shareholder at the address of such registered Shareholder as shown on the central securities register of BCE, certificates representing the number of Fund Units distributed to such registered Shareholder as determined in accordance with the provisions hereof. BCE shall ensure that the Fund will provide the Transfer Agent with sufficient certificates representing Fund Units duly registered for this purpose.

(c) Each registered Shareholder entitled to receive Consolidated Common Shares and Fund Units under the Arrangement shall be the registered holder for all purposes as of the Effective Time of the number of Consolidated Common Shares and of the number of Fund Units to which such Shareholder is entitled. All dividends paid or other distributions paid on or after the Effective Time on or in respect of any Consolidated Common Shares or Fund Units which a Shareholder is entitled to receive pursuant to the Arrangement, but for which a certificate is not yet delivered to such Shareholder in accordance with Subsections 5.1(a) and 5.1(b), shall be paid or made to such Shareholder when such certificate is delivered to such Shareholder in accordance with Subsections 5.1(a) and 5.1(b).

(d) Subject to Section 4.1, after the Effective Time, any certificate formerly representing Common Shares shall represent only the right to receive Consolidated Common Shares and Fund Units, or cash payments pursuant to Subsections 3.1(d), 3.1(e) and 3.1(f) in accordance with this Plan of Arrangement and any dividend or other distributions to which the registered Shareholder is entitled under Subsection 5.1(c).

5.2 **Fractions, Small Interests and Non-Qualified U.S. Shareholders**

(a) The Transfer Agent shall cause to be sold, on behalf of the affected Shareholders, all Consolidated Common Shares and Fund Units mentioned in Subsections 3.1(d), 3.1(e) and 3.1(f) through the facilities of any stock exchange upon which the Consolidated Common Shares or Fund Units, as the case may be, are then listed as soon as reasonably practicable following the Effective Date on such dates and at such prices as the Transfer Agent determines in its sole discretion. Neither BCE nor the Transfer Agent shall be liable for any loss arising out of any such sales.

(b) The aggregate net proceeds after expenses of such sales shall be distributed by the Transfer Agent among the Persons entitled to receive same as provided in Subsections 3.1(d), 3.1(e) and 3.1(f) by the delivery, on behalf of BCE, to each such Person of a cheque or other form of payment agreed to by such Person.

(c) No dividend, distribution, split or other change in the capital structure of BCE or the Fund, as the case may be, will have any effect on any Consolidated Common Shares and Fund Units mentioned in Subsections 3.1(d), 3.1(e) and 3.1(f) and such securities will not entitle the holder thereof to exercise any rights as a security holder of BCE or the Fund.

5.3 **Withholding Rights**

BCE and the Transfer Agent shall be entitled to deduct and withhold from any consideration otherwise payable to any Shareholder under this Plan of Arrangement, such amounts as BCE or the Transfer Agent is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada), the *United States Internal Revenue Code of 1986*, as amended, or any provision of provincial, state, local or foreign tax law, in each case, as amended or succeeded. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 6
AMENDMENTS AND OTHER MATTERS

6.1 **Amendments to Plan of Arrangement**

(a) BCE reserves the right to amend, modify and/or supplement this Plan of Arrangement from time to time at any time prior to the Effective Time provided that any such amendment, modification or supplement must be contained in a written document that is: (i) filed with the Court and, if made following the Meeting, approved by the Court, and (ii) communicated to Shareholders in any manner ordered by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement which is approved by the Court following the Meeting shall be effective only: (i) if it is consented to by BCE, and (ii) if required by the Court or applicable law, it is consented to by the Shareholders.

(c) Subject to applicable law, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by BCE, provided that it concerns a matter which, in the reasonable opinion of BCE, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any Shareholder.

ARTICLE 7
TERMINATION

7.1 **Termination**

Notwithstanding any prior approvals by the Court or by the Shareholders, the Board may decide not to proceed with the Arrangement and to revoke the Arrangement resolution adopted at the Meeting at any time prior to the issuance of the Certificate of Arrangement, without further approval of the Court or the Shareholders.

SCHEDULE C — INTERIM ORDER

[Copy of Interim Order]

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

(*Commercial Division*)

No: 500-11-027942-065

DATE: April 20, 2006

IN THE PRESENCE OF: THE HONOURABLE JEAN-FRANÇOIS BUFFONI

BCE INC., a legal person duly constituted under the CBCA,

Applicant

v.

THE DIRECTOR IN CHARGE OF THE CBCA,

Mis en cause

JUDGMENT

[1] **CONSIDERING** the application of BCE Inc. ("**BCE**") under Section 192 of the CBCA at the interim level

[2] **CONSIDERING** the affidavit of Patricia A. Olah dated April 19, 2006, and the exhibits produced in support of BCE's application;

[3] **CONSIDERING** that the requirements set forth by the Director in charge of the CBCA ("**Director**") in the Policy statement 15.1 of the Director concerning arrangements under Section 192 of the CBCA has been complied with and that the Director has concluded that he did not need to appear or be heard on the application;

THE COURT MAKES THE FOLLOWING INTERIM ORDER:

GRANT the application for interim order;

DISPENSE BCE from serving the application for Interim Order, except to the Director in charge of the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**");

As to the meeting

AUTHORIZE AND DIRECT BCE to call, hold and conduct an annual and special shareholder meeting of the common shareholders of BCE (the "**Special Meeting**"), such meeting to be called, held and conducted in accordance with the provisions of the *CBCA* and the articles and by-laws of BCE for the purpose of considering and, if deemed advisable, passing a special resolution (the "**Special Resolution**") to approve a plan of arrangement (the "**Plan of Arrangement**") being Schedule B to the management information circular (the "**Circular**") (Exhibit R-3) produced into the Court Record;

AUTHORIZE BCE to make such amendments, revisions or supplements to the Circular (including to the Special Resolution, the Plan of Arrangement and the other schedules) as it may determine until such time as the Notice of Meeting is given, without any additional notice to the common shareholders of BCE and **DECLARE** that the Special Resolution and the Plan of Arrangement, as amended, revised or supplemented, shall be the ones submitted at the Special Meeting;

ORDER that the Special Meeting be held in Montréal on June 7, 2006;

AUTHORIZE BCE to adjourn or postpone the Special Meeting on one or more occasions, without the necessity of first convening the Special Meeting or first obtaining any vote of the common shareholders of BCE in respect of the adjournment or postponement;

As to the notice of meeting

ORDER that BCE give written notice of said Special Meeting to its common shareholders (the "**Notice of Meeting**") in accordance with the provisions of its by-laws, by mailing the same by prepaid ordinary post to the address of each common shareholder of BCE as recorded on the books of BCE as at **April 10, 2006**, provided that BCE shall complete the mailing of such Notice of Meeting no less than twenty-one days before the Special Meeting;

ORDER that BCE send to its common shareholders: a copy of the documents filed herewith as Exhibits R-1 to R-3 in substantially the form filed, being the Notice of Meeting, the proxy form and the Circular, the latter including, *inter alia*, a copy of the Special Resolution, of the Plan of Arrangement and of the interim order (the "**Interim Order**") to be rendered herein, being respectively Schedules A, B and C to the Circular, all with such changes as may be deemed necessary or advisable by BCE to, amongst others, respond to the requirements of any regulatory authority having jurisdiction over BCE (collectively referred to as the "**Proxy Material**");

DECLARE that the Proxy Material shall be deemed, for the purposes of the Interim Order, the Special Meeting and/or the final order (the "**Final Order**") to have been received by and/or served on the common shareholders of BCE three days after delivery thereof to the post office;

As to voting

DECLARE that the common shareholders of BCE may authorize the transactions contemplated by the Plan of Arrangement by Special Resolution passed at the Special Meeting by at least 66⅔% of the votes cast by the common shareholders of BCE present or represented by proxy, and entitled to vote at such meeting;

As to dissent rights

1. **ORDER** that:

(a) Common shareholders of BCE shall be entitled to dissent from the Special Resolution approving the proposed Plan of Arrangement pursuant to Section 190 of the CBCA, the Plan of Arrangement and the Interim Order;

(b) A common shareholder of BCE who wishes to dissent (a "**Dissenting Shareholder**") shall provide a written objection to the Corporate Secretary of BCE at BCE's registered office located at 1000 de La Gauchetière Street West, Suite 4100, Montréal, Québec, Canada H3B 5H8 or to the Secretary of the Special Meeting, in either case no later than the commencement of the Special Meeting (to take place on June 7, 2006 in Montréal, Québec at 9:30 a.m. (Eastern time));

(c) Any Dissenting Shareholder shall be entitled, in the event that the Plan of Arrangement becomes effective, to be paid by BCE the fair value of the common shares of BCE held by such Dissenting Shareholder determined as at the close of business on the business day immediately preceding the Special Meeting;

As to any additional Interim Order

AUTHORIZE BCE to petition this Honourable Court and, if any when necessary, to seek any additional Interim Order;

As to Final Order

ORDER BCE to notify by news release its common shareholders of the date of presentation of the application for a Final Order before this Honourable Court, at least ten (10) days before such date, without further notice;

DECLARE that compliance by BCE with the provisions of the Interim Order shall constitute good and sufficient service of this application for Final Order by BCE to all of the common shareholders of BCE and to any other person and that no other form of service need be made and no other material need be sent or served on such persons in respect of these proceedings;

ORDER that BCE shall make proof of service with an affidavit of one of its employees to the effect that the Proxy Material was sent in accordance with the Interim Order to which shall be attached a CD-Rom listing all the registered common shareholders of BCE to whom the Proxy Material was sent;

ORDER that the common shareholders of BCE (and any transferee after the record date of **April 10, 2006**) and all other persons notified in accordance with the Interim Order shall be parties to the application for Final Order and shall be bound by the orders and findings of this Court in connection with the Final Order;

ORDER that BCE shall present the application for Final Order with a certified copy of the Special Resolution duly passed;

THE WHOLE without costs.

(s) Jean-François Buffoni, jcs

SCHEDULE D — SECTION 190 OF THE *CANADA BUSINESS CORPORATIONS ACT*

SECTION 190.

190.**(1) Right to dissent.** Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

c) amalgamate otherwise than under section 184;

d) be continued under section 188;

e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

f) carry out a going-private transaction or a squeeze-out transaction.

(2) Further right. A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) If one class of shares. The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Payment for shares. In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) No partial dissent. A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) Objection. A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) Notice of resolution. The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) Demand for payment. A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

a) the shareholder's name and address;

b) the number and class of shares in respect of which the shareholder dissents; and

c) a demand for payment of the fair value of such shares.

(8) Share certificate. A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) Forfeiture. A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) Endorsing certificate. A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) Suspension of rights. On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) Offer to pay. A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

SCHEDULE D — SECTION 190 OF THE *CANADA BUSINESS CORPORATIONS ACT [CONT'D]*

(13) Same terms. Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Payment. Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Corporation may apply to court. Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) Shareholder application to court. If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) Venue. An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) No security for costs. A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Parties. On an application to a court under subsection (15) or (16),

a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) Powers of court. On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) Appraisers. A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) Final order. The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) Interest. A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) Notice that subsection (26) applies. If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) Effect where subsection (26) applies. If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) Limitation. A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

SCHEDULE E — SHAREHOLDER PROPOSAL

The following shareholder proposal has been submitted for consideration at the meeting:

Proposal No. 1 – Convert the whole of BCE Inc. into an income trust fund which would distribute to unitholders at least 90% of its annual free cash flow.

Mr. Stéphane Hallé, an individual investor holding 3,000 common shares, has submitted the above proposal. The full text of his proposal and supporting comments are set out in italics below.

It is proposed that the management of BCE Inc. enhances shareholders' value by converting the company into an income trust fund. The conversion into an income trust fund should provide monthly distributions on a tax effective basis. The management should distribute to unitholders at least 90% of the annual free cash flow. The conversion should be completed by December 31, 2006.

Supporting Statement: The telecom business of BCE Inc. is in a mature stage and generates important free cash flow. The conversion to an income trust fund structure will enhance value for shareholders while providing shareholders with recurrent tax effective monthly distributions. The conversion will also provide management an access to capital markets at fair rates of return to pursue future growth of the business.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE AGAINST PROPOSAL NO. 1 FOR THE FOLLOWING REASONS:

BCE has carefully studied the role of income trusts and concluded that the structure can create value without compromising the viability of businesses provided that they are operating in relatively stable competitive environments and generating highly predictable cash flows. That analysis led us to create one of Canada's largest income trusts by consolidating Bell's regional lines, Aliant's wireline operations, and our majority stake in Bell Nordiq Group Inc.

The remainder of Bell Canada is operating in an environment of rapid technological and competitive change. This includes the newly emerging competition from local voice services introduced by cable companies into Bell's core urban markets during the course of last year. To meet the requirements of this changing environment, we are driving a number of important operational initiatives in the company, including:

- a major cost reduction program to achieve run-rate savings in the range of $1.3 billon to $1.5 billion by the end of 2006, with significant additional savings by the end of 2007;
- an extensive effort to redesign our business processes to meet the evolving needs of our customers, to improve customer service and to contribute to our cost reduction goals; and
- continuing actions to improve Bell's revenue mix in favor of new growth services to replace the erosion of legacy voice and data services, thereby ensuring sustainable revenue growth.

Management and the Board believe that the successful implementation of these initiatives is pre-requisite to Bell's ability to meet the future needs of customers and generate solid growth in earnings and free cash flow. As we implement these initiatives, we believe that maintaining Bell's financial flexibility is essential.

Therefore, although management and the Board of Directors will continue to review the suitability of an income trust structure for BCE, the Board has concluded that it would not be appropriate to convert the remainder of the company to an income trust at this time. Accordingly, we believe that the proposal is not in the best interests of shareholders and recommend that shareholders vote AGAINST.

SCHEDULE F — BOARD OF DIRECTORS' CHARTER (INCLUDING BOARD CHAIR POSITION DESCRIPTION)

I. PURPOSE

The Board of Directors ("Board") of BCE Inc. (the "Corporation") is responsible for the supervision of the management of the business and affairs of the Corporation.

II. DUTIES AND RESPONSIBILITIES OF THE BOARD

In furtherance of its purpose, the Board assumes the following duties and responsibilities, some of which are initially reviewed and recommended by the applicable Committee of the Board to the full Board for approval:

A. Strategy and budget

1. Ensuring a strategic planning process is in place and approving, on at least an annual basis, a Business Plan which takes into account, among other things, the longer term opportunities and risks of the business;
2. Approving the Corporation's annual operating and capital budgets;
3. Reviewing operating and financial performance results in relation to the Corporation's Business Plan and budgets;

B. Governance

1. Developing the Corporation's approach to, and disclosure of, corporate governance practices, including developing a "Statement of Corporate Governance Principles and Guidelines" setting out the Board's expectations and responsibilities of individual Directors, including with respect to attendance at meetings of the Board and of committees of the Board and the commitment of time and energy expected;
2. Approving the nomination of Directors to the Board, as well as:
   a. ensuring that a majority of the Corporation's Directors have no direct or indirect material relationship with the Corporation and determine who, in the reasonable opinion of the Board, are independent pursuant to applicable legislation, regulation and listing requirements;
   b. developing appropriate qualifications/criteria for the selection of Board members, including criteria for determining Director independence;
   c. appointing the Board Chair and the Chair and members of each Committee of the Board, in consultation with the relevant Committee of the Board;
3. Determining who among the members of the Audit Committee of the Board qualify as an Audit Committee Financial Expert, pursuant to applicable legislation, regulation and listing requirements;
4. Providing an orientation program for new Directors to the Board and continuing education opportunities for all Directors;
5. Assessing annually the effectiveness and contribution of the Board and the Board Chair, of each Committee of the Board and their respective Chairs and of individual Directors;
6. Developing written position descriptions for the Board Chair and the Chair of each Committee of the Board;

C. Chief Executive Officer, Officers and Compensation and Benefits Policies

1. Appointing the Chief Executive Officer and all other Officers of the Corporation;
2. Together with the Chief Executive Officer, developing a written position description for the role of the Chief Executive Officer;
3. Developing the corporate goals and objectives that the Chief Executive Officer is responsible for meeting and reviewing the performance of the Chief Executive Officer against such corporate goals and objectives;
4. Approving the Corporation's compensation policy for Directors;
5. Approving the Corporation's compensation and benefits (including pension plans) policy or any changes thereto for Officers and approving, by the independent Directors, all forms of compensation for the Chief Executive Officer, as well as:
   a. monitoring and reviewing, as appropriate, the administration, funding and investment of the Corporation's pension plans;
   b. appointing, or removing, the custodian, trustee, or investment manager(s) for the Corporation's pension plans and fund(s);
6. Satisfying itself as to the integrity of the Chief Executive Officer, other Officers and senior management personnel and that the Chief Executive Officer, other Officers and senior management personnel create a culture of integrity throughout the organization;
7. Providing stewardship in respect of succession planning, including the appointment, training and monitoring of the Chief Executive Officer, other Officers and senior management personnel;

D. Risk Management, Capital Management and Internal Controls

1. Identifying and assessing the principal risks of the Corporation's business, and ensuring the implementation of appropriate systems to manage these risks;
2. Ensuring the integrity of the Corporation's internal control system and management information systems and the safeguarding of the Corporation's assets;
3. Reviewing, approving, and as required, overseeing compliance with the Corporation's Disclosure Policy by Directors, Officers and other management personnel and employees;
4. Reviewing, approving and overseeing the Corporation's disclosure controls and procedures;
5. Reviewing and approving the Code of Business Conduct of the Corporation with the purpose of promoting integrity and deterring wrongdoing, and encouraging and promoting a culture of ethical business conduct and as required, overseeing compliance with the Corporation's Code of Business Conduct by Directors, Officers and other management personnel and employees;

E. Financial Reporting, Auditors and Transactions

1. Reviewing and approving, as required, the Corporation's financial statements and related financial information;
2. Appointing, subject to approval of shareholders, (including terms and review of engagement) and removing of the shareholders' auditor;
3. Appointing (including responsibilities, budget and staffing) and removing of the Corporation's internal auditor;
4. Delegating (to the extent permitted by law) to the Chief Executive Officer, other Officers and management personnel appropriate powers to manage the business and affairs of the Corporation;

F. Legal Requirements and Communication

1. Overseeing the adequacy of the Corporation's processes to ensure compliance by the Corporation with applicable legal and regulatory requirements;
2. Establishing measures for receiving feedback from shareholders;

G. Other

1. Reviewing and approving, as required, the Corporation's environmental policies and ensuing management systems;
2. Reviewing, approving, and as required, overseeing Directors, other Officers and management personnel and employees compliance with the Corporation's health and safety policies and practices;
3. Performing any other function as prescribed by law or as not delegated by the Board to one of the Committees of the Board or to management personnel.

BOARD CHAIR

I. APPOINTMENT

The Board shall appoint its Chair from among the Corporation's Directors.

II. DUTIES AND RESPONSIBILITIES OF THE BOARD CHAIR

The Board Chair leads the Board in all aspects of its work and is responsible to effectively manage the affairs of the Board and ensure that the Board is properly organized and functions efficiently. The Board Chair also advises the Chief Executive Officer in all matters concerning the interests of the Board and the relationships between management personnel and the Board.

More specifically, the Board Chair shall:

A. Strategy

1. Provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in the Board charter and as otherwise may be appropriate;
2. Work with the Chief Executive Officer and other Officers to monitor progress on the Business Plan, annual budgets, policy implementation and succession planning;

B. Advisor to the Chief Executive Officer

1. Provide advice, counsel and mentorship to the Chief Executive Officer and fellow members of the Board;
2. In consultation with the Chief Executive Officer, ensure that there is an effective relationship between management personnel and the members of the Board;

C. Board structure and management

1. Chair the Board meetings;
2. In consultation with the Chief Executive Officer, the Corporate Secretary's Office and the Chairs of the Committees of the Board, as appropriate, determine the frequency, dates and locations of meetings of the Board, of Committees of the Board, and of the shareholders;
3. In consultation with the Chief Executive Officer, and the Corporate Secretary's Office, review the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities;
4. Ensure the Board has the opportunity, at each regularly scheduled meeting, to meet separately without non-independent directors and management personnel present;
5. Ensure, in consultation with the Chairs of the Committees of the Board, that all items requiring Board and Committee approval are appropriately tabled;
6. Ensure the proper flow of information to the Board and review, with the Chief Executive Officer and the Corporate Secretary's Office, the adequacy and timing of materials in support of management personnel's proposals;
7. In conjunction with the relevant Committee of the Board (and its Chair), review and assess the Directors' meeting attendance records and the effectiveness and performance of the Board, its Committees (and their Chairs) and individual Directors;

D. Shareholders

1. Chair the annual, and any special meeting, of the shareholders;
2. Ensure that all business that is required to be brought before a meeting of shareholders is brought before such meeting;

E. Other

1. Exercise the authority of the Chief Executive Officer in the unlikely event that the Chief Executive Officer is absent and is unable to act and action on the part of the Chief Executive Officer is urgently required to protect the interests of the Corporation;
2. Carry out special assignments or any functions as requested by the Board.

Adopted November 2005

SCHEDULE G — CHIEF EXECUTIVE OFFICER POSITION DESCRIPTION

The Chief Executive Officer ("CEO") of BCE Inc. (the "Corporation") has the primary responsibility for the management of the business and affairs of the Corporation. As such, the CEO shall establish the strategic and operational orientation of the Corporation and in so doing, provide leadership and vision for the effective overall management, profitability, increasing shareholder value and growth of the Corporation and for conformity with policies agreed upon by the Board of Directors of the Corporation (the "Board'). The CEO is directly accountable to the Board for all activities of the Corporation.

More specifically, in collaboration with the Board, the CEO shall:

A. Leadership

1. Create a culture within the company that supports the achievement of strategic and operational objectives by ensuring rigor in the recruitment, selection, individual development and the monitoring of executive team members and other senior management personnel, thus ensuring the company maintains a strong succession plan;
2. Provide leadership and vision for the Corporation and promote the Corporation's goal of profitability and growth in a sustainable and responsible manner;
3. Develop an awareness of global trends in the Corporation's core lines of operations so as to manage rapid technological developments;
4. Promote an environment of customer focus and outstanding customer service so as to respond to the demands of increasingly service oriented markets;

B. Corporate Social Responsibility and Integrity

1. Develop and maintain a corporate culture that promotes integrity and ethical values throughout the organization, fostering a culture of ethical business conduct;
2. Promote and protect the Corporation's reputation in its markets and with all customers, communities, and government and regulatory bodies;

C. Strategy, Risks and Budget

1. Develop and oversee the execution of, and monitor progress of, the Business Plan and the annual operating and capital budgets;
2. Identify, and develop plans to manage, the principal risks with respect to the Corporation and its businesses;

D. Governance and Policies

1. Oversee the development and implementation of, and compliance with, key corporate policies, including policies regarding corporate governance, social responsibility, risk management and financial reporting, as well as compliance with applicable legal and regulatory requirements;
2. Work in close collaboration with the Board Chair to determine the scheduling of, and agendas for, meetings of the Board and of Committees of the Board so as to ensure that the Board is kept apprised in a timely manner of the business operations and main issues facing the Corporation, and to ensure there is an effective relationship between management and the members of the Board;

E. Business Management

1. Approve commitments within the limits of delegated approval authorities from the Board and provide general supervision and management of the day-to-day business and affairs of the Corporation;
2. Serve as the Corporation's chief spokesperson to its principal stakeholders including its shareholders, the financial community, customers, government and regulatory bodies and the public generally;

F. Disclosure

1. Together with the Disclosure and Compliance Committee and the Chief Financial Officer, ensure appropriate and timely disclosure of material information;
2. Together with the Chief Financial Officer:
   a. establish and maintain the Corporation's disclosure controls and procedures through appropriate policies and processes;
   b. establish and maintain the Corporation's internal controls over financial reporting through appropriate policies and procedures;
   c. develop the process for, and comply with, the certifications to be provided in the Corporation's public disclosure documents;

G. Other

1. Carry out any other appropriate duties and responsibilities assigned by the Board.

Adopted November 2005.

Please direct all inquiries to:

QUESTIONS AND FURTHER ASSISTANCE

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact BCE Inc.'s proxy solicitation agent, at:

Georgeson Shareholder
100 University Avenue
11th Floor, South Tower
Toronto, Ontario
M5J 2Y1

North American toll-free number: 1-866-565-4741

Bell Canada Enterprises

www.bce.ca

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Exhibit YY

It's On.

BCE INC.
2017
ANNUAL REPORT

BCE

Toronto
Peterborough
Dauphin
Sudbury
North Bay
Kingston
Steinbach
Selkirk
The Pas
Please check availability in your neighbourhood.

It's On.

Gigabit Internet speeds. The best Whole Home Wi-Fi. The most innovative TV services. Just some of the advantages Bell's all-fibre network is delivering to millions of Canadians as we roll out the benefits of our broadband investment and innovation strategy directly to more homes and businesses.

Our goal is for Bell to be recognized by customers as Canada's leading communications company

OUR 6 STRATEGIC IMPERATIVES

Table of contents

The Bell team's diligent execution of our broadband strategy in 2017 delivered the best networks and most innovative customer services, drove leading subscriber and financial results and enabled us to continue to return value to shareholders, including our 10th consecutive year of 5% or greater dividend growth.

DRIVING GROWTH IN SHAREHOLDER VALUE

9.2%

TOTAL SHAREHOLDER RETURN IN 2017 [1]

283%

TOTAL SHAREHOLDER RETURN SINCE THE END OF 2008 [1][2]

5.2%

INCREASE IN DIVIDEND PER COMMON SHARE FOR 2018

107%

INCREASE IN DIVIDEND PER COMMON SHARE SINCE THE END OF 2008

2017 FINANCIAL PERFORMANCE

	ACTUAL	TARGET
Revenue growth	4.6%	4%–6%
Adjusted EBITDA[3] growth	4.4%	4%–6%
Capital intensity	17.8%	~17%
Adjusted EPS [3]	$3.39	$3.30–$3.40
Free cash flow[3] growth	6.0%	~5%–10%

COMPARATIVE TOTAL RETURN [1][2]

	2017	SINCE THE END OF 2008
BCE	9.2%	283%
S&P/TSX Composite Index	9.1%	135%
S&P/TSX Telecom Index	18.3%	233%

(1) Assumes the reinvestment of dividends.

(2) Total return since the end of 2008, the year Bell implemented its transformational strategy.

(3) Adjusted EBITDA, adjusted EPS and free cash flow are non-GAAP financial measures and do not have any standardized meaning under International Financial Reporting Standards. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. For a full description of these measures, including dividend payout ratio, see section 10.2, *Non-GAAP financial measures and key performance indicators (KPIs)* on pp. 108 to 110 of the MD&A.

PUBLIC

Speed. Coverage. Quality. The best networks are On at Bell.

Bell is rolling out Canada's next-generation communications infrastructure, turning on the world-leading broadband fibre and wireless networks that offer consumers and business customers dependable anytime, anywhere access to the crucial information and compelling entertainment they want.

Our investment and innovation leadership strategy, including the creation of Bell MTS, delivered the most net new broadband IPTV, Internet and postpaid wireless additions in the industry and solid growth in market share.

More than any other Canadian communications company, we invest in expanding and enhancing our unmatched fibre and wireless networks – and in pursuing innovation-generating R&D – to drive the services that create growth: wireless, TV, Internet and media.

BCE subscribers (millions)*	2017	2016	GROWTH
Wireless	9.17	8.47	+8.2%
High-speed Internet	3.79	3.48	+9.0%
Television	2.83	2.75	+3.2%
Total growth services	**15.79**	**14.70**	**+7.5%**
Local telephone services	6.32	6.26	+1.0%
Total subscribers	**22.11**	**20.96**	**+5.5%**

* Rounding in numbers may affect total figures presented.

BROADBAND STRATEGY POWERS GROWTH

With the addition of more than 1.26 million new Bell broadband customers in 2017, our postpaid wireless, Internet, IPTV and media growth services continue to drive the steady increases in revenue, adjusted EBITDA and free cash flow that offer us the financial flexibility to invest in growth.

	2008 OPERATING REVENUES $17.7B	2017 OPERATING REVENUES $22.7B
Media	0%	12%
Wireless	25%	34%
Wireline Broadband & TV	39%	37%
Wireline Voice	36%	17%

2008: Growth services 64% of total operating revenue

2017: Growth services 83% of total operating revenue

+4.6%

2017	$22.719
2016	$21.719

BCE OPERATING REVENUES
($ BILLIONS)

+4.4%

2017	$9.178
2016	$8.788

BCE ADJUSTED EBITDA
($ BILLIONS)

-3.8%

2017	$2.970
2016	$3.087

BCE NET EARNINGS
($ BILLIONS)

+10.8%

2017	$7.358
2016	$6.643

CASH FLOWS FROM OPERATING ACTIVITIES
($ BILLIONS)

+6.0%

2017	$3.418
2016	$3.226

FREE CASH FLOW
($ BILLIONS)

+7.0%

2017	$4.034
2016	$3.771

BCE CAPITAL EXPENDITURES
($ BILLIONS)

For more information, please refer to section 7 of the MD&A – *Selected Annual and Quarterly information*, page 86.

BCE's scale and innovation delivering unmatched results for all our stakeholders

BCE's strategy of leading performance and scale in broadband networks, continuous innovation to create exclusive communications services and in-demand content, and strategic acquisitions to seize emerging opportunities is delivering results for our customers, shareholders, communities and team. 2017 was another year of outstanding operational and financial performance by the Bell team in an intensely competitive communications marketplace.

Underscoring Bell's legacy of leadership in Canadian communications since 1880, our progress in 2017 has fueled significant enhancements to our national broadband network infrastructure, ongoing research & development in Canada, and high-profile leadership in corporate social responsibility, including the ongoing growth of our ground-breaking Bell Let's Talk mental health initiative.

In an era when communications infrastructure and service innovation are more than ever the backbone of economic and social growth and prosperity, Bell is at the forefront of the global broadband revolution, leading the way in providing Canadians with the latest growth services in consumer and business communications.

Canada's communications leader

Bell remains the primary driver of Canada's advanced communications infrastructure development as we continue to roll out new and enhanced fibre and wireless networks. In 2017, total capital expenditures exceeded $4 billion, a national capital program on par with some of the largest in Canada and greater than any other communications competitor, while we maintained investment within a prudent capital intensity range.

With the launch of Bell MTS in March 2017 following our acquisition of Manitoba Telecom Services, we're quickly expanding the Bell broadband strategy into Manitoba with significant network enhancements and the introduction of the latest LTE Advanced and Fibe services. Bell now offers wireline coverage to 76% of Canadian households and, in a major milestone achieved in 2017, LTE wireless service to 99% of the population.

Network leadership is the backbone of our success, with advanced LTE wireless speeds supporting fast growth in new subscribers and mobile data usage, and the next-generation Fibe network enabling innovative new TV, Internet and business

283%

TOTAL SHAREHOLDER RETURN

Our total shareholder return since the end of 2008 is ahead of most peers and key TSX indices [(1)]

(1) Assumes the reinvestment of dividends.

services as our direct fibre connections continue to accelerate. Coupled with the best in sports, entertainment and news media across every platform, we're building on Bell's position as Canada's leading provider of both Internet and TV services.

Bell's fibre network is Canada's largest at more than 240,000 total kilometres, passing approximately 9.2 million locations across 7 provinces – including the largest footprint capable of delivering Gigabit plus speeds with direct fibre connections to more than 3.7 million homes and businesses. Together with the country's largest network of data centres with the integration of Q9 Networks, Bell has the connectivity and capacity to deliver demanding end-to-end integrated communications services for consumers, business and government.

This includes staking out a leadership position in the burgeoning Internet of Things marketplace, which enables multiple business verticals to easily collect and analyze data using mobile and fixed data collection devices powered by Bell's broadband networks. Bell's network and data management advantages are also driving innovation in connected vehicles, Smart City platforms and the Connected Home – further enabled by our acquisition of AlarmForce Industries.

Financial strength enables our strategy

BCE's healthy balance sheet and liquidity position and our stable investment grade ratings provide us with the financial flexibility to achieve our capital markets objectives. Bell's strong performance in a competitive communications marketplace delivered steady growth in revenue, adjusted EBITDA and the free cash flow that fuels our broadband investments while enabling us to return value to our shareholders with consistent and sustainable dividend growth.

In February 2018, we announced the 14th increase to the BCE common share dividend since the end of 2008, a 5.2% increase that raises the dividend to $3.02 in 2018. This is BCE's 10th consecutive year of 5% or better dividend growth, while maintaining our dividend payout ratio within the target policy range of 65% to 75% of free cash flow, and an overall 107% increase since 2008. Total shareholder return in this timeframe was 283%, ahead of most peers and more than double the return of the S&P/TSX Composite Index.

We also recently initiated a $175 million share repurchase plan in the form of a normal course issuer bid and made an additional voluntary $100 million contribution to our Defined Benefit (DB) pension plans. This contribution has moved us up to a 97% solvency ratio and positions our DB plans to achieve a surplus position should interest rates rise.

In 2017, we raised a combined total of $3 billion in gross proceeds from the issuance of 5, 7, 10 and 30-year MTN debentures, lowering our after-tax cost of publicly issued debt securities to 3.2% (4.3% on a pre-tax basis). BCE had over $1.5 billion in available liquidity at the end of 2017.

Proud to be a top Canadian employer

Bell's success has always been achieved by our employee team, and we now employ almost 52,000 people in every province and territory of this vast country. We were proud to again be recognized as one of Canada's Top 100 Employers, Best 50 Corporate Citizens and Best Diversity Employers in 2017 and to receive the Federal Government's award for Outstanding Commitment to Employment Equity.

The Chartered Professional Accountants of Canada cited BCE for excellence in corporate reporting and our ongoing commitment to the highest standards of governance. That recognition is a result of the insight, integrity and hard work of the Board of Directors that I am privileged to chair. I am grateful to each of them for their contribution to the success of your company and for their personal support.

On behalf of our shareholders and the Board, I thank President and CEO George Cope for positioning our company to lead the Canadian communications industry now and into the future with a clear strategy of investment and growth, and a Bell team clearly capable of continued successful execution in a competitive marketplace.

Thank you to our shareholders for your support of BCE and the Bell group of companies. Bell is a critical contributor to the development of our country, enabling Canadians to connect with each other and the world. With your support, we will continue to deliver them the most advanced communications networks, services and media to ensure our nation's ongoing leadership in an increasingly broadband dependent world.

Gordon M. Nixon
Chair of the Board
BCE Inc.

Canada's first communications company remains the industry's pacesetter

Bell's broadband leadership strategy delivered extensive network expansion, continued innovation in wireless, TV, Internet and media growth services, and the industry's largest gains in new broadband customers in 2017. We're taking our momentum in broadband innovation further, with an all-fibre network that's now On in centres large and small across 7 provinces, and wireless leadership at a global level with Bell LTE, Canada's Best National Network.

Bell is a company with the scale, strategy and team to lead the way in Canadian communications, an industry defined by heightened competition, technological change and evolving consumer tastes. In 2017, we achieved historic growth across our broadband communications services, welcoming a total of 1.26 million new postpaid wireless, IPTV and Internet customers while enhancing Bell Media's longstanding position as Canada's premier multimedia company.

With our focus on creativity, innovation and execution, Canadian consumers and business customers are always finding new reasons to choose Bell in a competitive marketplace.

Our commitment to industry leadership is defined by a clear goal – for Bell to be recognized by customers as Canada's leading communications company – and our execution of the 6 Strategic Imperatives required to achieve it.

Canadians everywhere are benefitting from a strategy that has delivered rapid growth in fibre and wireless coverage and speeds, innovative communications products and services available from no one else, outstanding and original content across every media platform, and steady progress in delivering a better customer experience at every level.

First in broadband wireless

Bell set the pace in the dynamic wireless marketplace, the primary driver of communications growth and innovation. In 2017, we gained more net new postpaid subscribers than any competitor – a total of 417,000, 32% more than in 2016 – and greatly increased our overall wireless scale with a total of 700,000 new subscribers added to our base including the addition of MTS wireless customers in Manitoba.

This includes more than 175,000 postpaid wireless customer additions in the hypercompetitive fourth quarter, our best performance in 15 years. It's clear that in a wireless marketplace with a full range of providers and service options, Canadians overwhelmingly choose the Best National Network (including the Government of Canada, which selected Bell as its primary provider of mobile devices and wireless services in 2017).

Faster than networks in major cities around the globe, Bell LTE marked 2017 with North America's first Quad-band LTE-A service capable of delivering theoretical data speeds up to 750 Mbps, and in early 2018 we announced Canada's first LTE network deployment capable of achieving the Gigabit plus speeds that top smartphones will support this year.

With the best in speed, coverage and quality, Bell LTE is driving increased wireless customer satisfaction, reflected in ongoing declines in customer churn in 2017, and rapid growth in mobile data usage (up 58% on our national LTE network in 2017). More new smartphone customers using more services and data resulted in industry-leading wireless service revenue and adjusted EBITDA growth in 2017.

Full fibre: It's On

We've turned on our all-fibre network in centres from Newfoundland and Labrador to Manitoba, including most of the City of Toronto, Canada's largest population centre. We're quickly expanding our footprint in Montréal and recently announced our next major fibre to the premises project in the fast-growing GTA/905 region surrounding Toronto, an additional 1.3 million homes and business locations.

Fibre connections deliver strong customer gains, drive growth in usage and reduce customer churn. Continued strong growth in Fibe TV and Internet customers, higher retention of home phone customers as households opt for the Bell bundle, and strong gains in the competitive small business sector furthered Bell's lead as the #1 provider of both TV (2.8 million customers) and Internet (3.8 million) services in Canada.

The best networks powering the full range of smartphone, TV and computer platforms are delivering the media that Canadians want to watch. Bell Media has become the lead innovator in content creation at an increasingly global level; offers the leading viewing and listening platforms, with #1 CTV in conventional TV, the top names in premium pay TV including HBO, Showtime and most recently Lionsgate's hit Starz network, and the fast-growing iHeartRadio Canada brand; and the favourite English and French language specialty channels.

By the end of the year, TSN had regained its position as the top sports network and most-watched specialty channel of any kind in Canada, supported by Bell's significant investments in Canada's top pro sports franchises through Maple Leaf Sports & Entertainment and the Montréal Canadiens.

1.26M

BROADBAND ADDITIONS

Bell added the most new broadband IPTV, Internet and postpaid wireless customers in 2017

Embracing innovative opportunities to create value

As the media industry evolves, Bell Media is already ahead in the next generation of multimedia. We're growing streaming platforms like CraveTV and TV Everywhere GO products, creating new mobile viewing options like SnackableTV, and accelerating our growing Astral out-of-home advertising business with investment in massive digital screens in the highest-traffic locations nationwide.

This same spirit of innovation, backed by the nation's best connectivity and highest spending on Canadian R&D in the industry, is propelling new opportunities for Bell Business Markets data hosting and cloud computing solutions; creating new cross-segment opportunities in Internet of Things applications like the Smart City (Kingston and Bell have partnered on Canada's first project) and the Connected Home; and delivering bold new home and wireless services that take broadband further.

We launched Alt TV in 2017, an extension of the Fibe TV platform offering the first app-based television service in Canada that requires no set-top box or installation service. We introduced an entirely new wireless brand for budget-conscious consumers called Lucky Mobile with low-cost plans starting at just $20 for unlimited local calling. Reflecting Bell's world-class network capabilities, we were the only Canadian carrier and just 1 of 14 worldwide to support LTE service on the new Apple Watch Series 3 at launch.

New records for Canadian mental health

Bell has always been a leader in the Canadian community, and our spirit of innovation is clear in the growing positive impact of the Bell Let's Talk mental health initiative. Recognized internationally for leading the conversation about mental illness, Bell Let's Talk continues to find fresh ways to grow awareness and action in mental health with new anti-stigma, care and access, research and workplace initiatives, including announcing the biggest university and college participation and support program in the world.

Bell Let's Talk Day on January 31 took the mental health conversation to record levels of engagement and support. Canadians everywhere and people worldwide came together as a positive force for change with 138,383,995 total texts, calls and social media messages of support for mental health, directly driving Bell's donations to the cause at no extra cost to participants. #BellLetsTalk was the top Twitter hashtag in the world and remains the most-used hashtag of all time in Canada, reflecting the broad positive impact of the campaign especially among young people.

Thank you

On behalf of the entire Bell team, I thank you for investing in Bell and our strategy of broadband leadership. Your support provides us with the means and the motivation to make this great Canadian company better every day.

We're proud to deliver the best networks and the most advanced communications services to Canadians, and ongoing returns to you and all those who have enabled Bell's leadership position.

George A. Cope
President and
Chief Executive Officer
BCE Inc. and Bell Canada

Invest in broadband networks and services

Bell's broadband networks are the foundation of our growth and innovation strategy. Fast fibre and mobile LTE connections power our leading wireless, TV, Internet, media and business services, and their outstanding quality and reliability continue to drive increased customer usage and satisfaction.

Bell networks connect Canadians to each other and the world, delivering billions of wireless calls, text messages and emails each day, providing fast, reliable access to streaming video and music, social media, online gaming, business applications and much more.

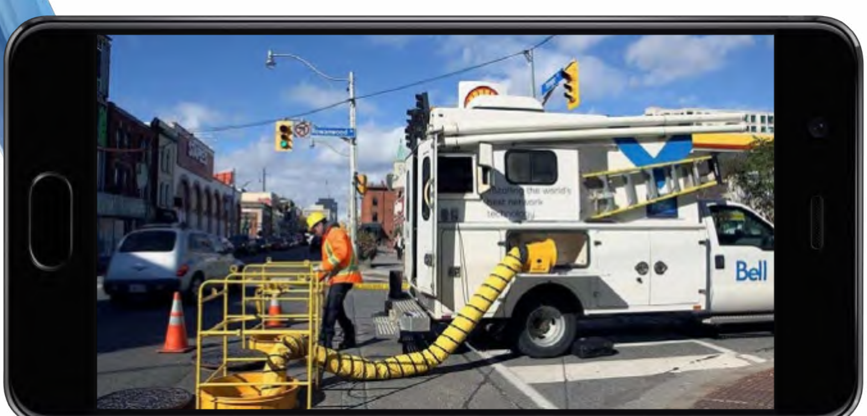
Canada's largest companies rely on Bell's networks and industry-leading roster of 28 data centres across the country for the fast and secure communications they need to support their operations and serve customers in Canada and around the globe.

As demand for bandwidth continues to accelerate, Bell is staying ahead with capital expenditures of $4.03 billion supporting extensive wireless and fibre network expansion in 2017 to power our broadband growth strategy.

It's On: Delivering the fastest broadband in more places

Our major fibre projects in urban centres made significant progress in 2017, expanding Bell's direct fibre footprint to more than 3.7 million homes and businesses in Atlantic Canada, Québec, Ontario and Manitoba, up from approximately 3 million the year before. That now includes most of Toronto, and we recently announced that we will extend our all-fibre footprint across the fast-growing GTA/905 region surrounding Canada's most populous city.

As we continue to expand our deployments, including in centres large and small throughout Manitoba with Bell MTS, we're on track to bring direct fibre connections to a total of 4.5 million locations by the end of 2018 – approximately 50% of our long-term direct fibre build – providing even more Canadians with access to Gigabit Fibe Internet, the best TV experience with Fibe TV, and a range of new business services.



With our Toronto fibre build nearing completion, we are expanding our direct fibre links throughout Montréal and the GTA/905 region surrounding Toronto.

$4.03B CAPITAL EXPENDITURES

Bell's leading broadband network investments are driving innovation and customer growth

In wireless, we achieved a major milestone in 2017 as our LTE network, offering theoretical download speeds of up to 150 Megabits per second (Mbps), grew to reach 99% of the Canadian population, throughout urban centres, small towns and rural locations alike. We expect to grow LTE Advanced coverage, with speeds of up to 260 Mbps, to approximately 92% of Canadians by the end of 2018.

We're achieving industry-leading wireless speeds with active spectrum deployment and aggregation as well as our industry-leading fibre backhaul infrastructure. We continued to enhance Canada's Best National Network in 2017, with Tri-band LTE service now providing speeds up to 335 Mbps to 34% of Canadians and Quad-band LTE service offering up to 750 Mbps in more than 90 cities.

Bell networks support ongoing service innovations

With our industry-leading investments in Canadian R&D, Bell is leveraging the best talent and advanced technologies to build efficient networks that adapt quickly as broadband services evolve.

Our advanced and ubiquitous wireless and fibre networks position us for success in the fast-growing Internet of Things (IoT) sector, which encompasses personal wearable devices, connected vehicles, the Connected Home, Smart City platforms and a broad range of business solutions.

In 2017, Bell announced the development of an LTE-M network to improve the efficiency of IoT devices by enabling lower power consumption and better coverage in underground and hard-to-reach areas.

Bell has announced several partnerships that highlight the huge potential of IoT technology and our innovation initiatives in the sector, including the first Smart City project in Kingston to improve the efficiency of municipal operations and services, and a unique vineyard monitoring system with the Henry of Pelham Estate Winery in Ontario's Niagara Region.

Connected cars and homes

We are also working with Hyundai, Kia and other auto manufacturers to provide connected vehicle services such as emergency roadside assistance, remote start and on-demand diagnostics over Bell's national network. Bell's Connected Car product also offers vehicle tracking and notifications, maintenance alerts and an in-vehicle Wi-Fi hotspot.

In residential services, we launched Bell Whole Home Wi-Fi service, the first in Canada to use access points called pods and smart technology to ensure all devices throughout the home receive the strongest signal and fastest speeds available. Backed by the Fibe network, the new service works seamlessly with the advanced Home Hub 3000 modem and Wi-Fi router.

We expanded our partnership with Ericsson to take Fibe TV innovation to the next level with the new MediaFirst platform. Enabling next-generation services across multiple screens and other enhancements for Fibe TV and Alt TV, MediaFirst will help keep Bell a step ahead as our cable competitors try to catch up in the IPTV marketplace.

Bell Whole Home Wi-Fi ensures you get the fastest access speeds throughout your household.

Accelerate wireless

Bell leveraged the speed and quality of Canada's Best National Network, the latest smartphones and other mobile devices, enhanced customer service and unmatched retail distribution to lead the industry in a year marked by significant wireless growth and intense marketplace competition.

Bell's dynamic LTE network continues to drive increased wireless customer satisfaction and reduced churn, accelerating usage and strong financial performance as customers take full advantage of our national 4G LTE network's leading combination of speed, quality, reliability and coverage. By the end of 2017, Bell reached 99% of the Canadian population with LTE.

Ultimately, Bell gained the highest number of new postpaid subscribers in the Canadian wireless industry and led all national carriers in growing service revenue, adjusted EBITDA and average revenue per user in 2017.

Network quality drives usage

Bell Mobility and Virgin Mobile Canada customers continued to increase their mobile usage, increasing data traffic on our superior LTE network by 58% compared to 2016. By the end of 2017, 88% of our postpaid wireless subscribers were using LTE, up from 81% the year before.

LTE network technology enabled Bell to introduce a range of North American first speed upgrades, including the first deployment of Gigabit-plus speeds in Mississauga, Ontario. We're ready for Gigabit capable smartphones that will appear in the market later in 2018, including the recently announced Sony Xperia XZ2.

We continued to refresh our device line-up with 40 new devices introduced throughout the year, including must-haves like Samsung's Galaxy Note8, Google's Pixel 2 and Pixel 2 XL, Apple's iPhone 8 and 8 Plus, and the 10th anniversary iPhone X. Our leadership in VoLTE technology enabled Bell to be the only Canadian carrier ready to support the cellular capabilities of the Apple Watch Series 3 at launch.

Introducing Lucky Mobile

With budget-conscious Canadians looking for a better prepaid service, Bell launched Lucky Mobile in December. Available initially to consumers in Ontario, Alberta and British Columbia and now in Manitoba. Lucky Mobile offers monthly plans starting at just $20 for unlimited local calling and service in 17 zones covering most major cities across the country, including data access at 3G-equivalent speeds. In 2018, Lucky Mobile will introduce an app that enables talk and text over Wi-Fi.

As the Canadian leader in the Internet of Things (IoT) sector, Bell is building the wireless infrastructure and partnerships to take advantage of the IoT opportunity.

We partnered with Hyundai AutoEver Telematics America to provide multiple telematics, safety and security and infotainment services for the latest Hyundai and Kia vehicles on the Bell network.

Announcing the upcoming launch of our LTE-M network to support IoT devices with low-power, wide-area network capabilities, we piloted the technology with our network and IoT development partners Huawei and BeWhere Technologies at the Henry of Pelham vineyard to help improve planning and sustainability programs.

Bell MTS also launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science.

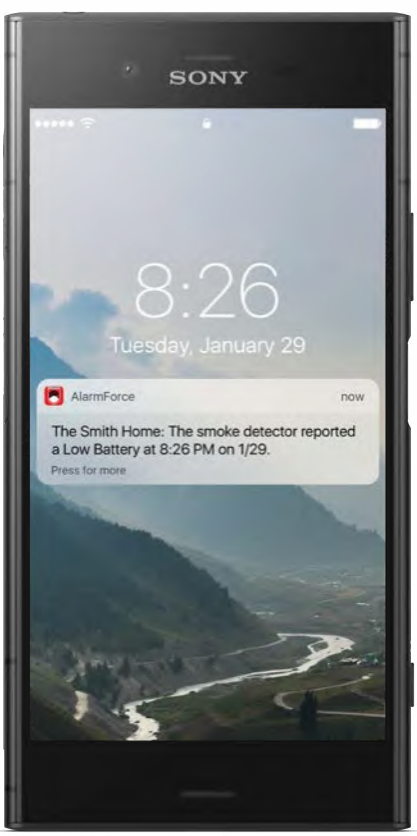
Federal government mobile win

That kind of innovation led to major contract wins throughout the year, including a contract with the Government of Canada to provide mobile data, voice and text service and more than 200,000 mobile devices for employees across 100 federal departments and agencies.

IN 2017,
LTE DATA USAGE
WAS UP
58%

Leverage wireline momentum

Bell's fast fibre networks are speeding growth in broadband Internet and TV services in the home, supporting the delivery of fully integrated connectivity, data and managed services for business, and enabling innovation in new sectors from the Connected Home to the Smart City.



We're aligning our home security and monitoring assets, including AlarmForce, to lead the way in the Connected Home.

Confirming Bell's reputation as Canada's provider of the most advanced communications products for the home, Fibe TV and Fibe Internet continued to deliver new innovations available from no one else.

We launched Fibe Alt TV, a new way to watch television on multiple screens with no need for a traditional television subscription, installation or set-top box. Accessed through the feature-packed Fibe TV app, Alt TV lets you watch up to 500 channels on laptops, smartphones, tablets and Apple TV.

It's another television first from Canada's #1 TV provider. Offering access to the superior television experience and the most channels, Fibe TV introduced exclusive features like Restart and Trending and the Fibe TV app that lets you access your content across multiple platforms.

We're taking Fibe TV further, announcing that we will leverage innovation partner Ericsson's cloud-based MediaFirst platform to power the next generation of Fibe TV and Alt TV services, offering viewers an even more personalized and seamless experience.

Exclusive Whole Home Wi-Fi

Fibe Internet delivers fast and reliable service at up to Gigabit speeds, and we continue to enhance the broadband experience with new services. Bell recently became the first company in Canada to bring smart and fast Wi-Fi to every room in the house with Bell Whole Home Wi-Fi.

Linked with the cloud-based networking intelligence of the exclusive Home Hub 3000, Bell Whole Home Wi-Fi smart technology learns how, when and where households use their Wi-Fi capable devices and ensures everyone in the home receives the strongest signal and fastest speed available. The Bell Wi-Fi mobile app enables customers to manage their entire home network remotely, including parental control over every Wi-Fi connected device.

Fibe is a catalyst of growth, winning customers because of its speed, reliability and exclusive services and increasing Home Phone retention too as households increasingly opt for the full Bell bundle.

We connected more than 3.7 million homes and businesses with direct fibre to the premises and a total fibre footprint of 9.2 million locations including fibre to the neighbourhood service. In 2017, Bell MTS introduced Fibe TV to Manitoba and rolled out Gigabit Fibe Internet service to more than 20 communities large and small throughout the province.

Integrating innovative access pods and smart technology, Bell Whole Home Wi-Fi is another example of Bell's growing leadership in the Connected Home; an extension of the Fibe TV platform, Alt TV is an innovative way to watch up to 500 channels at home or on the go.

The future of business communications

Our unmatched fibre connectivity is also key to the transformation of Bell Business Markets from delivering legacy network services to providing fully integrated data hosting, cloud computing and managed services.

With the integration of Q9 Networks, Bell now operates 28 data centres in 8 provinces, and in 2017 expanded our portfolio of web security solutions for enterprise customers with the addition of Akamai's leading-edge web performance, media delivery and cloud security products.

High capacity fibre is driving new connectivity and data management opportunities in the home and across entire urban centres.

Our Business Markets and Mobility teams are working together to implement the first Smart City platform across Kingston, Ontario, which will offer city staff a consolidated view and analysis of connected city services to improve operating efficiencies and deliver improved services for residents, businesses and visitors.

Our Residential and Small Business group is aligning our new AlarmForce assets with our existing security and monitoring services, Bell Aliant NextGen Home Security and AAA Security, a Bell MTS company, as we move into the Connected Home. The most trusted name in residential communications, Bell is ready to deliver next-generation home automation services to customers throughout Atlantic Canada, Manitoba, Ontario and Québec.

Expand media leadership

Bell Media is meeting the challenges of a fast-evolving media industry by creating new and innovative content, expanding its new digital viewing platforms and growing its advertising solutions to build on its leadership in conventional, pay and specialty TV channels, radio and digital media.

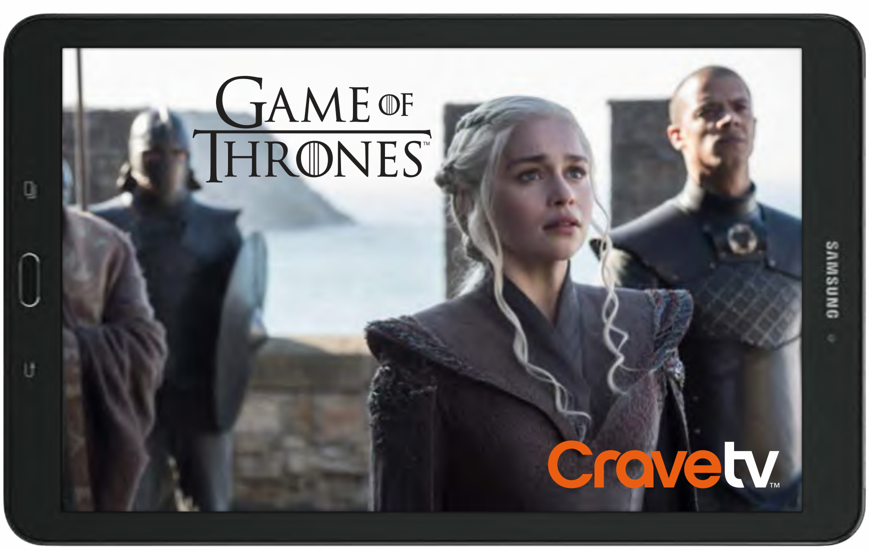
Growing international competition and fast-evolving technologies have impacted traditional models in Canadian media, including TV advertising revenue. Bell Media has the scale, the brands and the creative talent to ensure its position as Canada's premier multimedia company going forward.

Canadians find their favourite television programs on CTV and Bell Media's pay and specialty channels. CTV aired 7 of the country's top 10 fall shows, including #1 comedy *The Big Bang Theory*, #1 drama *The Good Doctor* and #1 Canadian series *The Indian Detective*, and is now the most-watched television network in the country for 16 straight years.

Bell Media operates top-rated entertainment specialty channels, including Space, Comedy, Bravo and Discovery in English and Canal D, Canal Vie and Z in French.

In 2017, we set new viewing records with *The Handmaid's Tale* on Bravo and *Star Trek Discovery* on Space – the biggest premiere in Canadian specialty channel history.

By the end of 2017, TSN had regained its position as Canada's top sports channel and the #1 specialty channel overall, driven by big audiences for the 105th Grey Cup and the MLS Cup – won by MLSE teams the Toronto Argonauts and Toronto FC – as well as expanded broadcast and digital rights as the NFL's exclusive broadcast partner in Canada. RDS also maintained its position as the top French-language sports network. As official regional broadcasters of the Montréal Canadiens, Ottawa Senators and Winnipeg Jets, TSN and RDS expanded English and French language NHL coverage to 191 and 119 regular season games respectively; both networks also signed a multi-year exclusive media rights extension with NASCAR.



Growing digital platforms

Growing 22% to approximately 1.3 million subscribers at the end of 2017, the CraveTV streaming service continues to win new fans. Canadians are signing up to see hit CraveTV exclusive series *Letterkenny*, first-run Showtime programs like *Billions* and *The Affair*, and recently added blockbuster HBO series such as *Game of Thrones*, *Girls* and *The Leftovers*.

In addition to our more than 17 million local listeners to Bell Media radio stations each week, Canadians are tuning into our radio stations nationwide using the enhanced iHeartRadio Canada app, featuring more than 1,000 live radio stations, 10,000 podcasts and availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos.

They're also using our TV Everywhere GO apps to watch Bell Media news, sports and movies anywhere. In 2017, TMN, HBO Canada and The Movie Network Encore launched an offline viewing feature on the GO platform allowing subscribers to download movies and series on their iOS and Android devices for playback without an Internet connection.

Bell Media is now extending its digital reach further with the new SnackableTV app, featuring short clips from HBO, Comedy Central and other channels plus exclusive new short form content including a *Letterkenny* extension.

Out-of-home advertising unit Astral strengthened its position by acquiring Cieslok Media and adding its 120 large format advertising displays – including the massive screens at Toronto's downtown Yonge-Dundas Square – to Astral's existing inventory of more than 31,000 digital screens, billboards and other formats.

Astral also launched 2 new superboards at Toronto's Pearson International Airport that are viewed 800,000 times daily and a unique programmatic self-serve platform that enhances the ability of clients to target specific audiences through large format digital displays.

Content creation and partnerships

Bell Media Studios, our in-house and independent production arm, enabled 45 new and returning Canadian series and specials for the 2017-18 season, representing a total investment of more than $900 million in original English and French-language content. This includes the acclaimed CTV drama *Cardinal* and *Long Time Running*, the Tragically Hip documentary that debuted at the Toronto International Film Festival (TIFF) in September.

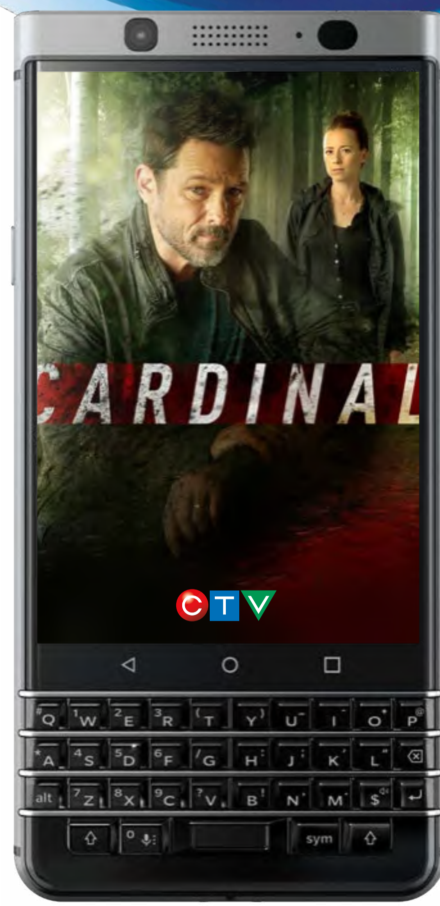
The Launch goes international

Another key original production is *The Launch*, Bell Media's new music competition series developed with Scott Borchetta of Big Machine Label Group. During its inaugural season, the show released 6 original songs by emerging Canadian artists that were streamed more than 5 million times in January and February alone. Sony Pictures Television has signed on to distribute the show internationally and produce a version of *The Launch* for the UK market.

Bat Out Of Hell The Musical

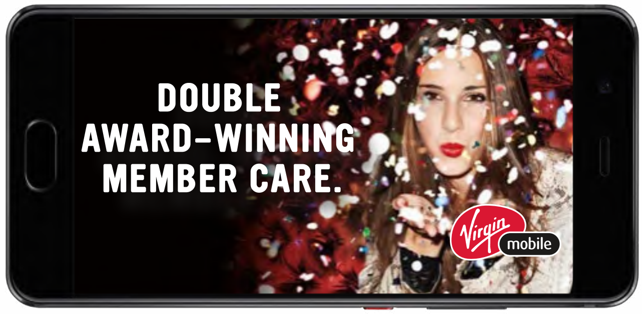
Bell Media's first live theatre production rolled into Toronto's Ed Mirvish Theatre in October after a successful debut in London's West End that wowed audiences and critics alike. Extended twice due to popular demand, the initial North American run of Bat Out Of Hell The Musical wrapped up at the end of January and the show is back on the international circuit with a new program at the Dominion Theatre in London.

Bell Media has also announced strategic partnerships with Wow Unlimited Media to produce children and youth programming, Bloomberg Media to enhance business and financial reporting and analysis with the new BNN Bloomberg, and Lionsgate to bring the Starz pay TV brand to Canada, joining HBO and Showtime as exclusives in Canada.



CTV has been the most-watched television network in the country for 16 straight years; homegrown hits like CTV crime drama *Cardinal* support Bell Media's strategy to deliver compelling new content for both Canadian and international audiences.

Improve customer service



Virgin Mobile was #1 in wireless customer satisfaction in 2017.

Bell's investments in our service teams and technologies, coupled with our best networks and exclusive services, are delivering a better customer experience at every level, supporting strong increases in both subscriber additions and customer satisfaction.

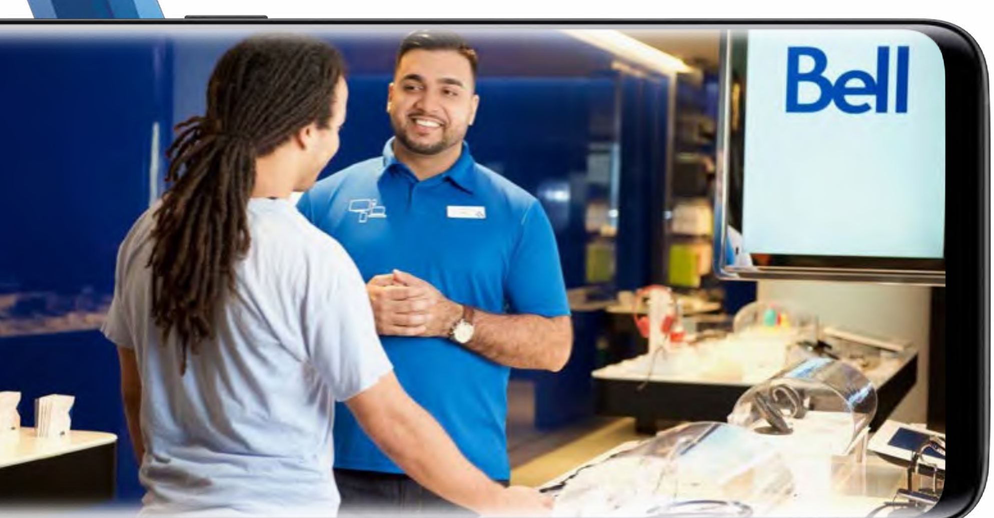
As the nation's #1 communications brand and largest service provider, Bell has built a long legacy of service to our customers – beginning with 2,100 subscribers at the end of 1880 and growing to more than 22 million wireless, residential and business customer connections in every region of the country today.

As Canada's largest provider of TV and Internet, the fastest-growing in wireless, and the primary supplier of broadband services to business and government, Bell is investing and innovating to achieve the highest standards of customer service across our business segments.

We introduced a new approach to technical support for wireless customers with the launch of Same Day/Next Day smartphone repairs, continued to enhance our online and mobile self-service tools, and improved technology support for the more than 2,000 new field technicians hired in 2017 to support the rollout of our broadband fibre services.

Bell field techs make almost 8,000 customer installation and service calls each day and enhanced training and tools help ensure the best results for our customers on every visit. In 2017, we introduced Technician Dossier, which combines customer and technical information from multiple systems for fast access on technicians' mobile devices for improved diagnosis of technical issues and higher install success rates.

We've further empowered customers through the Manage Your Appointment tool. In 2017, customers took advantage of the service more than 800,000 times to access real-time information including details on dispatched technicians and their estimated arrival time.



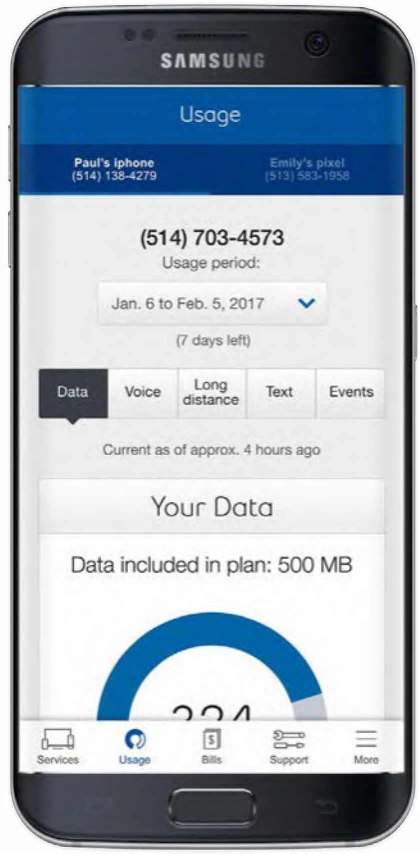
With thousands of new Field Technicians hired to install our latest Fibe services and enhanced technology support, we achieved a 95% customer satisfaction rate.

These innovations helped reduce residential Fibe TV installation time by 9% and repair truck rolls by 16% in 2017 for fibre to the home customers. Customer satisfaction with our technicians has reached an all-time high of 95%.

Bell makes it simpler for customers to manage their services, add or switch features and efficiently resolve issues. MyBell.ca and the MyBell app managed more than 16.2 million self-serve transactions in 2017, up 15% from the year before. With new features like data usage tools, the MyBell app now has a 4-star rating on the Apple App Store.

We've improved service for business customers with the 2017 launch of a new national service centre in Fredericton to support enterprise and government customers. The site brings together quality assurance, security services, and development and project management support for Bell Business Markets customers nationwide. Our service to business customers was recognized in 2017 with Frost & Sullivan's Best Practices Award.

Overall our dedication to service improvement is delivering results. The most recent annual report of the federal Commission for Complaints for Telecom-television Services (CCTS) shows that Bell's overall share of complaints made by communications customers nationally continues to decline each year and by a higher rate than our major competitors.



TAKING ACTION AGAINST ONLINE THEFT

International content piracy websites are a significant threat to Canada's creative and broadcasting sectors.

Our music, television and other productions are pirated globally hundreds of millions of times each year, impacting cultural workers from songwriters and set builders to makeup artists and local news reporters.

FAIR PLAY CANADA

FairPlay Canada is a coalition of more than 25 stakeholders including representatives of Canada's cultural workers, Bell, CBC and other content creators and distributors. We propose the creation of an Independent Piracy Review Agency under the supervision of the CRTC to help prevent the harm caused by international content piracy.

To learn more, please visit FairPlayCanada.ca.

PUBLIC

Achieve a competitive cost structure

Achieving a competitive cost structure is a critical component of Bell's broadband leadership strategy, enabling us to stay ahead of our rivals in network investment and innovation, continually enhance our service operations, effectively manage our debt and pension obligations, and deliver sustainable dividend growth to our shareholders.

Working competitively and cost-effectively is part of the Bell team's everyday mindset. As the communications sector continues to evolve, we focus on managing costs in every aspect of our operations, refining our processes at every level to achieve maximum productivity and efficiency.

Strategic acquisitions accelerate Bell's execution of our broadband growth imperatives, enhancing our competitiveness and growth in existing and new markets, and operational efficiency with the integration of new brands and capabilities into Bell.

Bell welcomed the MTS team in March 2017, aligning capital investment plans, centralizing corporate functions, and coordinating our branding, technology and distribution assets across our residential, wireless and business groups.

We achieved cost synergies of approximately $33 million from the integration of MTS and launch of the new Bell MTS brand in Manitoba in 2017, and look forward to additional operating and capital expenditure synergies going forward. Our recent acquisition of AlarmForce Industries will enable us to achieve both operational savings and pursue new opportunities in the Connected Home marketplace.

The speedy integration of new teams and brands into Bell's corporate and customer-facing business units accelerates the financial contributions of our strategic acquisitions. The MTS and Q9 Networks acquisitions contributed to positive adjusted EBITDA in Bell Wireline, and integration cost savings drove further improvement in our Wireline segment's North American industry leading margin results. Technology innovation is also

We have already achieved cost synergies of approximately $33 million from the integration of MTS and launch of the new Bell MTS brand in Manitoba in 2017.

2,400
retail locations

1.3M
CraveTV subscribers

The Bell team is focused on working competitively and cost-effectively, helping to drive the operational savings that support Bell's strategy of leading investment in broadband networks, product innovation and service improvement.

99%
LTE coverage

28
data centres

reducing costs, including leveraging our highly efficient all-fibre network for wireless backhaul and decreasing the amount of traffic not carried by our own networks, and reducing call centre traffic volumes by continually enhancing our online and wireless app customer self-serve options.

Since 2011, the number of customers choosing our self-serve options has grown 400%, reducing calls to our service call centres by more than 20 million a year.

Bell Canada successfully accessed the capital markets in 2017 to raise $3 billion in gross proceeds, lowering our after-tax cost of outstanding public debt. BCE also made a $100 million voluntary contribution to fund its defined benefit (DB) pension plans, taking advantage of new Ontario pension legislation that effectively eliminates solvency funding requirements for provincially regulated plans over 85% solvent.

BCE's DB pension plans had attained a solvency ratio of 97% by the end of 2017, positioning us to achieve a surplus position should interest rates rise.

9.2M
fibre locations

6,500
Wi-Fi locations

Engagement in mental health reaching all new heights

Bell Let's Talk is dedicated to moving Canadian mental health forward through 4 action pillars: Anti-stigma, care and access, research and workplace leadership. Engagement in the cause has reached record heights, and Bell is continuing to refresh our groundbreaking community investment initiative with new ideas and enhanced programs.

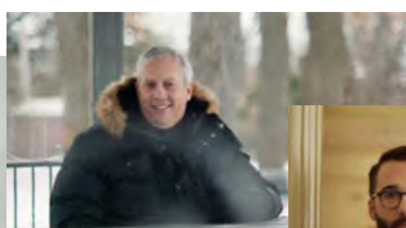
Since its launch in 2010, Bell Let's Talk has invited Canadians to join in fighting the stigma around mental illness as we work to drive awareness and action in mental health. People throughout the country and around the world have embraced the cause, raising their voices and driving Bell funding, and making a real difference in the lives of countless Canadians.

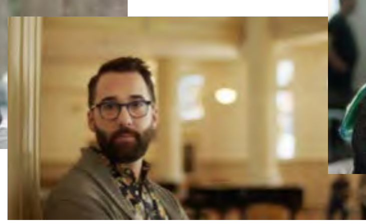
Our most recent Bell Let's Talk Day on January 31, 2018 reached all new levels of engagement with a total of 138,383,995 messages of support for the mental health cause, including Twitter, Facebook, Instagram and Snapchat social media interactions, text messages, and Bell mobile and long distance calls.

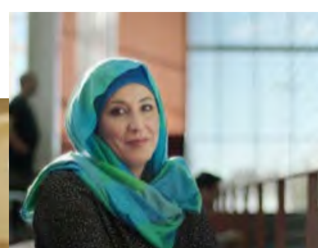
For each of these interactions, Bell donates 5 cents to Canadian mental health initiatives at no extra cost to participants – an additional $6,919,199.75 in funding this year. Bell Let's Talk has now committed a total of $93,423,628.80 to mental health programs, well on our way to our target of at least $100 million in 2020.

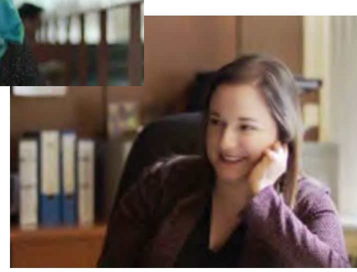
Alongside Canadians everywhere and people around the globe, hundreds of governments, educational and healthcare institutions, sports teams, corporations and competitors, as well as prominent Canadians from Prime Minister Justin Trudeau to William Shatner joined the conversation. #BellLetsTalk was the top Twitter hashtag in the world on January 31, building on Twitter's announcement in 2017 that it is the most-used hashtag of all time in Canada.

Our team of Bell Let's Talk spokespeople and ambassadors took to the airwaves and participated in community events to help grow the conversation. An all-new national awareness campaign, featuring Canadians from all walks of life, encouraged people to get involved with the clear message that mental health affects us all.









Additional momentum came from the expanded Bell Let's Talk campus mental health campaign, which grew to 130 universities and colleges across Canada. Students and staff helped raise mental health awareness at more than 200 events, including varsity and collegiate games, conferences and other activities highlighting student mental health issues and on-campus support services.

Expanding mental health support year round

Bell Let's Talk supports mental health initiatives all year long through a broad range of initiatives and partnerships.

The Bell Let's Talk Community Fund provided grants to 70 organizations across the country in 2017, bringing the total number of grassroots mental health initiatives supported through the fund to 414 since 2011. In January, Bell Let's Talk doubled the annual fund to $2 million to support even more local programs in 2018 and beyond.

With the launch of Bell MTS in Manitoba in March, we created a new Bell Let's Talk fund focused on supporting the mental health of Indigenous people in the province. We partnered with Unifor to donate $200,000 to the Ma Mawi Wi Chi Itata Centre to support its Strengthening Wellness Education to Love Life (SWELL) program. In January, Bell Let's Talk also donated $150,000 for youth programs delivered by Ogijiita Pimatiswin Kinamatwin.

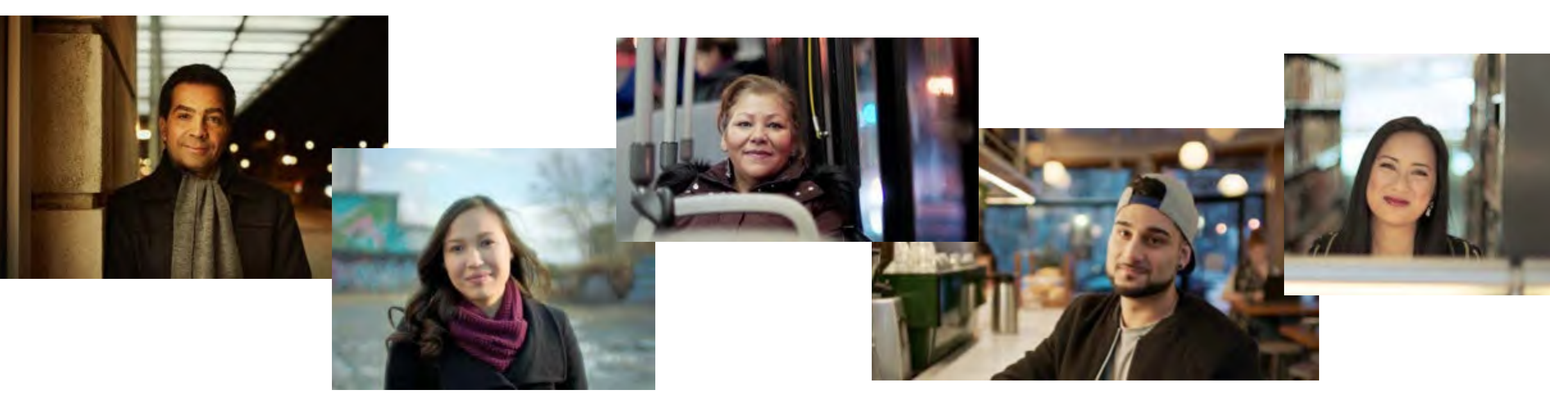
In the lead up to Bell Let's Talk Day 2018, Bell also announced major donations including to the Institut universitaire en santé mentale de Montréal and Montréal General Hospital's Neuromodulation Unit, and a $1 million partnership with the Rossy Family Foundation to support the development of a national standard for post-secondary student mental health.

Leading by example in workplace mental health

In October, Excellence Canada named Bell to its Order of Excellence for our long-term commitment to workplace mental health. This includes our involvement in creating and implementing the National Standard for Psychological Health and Safety in the Workplace, and development of Canada's first Workplace Mental Health Leadership certificate program with Queen's University.

We have recently extended our employee assistance and mental health training programs, including the Workplace Mental Health Leadership certificate program, to Bell MTS team members, who have enthusiastically embraced Bell Let's Talk and joined with co-workers across the company to support positive change at work and in their communities.

To learn more, please visit Bell.ca/LetsTalk.



Building our reputation as a Canadian employer of choice

If you picked up a newspaper in 1949, you might come across an advertisement promoting Bell "as a good place to work… an ever-expanding business that offers unlimited opportunities for advancement." Throughout our history, Bell has created a leading workplace that offers Canadians everywhere the opportunity to be at the leading edge of technology and communications innovation.

Bell newspaper ad, 1949

Innovation and investment are drivers of Bell's national growth strategy, and of the diverse and rewarding range of career opportunities available across the Bell group of companies.

In 2017, Bell was again recognized as one of Canada's Top 100 Employers. We were also honoured to be named a Top Employer for Young People, Greenest Employer, Best Diversity Employer, and a Top Employer in Montréal, our headquarters since Bell's founding in 1880. Excellence Canada inducted Bell into its Order of Excellence for our leadership in workplace mental health.

The next generation of leaders

With our eye on the future of communications technology, we're also building Canada's next generation of leaders. Bell's award-winning Graduate Leadership Program supports qualified young people with challenging and diverse work assignments, access to Bell's Leadership Development Program, and extensive networking and mentorship opportunities. The highly competitive program accepts approximately 200 grads from more than 6,000 applications each year.

Bell launched its biggest summer employment program in 2017, hiring more than 1,000 students across our organization through increased summer student placements, paid internships and university co-op programs.

As part of the Military Employment Transition program, Bell has now welcomed 230 of Canada's military veterans, reservists and spouses to the team since 2013.

Workplace mental health

A key action pillar of the Bell Let's Talk initiative is workplace mental health leadership, and the Bell team has embraced our focus on mental health and wellness. We offer enhanced psychological coverage for employees and a range of other resources to support team members and their families, reducing short-term disability claims and speeding the return to work for impacted team members.

Bell supported the development of the world-leading National Standard for Psychological Health and Safety in the Workplace, and has advised scores of corporations in how to successfully implement it. We created Canada's first university-certified mental health training for leaders with Queen's University, and more than 10,000 Bell leaders have received mandatory mental health training, providing them with the knowledge and tools required to foster a healthy workplace.

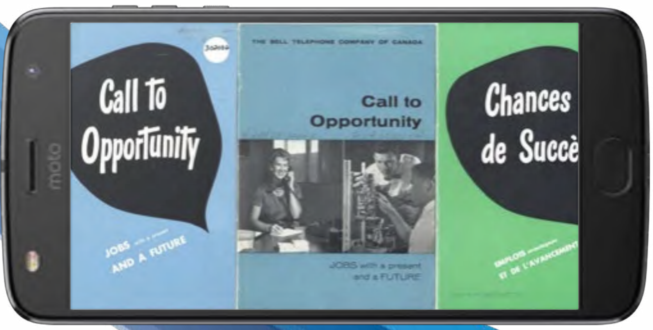
Canada's Top 100 Employers 2017

Montréal's Top Employers 2017

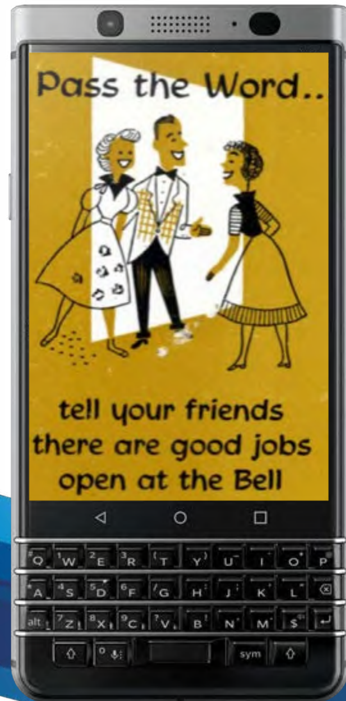
CANADA'S TOP 100 CORPORATE R&D SPENDERS 2017 RESEARCH Infosource Inc.

EXCELLENCE CANADA

Bell recruitment brochure, 1950



Bell newspaper ad, 1946



2017 CANADA'S BEST DIVERSITY EMPLOYERS

2017 CANADA'S GREENEST EMPLOYERS

BEST 50 CORPORATE CITIZENS

CANADA'S TOP EMPLOYERS FOR YOUNG PEOPLE 2018

Diversity and inclusion

Bell's diversity and inclusion strategy focuses on enabling employees to reach their potential regardless of age, gender, family status, cultural background, religion, sexual orientation or physical ability.

Guided by Bell's Diversity Leadership Council, Bell operates educational events and other resources, workplace support programs and inclusion networks, a supplier diversity program and recruitment partnerships to help ensure a diverse and fully inclusive workforce.

Bell's Code of Business Conduct

Our Code of Conduct sets out the values and standards of ethical behaviour that all Bell team members and partners must uphold in all aspects of our business. Team members review the code each year and agree to abide by its standards of ethical conduct, confidentiality, and respect for customers, the community and competitors.

The Bell team in the community

Aligned with Bell's high-profile commitment to national community investment with the Bell Let's Talk initiative, our employees and pensioners give back to their communities by supporting a range of sports, community outreach and other volunteer programs.

The Bell Employee Giving campaign raised more than $2.6 million for 1,300 Canadian charities in 2017, with Bell matching donations to the Canadian Mental Health Association and other leading charities. Bell team members devoted more than 250,000 hours to volunteering in their local communities.

Corporate Social Responsibility Report

Each year, Bell's Corporate Social Responsibility Report outlines Bell's leadership in the community, environmental sustainability, privacy, employment issues and more. To learn more about these initiatives, please see our latest Bell Corporate Responsibility Report at BCE.ca.

Bell employee bookmark, 1955

Historical images courtesy of the Bell Archives. To learn more, please write to BellArchives@BCE.ca.

PUBLIC

Today just got better

Table of contents

Management's discussion and analysis

In this management's discussion and analysis of financial condition and results of operations (MD&A), *we*, *us*, *our*, *BCE* and *the company* mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. *Bell* means, as the context may require, either Bell Canada or, collectively, Bell Canada, its subsidiaries, joint arrangements and associates. *MTS* means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and *Bell MTS* means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba.

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to section 10.2, *Non-GAAP financial measures and key performance indicators (KPIs)* on pages 108 to 110 for a list of defined non-GAAP financial measures and key performance indicators.

Please refer to BCE's audited consolidated financial statements for the year ended December 31, 2017 when reading this MD&A.

In preparing this MD&A, we have taken into account information available to us up to March 8, 2018, the date of this MD&A, unless otherwise stated.

You will find additional information relating to BCE, including BCE's audited consolidated financial statements for the year ended December 31, 2017, BCE's annual information form for the year ended December 31, 2017, dated March 8, 2018 (BCE 2017 AIF) and recent financial reports, on BCE's website at **BCE.ca**, on SEDAR at **sedar.com** and on EDGAR at **sec.gov**.

This MD&A comments on our business operations, performance, financial position and other matters for the two years ended December 31, 2017 and 2016.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

BCE's 2017 annual report, including this MD&A and, in particular, but without limitation, section 1.3, *Key corporate developments*, section 1.4, *Capital markets strategy*, section 2, *Strategic imperatives*, section 3.2, *Business outlook and assumptions*, section 5, *Business segment analysis* and section 6.7, *Liquidity* of this MD&A, contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to our projected financial performance for 2018, BCE's dividend growth objective, common share dividend payout policy and 2018 annualized common share dividend, the expected improvement of BCE's net debt leverage ratio and return thereof within BCE's target range, the sources of liquidity we expect to use to meet our anticipated 2018 cash requirements, our expected 2018 post-employment benefit plans funding, our network deployment and capital investment plans, BCE's business outlook, objectives, plans and strategic priorities, and other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are typically identified by the words *assumption*, *goal*, *guidance*, *objective*, *outlook*, *project*, *strategy*, *target* and other similar expressions or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *seek*, *should*, *strive* and *will*. All such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian securities laws and of the United States (U.S.) *Private Securities Litigation Reform Act of 1995*.

Unless otherwise indicated by us, forward-looking statements in BCE's 2017 annual report, including in this MD&A, describe our expectations as at March 8, 2018 and, accordingly, are subject to change after that date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in BCE's 2017 annual report, including in this MD&A, for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing the forward-looking statements contained in BCE's 2017 annual report and, in particular, but without limitation, the forward-looking statements contained in the previously mentioned sections of this MD&A. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A entitled *Business outlook and assumptions*, which sections are incorporated by reference in this cautionary statement. We believe that our assumptions were reasonable at March 8, 2018. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors including, without limitation, competitive, regulatory, economic, financial, operational, technological and other risks that could cause actual results or events to differ materially from those expressed in, or implied by, the previously-mentioned forward-looking statements and other forward-looking statements contained in BCE's 2017 annual report, and in particular in this MD&A, include, but are not limited to, the risks described or referred to in section 9, *Business risks*, which section is incorporated by reference in this cautionary statement.

We caution readers that the risks described in the previously mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after March 8, 2018. The financial impact of these transactions and special items can be complex and depends on facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way, or in the same way we present known risks affecting our business.

1 Overview

1.1 Introduction

AT A GLANCE

BCE is Canada's largest communications company, providing residential, business and wholesale customers with a wide range of solutions for all their communications needs. BCE's shares are publicly traded on the Toronto Stock Exchange and on the New York Stock Exchange (TSX, NYSE: BCE).

Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media.

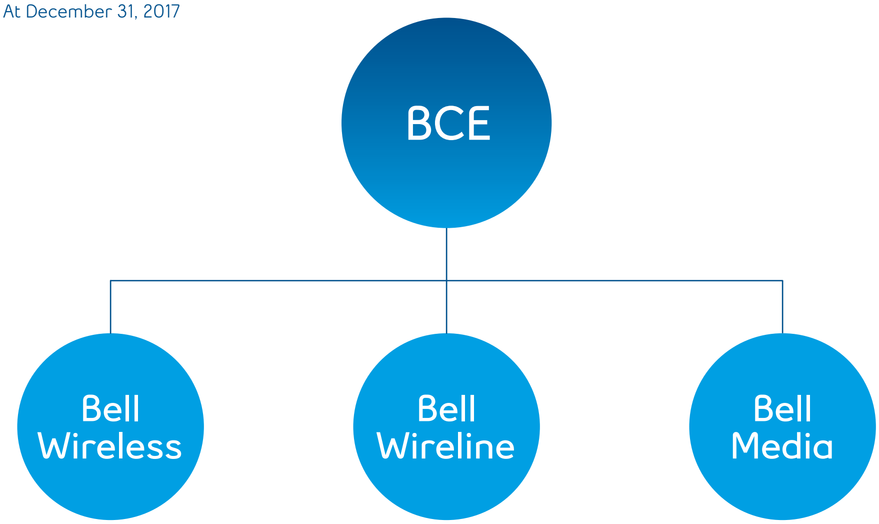
Bell Wireless provides wireless voice and data communications products and services to our residential, small and medium-sized business and large enterprise customers across Canada.

Bell Wireline provides data, including Internet access and Internet protocol television (IPTV), local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized business and large enterprise customers, primarily in Ontario, Québec, the Atlantic provinces and Manitoba, while satellite television (TV) service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Bell Media provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada.

BCE is Canada's largest communications company

BCE's business segments
At December 31, 2017



We also hold investments in a number of other assets, including:

- a 28% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE)
- a 50% indirect equity interest in Glentel Inc. (Glentel)
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montréal

BCE CONSOLIDATED RESULTS

BCE 2017
Operating revenues
$22,719
million
+4.6% vs. 2016

BCE 2017
Net earnings
$2,970
million
(3.8%) vs. 2016

BCE 2017
Adjusted EBITDA [(1)]
$9,178
million
+4.4% vs. 2016

BCE 2017
Net earnings attributable to common shareholders
$2,786
million
(3.7%) vs. 2016

BCE 2017
Adjusted net earnings [(1)]
$3,033
million
+0.8% vs. 2016

BCE 2017
Cash flows from operating activities
$7,358
million
+10.8% vs. 2016

BCE 2017
Free cash flow [(1)]
$3,418
million
+6.0% vs. 2016

BCE CUSTOMER CONNECTIONS

Wireless [(2)]
Total
+8.2%
9.2 million subscribers at the end of 2017

Wireless [(2)]
Postpaid
+9.5%
8.4 million subscribers at the end of 2017

High-speed Internet [(2)(3)]
+9.0%
3.8 million subscribers at the end of 2017

TV [(2)]
+3.2%
2.8 million subscribers at the end of 2017

Network access services (NAS) lines [(2)]
+1.0%
6.3 million subscribers at the end of 2017

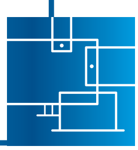
OUR GOAL

Our goal is to be recognized by customers as Canada's leading communications company. Our primary business objectives are to grow our subscribers profitably and to maximize revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential, business and wholesale customers and as Canada's premier content creation company. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, and brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders. Our strategy is centred on our disciplined focus and execution of six strategic imperatives. The six strategic imperatives that underlie BCE's business plan are:

1 Invest in broadband networks and services


2 Accelerate wireless


3 Leverage wireline momentum


4 Expand media leadership


5 Improve customer service


6 Achieve a competitive cost structure


(1) *Adjusted EBITDA, adjusted net earnings and free cash flow are non-GAAP financial measures and do not have any standardized meaning under International Financial Reporting Standards (IFRS). Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See section 10.2,* Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin, Adjusted net earnings and adjusted EPS *and* Free cash flow and dividend payout ratio *in this MD&A for more details, including reconciliations to the most comparable IFRS financial measure.*

(2) *As a result of the acquisition of MTS on March 17, 2017, our wireless, high-speed Internet, TV and NAS subscriber bases increased by 476,932 (418,427 postpaid), 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively. Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS Communications Inc. (TELUS) related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the code division multiple access (CDMA) network in western Canada.*

(3) *Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.*

1.2 About BCE

We report the results of our operations in three segments: Bell Wireless, Bell Wireline and Bell Media. We describe our product lines by segment below, to provide further insight into our operations.

OUR PRODUCTS AND SERVICES

Bell Wireless

SEGMENT DESCRIPTION

- Provides integrated digital wireless voice and data communications products and services to residential and business customers across Canada
- Includes the results of operations of Bell Mobility Inc. (Bell Mobility) and wireless-related product sales from our wholly-owned subsidiary, national consumer electronics retailer, The Source (Bell) Electronics Inc. (The Source)

OUR BRANDS INCLUDE

Bell, Virgin mobile, lucky mobile, The Source

OUR NETWORKS AND REACH

We hold licensed national wireless spectrum, with holdings across various spectrum bands, totalling more than 4,600 million Megahertz (Mhz) per Population (MHz-pop), corresponding to a weighted-average of approximately 138 MHz-pop of spectrum across Canada.

The vast majority of our cell towers are connected by fibre, the latest in network infrastructure technology, for a more reliable connection.

Our Fourth Generation (4G) Long-term Evolution (LTE) and LTE Advanced (LTE-A) nationwide wireless broadband networks are compatible with global standards and deliver high-quality and reliable voice and high-speed data services to virtually all of the Canadian population.

- LTE covered 99% of the Canadian population coast to coast, while LTE-A covered approximately 87% of the Canadian population at December 31, 2017
- Expansion of our LTE and LTE-A services is supported by continued repurposing of wireless spectrum to increase capacity and coverage
- In-building coverage improvements to deliver a stronger signal
- LTE-A provides mobile Internet data access speeds as fast as 750 Megabits per second (Mbps) (expected average download speeds of 25 to 230 Mbps), while LTE offers speeds up to 150 Mbps (typical speeds of 12 to 40 Mbps)[1]
- Reverts to the High-speed packet access plus (HSPA+) network outside LTE coverage areas, with speeds up to 42 Mbps (typical speeds of 7 to 14 Mbps)
- International voice and roaming capabilities in more than 230 destinations

We manage 6,500 wireless fidelity (Wi-Fi) access points at enterprise customer locations.

More than 2,400 retail points of distribution across Canada, including approximately 1,400 Bell-branded stores and The Source locations, Glentel-operated stores (WIRELESSWAVE, Tbooth wireless and WIRELESS etc.) as well as other third-party dealer and retail locations.

OUR PRODUCTS AND SERVICES

- **Voice and data plans:** available on either postpaid or prepaid options, providing fast Internet access for video, social networking, messaging and mobile applications, as well as a host of call features
- **Specialized plans:** for tablets, mobile Internet, smartwatches, Connected Car
- **Extensive selection of devices:** leading 4G LTE and LTE-A smartphones and tablets, mobile Internet hubs and sticks, mobile Wi-Fi devices, connected things (smartwatches, Bell Connected Car, trackers, smart home, lifestyle products, virtual reality)
- **Mobile content:** over 40 live and on-demand channels on smartphones and tablets, access to over 7,000 newspapers and magazines from around the world with PressReader
- **Travel:** roaming services with other wireless service providers in more than 230 destinations worldwide with LTE roaming in over 145 destinations, Roam Better feature and Travel Passes
- **Internet of Things (IoT) solutions:** fleet management, asset management, digital signage, wireless backup connectivity, remote monitoring, telematics, energy management
- **Mobile business solutions:** workforce management, worker safety, dispatch solutions, mobile device management, two-way radio, mobile solutions for public safety

(1) *Network speeds vary with location, signal and customer device. Compatible device required.*

SEGMENT DESCRIPTION

- Provides data, including Internet access and IPTV, local telephone, long distance, as well as other communications services and products to residential, small and medium-sized business and large enterprise customers, primarily in Ontario, Québec, the Atlantic provinces and Manitoba, while satellite TV service and connectivity to business customers are available nationally across Canada. We also offer competitive local exchange carrier (CLEC) services in Alberta and British Columbia.
- Includes the results of our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services in Canada's Northern Territories
- Includes wireline-related product sales from The Source

OUR BRANDS INCLUDE

OUR NETWORKS AND REACH

- Extensive local access network in Ontario, Québec, the Atlantic provinces and Manitoba, as well as in Canada's Northern Territories
- Largest fibre network in Canada, spanning over 240,000 kilometres (km)
- Broadband fibre network, consisting of fibre-to-the-node (FTTN) and fibre-to-the-premise (FTTP) locations, covering 9.2 million homes and businesses in Ontario, Québec, the Atlantic provinces and Manitoba. Our FTTP direct fibre footprint encompassed more than 3.7 million homes and commercial locations at the end of 2017, representing the largest FTTP footprint in Canada.
- Largest Internet protocol (IP) multi-protocol label switching footprint of any Canadian provider, enabling us to offer business customers a virtual private network (VPN) service for IP traffic and to optimize bandwidth for real-time voice and TV
- Largest data centre footprint in Canada with 28 locations in eight provinces, enabling us to offer data centre co-location and hosted services to business customers across Canada
- Approximately 1,400 Bell-branded stores and The Source locations across Canada

OUR PRODUCTS AND SERVICES

RESIDENTIAL

- **TV:** Bell Fibe TV (our IPTV service) and direct-to-home (DTH) satellite TV provide extensive content options with Full high-definition (HD) and 4K Resolution (4K) Whole Home personal video recorder (PVR), 4K Ultra HD programming and on-demand content. Our IPTV service also offers consumers innovative features, including wireless receivers, the Fibe TV app, Restart and access to CraveTV, Netflix and YouTube. We also offer Fibe Alt TV, an app-based live TV streaming service offering up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV with no traditional TV set-top box (STB) required.
- **Internet:** high-speed Internet access through fibre optic broadband technology or digital subscriber line (DSL) with a wide range of options, including Whole Home Wi-Fi, unlimited usage, security services and mobile Internet. Our fibre optic Internet service, marketed as Fibe Internet, offers speeds up to 100 Mbps with FTTN or 1 Gigabit per second (Gbps) with FTTP.
- **Home Phone:** local telephone service, long distance and advanced calling features
- **Home Security:** home security and monitoring services from AlarmForce Industries Inc. (AlarmForce) in Ontario and Québec, from Bell Aliant NextGen Home Security in Atlantic Canada and from AAA Security, a Bell MTS company, in Manitoba
- **Bundles:** multi-product bundles of TV, Internet and home phone services with monthly discounts

BUSINESS

- **IP-based services:** business Internet, IP VPN, point-to-point data networks and global network solutions
- **Business service solutions:** hosting and cloud services, managed services, professional services and infrastructure services that support and complement our data connectivity services
- **Voice and unified communications:** IP telephony, local and long distance, web and audio conferencing and e-mail solutions

Bell Media

SEGMENT DESCRIPTION

- Canada's leading content creation company with premier assets in TV, radio, OOH advertising and digital media
- Revenues are derived primarily from advertising and subscriber fees
  - Conventional TV revenue is derived from advertising
  - Specialty TV revenue is generated from subscription fees and advertising
  - Pay TV revenue is received from subscription fees
  - Radio revenue is generated from advertising aired over our stations
  - OOH revenues are generated from advertising
  - Digital media revenues are generated from advertising

OUR BRANDS INCLUDE

OUR ASSETS AND REACH

TV

- 30 conventional TV stations, including CTV, Canada's highest-rated TV network based on viewership
- 30 specialty TV channels, including TSN, Space, Discovery and RDS, Canada's leading French-language specialty channel among viewers aged 25 to 54
- Four national pay TV services, including The Movie Network (TMN) and Super Écran

RADIO

- 105 licensed radio stations in 54 markets across Canada

OOH ADVERTISING

- Network of more than 31,000 advertising faces in British Columbia, Alberta, Manitoba, Ontario, Québec and Nova Scotia

DIGITAL MEDIA

- More than 200 websites and over 30 apps

BROADCAST RIGHTS

- **Sports:** Bell Media has secured long-term media rights to many of the key sports properties that are popular among Canadians, and is the official Canadian broadcaster of the Super Bowl, Grey Cup and International Ice Hockey Federation (IIHF) World Junior Championship. Bell Media's slate of live sports coverage also includes the Toronto Maple Leafs, Montreal Canadiens, Winnipeg Jets and Ottawa Senators, Canadian Football League (CFL), National Football League (NFL), National Basketball League (NBA), Major League Soccer (MLS), Fédération Internationale de Football Association (FIFA) World Cup events through to 2026, Season of Champions Curling, Major League Baseball (MLB), Premier League, Union of European Football Associations (UEFA) Champions League, UEFA Europa League, golf's major championships, Monster Energy NASCAR Cup Series, Formula 1, Formula E, Grand Slam Tennis, Ultimate Fighting Championship (UFC), National Collegiate Athletic Association (NCAA) March Madness and more.
- **HBO:** long-term agreement to deliver all current-season, past-season and library HBO programming in Canada exclusively on our linear, on-demand and over-the-top (OTT) platforms
- **SHOWTIME:** long-term content licensing and trademark agreement for past, present and future SHOWTIME-owned programming
- **Starz:** long-term agreement with Lionsgate to bring U.S. premium pay TV service Starz to Canada
- **iHeartRadio:** exclusive partnership for digital and streaming music services in Canada

OTHER ASSETS

- 50% interest in Dome Productions Partnership, one of North America's leading providers of sports and other event production and broadcast facilities

OUR PRODUCTS AND SERVICES

- Varied and extensive array of TV programming to broadcast distributors across Canada
- **Advertising** on our TV, radio, OOH, and digital media properties to both local and national advertisers across a wide range of industry sectors
- **CraveTV subscription on-demand TV streaming service** offering a large collection of premium content in one place, including HBO and SHOWTIME programming, on STBs, mobile devices and online. CraveTV is offered through a number of Canadian TV providers and is available directly to all Canadian Internet subscribers as an OTT service.
- **TV Everywhere services**, including CTV GO, Discovery GO, TMN GO, TSN GO and RDS GO, which provide live and on-demand content delivered over mobile and Wi-Fi networks to smartphones, tablets and computers
- **Mobile TV service** with live and on-demand access to content from our conventional TV networks, CTV and CTV Two, BNN, TSN, RDS, Comedy and other brands in news, sports and entertainment. This mobile content is offered on commercial terms to all Canadian wireless providers.

Other BCE investments

BCE also holds investments in a number of other assets, including:

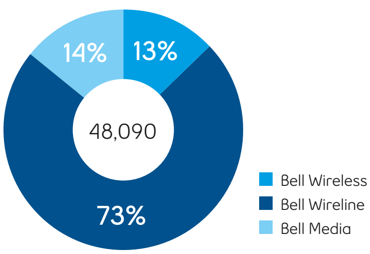
- a 28% indirect equity interest in MLSE, a sports and entertainment company that owns several sports teams as well as real estate and entertainment assets in Toronto
- a 50% indirect equity interest in Glentel, a Canadian-based dual-carrier, multi-brand mobile products distributor
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montréal

OUR PEOPLE

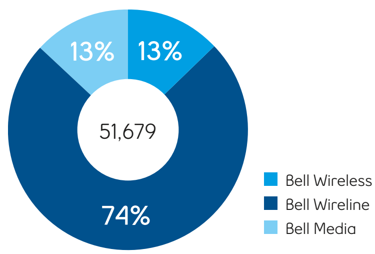
EMPLOYEES

At the end of 2017, our team included 51,679 employees dedicated to driving shareholder return and improving customer service.

BCE
2016 employees



BCE
2017 employees



The total number of BCE employees at the end of 2017 increased by 3,589 employees compared to the end of 2016, due primarily to the integration of MTS employees.

Approximately 45% of total BCE employees are represented by labour unions.

BELL CODE OF BUSINESS CONDUCT

The ethical business conduct of our people is core to the integrity with which we operate our business. The Bell Code of Business Conduct sets out specific expectations and accountabilities, providing employees with practical guidelines to conduct business in an ethical manner. Our commitment to the Code of Business Conduct is renewed by employees each year in an ongoing effort to ensure that all employees are aware of, and adhere to, Bell's standards of conduct.

1.3 Key corporate developments

MTS ACQUISITION COMPLETED

On March 17, 2017, BCE completed the acquisition of MTS originally announced on May 2, 2016, purchasing all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million and assumed outstanding net debt of $972 million. BCE acquired all of the issued and outstanding common shares of MTS for $40 per share, which was paid 55% through the issuance of BCE common shares and 45% in cash. The cash component of $1,339 million was funded through debt financing and BCE issued approximately 27.6 million common shares for the equity portion of the transaction. The combined companies' Manitoba operations are now known as Bell MTS. On April 1, 2017, BCE completed the divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS for total proceeds of $323 million.

ACQUISITION OF ALARMFORCE

BCE completed its $182 million acquisition of AlarmForce, one of Canada's largest home and business security companies, on January 5, 2018. Combining Bell's residential services brand, broadband network connectivity, distribution, installation and customer service capabilities with AlarmForce's innovative technology and customer base accelerates our competitiveness in the fast-growing Connected Home marketplace. Bell also offers monitoring and other Connected Home services with Bell Aliant NextGen Home Security in Atlantic Canada and AAA Security, a Bell MTS company, in Manitoba. Also on January 5, 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta and Saskatchewan to TELUS for total proceeds of approximately $67 million, subject to customary closing adjustments.

RECOGNITION OF BELL'S ENVIRONMENTAL LEADERSHIP

As part of Canada's Top 100 Employers program, Bell was named one of Canada's Greenest Employers for 2017. The award recognizes Bell's ongoing commitment to minimize the environmental impact of our operations and our success in reducing waste and saving energy across our network infrastructure, information technology (IT) systems, buildings and vehicle fleet. Key factors that contributed to Bell's win include:

- Our ISO 14001 certified environmental management system. Bell was the first Canadian communications company to achieve this international standard.
- The Bell Blue Box mobile recycling program, which has recovered more than 1.4 million phones since 2010 and donates proceeds to the Canadian Mental Health Association
- 46 Bell buildings have received BOMA BEST certifications for environmental performance, including our Montréal campus, which is the largest Leadership in Energy and Environmental Design (LEED) certified building in Québec
- Telematics systems in 85% of Bell vehicles provide vital engine information that supports more fuel efficient driving practices

NOMINATION TO BCE'S BOARD OF DIRECTORS

On March 8, 2017, BCE announced the nomination of Karen Sheriff for election to the BCE board of directors (BCE Board or Board) and the retirement of Ronald Brenneman from the BCE Board at BCE's annual general shareholder meeting, held on April 26, 2017. One of Canada's most successful telecommunications executives, Ms. Sheriff was most recently President and Chief Executive Officer (CEO) of Q9 Networks Inc. (Q9), from January 2015 to October 2016. Prior to her role at Q9, she was President and CEO of Bell Aliant from 2008 to 2014, following more than nine years in senior leadership positions at BCE.

1.4 Capital markets strategy

We seek to deliver sustainable shareholder returns through consistent dividend growth. This objective is underpinned by continued growth in free cash flow and a strong balance sheet, supporting a healthy level of ongoing capital investment on advanced broadband network and services that are essential to driving the long-term growth of our business.

DIVIDEND GROWTH AND PAYOUT POLICY

Dividend growth	2018 dividend increase	Dividend payout policy
+107%	+5.2%	65%-75%
Since Q4 2008	to $3.02 per common share	of free cash flow

On February 8, 2018, we announced a 5.2%, or 15 cents, increase in the annualized dividend payable on BCE's common shares for 2018 to $3.02 per share from $2.87 per share in 2017, starting with the quarterly dividend payable on April 15, 2018. This represents BCE's 14th increase to its annual common share dividend, representing a 107% increase, since the fourth quarter of 2008. This is BCE's 10th consecutive year of 5% or better dividend growth, while maintaining the dividend payout ratio[(1)] within the target policy range of 65% to 75% of free cash flow.

Our objective is to seek to achieve dividend growth while maintaining our dividend payout ratio within the target range and balancing our strategic business priorities. BCE's dividend payout policy and the declaration of dividends are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE's dividend policy will be maintained or that dividends will be increased or declared.

(1) *Dividend payout ratio is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2,* Non-GAAP financial measures and key performance indicators (KPIs) – Free cash flow and dividend payout ratio *for more details.*

We have a strong alignment of interest between shareholders and our management's equity-based long-term incentive compensation plan. The vesting of performance share units depends on the realization of our dividend growth policy, while stock options reflect our objective to increase the share price for our shareholders.

Best practices adopted by BCE for executive compensation

- Stringent share ownership requirements
- Emphasis on pay-at-risk for executive compensation
- Double trigger change-in-control policy
- Anti-hedging policy on share ownership and incentive compensation
- Clawbacks for the President and CEO and all Executive Vice-Presidents as well as all options holders
- Caps on all supplemental executive retirement plans (SERPs) and annual bonus payouts, in addition to mid-term and long-term incentive grants
- Vesting criteria fully aligned to shareholder interests

USE OF EXCESS CASH [(1)]

Our dividend payout policy allows BCE to retain a high level of excess cash. Consistent with our capital markets objective to deliver sustainable shareholder returns through dividend growth while maintaining appropriate levels of capital investment, investment-grade credit ratings and considerable overall financial flexibility, we deploy excess cash in a balanced manner.

Uses of excess cash include, but are not limited to:

- Financing of strategic acquisitions and investments (including wireless spectrum purchases) that support the growth of our business
- Debt reduction
- Voluntary contributions to BCE's defined benefit (DB) pension plans to improve the funded position of the plans and help minimize volatility of future funding requirements
- Share buybacks through normal course issuer bid (NCIB) programs

In 2017, BCE's excess cash of $906 million, down from $921 million in 2016, was directed towards a $100 million voluntary contribution to fund certain of BCE's DB pension plans and various acquisitions that support our strategic imperatives, including MTS.

On February 8, 2018, we announced a NCIB program totaling $175 million, under which BCE may purchase for cancellation up to 3,500,000 common shares (subject to a maximum aggregate purchase price of $175 million) over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019. The repurchase of common shares represents an appropriate use of funds for offsetting share dilution resulting from the exercise of stock options, and will be funded from cash on hand.

TOTAL SHAREHOLDER RETURN PERFORMANCE

Five-year total shareholder return [(2)]

+80.8%

2013–2017

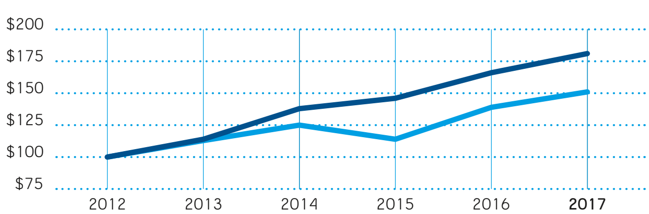
One-year total shareholder return [(2)]

+9.2%

2017

FIVE-YEAR CUMULATIVE TOTAL VALUE OF A $100 INVESTMENT [(3)]

DECEMBER 31, 2012 – DECEMBER 31, 2017



This graph compares the yearly change in the cumulative annual total shareholder return of BCE common shares against the cumulative annual total return of the S&P/TSX Composite Index [(4)], for the five-year period ending December 31, 2017, assuming an initial investment of $100 on December 31, 2012 and the quarterly reinvestment of all dividends.

BCE common shares   S&P/TSX Composite Index

(1) *Free cash flow less dividends paid on common shares.*
(2) *The change in BCE's common share price for a specified period plus BCE common share dividends reinvested, divided by BCE's common share price at the beginning of the period.*
(3) *Based on BCE's common share price on the TSX and assumes the reinvestment of dividends.*
(4) *As the headline index for the Canadian equity market, the S&P/TSX Composite Index is the primary gauge against which to measure total shareholder return for Canadian-based, TSX-listed companies.*

STRONG CAPITAL STRUCTURE

BCE's balance sheet is underpinned by considerable liquidity and an investment-grade credit profile, providing the company with a solid financial foundation and a high level of overall financial flexibility. BCE is well-positioned with an attractive long-term debt maturity profile and minimal near-term requirements to repay publicly issued debt securities. We continue to monitor the capital markets for opportunities where we can further reduce our cost of debt and our cost of capital. We seek to proactively manage financial risk in terms of currency exposure of our U.S. dollar-denominated purchases, as well as equity risk exposure under BCE's long-term equity-based incentive plans and interest rate and foreign currency exposure under our various debt instruments. We also seek to maintain investment-grade credit ratings with stable outlooks.

We monitor capital by utilizing a number of measures, including net debt[(1)] to adjusted EBITDA, adjusted EBITDA to net interest expense[(1)], and dividend payout ratio.

ATTRACTIVE LONG-TERM DEBT MATURITY PROFILE

- Average term of Bell Canada's publicly issued debt securities: 9.1 years
- Average after-tax cost of publicly issued debt securities: 3.2%
- $600 million of publicly issued debt securities maturing in 2018

STRONG LIQUIDITY POSITION

- $0.4 billion available under our $3.5 billion multi-year committed credit facilities
- $500 million accounts receivable securitization available capacity
- $625 million cash and cash equivalents on hand at the end of 2017

FAVOURABLE CREDIT PROFILE

- Long-term debt credit rating of BBB (high) by DBRS Limited (DBRS), Baa 1 by Moody's Investors Services Inc. (Moody's) and BBB+ by Standard & Poor's Ratings Services (Canada) (S&P), all with stable outlooks

As a result of financing a number of strategic acquisitions made since 2010, including CTV Inc., Astral Media Inc., MLSE, Bell Aliant Inc. (Bell Aliant), Q9 and MTS; voluntary pension plan funding contributions to reduce our pension solvency deficit; wireless spectrum purchases; as well as the incremental debt that was assumed as a result of the privatization of Bell Aliant and the acquisition of MTS, our net debt leverage ratio[(1)] has increased above the limit of our internal target range of 1.75 to 2.25 times adjusted EBITDA. That ratio is expected to improve over time and return within the net debt leverage ratio target range through growth in free cash flow and applying a portion of excess cash to the reduction of BCE's indebtedness.

BCE's adjusted EBITDA to net interest expense ratio remains significantly above our internal target range of greater than 7.5 times adjusted EBITDA, providing good predictability in our debt service costs and protection from interest rate volatility for the foreseeable future.

BCE CREDIT RATIOS	INTERNAL TARGET	DECEMBER 31, 2017
Net debt leverage ratio	1.75–2.25	2.70
Adjusted EBITDA to net interest expense ratio	>7.5	9.12

Bell Canada successfully accessed the capital markets in February 2017 and September 2017, raising a combined total of $3.0 billion in gross proceeds from the issuance of five-year, seven-year, 10-year and 30-year medium-term note (MTN) debentures. These issuances lowered our after-tax cost of outstanding publicly issued debt securities to 3.2% (4.3% on a pre-tax basis) and maintained an average term to maturity of more than nine years. The net proceeds of the 2017 offerings were used to partially fund the acquisition of MTS, repay short-term debt, fund the early redemption of $1.3 billion of Bell Canada debentures maturing in 2018, and for general corporate purposes.

(1) *Net debt, net debt leverage ratio and adjusted EBITDA to net interest expense ratio are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See section 10.2,* Non-GAAP financial measures and key performance indicators (KPIs) – Net debt, Net debt leverage ratio *and* Adjusted EBITDA to net interest expense ratio *in this MD&A for more details.*

1.5 Corporate governance and risk management

CORPORATE GOVERNANCE PHILOSOPHY

The BCE Board and management believe that strong corporate governance practices contribute to superior results in creating and maintaining shareholder value. That is why we continually seek to strengthen our leadership in corporate governance and ethical business conduct by adopting best practices, and providing full transparency and accountability to our shareholders.

Key governance strengths and actions in support of our governance philosophy include:

- Separation of the Board Chair and CEO roles
- Director independence standards
- Audit Committee, Management Resources and Compensation Committee (Compensation Committee) and Corporate Governance Committee (Governance Committee) of the Board composed of independent directors
- Annual director effectiveness and performance assessments
- Ongoing reporting to Board committees regarding ethics programs and the oversight of corporate policies across BCE
- Share ownership guidelines for directors and executives
- Executive compensation programs tied to BCE's ability to grow its common share dividend

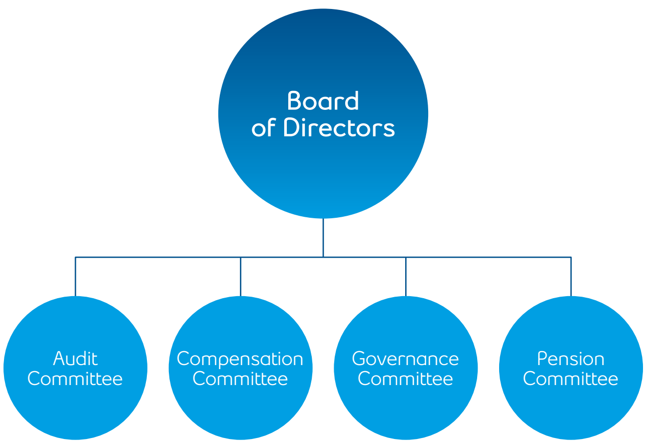
For more information, please refer to BCE's most recent notice of annual general shareholder meeting and management proxy circular (the Proxy Circular) filed with the Canadian provincial securities regulatory authorities (available at **sedar.com**) and with the U.S. Securities and Exchange Commission (available at **sec.gov**), and available on BCE's website at **BCE.ca**.

RISK GOVERNANCE FRAMEWORK

BOARD OVERSIGHT

BCE's full Board is entrusted with the responsibility for identifying and overseeing the principal risks to which our business is exposed and seeking to ensure there are processes in place to effectively identify, monitor and manage them. These processes seek to mitigate rather than eliminate risk. A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. While the Board has overall responsibility for risk, the responsibility for certain elements of the risk oversight program is delegated to Board committees in order to ensure that they are treated with appropriate expertise, attention and diligence. The committees report to the Board in the ordinary course of business.

Risk information is reviewed by the Board or the relevant committee throughout the year, and business leaders present regular updates on the execution of business strategies, risks and mitigation activities.



- The Audit Committee is responsible for overseeing financial reporting and disclosure as well as overseeing that appropriate risk management processes are in place across the organization. As part of its risk management activities, the Audit Committee reviews the organization's risk reports and ensures that responsibility for each principal risk is formally assigned to a specific committee or the full Board, as appropriate. The Audit Committee also regularly considers risks relating to financial reporting, legal proceedings, the performance of critical infrastructure, information, cyber and physical security, journalistic independence, privacy and records management, business continuity and the environment.
- The Compensation Committee oversees risks relating to compensation, succession planning, and health and safety practices
- The Governance Committee assists the Board in developing and implementing BCE's corporate governance guidelines and determining the composition of the Board and its committees. The Governance Committee also oversees matters such as the organization's policies concerning business conduct, ethics and public disclosure of material information.
- The Pension Fund Committee (Pension Committee) has oversight responsibility for risks associated with the pension fund

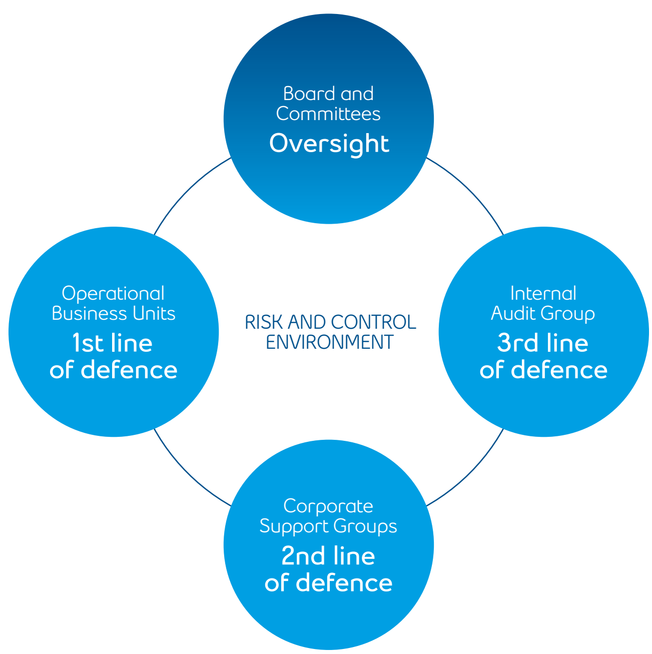
RISK MANAGEMENT CULTURE

There is a strong culture of risk management at BCE that is actively promoted by the Board and the company's President and CEO at all levels within the organization. It has become a part of how the company operates on a day-to-day basis and is woven into its structure and operating principles, guiding the implementation of the organization's strategic imperatives.

The President and CEO, selected by the Board, has set his strategic focus through the establishment of six strategic imperatives and focuses risk management around the factors that could impact the achievement of those strategic imperatives. While the constant state of change in the economic environment and the industry creates challenges that need to be managed, the clarity around strategic objectives, performance expectations, risk management and integrity in execution ensures discipline and balance in all aspects of our business.

RISK MANAGEMENT FRAMEWORK

While the Board is responsible for BCE's risk oversight program, operational business units are central to the proactive identification and management of risk. They are supported by a range of corporate support functions that provide independent expertise to reinforce implementation of risk management approaches in collaboration with the operational business units. The Internal Audit function provides a further element of expertise and assurance, working to provide insight and support to the operational business units and corporate support functions, while also providing the Audit Committee with an independent perspective on the state of risk and control within the organization. Collectively, these elements can be thought of as a "three lines of defence" approach to risk management. Although the risk management framework described in this section 1.5 is aligned with industry best practices and is endorsed by the Institute of Internal Auditors, there can be no assurance that it will be sufficient to prevent the occurrence of events that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.



FIRST LINE OF DEFENCE – OPERATIONAL BUSINESS UNITS

The first line refers to management within our operational business segments (Bell Wireless, Bell Wireline and Bell Media), who are expected to understand their operations in great detail and the financial results that underpin them. There are regular reviews of operating performance involving the organization's executive and senior management. The discipline and precision associated with this process, coupled with the alignment and focus around performance goals, create a high degree of accountability and transparency in support of our risk management practices.

As risks emerge in the business environment, they are discussed in a number of regular forums to share details and explore their relevance across the organization. Executive and senior management are integral to these activities in driving the identification, assessment, mitigation and reporting of risks at all levels. Formal risk reporting occurs through strategic planning sessions, management presentations to the Board and formal enterprise risk reporting, which is shared with the Board and the Audit Committee during the year.

Management is also responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Each operational business unit develops its own operating controls and procedures that fit the needs of its unique environment.

SECOND LINE OF DEFENCE – CORPORATE SUPPORT FUNCTIONS

BCE is a very large enterprise with 51,679 employees, as at December 31, 2017, multiple business units and a diverse portfolio of risks that is constantly evolving based on internal and external factors. In a large organization, it is common to manage certain functions centrally for efficiency, scale and consistency. While the first line of defence is often central to identification and management of business risks, in many instances operational management works collaboratively with, and also relies on, the corporate functions that make up the second line of defence for support in these areas. These corporate functions include Finance, Corporate Security and Corporate Risk Management, as well as Legal and Regulatory, Corporate Responsibility, Human Resources, Real Estate and Procurement.

Finance function: BCE's Finance function plays a pivotal role in seeking to identify, assess and manage risks through a number of activities, which include financial performance management, external reporting, pension management, capital management, and oversight and execution practices related to the U.S. *Sarbanes-Oxley Act of 2002* and equivalent Canadian securities legislation, including the establishment and maintenance of appropriate internal control over financial reporting. BCE has established and maintains disclosure controls and procedures to seek to ensure that the information it publicly discloses, including its business risks, is accurately recorded, processed, summarized and reported on a timely basis. For more details concerning BCE's internal control over financial reporting and disclosure controls and procedures, refer to the Proxy Circular and section 10.3, *Effectiveness of internal controls* of this MD&A.

Corporate Security function: This function is responsible for all aspects of security, which requires a deep understanding of the business, the risk environment and the external stakeholder environment. Based on this understanding, Corporate Security sets the standards of performance required across the organization through security policy definitions and monitors the organization's performance against these policies. In high and emerging risk areas such as cybersecurity, Corporate Security leverages its experience and competence and, through collaboration with the operational business units, develops strategies intended to seek to mitigate the organization's risks. For instance, we have implemented security awareness training and policies and procedures that seek to mitigate cybersecurity threats. We further rely on security assessments to identify risks, projects and implementation controls with the objective of ensuring that systems are deployed with the appropriate level of control based on risk and technical capabilities, including access management, vulnerability management, security monitoring and testing, to help identify and respond to attempts to gain unauthorized access to our information systems and networks. However, there is no assurance that our implemented safeguards will prevent the occurrence of material cybersecurity breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result therefrom.

Corporate Risk Management function: This function works across the company to gather information and report on the organization's assessment of its principal risks and the related exposures. Annually, senior management participate in a risk survey that provides an important reference point in the overall risk assessment process.

In addition to the activities described above, the second line of defence is also critical in building and operating the oversight mechanisms that bring focus to relevant areas of risk and reinforce the bridges between the first and second lines of defence, thereby seeking to ensure that there is a clear understanding of emerging risks, their relevance to the organization and the proposed mitigation plans. To further coordinate efforts between the first and second lines of defence, BCE has established a Health and Safety, Security, Environment and Compliance Oversight Committee. A significant number of BCE's most senior leaders are members of this committee, the purpose of which is to oversee BCE's strategic security (including cybersecurity), compliance and, environmental, health and safety risks and opportunities. This cross-functional committee seeks to ensure that relevant risks are adequately recognized and mitigation activities are well integrated and aligned across the organization and are supported with sufficient resources.

THIRD LINE OF DEFENCE – INTERNAL AUDIT FUNCTION

Internal Audit is a part of the overall management information and control system and has the responsibility to act as an independent appraisal function. Its purpose is to provide the Audit Committee and management with objective evaluations of the company's risk and control environment, to support management in fulfilling BCE's strategic imperatives and to maintain an audit presence throughout BCE and its subsidiaries.

2 Strategic imperatives

Our success is built on the BCE team's dedicated execution of the six strategic imperatives that support our goal to be recognized by customers as Canada's leading communications company.

2.1 Invest in broadband networks and services

We invest in wireline and wireless broadband platforms to deliver the most advanced wireless, TV, Internet and other IP-based services available, to support continued subscriber and data growth across all our residential product lines as well as the needs of our business market customers.

2017 PROGRESS

- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Launched North America's first Quad-band LTE-A network deployment capable of delivering theoretical speeds of up to 750 Mbps (expected average download speeds of 25 to 230 Mbps in select areas). Bell's Quad Band service expanded to 23% of Canadians, encompassing 91 cities.
- Continued to expand our FTTP direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 60% of homes and businesses in the city of Toronto. Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTP enables symmetrical Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future.
- Began the build-out of broadband fibre directly to 1.1 million residences and business locations throughout Montréal, representing the largest-ever communications infrastructure project in Québec with a planned capital investment of $854 million. Montréal joins a growing number of centres across Québec that are fully wired with Bell fibre, including Québec City where fibre deployment was launched in 2012. By the end of 2017, Bell fibre reached approximately 40% of homes and businesses throughout the province of Québec, including 14% of all locations in Montréal.

2018 FOCUS

- Expand FTTP broadband fibre footprint to approximately 4.5 million total combined homes and commercial locations
  - In February 2018, we announced the expansion of FTTP direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell's fibre plan will deliver Gigabit Internet speeds and other broadband Fibe service innovations to more than 1.3 million homes and businesses in the region.
- Expand LTE-A network footprint to approximately 92% of the Canadian population
- Deploy Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4×4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase small cell deployment and in-building coverage to increase urban densification and support evolution to our Fifth Generation (5G) services
- Launch an LTE-category M1 (LTE-M) wireless network to support the rapidly increasing use of IoT devices on low-power, wide-area networks (LPWANs) in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.

2.2 Accelerate wireless

Our objective is to grow our Bell Wireless business profitably by focusing on postpaid subscriber acquisition and retention, maximizing average revenue per user (ARPU) by targeting premium smartphone subscribers in all geographic markets we operate in, leveraging our wireless networks, and maintaining device and mobile content leadership to drive greater wireless data penetration and usage.

2017 PROGRESS

- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016
- Expanded our smartphone and tablet lineup with 40 new devices, including Apple's iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google's Pixel 2 and Pixel 2 XL and the LG G6, adding to our extensive selection of 4G LTE and LTE-A devices

- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just $20 for unlimited local calling. Initially available to consumers in Ontario, Alberta and British Columbia, Lucky Mobile offers service in 17 zones covering most major cities across the country, including data access at 3G-equivalent access speeds.
- Became the Government of Canada's primary wireless supplier for the next six years, with options to renew. Bell will supply voice, text, and data services and approximately 230,000 mobile devices to federal employees in more than 100 departments and agencies.
- First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing Voice over LTE (VoLTE) technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number.
- Launched the first integrated Advanced Messaging service on Samsung devices, offering a suite of mobile messaging features previously available through specialized third-party applications
- Took a leadership position in the fast-growing IoT sector, which enables the interconnection of a range of devices and applications that send and receive data
  - Bell MTS launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
  - Concluded an agreement with Hyundai AutoEver Telematics America (HATA), a subsidiary of Hyundai Motor Group, to deliver a range of connected telematics services including security, safety, diagnostics and infotainment to select Hyundai and Kia vehicles over Bell's national mobile network
  - Partnered with BeWhere Technologies and Huawei to implement an automated IoT solution for the Henry of Pelham Family Estate Winery to help improve planning and sustainability programs
- First Canadian carrier to offer global connectivity for our leading-edge IoT platforms and applications. Bell's Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web-based platform by embedding Bell's Global subscriber identification module (SIM) cards into their products.

2018 FOCUS

- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
  - In February 2018, we partnered with the city of Kingston to employ Bell's Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement

2.3 Leverage wireline momentum

We focus on leveraging our fibre-based TV and Internet services to develop attractive residential offers that drive higher multi-product bundle sales and improve customer satisfaction and retention. These broadband services contribute to the ongoing shift of our operating mix away from legacy wireline voice services.

In our business markets, we remain focused on expanding our broadband network and strengthening our delivery of integrated solutions to Canadian businesses, while continuing to manage the transformation of our business from legacy network services to a fully-integrated data hosting, cloud computing and managed services provider.

2017 PROGRESS

- Maintained our position as Canada's largest TV provider with 2,832,300 subscribers, and increased our total number of IPTV subscribers by 15.9% to 1,550,317
- Built on our position as the leading Internet service provider (ISP) in Canada with a high-speed Internet subscriber base of 3,790,141, up 9.0% over 2016, including one million FTTP customers
- Launched Fibe Alt TV, Canada's first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Continued to lead television innovation in Canada with ongoing enhancements to our IPTV service
  - Fibe TV customers in Ontario and Québec can watch their PVR recordings on the go on their tablets, smartphones and laptops with the Fibe TV app
  - Customers with 4K Whole Home PVR can access YouTube, in addition to CraveTV and Netflix
- Acquired AlarmForce (transaction completed on January 5, 2018), a Canadian leader in home security and monitoring services, as part of Bell's strategic expansion in the fast-growing Connected Home marketplace. Combining the assets and experience of AlarmForce with Bell's strength in networks, customer service and distribution will enable Bell to deliver the latest Connected Home services to customers in Ontario, Québec, Atlantic Canada and Manitoba.
- Partnered with Akamai Technologies Inc. (Akamai), a global leader in content delivery and cloud services, to expand our portfolio of integrated web security solutions for business customers. Complementing Bell solutions to help businesses increase productivity, minimize risk, and maximize service differentiation, Akamai's leading cloud security, web performance, and media delivery products strengthen our ability to identify security threats, proactively prevent attacks, and support customers in optimizing their online presence.

- Recognized by International Data Corporation (IDC) Canada as a leader in delivering security services for business customers. Bell was the only telecom company in IDC's Leaders Category, which included large multinationals such as CGI Group Inc. (CGI), International Business Machines Corporation (IBM) and Deloitte Touche Tohmatsu Limited (Deloitte). Evaluators noted that Bell's extensive network enables us to quickly leverage cyber threat intelligence to provide a complete range of advanced threat detection, mitigation and prevention services.

2018 FOCUS

- Continue to enhance our Fibe TV and Alt TV services with more advanced features
  - In January 2018, we concluded a multi-year agreement with Ericsson to leverage its next generation, cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibe TV and Alt TV customers
- Maintain our leadership position in Canadian broadband communications with the most advanced products in the home
  - In January 2018, we launched Whole Home Wi-Fi, Canada's first Wi-Fi service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements. Bell partnered with Plume Design Inc. (Plume) to deliver new access points, called pods, that work with the cloud-based networking intelligence of Bell's Home Hub 3000 modem to deliver a fully adaptive Wi-Fi service.
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

2.4 Expand media leadership

We strive to deliver leading sports, news, entertainment and business content across all screens and platforms to grow audiences. We are also creating more of our own content, ensuring that Canadian attitudes, opinions, values and artistic creativity are reflected in our programming and in our coverage of events in Canada and around the world, and to introduce new services in support of new revenue streams.

2017 PROGRESS

- Maintained CTV's #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia, further enhancing our competitiveness in the Québec media landscape. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau.
- Grew CraveTV viewership to approximately 1.3 million subscribers at the end of 2017
- Signed an agreement to acquire four FM radio stations in Ontario from Larche Communications Inc. (Larche). Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media's existing 105 iHeartRadio Canada properties will broaden the network's industry-leading reach across the country.
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-2018 season. The agreement sees TSN air a slate of games in the Montreal Canadiens' designated broadcast region, which spans Eastern and Northern Ontario, Québec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include syndication rights for NFL highlights in Canada, as well as expanded footage and programming rights to further bolster Bell Media's non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks' digital and social media platforms.
- Announced a strategic partnership with Wow Unlimited Media Inc. (Wow) to produce kids and youth entertainment
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country's largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
  - In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate's future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.

- Grow viewership and scale of CraveTV on-demand TV streaming service
  - In January 2018, we announced that CraveTV's HBO offering would expand throughout 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope
- Develop in-house production and content creation for distribution and use across all screens and platforms
- Expand live and on-demand content through TV Everywhere services
- Build on our OOH leadership position in Canada
- Grow French media properties
- Leverage cross-platform and integrated sales and sponsorship
- Grow revenues through unique partnerships and strategic content investments
  - In January 2018, we partnered with Bloomberg Media to create BNN Bloomberg, Canada's leading multi-platform business news brand. Expected to launch in Spring 2018, BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada's business decision makers.
  - In February 2018, we launched Snackable TV, a mobile-first, short-form video app delivering premium and shareable entertainment targeted at viewers looking to consume snack-size pieces of content, featuring exclusive content from HBO, Comedy Central, Etalk and more

2.5 Improve customer service

Our objective is to enhance customers' overall experience by delivering call centre efficiency, meeting commitments for the installation and timely repair of services, increasing network quality, and implementing process improvements to simplify customer transactions and interactions with our front-line employees and self-serve tools. All of these will help differentiate us from our competitors and gain long-term customer loyalty. We intend to achieve this by making the investments we need to improve our front-line service capabilities, our networks, our products and our distribution channels to win and keep customers.

2017 PROGRESS

- Virgin Mobile Canada (Virgin Mobile) was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories
- Improved wireless postpaid churn by 0.06 pts in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repairs pilot program in Ontario, resolving many common smartphone issues within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced fibre-to-the-home (FTTH) Residential Fibe TV installation time by 9% in 2017
- Reduced FTTH Residential Fibe TV repair truck rolls per customer by 16% in 2017
- Launched a simplified wireless bill
- Offered Same Day repair appointments to 68% of small business customers, an improvement of 94% since 2014
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTP installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician in-field experience through simplification and innovation of technician tools
- Improve troubleshooting and diagnostic processes to manage increasing customer and device complexity

2.6 Achieve a competitive cost structure

Cost containment is a core element of our financial performance. It remains a key factor in our objective to preserve steady margins as we continue to experience revenue declines in our legacy wireline voice and data services and further shift our product mix towards growth services. We aim to accomplish this through operating our business in the most cost-effective way possible to extract maximum operational efficiency and productivity gains.

2017 PROGRESS

- Maintained relatively stable BCE consolidated adjusted EBITDA margin(1) compared to 2016
- Improved Bell Wireline adjusted EBITDA margin by 0.1 pts over 2016
- Realized approximately $33 million of operating cost synergies from the integration of MTS into our Bell Wireline and Bell Wireless segments
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP
- Lowered Bell Canada's average after-tax cost of publicly issued debt securities to 3.2%

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin
- Optimize Bell Media's operating cost structure to align with revenue results

(1) *Adjusted EBITDA margin is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2,* Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin *in this MD&A for more details.*

3 Performance targets, outlook, assumptions and risks

This section provides information pertaining to our performance against 2017 targets, our consolidated business outlook and operating assumptions for 2018 and our principal business risks.

3.1 BCE 2017 performance vs. guidance targets

FINANCIAL GUIDANCE	2017 TARGET	2017 PERFORMANCE AND RESULTS	
Revenue growth	4%–6%	**4.6%**	BCE revenues were up 4.6% in 2017 driven by growth in Bell Wireless of 10.1%, Bell Wireline of 2.6% and Bell Media of 0.7%. This included the contribution from the acquisitions of MTS and Q9, moderated by regulatory pressures impacting all three of our segments.
Adjusted EBITDA growth	4%–6%	**4.4%**	BCE adjusted EBITDA grew 4.4% in 2017 with a corresponding adjusted EBITDA margin of 40.4%, which remained relatively stable year over year. The growth was driven by higher wireless, Internet, IPTV and media revenues, the impact of the acquisitions of MTS and Q9, along with continued effective cost management. This more than offset the ongoing revenue declines in wireline voice, satellite TV and legacy data services, increased investment in wireless subscriber retention and acquisition, and regulatory pressures, as well as higher Bell Media programming and content costs.
Capital intensity	Approx. 17%	**17.8%**	BCE continued to focus its strategic investment in advanced broadband wireline and wireless infrastructure with capital expenditures totaling $4,034 million in 2017, up 7.0% over last year. This corresponded to an increased capital intensity ratio of 17.8% in 2017 compared to 17.4% last year and exceeded target due to the accelerated deployment of broadband fibre. Capital spending in 2017 was focused on the continued deployment of our broadband fibre directly to more homes and businesses, the ongoing rollout of our 4G LTE and LTE-A mobile networks, as well as the enhancement and expansion of our wireless network to increase network speeds and to support the growth in our subscriber base and data consumption.
Adjusted net earnings per share (adjusted EPS) [(1)]	$3.30–$3.40	**$3.39**	Adjusted net earnings in 2017 decreased by $24 million, or $0.07 per common share, due to higher depreciation and amortization expense, higher other expense which included impairment charges relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs, partly offset by higher operating revenues, which resulted in higher adjusted EBITDA and lower income taxes. The average number of BCE common shares outstanding increased principally as a result of shares issued for the acquisition of MTS.
Free cash flow growth	Approx. 5%–10%	**6.0%**	Increase in free cash flow of $192 million in 2017 was driven by higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.
Annualized common dividend per share	$2.87	**$2.87**	Annualized BCE common dividend per share for 2017 increased by 14 cents, or 5.1%, to $2.87 compared to $2.73 per share in 2016.
Dividend payout ratio	65%–75% of free cash flow	**73.5%**	Dividend payout ratio in 2017 increased by 2% from 71.5% to 73.5%.

3.2 Business outlook and assumptions

OUTLOOK

BCE's 2018 outlook builds on the solid financial results achieved in 2017 that reflected higher wireless postpaid subscriber net additions and profitability; positive wireline adjusted EBITDA growth; an expanded direct fibre footprint offering more competitive Internet speeds; operating cost reductions at Bell Media to help offset content cost growth; and further integration synergies from the MTS acquisition.

Our projected financial performance for 2018 is underpinned by continued execution of our six strategic imperatives in a highly competitive and dynamic market. Growth in adjusted EBITDA, including the incremental financial contribution of Bell MTS in the first quarter of 2018, is expected to drive higher free cash flow generation, providing a strong and stable foundation for a higher BCE common share dividend for 2018, as well as continued significant capital investment in broadband fibre and wireless network infrastructure to support future growth.

(1) *Adjusted EPS is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2,* Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted net earnings and adjusted EPS *in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measure.*

The key 2018 operational priorities for BCE are to:

- Maintain market share of incumbent wireless postpaid net additions
- Drive continued adoption of mobile smartphone handsets, tablets and data applications, as well as the introduction of more 4G LTE and LTE-A devices and new data services
- Optimize wireless operating profitability through wireless subscriber base expansion and higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates
- Further expand our LTE-A mobile network coverage to approximately 92% of the Canadian population
- Increase our FTTP footprint by approximately 800,000 homes and businesses to 4.5 million locations
- Achieve positive full-year wireline adjusted EBITDA growth through further growth of our residential IPTV and Internet subscriber bases, higher household ARPU from increased penetration of multi-product households and price increases, and realization of further Bell MTS operating cost synergies
- Increase revenue generation from monetization of content rights and Bell Media properties across all platforms, while controlling TV programming and premium content cost escalation
- Continue scaling Bell Media's CraveTV on-demand streaming service
- Realize operating cost savings from workforce attrition and retirements, lower contracted rates from our suppliers, reduction in traffic that is not on our wireline network, broader deployment of FTTP, and customer service improvements

Our projected financial performance for 2018 enabled us to increase the annualized BCE common share dividend for 2018 by 15 cents, or 5.2%, to $3.02 per share, maintaining our dividend payout ratio within our target policy range of 65% to 75% of free cash flow.

ASSUMPTIONS

ASSUMPTIONS ABOUT THE CANADIAN ECONOMY

- Gradual slowdown in economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 2.2% in 2018
- Employment gains expected to slow in 2018, as the overall level of business investment is expected to remain soft
- Interest rates expected to increase in 2018
- Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices

MARKET ASSUMPTIONS

- A higher level of wireline and wireless competition in consumer, business and wholesale markets
- Higher, but slowing, wireless industry penetration and smartphone adoption
- A soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming
- Ongoing linear TV subscriber erosion expected, due to growing cord-cutter and cord-never customer segments

3.3 Principal business risks

Provided below is a summary description of certain of our principal business risks that could have a material adverse effect on all of our segments. Certain additional business segment-specific risks are reported in section 5, *Business segment analysis*. For a detailed description of the principal risks relating to our regulatory environment and a description of the other principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, refer to section 8, *Regulatory environment*, and section 9, *Business risks*, respectively.

COMPETITIVE ENVIRONMENT

As the scope of our businesses increases and evolving technologies drive new services, delivery models and strategic partnerships, our competitive landscape expands to include new and emerging competitors, certain of which were historically our partners or suppliers, as well as other global scale competitors including, in particular, OTT TV service and voice over Internet protocol (VoIP) providers and other web-based and OTT players which are penetrating the telecommunications space. Pricing and investment decisions of market participants are based on many factors, such as strategy, market position, technology evolution, customer confidence and economic climate, and collectively these factors could adversely affect our market shares, service volumes and pricing strategies and, consequently, our financial results. Technology substitution, IP networks and recent regulatory decisions, in particular, continue to reduce barriers to entry in our industry. This has allowed competitors to launch new products and services and gain market share with far less investment in financial, marketing, human, technological and network resources than has historically been required. In particular, some competitors sell their services through the use of our networks as a result of regulatory requirements applicable to us, without the need to invest to build their own networks. Such lower necessary investment has enabled some competitors to be very disruptive in their pricing. Moreover, foreign OTT players such as Netflix are currently not subject to the same taxation obligations as those imposed on Canadian domestic digital suppliers, which provides them with a competitive advantage over us. We expect these trends to continue in the future and the increased competition we face as a result could negatively impact our business including, without limitation, in the following ways:

- Competitors' aggressive market offers could result in pricing pressures, lower margins and increased costs of customer acquisition and retention, and our market shares and sales volumes could decrease if we do not match competitors' pricing levels or increase customer acquisition and retention costs
- Higher Canadian wireless penetration could slow opportunities for new customer acquisition
- Product substitutions and spending rationalization by business customers could result in an acceleration of NAS erosion beyond our current expectations

- The continued OTT-based substitution and market expansion of VoIP service providers and traditional software players delivering low-cost voice line alternatives, which is changing our approach to service offers and pricing, could have an adverse effect on our business
- A fundamental separation of content and connectivity has emerged, allowing the expansion and market penetration of low-cost OTT TV providers and other alternative service providers, some of which may offer content as loss leaders to support their core business, which is changing our TV and media ecosystems, could lower our revenue streams and could affect our business negatively
- Competition with global competitors such as Netflix and Amazon, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs as these competitors, along with other global scale entities such as Google, disrupt local market dynamics as a result of innovative and flexible global market strategies
- Adverse economic conditions, such as economic downturns or recessions, adverse conditions in the financial markets, or a declining level of retail and commercial activity could have a negative impact on the demand for, and prices of, our wireline, wireless and media products and services, as well as drive an increase in bad debts as the creditworthiness of some customers declines
- Regulatory decisions regarding wholesale access to our wireless and fibre networks could bring new competitors or strengthen the market position of current competitors
- An increasing number of off-contract customers could increase customer acquisition activity and churn in the Canadian wireless market
- Foreign competitors could enter the Canadian market and leverage their global scale advantage

For a further discussion of our competitive environment and competition risk, as well as a list of our main competitors, on a segmented basis, refer to *Competitive landscape and industry trends* and *Principal business risks* in section 5, *Business segment analysis*.

REGULATORY ENVIRONMENT

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, Innovation, Science and Economic Development Canada (ISED), Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. As with all regulated organizations, planned strategies are contingent upon regulatory decisions. Adverse decisions by regulatory agencies or increased regulation could have negative financial, operational, reputational or competitive consequences for our business. For a discussion of our regulatory environment and the principal risks related thereto, refer to section 8, *Regulatory environment*.

SECURITY MANAGEMENT

Our operations, service performance and reputation depend on how well we protect our physical and non-physical assets, including networks, IT systems, offices, corporate stores and sensitive information, from events and attacks such as those referred to in section 9, *Business risks – Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities*. The protection and effective organization of our systems, applications and information repositories are central to the secure and continuous operation of our networks and business as electronic and physical records of proprietary business and personal data, such as confidential customer and employee information, are all sensitive from a market and privacy perspective. In particular, cyber attacks are constantly evolving and becoming more frequent and our IT defences need to be constantly monitored and adapted to respond to them. Cyber attacks include, but are not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, phishing or other attacks on network or IT security. We are also exposed to cyber threats as a result of actions that may be taken by our customers, suppliers, employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization. Vulnerabilities could harm our brand and reputation and adversely affect customer and investor confidence as well as our financial results given that they may lead to:

- Network operating failures and service disruptions, which could directly impact our customers' ability to maintain normal business operations and deliver critical services and/or the ability of third-party suppliers to deliver critical services to us
- Unauthorized access to proprietary or sensitive information about our business
- Theft, loss, leakage, destruction or corruption of data and confidential information, including personal information about our customers or employees, that could result in financial loss, exposure to claims for damages by customers, employees and others, and difficulty in accessing materials to defend legal cases
- Physical damage to network assets impacting service continuity
- Litigation, fines and liability for failure to comply with privacy and information security laws
- Fines and sanctions from credit card providers for failing to comply with payment card industry data security standards for protection of cardholder data
- Regulatory investigations and increased audit and regulatory scrutiny that could divert resources from project delivery
- Increased fraud as criminals leverage stolen information against us, our employees or our customers
- The potential for loss of subscribers or impairment of our ability to attract new ones
- Lost revenues due to service disruptions and the incurrence of remediation costs
- Higher insurance premiums

In addition, cyber attacks and other security breaches affecting our suppliers or other business partners could also adversely affect our operations and financial results.

Although we evaluate and seek to adapt our security policies, procedures and controls that are designed to protect our assets, there is no assurance that these will prevent the occurrence of material cybersecurity breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result therefrom.

4 Consolidated financial analysis

This section provides detailed information and analysis about BCE's performance in 2017 compared with 2016. It focuses on BCE's consolidated operating results and provides financial information for our Bell Wireless, Bell Wireline and Bell Media business segments. For further discussion and analysis of our business segments, refer to section 5, *Business segment analysis*.

4.1 Introduction

BCE CONSOLIDATED INCOME STATEMENTS

	2017	2016	$ CHANGE	% CHANGE
Operating revenues				
Service	21,143	20,090	1,053	5.2%
Product	1,576	1,629	(53)	(3.3%)
Total operating revenues	22,719	21,719	1,000	4.6%
Operating costs	(13,541)	(12,931)	(610)	(4.7%)
Adjusted EBITDA	9,178	8,788	390	4.4%
Adjusted EBITDA margin	*40.4%*	*40.5%*		*(0.1) pts*
Severance, acquisition and other costs	(190)	(135)	(55)	(40.7%)
Depreciation	(3,037)	(2,877)	(160)	(5.6%)
Amortization	(813)	(631)	(182)	(28.8%)
Finance costs				
Interest expense	(955)	(888)	(67)	(7.5%)
Interest on post-employment benefit obligations	(72)	(81)	9	11.1%
Other (expense) income	(102)	21	(123)	n.m.
Income taxes	(1,039)	(1,110)	71	6.4%
Net earnings	2,970	3,087	(117)	(3.8%)
Net earnings attributable to:				
Common shareholders	2,786	2,894	(108)	(3.7%)
Preferred shareholders	128	137	(9)	(6.6%)
Non-controlling interest	56	56	–	–
Net earnings	2,970	3,087	(117)	(3.8%)
Adjusted net earnings	3,033	3,009	24	0.8%
Net earnings per common share (EPS)	3.12	3.33	(0.21)	(6.3%)
Adjusted EPS	3.39	3.46	(0.07)	(2.0%)

n.m.: not meaningful

Total operating revenues at BCE increased by 4.6%, compared to last year, reflecting higher service revenues of 5.2%, moderated by a decline in product revenues of 3.3%. The year-over-year increase in service revenues was driven by growth across all three of our segments, led by continued strength from Bell Wireless and higher Internet, IPTV and media subscription revenues, as well as reflecting the contributions from the acquisitions of MTS on March 17, 2017 and Q9 in Q4 2016. The growth in service revenues was moderated by the continued erosion in voice, satellite TV and legacy data revenues, including reduced customer spending and competitive pricing pressures in our business market, regulatory pressures impacting all three of our segments, and lower advertising revenues at Bell Media due to ongoing market softness.

Net earnings in 2017 decreased 3.8%, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of $82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

2017 adjusted EBITDA grew by 4.4% with a corresponding adjusted EBITDA margin of 40.4% as a result of year-over-year increases in our Bell Wireless and Bell Wireline segments, offset by a decline in our Bell Media segment. The year-over-year increase in adjusted EBITDA was driven by the flow-through of the service revenue growth, the contribution from our acquisitions and continued effective cost management. This was moderated by higher investment in customer retention and acquisition at Bell Wireless and escalating content and programming costs at Bell Media.

BCE STATEMENTS OF CASH FLOWS – SELECTED INFORMATION

	2017	2016	$ CHANGE	% CHANGE
Cash flows from operating activities	7,358	6,643	715	10.8%
Capital expenditures	(4,034)	(3,771)	(263)	(7.0%)
Free cash flow	3,418	3,226	192	6.0%

In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

4.2 Customer connections

TOTAL BCE CONNECTIONS

	2017	2016	% CHANGE
Wireless subscribers (1)	9,166,787	8,468,872	8.2%
Postpaid (1)	*8,418,650*	*7,690,727*	*9.5%*
High-speed Internet subscribers (1) (2)	3,790,141	3,476,562	9.0%
TV (satellite and IPTV subscribers) (1)	2,832,300	2,744,909	3.2%
IPTV (1)	*1,550,317*	*1,337,944*	*15.9%*
Total growth services	15,789,228	14,690,343	7.5%
Wireline NAS lines (1)	6,320,483	6,257,732	1.0%
Total services	22,109,711	20,948,075	5.5%

(1) *As a result of the acquisition of MTS on March 17, 2017, our wireless, high-speed Internet, TV and NAS subscriber bases increased by 476,932 (418,427 postpaid), 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively. Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.*

(2) *Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.*

BCE NET ACTIVATIONS

	2017	2016	% CHANGE
Wireless subscribers	333,084	223,041	49.3%
Postpaid	*416,779*	*315,311*	*32.2%*
High-speed Internet subscribers	87,860	85,099	3.2%
TV (satellite and IPTV subscribers)	(20,716)	6,413	(423.0%)
IPTV	*107,712*	*155,153*	*(30.6%)*
Total growth services	400,228	314,553	27.2%
Wireline NAS lines	(357,065)	(415,408)	14.0%
Total services	43,163	(100,855)	142.8%

BCE added 400,228 net new customer connections to its growth services in 2017, representing a 27.2% improvement over 2016. This consisted of:

- 416,779 postpaid wireless customers, and the net loss of 83,695 prepaid wireless customers
- 87,860 high-speed Internet customers
- 107,712 IPTV customers and 128,428 satellite TV net customer losses

NAS net losses were 357,065 in 2017, an improvement of 14.0% over 2016.

Total BCE customer connections across all services increased by 5.5% in 2017 compared to last year, driven by the subscribers acquired as part of the acquisition of MTS, as well as increases in our growth services customer base, offset in part by the continued but moderating erosion in traditional NAS lines.

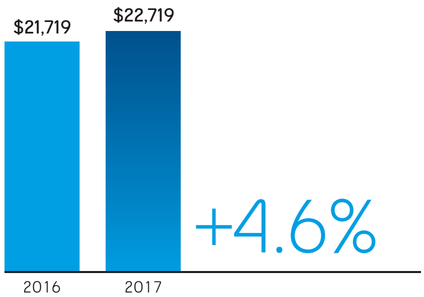
At the end of 2017, BCE customer connections totaled 22,109,711 and were comprised of the following:

- 9,166,787 wireless subscribers, up 8.2% compared to 2016, and included 8,418,650 postpaid wireless subscribers, an increase of 9.5% compared to the prior year
- 3,790,141 high-speed Internet subscribers, 9.0% higher year over year
- 2,832,300 total TV subscribers, up 3.2% compared to 2016, and included 1,550,317 IPTV customers, up 15.9% year over year
- 6,320,483 total NAS lines, an increase of 1.0% compared to 2016

4.3 Operating revenues

BCE

Revenues
(in $ millions)



	2017	2016	$ CHANGE	% CHANGE
Bell Wireless	7,883	7,159	724	10.1%
Bell Wireline	12,415	12,104	311	2.6%
Bell Media	3,104	3,081	23	0.7%
Inter-segment eliminations	(683)	(625)	(58)	(9.3%)
Total BCE operating revenues	22,719	21,719	1,000	4.6%

BCE

Total operating revenues at BCE increased by 4.6% in 2017, compared to 2016, reflecting growth across all three of our segments. This was comprised of service revenues of $21,143 million in 2017, which grew by 5.2% compared to 2016, and product revenues of $1,576 million, which declined by 3.3% year over year.

BELL WIRELESS

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by both higher service and product revenues. Service revenues grew by 10.7%, reflecting a larger postpaid subscriber base, higher blended ARPU and the contribution from the acquisition of MTS. The growth in blended ARPU was driven by the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates due to the flow-through of 2016 pricing changes, and higher smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and demand for larger data plans. This was partially offset by the unfavourable impact of Telecom Decision CRTC 2016-171 (Telecom Decision CRTC 2016-171), issued by the CRTC on May 5, 2016, related to 30-day cancellation policies, which clarified that service providers must provide pro-rated refunds, based on the number of days left in the last monthly billing cycle after cancellation, certain aspects of which are currently the subject matter of an application for clarification by TELUS Communications Company pursuant to the Telecommunications Act and Part 1 of the CRTC Rules of Practice. The year-over-year growth in service revenues was also moderated by the increased adoption of all-inclusive voice and text rate plans resulting in lower out of bundle usage. Product revenues increased by 3.1%, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

BELL WIRELINE

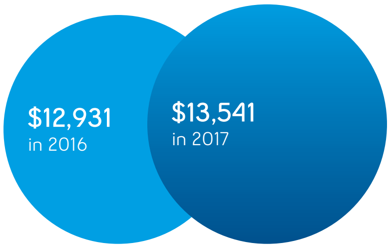
Bell Wireline operating revenues increased by 2.6% in 2017, compared to last year, driven by service revenue growth of 3.4%, offset in part by a decrease in product revenues of 5.9%. The growth in service revenues was attributable to the acquisitions of MTS and Q9, Internet and IPTV subscriber growth combined with higher household ARPU. The growth in revenues was moderated by the continued erosion in our voice, satellite TV and legacy data services, increased acquisition, retention and bundle discounts to match aggressive offers from cable competitors and regulatory pressures due to unfavourable CRTC rulings in 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171. The decline in product revenues was driven by lower demand for equipment by large business customers, attributable to market softness and competitive pricing pressures, as well as lower sales of consumer electronics at The Source, partly offset by the favourable contribution from the MTS acquisition.

BELL MEDIA

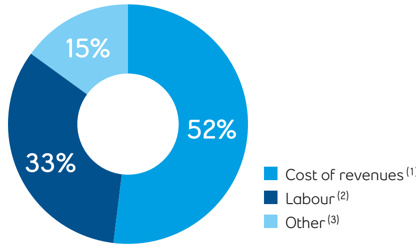
Bell Media operating revenues increased by 0.7% in 2017, compared to 2016, due to higher subscriber revenues driven by growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals and the benefit from the expansion of TMN into a national pay TV service in March 2016. This was partially offset by lower advertising revenues mainly due to continued market softness and declines in audience levels across both conventional and specialty TV and radio media platforms, as well as reflecting the negative impact on conventional TV advertising revenues from the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. The decline in advertising revenues was moderated by growth in OOH advertising revenues as a result of the contribution from the Cieslok Media Ltd. (Cieslok Media) acquisition in January 2017 and from newly awarded contracts.

4.4 Operating costs

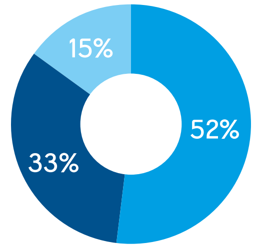
BCE
Operating costs
(in $ millions)



BCE
Operating cost profile
2016



BCE
Operating cost profile
2017



	2017	2016	$ CHANGE	% CHANGE
Bell Wireless	**(4,607)**	(4,156)	(451)	(10.9%)
Bell Wireline	**(7,229)**	(7,062)	(167)	(2.4%)
Bell Media	**(2,388)**	(2,338)	(50)	(2.1%)
Inter-segment eliminations	**683**	625	58	9.3%
Total BCE operating costs	**(13,541)**	(12,931)	(610)	(4.7%)

(1) *Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.*
(2) *Labour costs (net of capitalized costs) include wages, salaries and related taxes and benefits, post-employment benefit plans service cost, and other labour costs, including contractor and outsourcing costs.*
(3) *Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, IT costs, professional service fees and rent.*

BCE

Total BCE operating costs increased by 4.7% in 2017, compared to 2016, resulting from higher costs in all three of our segments.

BELL WIRELESS

Bell Wireless operating costs increased by 10.9% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidized upgrades reflecting a greater number of contract expiries
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of postpaid gross activations in our mix and increased gross activations
- The acquisition of MTS
- Increased network operating costs driven by higher LTE and LTE-A network usage
- Increased labour costs to support the growth of the business

BELL WIRELINE

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, as a result of:

- The acquisitions of MTS and Q9
- Greater programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fleet expenses from higher fuel and refurbishment costs
- Greater marketing and sales expense in our retail market to support subscriber acquisitions

These factors were partially offset by:

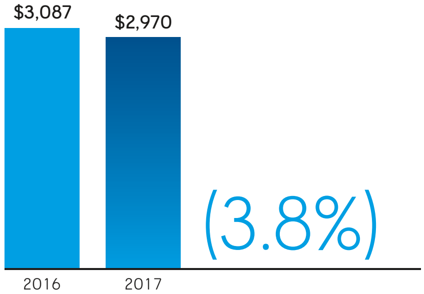
- Lower labour costs attributable to workforce reductions, vendor contract savings, as well as fewer call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by fewer sales of international long distance minutes
- Reduced bad debt expense

BELL MEDIA

Bell Media operating costs increased by 2.1% in 2017, compared to last year, mainly due to higher programming and content costs from the ongoing ramp up of content for CraveTV and pay TV services, deal renewals for specialty TV programming, content costs associated with TMN national expansion, escalating costs for sports rights as well as higher OOH expenses resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This increase in operating costs was partially mitigated by reduced labour costs driven mainly by workforce reductions.

4.5 Net earnings

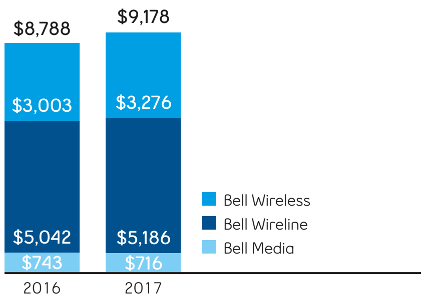
BCE
Net earnings
(in $ millions)



In 2017, net earnings decreased by 3.8%, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of $82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

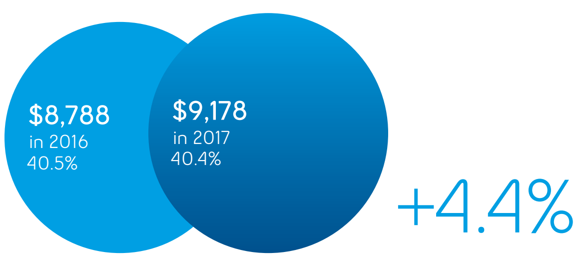
4.6 Adjusted EBITDA

BCE
Adjusted EBITDA
(in $ millions)



	2017	2016	$ CHANGE	% CHANGE
Bell Wireless	3,276	3,003	273	9.1%
Bell Wireline	5,186	5,042	144	2.9%
Bell Media	716	743	(27)	(3.6%)
Total BCE adjusted EBITDA	9,178	8,788	390	4.4%

BCE
Adjusted EBITDA
(in $ millions)
(% adjusted EBITDA margin)



BCE

BCE's adjusted EBITDA increased by 4.4% in 2017, compared to 2016, driven by growth in our Bell Wireless and Bell Wireline segments, offset in part by a decline in our Bell Media segment. This resulted in a relatively stable adjusted EBITDA margin of 40.4% compared to 40.5% experienced last year.

The growth in adjusted EBITDA reflected higher wireless, Internet, IPTV and media revenues, the contribution from the acquisitions of MTS and Q9 and effective cost management. This was offset in part by the ongoing erosion in our voice, satellite TV and legacy data revenues, greater investment in wireless subscriber retention and acquisition, regulatory pressures impacting all three of our segments, as well as higher programming and content costs in our Bell Media segment.

BELL WIRELESS

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher operating revenues from the continued growth in our subscriber base and in blended ARPU along with the contribution from the acquisition of MTS, moderated by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.6 pts to 44.6%, in 2017, compared to 45.2% in the prior year.

BELL WIRELINE

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, resulting from the acquisitions of MTS and Q9, growth in our Internet and IPTV businesses, as well as reflecting disciplined cost containment. This was partly offset by the continued decline of voice, satellite TV and legacy data revenues, including the effect of reduced customer spending and competitive pressures in our business market and the impact of regulatory pressures.

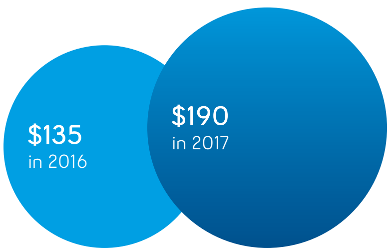
BELL MEDIA

Bell Media adjusted EBITDA decreased by 3.6% in 2017, compared to the previous year, due to higher programming and content costs and flow-through of the advertising revenue decline which included the unfavourable impact of the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. This was moderated by continued growth in subscriber revenues and lower labour costs.

4.7 Severance, acquisition and other costs

This category includes various income and expenses that are not related directly to the operating revenues generated during the year.

BCE
Severance, acquisition and other costs
(in $ millions)



2017

Severance, acquisition and other costs included:

- Severance costs related to workforce reduction initiatives of $79 million
- Acquisition and other costs of $111 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, severance and integration costs as well as a loss on transfer of spectrum licences to Xplornet Communications Inc. related to the MTS acquisition

2016

Severance, acquisition and other costs included:

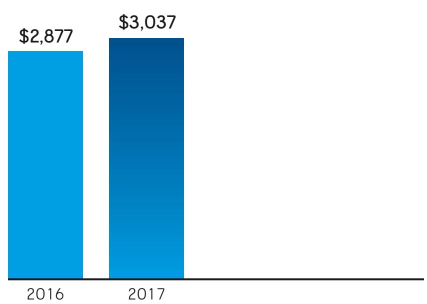
- Severance costs related to workforce reduction initiatives of $87 million
- Acquisition and other costs of $48 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, as well as severance and integration costs relating to the privatization of Bell Aliant

4.8 Depreciation and amortization

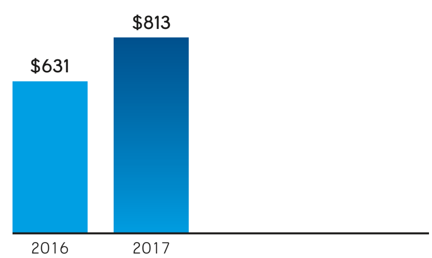
The amount of our depreciation and amortization in any year is affected by:

- *How much we invested in new property, plant and equipment and intangible assets in previous years*
- *How many assets we retired during the year*
- *Estimates of the useful lives of assets*

BCE
Depreciation
(in $ millions)



BCE
Amortization
(in $ millions)



DEPRECIATION

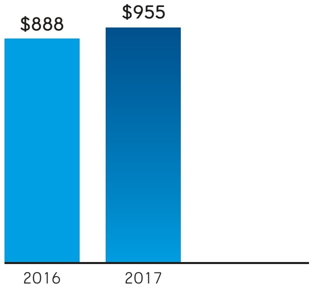
Depreciation in 2017 increased by $160 million, compared to 2016, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes in useful lives have been applied prospectively, effective January 1, 2017, and did not have a significant impact on our financial statements.

AMORTIZATION

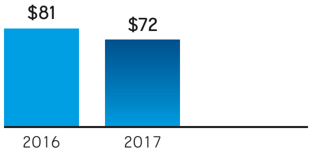
Amortization in 2017 increased by $182 million, compared to 2016, due mainly to the acquisition of MTS and a higher asset base.

4.9 Finance costs

BCE
Interest expense
(in $ millions)



BCE
Interest on post-employment benefit obligations
(in $ millions)



INTEREST EXPENSE

Interest expense in 2017 increased by $67 million, compared to 2016, mainly as a result of higher average debt levels due in part to the acquisition of MTS, partly offset by lower average interest rates.

INTEREST ON POST-EMPLOYMENT BENEFIT OBLIGATIONS

Interest on our post-employment benefit obligations is based on market conditions that existed at the beginning of the year. On January 1, 2017, the discount rate was 4.0% compared to 4.2% on January 1, 2016.

In 2017, interest expense decreased by $9 million, compared to last year, due to a lower post-employment benefit obligation at the beginning of the year.

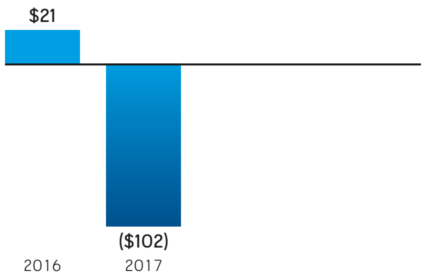
The impacts of changes in market conditions during the year are recognized in other comprehensive income (loss) (OCI).

4.10 Other (expense) income

Other (expense) income includes income and expense items, such as:

- *Net mark-to-market gains or losses on derivatives used as economic hedges*
- *Impairment of assets*
- *Losses on disposal and retirement of software, plant and equipment*
- *Equity (loss) income from investments in associates and joint ventures*
- *Early debt redemption costs*
- *Net gains (losses) on investments, including gains (losses) when we dispose of, write down or reduce our ownership in investments*

BCE
Other (expense) income
(in $ millions)



2017

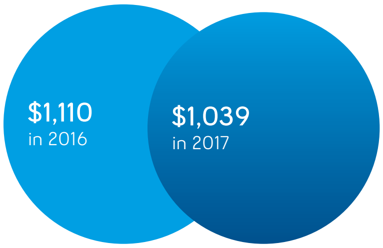
Other expense of $102 million included impairment charges of $82 million related to our music TV channels and two small market radio station cash-generating units (CGUs) within our Bell Media segment, losses on retirements and disposals of property, plant and equipment and intangible assets of $47 million, losses from our equity investments of $31 million which included BCE's share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures, early debt redemption costs of $20 million, partly offset by net mark-to-market gains on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases of $88 million.

2016

Other income of $21 million included net mark-to-market gains of $67 million on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases and gains on investments of $58 million which included a gain related to one of our equity investments of $34 million, as well as a gain of $12 million due to the remeasurement of BCE's previously held equity interest in Q9 to its fair value. These were partly offset by losses of $89 million on equity investments which included BCE's share of the loss recorded by one of our equity investments on the sale of a portion of their operations of $46 million and $11 million equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. Additionally, BCE recorded losses of $28 million on disposal of property, plant and equipment and intangible assets.

4.11 Income taxes

BCE
Income taxes
(in $ millions)

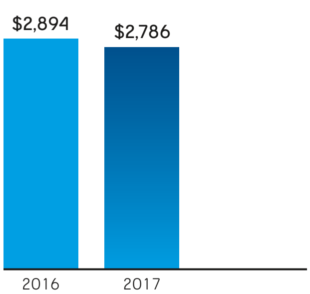


The following table provides information and reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% for 2017 and 2016.

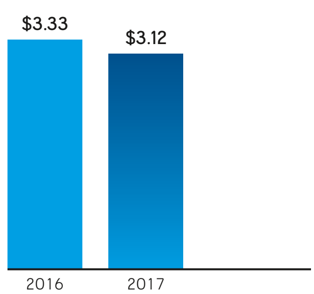
FOR THE YEAR ENDED DECEMBER 31	2017	2016
Net earnings	2,970	3,087
Add back income taxes	1,039	1,110
Earnings before income taxes	4,009	4,197
Applicable statutory tax rate	27.1%	27.1%
Income taxes computed at applicable statutory rates	(1,086)	(1,137)
Non-taxable portion of (losses) gains on investments	(1)	11
Uncertain tax positions	16	(9)
Effect of change in provincial corporate tax rate	(3)	4
Change in estimate relating to prior periods	51	46
Non-taxable portion of equity losses	(10)	(23)
Other	(6)	(2)
Total income taxes	(1,039)	(1,110)
Average effective tax rate	25.9%	26.4%

4.12 Net earnings attributable to common shareholders and EPS

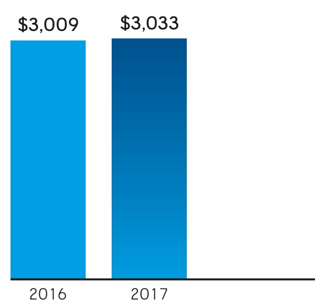
BCE
Net earnings attributable to common shareholders
(in $ millions)



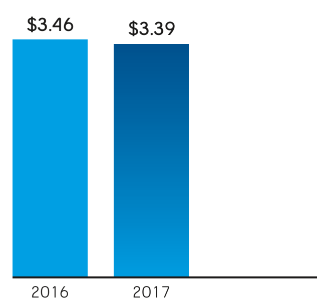
BCE
EPS
(in $)



BCE
Adjusted net earnings
(in $ millions)



BCE
Adjusted EPS
(in $)



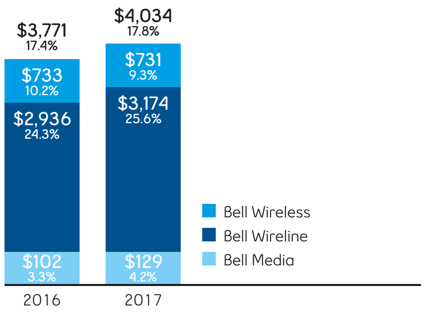
Net earnings attributable to common shareholders in 2017 decreased by $108 million, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of $82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

BCE's EPS of $3.12 in 2017 decreased by $6.3% compared to 2016. The average number of BCE common shares outstanding increased principally as a result of shares issued for the acquisition of MTS which further diluted EPS as compared to 2016.

Excluding the impact of severance, acquisition and other costs, net (losses) gains on investments, early debt redemption costs and impairment charges, adjusted net earnings in 2017 was $3,033 million, or $3.39 per common share, compared to $3,009 million, or $3.46 per common share in 2016.

4.13 Capital expenditures

BCE
Capital expenditures
(in $ millions)
Capital intensity
(%)



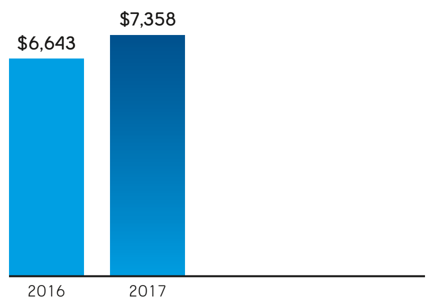
BCE capital expenditures were up $263 million, or 7.0%, in 2017, compared to 2016, driven by greater spending at Bell Wireline and Bell Media, while spending at Bell Wireless remained relatively stable. As a percentage of revenue, capital expenditures for BCE were 17.8% in 2017 compared to 17.4% last year. Our capital spending supported the continued deployment of our broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montréal that was announced on March 27, 2017. Our capital investments also included the continued rollout of our 4G LTE and LTE-A mobile networks, as well as the enhancement and expansion of our wireless network to increase network speeds and to support the growth in our subscriber base and data consumption.

4.14 Cash flows

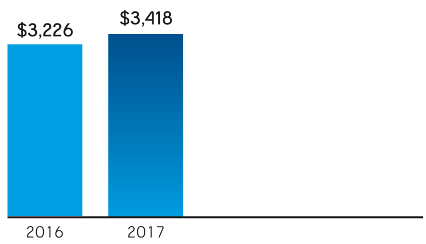
In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

BCE
Cash flows from operating activities
(in $ millions)



BCE
Free cash flow
(in $ millions)



5 Business segment analysis

5.1 Bell Wireless

In 2017, we achieved the highest market share of postpaid subscriber net additions in the Canadian wireless industry and delivered a fifth consecutive year of industry-leading wireless service revenue and adjusted EBITDA growth among incumbent national carriers.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

Invest in broadband networks and services

2017 PROGRESS

- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Launched North America's first Quad-band LTE-A network deployment capable of delivering theoretical speeds of up to 750 Mbps (expected average download speeds of 25 to 230 Mbps in select areas). Bell's Quad Band service expanded to 23% of Canadians, encompassing 91 cities.

2018 FOCUS

- Expand LTE-A network footprint to approximately 92% of the Canadian population
- Deploy Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4×4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase small cell deployment and in-building coverage to increase urban densification and support evolution to 5G services
- Launch an LTE-M wireless network to support the rapidly increasing use of IoT devices on LPWANs in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.

Accelerate wireless

2017 PROGRESS

- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016
- Expanded our smartphone and tablet lineup with 40 new devices, including Apple's iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google's Pixel 2 and Pixel 2 XL and the LG G6, adding to our extensive selection of 4G LTE and LTE-A devices
- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just $20 for unlimited local calling. Initially available to consumers in Ontario, Alberta and British Columbia, Lucky Mobile offers service in 17 zones covering most major cities across the country, including data access at 3G-equivalent access speeds.
- Became the Government of Canada's primary wireless supplier for the next six years, with options to renew. Bell will supply voice, text, and data services and approximately 230,000 mobile devices to federal employees in more than 100 departments and agencies.
- First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing VoLTE technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number.
- Launched the first integrated Advanced Messaging service on Samsung devices, offering a suite of mobile messaging features previously available through specialized third-party applications

- Took a leadership position in the fast-growing IoT sector, which enables the interconnection of a range of devices and applications that send and receive data
  - Bell MTS launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
  - Concluded an agreement with Hyundai AutoEver Telematics America (HATA), a subsidiary of Hyundai Motor Group, to deliver a range of connected telematics services including security, safety, diagnostics and infotainment to select Hyundai and Kia vehicles over Bell's national mobile network
  - Partnered with BeWhere Technologies and Huawei to implement an automated IoT solution for the Henry of Pelham Family Estate Winery to help improve planning and sustainability programs
- First Canadian carrier to offer global connectivity for our leading-edge IoT platforms and applications. Bell's Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web-based platform by embedding Bell's Global SIM cards into their products.

2018 FOCUS

- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
  - In February 2018, we partnered with the city of Kingston to employ Bell's Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement

Improve customer service

2017 PROGRESS

- Virgin Mobile was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories
- Improved wireless postpaid churn by 0.06 pts in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repairs pilot program in Ontario, resolving many common smartphone issues within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Launched a simplified wireless bill
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization

Achieve a competitive cost structure

2017 PROGRESS

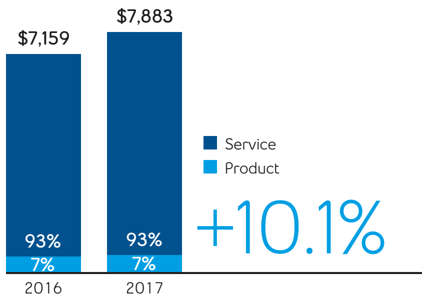
- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from ongoing service improvements

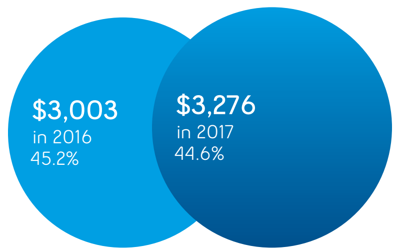
2017 PERFORMANCE HIGHLIGHTS

Bell Wireless Revenues
(in $ millions)



+10.1%

Bell Wireless Adjusted EBITDA
(in $ millions)
(adjusted EBITDA as a percentage of service revenue)



+9.1%

Postpaid subscriber growth (1)

+9.5%

in 2017

Postpaid net activations

416,779

in 2017

Postpaid churn in 2017

1.19%

Improved 0.06 pts vs. 2016

Blended ARPU
per month

2017: $67.77
2016: $65.46

+3.5%

Smartphone penetration
of postpaid subscribers

83%

Same as 2016

(1) *As a result of the acquisition of MTS on March 17, 2017, our wireless subscriber base in Q1 2017 increased by 476,932 subscribers (418,427 postpaid). Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.*

BELL WIRELESS RESULTS

REVENUES

	2017	2016	$ CHANGE	% CHANGE
External service revenues	7,308	6,602	706	10.7%
Inter-segment service revenues	42	40	2	5.0%
Total operating service revenues	7,350	6,642	708	10.7%
External product revenues	530	515	15	2.9%
Inter-segment product revenues	3	2	1	50.0%
Total operating product revenues	533	517	16	3.1%
Total Bell Wireless revenues	7,883	7,159	724	10.1%

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by growth in both service and product revenues.

- **Service revenues** grew by 10.7% in 2017, compared to 2016, reflecting a larger postpaid subscriber base and higher blended ARPU, which included the contribution from the acquisition of MTS. Blended ARPU increased due to the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates mainly driven by the flow-through of 2016 pricing changes and greater smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and demand for larger data plans. The growth in service revenues was moderated by the unfavourable impact of Telecom Decision CRTC 2016-171 and the increased adoption of all-inclusive voice and text rate plans resulting in lower out of bundle usage.
- **Product revenues** increased by 3.1% in 2017, compared to last year, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	$ CHANGE	% CHANGE
Operating costs	(4,607)	(4,156)	(451)	(10.9%)
Adjusted EBITDA	3,276	3,003	273	9.1%
Total adjusted EBITDA margin	41.6%	41.9%		(0.3) pts
Adjusted EBITDA margin (service revenues)	44.6%	45.2%		(0.6) pts

Bell Wireless operating costs increased by 10.9% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidized upgrades reflecting a greater number of contract expiries
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of postpaid gross activations in our mix and a higher number of gross activations
- The acquisition of MTS
- Increased network operating costs driven by higher LTE and LTE-A network usage
- Higher labour costs to support the growth of the business

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher year-over-year operating revenues from the continued growth in our subscriber base and blended ARPU along with the contribution from the acquisition of MTS, offset in part by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition, together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.6 pts to 44.6%, in 2017, compared to 45.2% in the prior year.

BELL WIRELESS OPERATING METRICS

	2017	2016	CHANGE	% CHANGE
Blended ARPU ($/month)	67.77	65.46	2.31	3.5%
Gross activations	1,780,478	1,654,882	125,596	7.6%
Postpaid	*1,532,425*	*1,408,030*	*124,395*	*8.8%*
Prepaid	*248,053*	*246,852*	*1,201*	*0.5%*
Net activations	333,084	223,041	110,043	49.3%
Postpaid	*416,779*	*315,311*	*101,468*	*32.2%*
Prepaid	*(83,695)*	*(92,270)*	*8,575*	*9.3%*
Blended churn % (average per month)	1.36%	1.44%		0.08 pts
Postpaid	*1.19%*	*1.25%*		*0.06 pts*
Prepaid	*3.17%*	*3.13%*		*(0.04) pts*
Subscribers (1)	9,166,787	8,468,872	697,915	8.2%
Postpaid (1)	*8,418,650*	*7,690,727*	*727,923*	*9.5%*
Prepaid (1)	*748,137*	*778,145*	*(30,008)*	*(3.9%)*

(1) *As a result of the acquisition of MTS on March 17, 2017, our wireless subscriber base in Q1 2017 increased by 476,932 subscribers (418,427 postpaid). Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.*

Blended ARPU of $67.77 increased by 3.5% in 2017, compared to last year, driven by the greater proportion of postpaid customers in our total subscriber base, growth in postpaid ARPU reflecting the flow-through of 2016 pricing changes and a greater mix of customers with smartphones and other data devices in our total subscriber base increasing the demand for larger data plans due to greater data consumption from e-mail, web browsing, social networking, mobile banking, messaging, mobile TV, and entertainment services such as video streaming, music downloads and gaming. The growth in ARPU was also favourably impacted by greater data consumption driven by the higher speeds enabled by the continued expansion of our LTE and LTE-A networks. The year-over-year increase in blended ARPU was moderated by the negative impact of Telecom Decision CRTC 2016-171 along with the unfavourable impact of larger plans with higher data usage thresholds, unlimited local and long distance calling, and a greater mix of shared plans.

Total gross wireless activations increased by 7.6% in 2017, compared to last year, due to both higher postpaid and prepaid gross activations.

- **Postpaid gross activations** increased by 8.8% in 2017, reflecting our leadership in technology and network speed, successful execution of targeted promotions across all our retail channels, greater market activity, the contribution from the acquisition of Bell MTS and the on-boarding of customers from a long-term mobile services contract win with Shared Services Canada
- **Prepaid gross activations** increased by 0.5% in 2017, driven by the contribution from the acquisition of Bell MTS and the launch of Lucky Mobile in December 2017, our new low-cost prepaid mobile service

Blended wireless churn of 1.36% improved by 0.08 pts in 2017, compared to last year, due to lower postpaid churn, offset in part by higher prepaid churn.

- **Postpaid churn** of 1.19% improved by 0.06 pts in 2017, compared to last year, due to the favourable impact of our ongoing investments in network speeds, customer retention and improved client experience

- **Prepaid churn** of 3.17% increased by 0.04 pts in 2017, due to the lower subscriber base outpacing the year-over-year favourability in the deactivations

Postpaid net activations increased by 32.2% in 2017, compared to 2016, driven by greater gross activations and the contribution from the acquisition of Bell MTS, offset in part by higher customer deactivations.

Prepaid net customer losses improved by 9.3% in 2017, compared to last year, driven by lower customer deactivations and higher gross activations.

Wireless subscribers at December 31, 2017 totaled 9,166,787, including the subscribers acquired through the acquisition of MTS, net of those divested to TELUS. The proportion of Bell Wireless customers subscribing to postpaid service increased to 92% in 2017 from 91% in 2016.

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

The wireless market is the largest sector of the Canadian telecommunications industry, representing over 50% of total revenues, and is currently growing at a mid-single digit rate annually.

There are more than 31 million wireless subscribers in Canada. The market is highly competitive among three well-established national competitors as well as a number of regional competitors. Rogers Communications Inc. (Rogers) holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth since 2009, supported by the launch of our HSPA+, 4G LTE and LTE-A networks, industry-leading mobile network speeds, expanded retail distribution, the purchase of Virgin Mobile, a strong brand and improved customer service.

In June 2017, the Western Canada-based cable TV company, Shaw Communications Inc. (Shaw), acquired 700 MHz and 2500 MHz spectrum licences from Québecor Media Inc. (Québecor) to support the build-out of an urban LTE network in major cities in Alberta, British Columbia and Ontario. Shaw reached an agreement with Apple Inc. enabling Shaw's Freedom Mobile brand to offer iPhone products beginning in December 2017. Shaw's re-farming of advanced wireless services-1 (AWS-1) spectrum and deployment of 2500 MHz spectrum is expected to be completed in 2018, and will make older smartphone versions (iPhones and Samsung Galaxy) compatible with Freedom Mobile's LTE network. Québecor Media's Vidéotron Ltée (Vidéotron) continues to operate as a regional facilities-based wireless service provider in Québec, and Eastlink in Atlantic Canada. These cable TV-based wireless providers, in addition to the provincial carrier in Saskatchewan, represent fourth carriers in their respective markets.

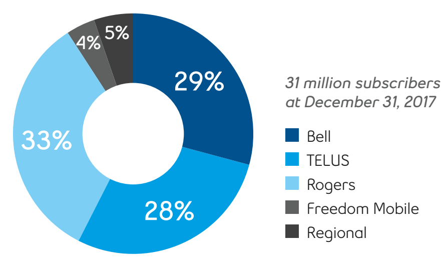
Canada's wireless penetration was approximately 85% at the end of 2017, compared to well over 100% in the U.S. and even higher in Europe and Asia. Canada's wireless sector is expected to continue growing at a steady pace for the foreseeable future, driven by immigration and population growth, the trend toward multiple devices, the increasing usage of data services, and mobile adoption by both younger and older generations.

Competitors

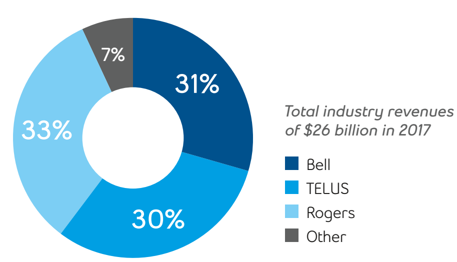
- Large facilities-based national wireless service providers Rogers and TELUS Corporation
- Smaller facilities-based wireless service provider Freedom Mobile, which currently provides service in Toronto, Calgary, Vancouver, Edmonton and Ottawa, as well as in several communities in southwestern Ontario
- Regional facilities-based wireless service providers Vidéotron, which provides service in Montréal and other parts of Québec; Saskatchewan Telecommunications Holding Corporation (SaskTel), which provides service in Saskatchewan; and Eastlink, which launched service in Nova Scotia and Prince Edward Island in February 2013
- Mobile virtual network operators (MVNOs), who resell competitors' wireless networks, such as PC Mobile

Canadian wireless market share (1)

Subscribers



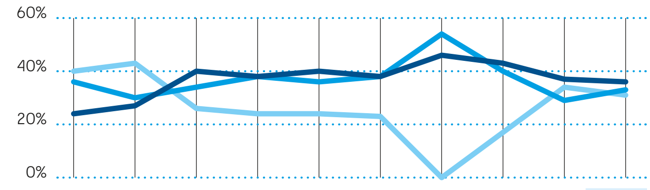
Revenues



(1) *Percentages may not add to 100 due to rounding.*

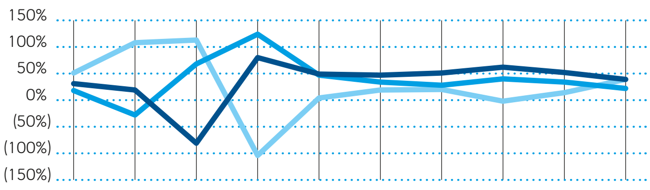
KEY WIRELESS METRICS – SHARE FOR NATIONAL CARRIERS [(1)]

POSTPAID NET ADDITIONS (%)



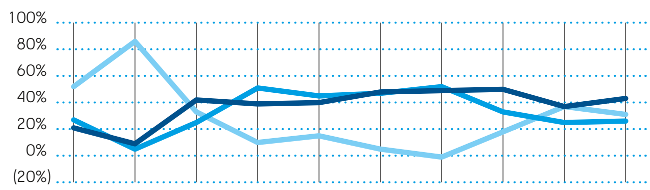
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bell	24%	27%	40%	38%	40%	38%	46%	43%	37%	**36%**
TELUS	36%	30%	34%	38%	36%	38%	54%	40%	29%	**33%**
Rogers	40%	43%	26%	24%	24%	23%	0%	17%	34%	**31%**

REPORTED EBITDA GROWTH (%)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bell	31%	19%	(81%)	80%	49%	47%	51%	62%	52%	**39%**
TELUS	18%	(28%)	68%	124%	47%	34%	28%	40%	34%	**22%**
Rogers	51%	108%	113%	(104%)	4%	19%	20%	(2%)	14%	**39%**

SERVICE REVENUE GROWTH (%)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bell	21%	9%	42%	39%	40%	48%	49%	50%	37%	**43%**
TELUS	27%	5%	25%	51%	45%	47%	52%	33%	25%	**26%**
Rogers	52%	86%	33%	10%	15%	5%	(1%)	18%	37%	**31%**

Bell [(2)] TELUS [(3)] Rogers

(1) *Percentages may not add to 100 due to rounding.*
(2) *Bell metrics shown include Bell Aliant as of 2015.*
(3) *TELUS metrics shown include Public Mobile Inc. as of 2015.*

INDUSTRY TRENDS

ACCELERATING DATA CONSUMPTION

Wireless data growth continues to be driven by the ongoing adoption of higher-value smartphones and tablets, and associated data plans. The demand for wireless data services is expected to continue to grow, due to ongoing investment in faster network technologies, such as LTE and LTE-A, that provide a richer user experience, a larger appetite for mobile connectivity and social networking, greater selection of smartphones, tablets and other connected devices, as well as increasing adoption of shared plans with multiple devices by families. Greater customer adoption of data services, including mobile TV, data roaming for travel, mobile commerce, mobile banking, and other IoT applications in the areas of retail and transportation (connected car, asset tracking, and remote monitoring) should also contribute to growth. In the consumer market, IoT represents a growth area for the industry as wireless connectivity on everyday devices, from home automation to cameras, becomes ubiquitous.

SIGNIFICANT INVESTMENTS IN WIRELESS NETWORKS

Fast growth in mobile data traffic is increasingly putting a strain on wireless carriers' networks and their ability to manage and service this traffic. Industry Canada's 700 MHz, advanced wireless services-3 (AWS-3), and 2500 MHz spectrum auctions that concluded in 2014 and 2015 provided wireless carriers with prime spectrum to roll out faster next-generation wireless networks and build greater capacity. Carrier aggregation is a technology currently being employed by Canadian wireless carriers that allows for multiple channels of spectrum to be used together, thereby significantly increasing network capacity and data transfer rates. Investments in fibre backhaul to cell sites and the deployment of small-cell technology further increase the efficient utilization of carriers' spectrum holdings.

CUSTOMERS BRINGING THEIR OWN DEVICES

With the CRTC's Wireless Code limiting wireless contract terms to two years from three years, the number of customers on expired contracts has increased. As a result, subscribers are increasingly bringing their own devices or keeping their existing devices for longer periods of time and therefore may not enter into new contracts for wireless services. This may negatively impact carriers' subscriber churn, but may also create gross addition opportunities as a result of increased churn from other carriers. Additionally, this trend may negatively impact the monthly service fees charged to subscribers; however, the service revenue generated by these customers helps improve margins due to lower spending on device subsidies.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

We expect continued revenue growth driven primarily by a greater number of postpaid subscribers and higher ARPU. We expect ARPU to continue to increase, but at a slower pace compared to 2017, as the market continues to mature and as more customers subscribe to rate plans with larger data thresholds. We will seek to achieve higher revenues from data growth, through increased use of our 4G LTE and LTE-A networks, higher demand for services such as social media, music and streaming of content, as well as nascent services including mobile commerce and other IoT applications. Our intention is to introduce new services to the market in a way that balances innovation with profitability.

We also remain focused on sustaining our market share of incumbent postpaid net additions in a disciplined and cost-conscious manner, while also growing our share of new industry prepaid net additions. We anticipate higher year-over-year net additions, driven by continued strong postpaid market momentum, reflecting Bell's network speed and technology leadership; the onboarding of customers from our recently won Shared Services Canada wireless services contract; a renewed focus on prepaid with the launch of Lucky Mobile; and incremental growth opportunities in Manitoba with the full integration of Bell MTS.

We plan to deliver adjusted EBITDA growth in 2018 from continued healthy revenue growth, which should be partly offset by higher subscriber acquisition and retention spending consistent with a sustained high level of competitive market activity.

ASSUMPTIONS

- Maintain our market share of incumbent wireless postpaid net additions
- Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE and LTE-A devices and new data services
- Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer device upgrades, reflecting a higher number of off-contract subscribers due to earlier expiries under two-year contracts
- Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates
- Expansion of the LTE-A network coverage to approximately 92% of the Canadian population
- Ability to monetize increasing data usage and customer subscriptions to new data services
- Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services
- No material financial, operational or competitive consequences of changes in regulations affecting our wireless business

KEY GROWTH DRIVERS

- Increasing Canadian wireless industry penetration
- Increasing customer adoption of smartphones, tablets and other 4G LTE devices to increase mobile data usage
- Greater number of postpaid customers on our 4G LTE and LTE-A networks
- Customer usage of new data applications and services

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks specifically related to the Bell Wireless segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION

RISK

- The intensity of competitive activity from incumbent wireless operators, newer wireless entrants, non-traditional players and resellers

POTENTIAL IMPACT

- Pressure on our adjusted EBITDA, ARPU, churn and cost of acquisition and retention would likely result if competitors aggressively increase discounts for handsets and price plans, offer shared plans based on sophisticated pricing requirements or offer other incentives, such as new data plans or unlimited data plans, instalment plans for smartphones or multi-product bundles, to attract new customers

REGULATORY ENVIRONMENT

RISK

- Greater regulation of wireless services and pricing (e.g. the mandating of wholesale roaming rates by the CRTC that are materially different than those we have proposed, additional mandated access to wireless networks and limitations placed on future spectrum bidding)

POTENTIAL IMPACT

- Greater regulation could limit our flexibility, influence the market structure, improve the business positions of our competitors and negatively impact the financial performance of our wireless business

MARKET MATURITY AND INCREASED DEVICE COSTS

RISK

- Slower subscriber growth due to high Canadian smartphone penetration and increased device costs

POTENTIAL IMPACT

- A maturing wireless market and higher device costs could challenge subscriber growth and the cost of acquisition and retention, putting pressure on the financial performance of our wireless business

5.2 Bell Wireline

Bell Wireline achieved positive adjusted EBITDA growth for a third consecutive year in 2017, driven by strong Internet and IPTV subscriber base growth, higher household ARPU, the financial contribution of Bell MTS and related integrated synergies, as well as operating cost savings that drove an improvement in our North American industry-leading margin to 41.8%.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

Invest in broadband networks and services

2017 PROGRESS

- Continued to expand our FTTP direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 60% of homes and businesses in the City of Toronto. Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTP enables symmetrical Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future.
- Began the build-out of broadband fibre directly to 1.1 million residences and business locations throughout Montréal, representing the largest-ever communications infrastructure project in Québec with a planned capital investment of $854 million. Montréal joins a growing number of centres across Québec that are fully wired with Bell fibre, including Québec City where fibre deployment was launched in 2012. By the end of 2017, Bell fibre reached approximately 40% of homes and businesses throughout the province of Québec, including 14% of all locations in Montréal.

2018 FOCUS

- Expand FTTP broadband fibre footprint to approximately 4.5 million total combined homes and commercial locations
  - In February 2018, we announced the expansion of FTTP direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell's fibre plan will deliver Gigabit Internet speeds and other broadband Fibe service innovations to more than 1.3 million homes and businesses in the region.

Leverage wireline momentum

2017 PROGRESS

- Maintained our position as Canada's largest TV provider with 2,832,300 subscribers, and increased our total number of IPTV subscribers by 15.9% to 1,550,317
- Built on our position as the leading ISP in Canada with a high-speed Internet subscriber base of 3,790,141, up 9.0% over 2016, including one million FTTP customers
- Launched Fibe Alt TV, Canada's first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Continued to lead television innovation in Canada with ongoing enhancements to our IPTV service
  - Fibe TV customers in Ontario and Québec can watch their PVR recordings on the go on their tablets, smartphones and laptops with the Fibe TV app
  - Customers with 4K Whole Home PVR can access YouTube, in addition to CraveTV and Netflix
- Acquired AlarmForce (transaction completed on January 5, 2018), a Canadian leader in home security and monitoring services, as part of Bell's strategic expansion in the fast-growing Connected Home marketplace. Combining the assets and experience of AlarmForce with Bell's strength in networks, customer service and distribution will enable Bell to deliver the latest Connected Home services to customers in Ontario, Québec, Atlantic Canada and Manitoba.

- Partnered with Akamai Technologies Inc. (Akamai), a global leader in content delivery and cloud services, to expand our portfolio of integrated web security solutions for business customers. Complementing Bell solutions to help businesses increase productivity, minimize risk, and maximize service differentiation, Akamai's leading cloud security, web performance, and media delivery products strengthen our ability to identify security threats, proactively prevent attacks, and support customers in optimizing their online presence.
- Recognized by IDC Canada as a leader in delivering security services for business customers. Bell was the only telecom company in IDC's Leaders Category, which included large multinationals such as CGI, IBM and Deloitte. Evaluators noted that Bell's extensive network enables us to quickly leverage cyber threat intelligence to provide a complete range of advanced threat detection, mitigation and prevention services.

2018 FOCUS

- Continue to enhance our Fibe TV and Alt TV services with more advanced features
  - In January 2018, we concluded a multi-year agreement with Ericsson to leverage its next generation, cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibe TV and Alt TV customers
- Maintain our leadership position in Canadian broadband communications with the most advanced products in the home
  - In January 2018, we launched Whole Home Wi-Fi, Canada's first Wi-Fi service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements. Bell partnered with Plume to deliver new access points, called pods, that work with the cloud-based networking intelligence of Bell's Home Hub 3000 modem to deliver a fully adaptive Wi-Fi service.
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

Improve customer service

2017 PROGRESS

- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced FTTH Residential Fibe TV installation time by 9% in 2017
- Reduced FTTH Residential Fibe TV repair truck rolls per customer by 16% in 2017
- Offered Same Day repair appointments to 68% of small business customers, an improvement of 94% since 2014
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTP installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician in-field experience through simplification and innovation of technician tools
- Improve troubleshooting and diagnostic processes to manage increasing customer and device complexity

Achieve a competitive cost structure

2017 PROGRESS

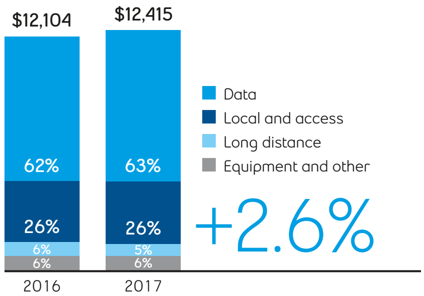
- Improved Bell Wireline adjusted EBITDA margin by 0.1 pts over 2016
- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP

2018 FOCUS

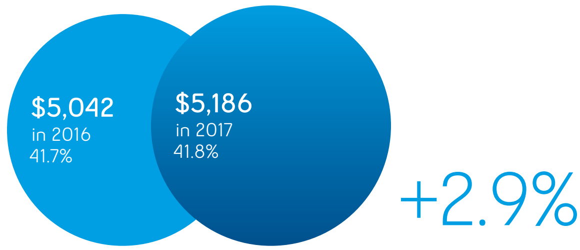
- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin

2017 PERFORMANCE HIGHLIGHTS

Bell Wireline Revenues
(in $ millions)



Bell Wireline Adjusted EBITDA
(in $ millions)
(% adjusted EBITDA margin)



TV [(1)]
+3.2%
Subscriber growth
in 2017

IPTV
107,712
Total net subscriber activations
in 2017

Fibre footprint
9.2 million
Homes and businesses
at the end of 2017

High-speed Internet [(1)] [(2)]
+9.0%
Subscriber growth
in 2017

High-speed Internet
87,860
Total net subscriber activations
in 2017

NAS lines [(1)]
+1.0%
Subscriber growth
in 2017

(1) *As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet, TV and NAS subscriber bases increased by 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively.*

(2) *Following a review of customer accounts by a wholesale reseller, we have adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.*

BELL WIRELINE RESULTS

REVENUES

	2017	2016	$ CHANGE	% CHANGE
Data	7,146	6,791	355	5.2%
Local and access	3,161	3,089	72	2.3%
Long distance	639	741	(102)	(13.8%)
Other services	213	182	31	17.0%
Total external service revenues	11,159	10,803	356	3.3%
Inter-segment service revenues	198	177	21	11.9%
Total operating service revenues	11,357	10,980	377	3.4%
Data	519	559	(40)	(7.2%)
Equipment and other	527	555	(28)	(5.0%)
Total external product revenues	1,046	1,114	(68)	(6.1%)
Inter-segment product revenues	12	10	2	20.0%
Total operating product revenues	1,058	1,124	(66)	(5.9%)
Total Bell Wireline revenues	12,415	12,104	311	2.6%

Bell Wireline operating revenues grew by 2.6% in 2017, compared to last year, driven by increases in data, local and access and other services revenue, offset in part by declines in long distance and product revenues.

Bell Wireline service revenues increased by 3.4% in 2017, compared to 2016, driven by the acquisitions of MTS and Q9, Internet and IPTV subscriber growth, coupled with higher household ARPU. This was offset in part by the ongoing erosion in our voice, satellite TV and legacy data services, together with greater customer acquisition, retention and bundle discounts to match aggressive offers from cable competitors. Regulatory pressures due to unfavourable CRTC rulings in 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171 also unfavourably impacted service revenue growth.

- **Data revenues** increased by 5.2% in 2017, compared to 2016, due to the acquisition of MTS, Internet and IPTV subscriber growth, and higher ARPU driven by residential rate increases and larger data usage Internet rate plans, greater business solutions services driven by the acquisition of Q9 and IP-based services growth. This was moderated by the continued decline in our satellite TV subscriber base, ongoing legacy data erosion due in part to migrations to IP-based services and competitive pricing pressures within our business and wholesale markets, as well as greater acquisition, retention and bundle discounts on residential Internet and TV services due to aggressive offers from cable competitors. Unfavourable CRTC regulatory impacts relating to lower revised interim rates for aggregated wholesale high-speed Internet access services and Telecom Decision CRTC 2016-171 further pressed data revenues.
- **Local and access revenues** increased by 2.3% in 2017, compared to prior year, attributable to the acquisition of MTS and residential rate increases, partially offset by continued NAS line erosion from technological substitution to wireless and Internet-based services, large business customer conversions to IP-based data services, competitive pricing pressures and the negative impact from Telecom Decision CRTC 2016-171.
- **Long distance revenues** decreased by 13.8% in 2017, compared to last year, reflecting fewer minutes of use by residential and business customers as a result of NAS line erosion, technology substitution to wireless and OTT Internet-based services, continued rate pressures in our residential market from customer adoption of premium rate plans and reduced sales of international long distance minutes in our wholesale market, offset in part by the contribution from the acquisition of MTS
- **Other services revenues** increased by 17.0% in 2017, compared to 2016, primarily driven by the contribution from the acquisition of MTS

Bell Wireline product revenues declined by 5.9% in 2017, compared to prior year, driven by lower demand for equipment by large business customers, attributable to market softness and competitive pricing pressures, as well as lower sales of consumer electronics at The Source, partly offset by the favourable contribution from the MTS acquisition.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	$ CHANGE	% CHANGE
Operating costs	(7,229)	(7,062)	(167)	(2.4%)
Adjusted EBITDA	5,186	5,042	144	2.9%
Adjusted EBITDA margin	41.8%	41.7%		0.1 pts

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, attributable to:

- The acquisitions of MTS and Q9
- Higher programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fleet expenses from higher fuel and refurbishment costs
- Greater marketing and sales expense in our residential market to support subscriber acquisitions

These factors were partially offset by:

- Lower labour costs attributable to workforce reductions and vendor contract savings, as well as fewer call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by fewer sales of international long distance minutes
- Reduced bad debt expense

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, and the adjusted EBITDA margin increased to 41.8% in 2017 compared to the 41.7% achieved last year. The year-over-year growth in adjusted EBITDA was driven by:

- The contribution from the MTS and Q9 acquisitions
- Ongoing growth from our Internet and IPTV businesses in a highly competitive environment
- Effective cost management

These factors were partially offset by:

- The continued erosion of voice, satellite TV and legacy data revenues, reflecting ongoing competitive repricing and reduced customer spending in our business market
- Unfavourable CRTC regulatory rulings from 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171

BELL WIRELINE OPERATING METRICS

DATA

High-speed Internet

	2017	2016	CHANGE	% CHANGE
High-speed Internet net activations	87,860	85,099	2,761	3.2%
High-speed Internet subscribers (1) (2)	3,790,141	3,476,562	313,579	9.0%

(1) *As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet subscriber base increased by 229,470.*

(2) *Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.*

High-speed Internet subscriber net activations increased by 3.2% in 2017, compared to 2016, driven by higher retail gross activations particularly in our FTTH footprint, ramp up in activations from Home Internet service by Virgin Mobile which launched in July 2016, richer promotional offers, a reduced number of retail customers coming off promotional offers and growth from our small business market. This was partly offset by increased residential churn driven by aggressive offers from cable competitors and competitive pressures in our wholesale market.

High-speed Internet subscribers at December 31, 2017 totaled 3,790,141, up 9.0% from the end of last year, including the subscribers acquired from MTS.

TV

	2017	2016	CHANGE	% CHANGE
Net subscriber (losses) activations	(20,716)	6,413	(27,129)	(423.0%)
IPTV	*107,712*	*155,153*	*(47,441)*	*(30.6%)*
Total subscribers [(1)]	2,832,300	2,744,909	87,391	3.2%
IPTV [(1)]	*1,550,317*	*1,337,944*	*212,373*	*15.9%*

(1) *As a result of the acquisition of MTS on March 17, 2017, our TV subscriber base increased by 108,107 (104,661 IPTV).*

IPTV net subscriber activations decreased by 30.6% in 2017, compared to last year, driven by higher deactivations due to aggressive residential offers for service bundles from cable competitors, a greater number of retail customers coming off promotional offers, the impact of maturing Fibe TV markets, reduced footprint expansion in 2017, increased substitution of traditional TV services with OTT services, along with fewer customer migrations from satellite TV. This was mitigated in part by higher activations due to the launch of Fibe Alt TV on May 15, 2017, our application based live TV streaming service, and greater gross activations, particularly in our FTTH footprint.

Satellite TV net customer losses improved by 13.7% in 2017, compared to 2016, driven by lower residential deactivations attributable to a more mature subscriber base, a reduced number of customers coming off promotional offers and fewer migrations to IPTV, offset in part by aggressive residential promotional offers from cable competitors.

Total TV net subscriber activations (IPTV and satellite TV combined) declined by 27,129, compared to 2016, due to lower IPTV net activations, partly offset by fewer satellite TV net losses.

IPTV subscribers at December 31, 2017 totaled 1,550,317, up 15.9% from 1,337,944 subscribers reported at the end of 2016, including the subscribers acquired from MTS.

Satellite TV subscribers at December 31, 2017 totaled 1,281,983, down 8.9% from 1,406,965 subscribers at the end of last year, including the subscribers acquired from MTS.

Total TV subscribers (IPTV and satellite TV combined) at December 31, 2017 were 2,832,300, representing a 3.2% increase since the end of 2016, including the subscribers acquired from MTS.

LOCAL AND ACCESS

	2017	2016	CHANGE	% CHANGE
NAS LINES				
Residential [(1)]	3,231,308	3,249,739	(18,431)	(0.6%)
Business [(1)]	3,089,175	3,007,993	81,182	2.7%
Total	6,320,483	6,257,732	62,751	1.0%
NAS NET LOSSES				
Residential	(242,094)	(283,993)	41,899	14.8%
Business	(114,971)	(131,415)	16,444	12.5%
Total	(357,065)	(415,408)	58,343	14.0%

(1) *As a result of the acquisition of MTS on March 17, 2017, our NAS subscriber base increased by 419,816 (223,663 residential and 196,153 business) subscribers.*

NAS net losses improved by 14.0% in 2017, compared to 2016, due to both lower residential and business net losses.

Residential NAS net losses improved by 14.8% in 2017, compared to last year, driven by greater acquisition of three-product households, increased pull-through from our IPTV service bundle offers, as well as lower customer deactivations, reflecting a reduced number of retail customers coming off of promotional offers. This was offset in part by aggressive competitive offers from cable TV providers, ongoing wireless and Internet-based technology substitution and the inclusion of Bell MTS net losses.

Business NAS net losses decreased by 12.5% in 2017, compared to prior year, as a result of fewer net losses in our small business market, together with lower competitive losses in our wholesale market. This was offset in part by higher net losses in our large business market, driven by greater customer wins in 2016, reduced demand for new access lines and increased migrations to IP-based services, mitigated in part by fewer competitive losses.

NAS subscribers at December 31, 2017 totaled 6,320,483, representing a 1.0% increase compared to the 6,257,732 subscribers reported at the end of 2016, including the subscribers acquired from MTS. This was a significant improvement over the 6.4% subscriber base decrease experienced in 2016.

COMPETITIVE LANDSCAPE

The financial performance of the overall Canadian wireline telecommunications market continues to be impacted by the ongoing declines in legacy voice service revenues resulting from technological substitution to wireless and OTT services, as well as by ongoing conversion to IP-based data services and networks by large business customers. Sustained competition from cable companies also continues to erode traditional telephone providers' market share of residential local telephony. Canada's four largest cable companies had approximately four million telephony subscribers at the end of 2017, representing a national residential market share of approximately 45%. Other non-facilities-based competitors also offer local and long distance VoIP services and resell high-speed Internet services.

Although the residential Internet market is maturing, with over 88% penetration across Canada, subscriber growth is expected to continue over the next several years. At the end of 2017, the four largest cable companies had approximately 6.7 million Internet subscribers, representing 54% of the total Internet market based on publicly reported data[(1)], while incumbent local exchange carriers (ILECs) held the remaining 46% or 5.8 million subscribers. Bell continues to make market share gains due to the expansion of our fibre optic network and the pull-through of subscribers from our IP-based Fibe TV and Alt TV services.

While Canadians still watch traditional TV, digital platforms are playing an increasingly important role in the broadcasting industry. Popular online video services are providing Canadians with more choice about where, when and how to access their video content. In 2017, ILECs offering IPTV service grew their subscriber bases by 6% to reach 2.7 million customers, driven by expanded network coverage, enhanced service offerings, and marketing and promotions focused on IPTV. This growth came at the expense of cable TV and DTH satellite TV subscriber losses. At the end of the year, Canada's four largest cable companies had approximately 5.8 million TV subscribers, or a 55% market share, consistent with 55% at the end of 2016.

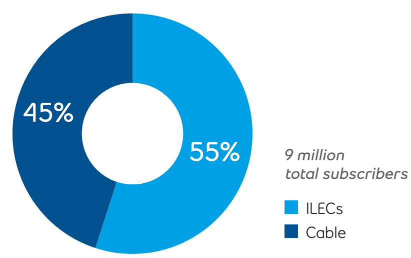
In 2017, our primary cable TV competitors, Rogers and Vidéotron, announced agreements with global media and technology company Comcast to adopt Comcast's XFINITY X1 video platform for future commercial deployment. Our IP-based Fibe TV platform continues to have numerous service leadership advantages over this cable platform, including: flexible pricing, plans and packaging available to all customers; picture clarity and quality; content depth and breadth, including 4K content, as well as more HD, video on demand, sports, multicultural and OTT content, such as 4K Netflix and YouTube; and the number of ways customers can access content, including wireless STBs, Restart TV, higher capacity PVR and the Fibe TV app.

Competitors

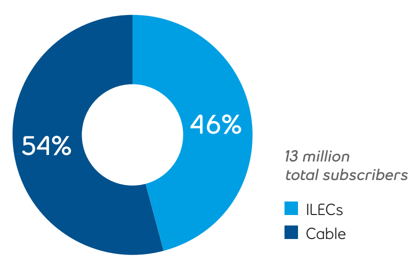
- Cable TV providers offering cable TV, Internet and cable telephony services, including:
  - Rogers in Ontario, New Brunswick, Newfoundland and Labrador
  - Vidéotron in Québec
  - Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco) in Ontario and Québec
  - Shaw in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario
  - Shaw Direct, providing DTH satellite TV service nationwide
  - Eastlink in every province except Saskatchewan, where it does not provide cable TV and Internet service
- TELUS provides residential voice, Internet and IPTV services in British Columbia, Alberta and Eastern Québec
- TELUS and Allstream Inc. provide wholesale products and business services across Canada
- Various others (such as TekSavvy Solutions, Distributel, VMedia, and Vonage Canada (a division of Vonage Holdings Corp.) (Vonage)) offer resale or VoIP-based local, long distance and Internet services
- OTT voice and video services such as Skype, Netflix, Amazon Prime Video and YouTube
- Digital media streaming devices such as Apple TV, Roku and Google Chromecast
- Other Canadian ILECs and cable TV operators
- Substitution to wireless services, including those offered by Bell
- Customized managed outsourcing solutions competitors, such as systems integrators CGI, EDS (a division of HP Enterprise Services) and IBM
- Wholesale competitors include cable operators, domestic CLECs, U.S. or other international carriers for certain services, and electrical utility-based telecommunications providers
- Competitors for home security range from local to national companies, such as ADT, Chubb Security, Stanley Security, Fluent and MONI Smart Security

Canadian market share

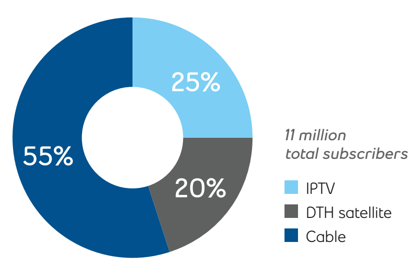
Residential telephony



Internet



TV



(1) *Internet services provided by resellers are included as wholesale Internet subscribers for cable companies and ILECs.*

INDUSTRY TRENDS

INVESTMENT IN BROADBAND FIBRE DEPLOYMENT

The Canadian ILECs continue to make substantial investments in deploying broadband fibre within their territories, with a focus on direct FTTP access to maintain and enhance their ability to support enhanced IP-based services and higher broadband speeds. Cable TV companies continue to evolve their cable networks with the gradual roll-out of the DOCSIS 3.1 platform. Although this platform increases speeds in the near term and is cost-efficient, it does not offer the same advanced capabilities as FTTP over the longer term. FTTP delivers broadband speeds of up to 1 Gbps currently, with faster speeds expected in the future as equipment evolves to support these higher speeds. Going forward, ILECs are expected to maintain high levels of capital spending for the ongoing expansion of their broadband fibre networks, with an increasing emphasis on upgrading current FTTN networks to FTTP.

ALTERNATIVE TV AND OTT SERVICES

The growing popularity of watching TV and on-demand content anywhere, particularly on handheld devices, is expected to continue as customers adopt services that enable them to view content on multiple screens. Streaming media providers, such as Netflix and Amazon Prime Video, continue to enhance OTT streaming services in order to compete for share of viewership in response to evolving viewing habits and consumer demand. TV providers are monitoring OTT developments and evolving their content and market strategy to compete with these non-traditional offerings. We view OTT as an opportunity to add increased capabilities to our linear and on-demand assets, provide customers with flexible options to choose the content they want and drive greater usage of Bell's high-speed Internet and wireless networks. We continue to enhance our Fibe TV service with additional content and capabilities, including 4K Ultra HD content, the ability to watch recorded content on the go and access to Netflix and YouTube on STBs. Bell also launched Canada's first widely available app-based live TV service called Fibe Alt TV to address the growing cord-cutting and cord-shaving markets with the ability to consume live and on-demand content on laptops, smartphones, tablets and Apple TV without the need for a traditional TV STB.

TECHNOLOGY SUBSTITUTION

Technology substitution, enabled by the broad deployment of higher speed Internet; the pervasive use of e-mail, messaging and social media as alternatives to voice services; and the growth of wireless and VoIP services, continues to drive legacy voice revenue declines for telecommunications companies. Wireless-only households were estimated to represent approximately 43% of households in Ontario, Québec and Atlantic Canada at the end of 2017, compared to approximately 38% at the end of 2016, while the disconnection of and reduction in spending for traditional TV (cord-cutting and cord-shaving) continues to rise. Although Bell is a key provider of these substitution services, the decline in this legacy business continues as anticipated.

ADOPTION OF IP-BASED SERVICES

The convergence of IT and telecommunications, facilitated by the ubiquity of IP, continues to shape competitive investments for business customers. Telecommunications companies are providing professional and managed services, as well as other IT services and support, while IT service providers are bundling network connectivity with their software as service offerings. In addition, manufacturers continue to bring all-IP and converged (IP plus legacy) equipment to market, enabling ongoing migration to IP-based solutions. The development of IP-based platforms, which provide combined IP voice, data and video solutions, creates potential cost efficiencies that compensate, in part, for reduced margins resulting from the continuing shift from legacy to IP-based services. The evolution of IT has created significant opportunities for our business markets services, such as cloud services and data hosting, that can have a greater business impact than traditional telecommunications services.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

We expect positive revenue and adjusted EBITDA growth in 2018. This reflects a full year of Bell MTS financial contribution compared to approximately nine months in 2017; a stronger broadband Internet and TV subscriber trajectory supported by a fast-growing direct fibre service footprint, mass-market Fibe advertising launch in Toronto, scaling of Alt TV and new innovative features enabled by the new MediaFirst IPTV platform; annual residential price increases; improving year-over-year organic business markets performance; as well as cost reductions to counter competitive repricing pressures and the ongoing decline in voice revenues. With respect to the acquisition of AlarmForce, while helpful in advancing Bell's expansion in the fast-growing Connected Home marketplace, it is too small financially to have any material impact on overall wireline financial results and growth rates in 2018.

TV subscriber growth within our wireline footprint is expected to be driven by continued strong customer adoption of Fibe TV as we increase penetration of existing IPTV-enabled neighbourhoods and drive ongoing innovation in IPTV services. We also intend to seek greater penetration within the multiple-dwelling units (MDU) market, capitalize on our extensive retail distribution network, and leverage our market leadership position in HD and 4K programming and on-demand streaming services to drive incremental subscriber growth and higher revenue per household. Although satellite TV net customer losses will continue in 2018, as a result of aggressive residential promotional offers from cable competitors, they are expected to moderate, due to fewer residential deactivations reflecting a more mature and geographically better suited subscriber base for satellite TV service and reduced customer migrations to IPTV.

Planned Internet subscriber base growth in 2018 is expected to be driven by a growing FTTP service footprint that enables faster Internet speeds and broadband innovation such as smart Whole Home Wi-Fi that ensures stronger signals, as well as by the pull-through of IPTV customer activations, including from Bell's new app-based live TV streaming service Alt TV. This is expected to have an associated positive impact on household ARPU growth and residential customer churn.

In wireline business, although the economy is slowly rebounding, customers continue to look for opportunities to lower costs. As a result, telecom spending by large enterprise customers is expected to be variable and improve at a modest pace. This, combined with ongoing customer migration to IP-based systems and demand for cheaper bandwidth alternatives with faster speeds, will likely continue to negatively impact overall business markets results in 2018. We intend on seeking to minimize the overall revenue decline from legacy services by leveraging our market position to develop unique services and value enhancements, which further improve client experience by providing more features with improved flexibility to support client needs on demand. We intend to use marketing initiatives to slow NAS erosion, while investing in direct fibre expansion and new solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications, and security services. We will continue to deliver network-centric managed and professional services solutions to large and mid-sized businesses that increase the value of connectivity services. Moreover, our acquisition of Q9 in October 2016 has strengthened our service offerings in data hosting, managed services and cloud computing solutions, allowing us to capture improved financial benefits, while enhancing our ability to achieve a higher pull-through of connectivity revenue.

We also expect to experience sustained competitive intensity in our mass and mid-sized business markets as cable operators and other telecom competitors maintain their focus on these customer segments. We also intend to introduce service offerings that help drive innovative solutions and value for our mass and mid-sized customers by leveraging Bell's network assets, broadband fibre expansion and service capabilities to expand our relationships with them. We will maintain a focus on overall profitability by seeking to increase revenue per customer and customer retention, as well as through improving our processes to achieve further operating efficiencies and productivity gains.

Operating cost reduction will continue to be a key focus for our Bell Wireline segment, helping to offset costs related to the growth and retention of IPTV, Internet, IP broadband and hosted IP voice subscribers, the ongoing erosion of high-margin wireline voice and other legacy revenues, as well as competitive repricing pressures in our residential, business and wholesale markets. This, combined with further service-level improvements and operating synergies from the integration of Bell MTS, is expected to support our objective of maintaining our consolidated adjusted EBITDA margin relatively stable year over year.

We also plan to increase capital investment in broadband fibre expansion to more homes and commercial locations, upgrades to support our IPTV and residential Internet services, as well as new business solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications and security services. We intend to pursue pricing methods that will assist us in covering the capital costs of upgrading our networks, providing new services and expanding capacity to meet growing data consumption.

ASSUMPTIONS

- Positive full-year adjusted EBITDA growth
- Continued growth in residential IPTV and Internet subscribers
- Increasing wireless and Internet-based technological substitution
- Residential services household ARPU growth from increased penetration of multi-product households and price increases
- Aggressive residential service bundle offers from cable TV competitors in our local wireline areas
- Continued large business customer migration to IP-based systems
- Ongoing competitive repricing pressures in our business and wholesale markets
- Continued competitive intensity in our small and mid-sized business markets as cable operators and other telecom competitors continue to intensify their focus on business customers
- Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services
- Ongoing deployment of direct fibre and growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume vast quantities of bandwidth, will require considerable ongoing capital investment
- Accelerating customer adoption of OTT services resulting in downsizing of TV packages
- Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the integration of MTS
- No material financial, operational or competitive consequences of changes in regulations affecting our wireline business

KEY GROWTH DRIVERS

- Expanding FTTP footprint
- Increasing IPTV penetration of households
- Higher market share of industry TV and Internet subscribers
- Greater penetration of multi-product households
- Improved residential customer retention
- Increased business customer spending on connectivity services and managed and professional services solutions, as well as greater new business formation as the economy strengthens and employment rates improve
- Expansion of our business customer relationships to drive higher revenue per customer
- Ongoing service innovation and product value enhancements

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks which specifically affect the Bell Wireline segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION

RISK

- The intensity of competitive activity coupled with new product launches (e.g. IoT, connected home systems and devices, newer TV platforms, etc.) from incumbent operators, cable companies, non-traditional players and wholesalers

POTENTIAL IMPACT

- An increase in the intensity level of competitive activity could result in higher churn, increased acquisition and retention expenses, and increased use of promotional competitive offers to acquire and keep customers, all of which would put pressure on Bell Wireline's adjusted EBITDA

REGULATORY ENVIRONMENT

RISK

- The CRTC mandates rates for the new disaggregated wholesale high-speed access service available on FTTP facilities that are materially different from the rates we proposed, and which do not sufficiently account for the investment required in these facilities

POTENTIAL IMPACT

- The mandating of rates for the new disaggregated wholesale high-speed access service available on FTTP facilities that are materially different from the rates we proposed could improve the business position of our competitors and change our investment strategy, especially in relation to investment in next-generation wireline networks in smaller communities and rural areas

CHANGING CUSTOMER BEHAVIOUR

RISK

- The traditional TV viewing model (i.e. the subscription for bundled channels) is challenged by an increasing number of legal and illegal viewing options available in the market offered by traditional, non-traditional and global players, as well as developing cord-cutting and cord-shaving trends
- Changing customer habits further contribute to the erosion of NAS lines

POTENTIAL IMPACT

- Our market penetration and number of TV subscribers could decline as a result of broadcasting distribution undertaking (BDU) offerings and an increasing number of domestic and global unregulated OTT providers. The proliferation of IP-based products, including OTT content offerings directly to consumers, may accelerate the disconnection of TV services or the reduction of TV spending
- The ongoing loss of NAS lines from technological substitution to wireless and Internet-based services and large business customer conversions to IP-based data services challenge our traditional voice revenues and compel us to develop other service offerings

5.3 Bell Media

Bell Media maintained industry leadership in TV and radio even as overall financial performance in 2017 was impacted by general softness in the TV advertising market, viewership decline for traditional linear TV, an ongoing shift in customer spending to online services, as well as escalating programming and content costs.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

Expand media leadership

2017 PROGRESS

- Maintained CTV's #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus to acquire French-language specialty channels Séries+ and Historia, further enhancing our competitiveness in the Québec media landscape. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The transaction is subject to approval by the CRTC and the Competition Bureau.
- Grew CraveTV viewership to approximately 1.3 million subscribers at the end of 2017
- Signed an agreement to acquire four FM radio stations in Ontario from Larche. Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media's existing 105 iHeartRadio Canada properties will broaden the network's industry-leading reach across the country
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air a slate of games in the Montreal Canadiens' designated broadcast region, which spans Eastern and Northern Ontario, Québec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include syndication rights for NFL highlights in Canada, as well as expanded footage and programming rights to further bolster Bell Media's non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks' digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country's largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
  - In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate's future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.
- Grow viewership and scale of CraveTV on-demand TV streaming service
  - In January 2018, we announced that CraveTV's HBO offering would expand throughout 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope

- Develop in-house production and content creation for distribution and use across all screens and platforms
- Expand live and on-demand content through TV Everywhere services
- Build on our OOH leadership position in Canada
- Grow French media properties
- Leverage cross-platform and integrated sales and sponsorship
- Grow revenues through unique partnerships and strategic content investments
  - In January 2018, we partnered with Bloomberg Media to create BNN Bloomberg, Canada's leading multi-platform business news brand. Expected to launch in Spring 2018, BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada's business decision makers
  - In February 2018, we launched Snackable TV, a mobile-first, short-form video app delivering premium and shareable entertainment targeted at viewers looking to consume snack-size pieces of content, featuring exclusive content from HBO, Comedy Central, Etalk and more

Achieve a competitive cost structure

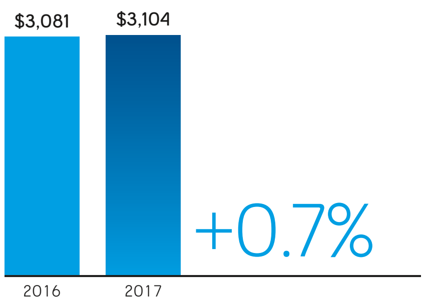
2018 FOCUS

- Optimize operating cost structure to align with revenue results

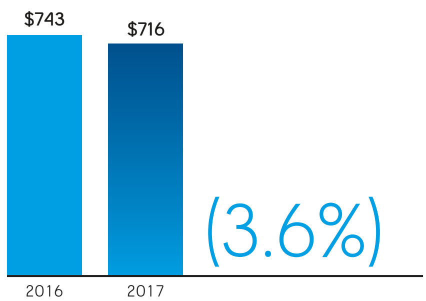
FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

Bell Media Revenues (in $ millions)



Bell Media Adjusted EBITDA (in $ millions)

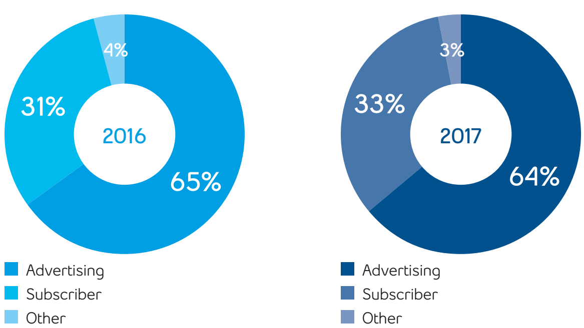


CTV is the most-watched Canadian TV network

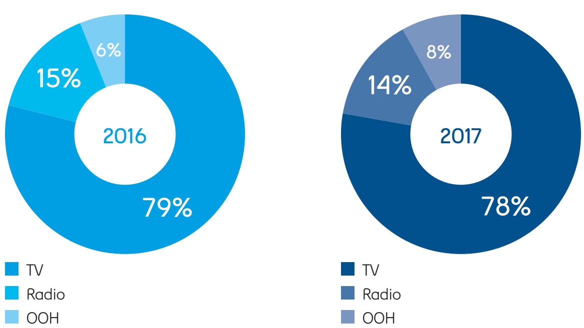
9 of top 20 programs

Nationally among total viewers
2016-2017 broadcast year

Bell Media Revenue mix (product)



Bell Media Revenue mix (line of business)



BELL MEDIA RESULTS

REVENUES

	2017	2016	$ CHANGE	% CHANGE
Total external revenues	2,676	2,685	(9)	(0.3%)
Inter-segment revenues	428	396	32	8.1%
Total Bell Media revenues	3,104	3,081	23	0.7%

Bell Media operating revenues increased by 0.7% in 2017, compared to 2016, driven by higher subscriber revenues, offset in part by lower advertising revenues.

Subscriber revenues grew in 2017, compared to last year, mainly due to the growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals with TV distributors and the benefit from the expansion of TMN into a national pay TV service in March 2016.

Advertising revenues decreased in 2017, compared to 2016, reflecting continued market softness and declines in audience levels, which unfavourably impacted advertising revenues across both conventional and specialty TV and radio media platforms. The CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl also contributed to the year-over-year decline in advertising revenues. These pressures were moderated by growth in OOH advertising revenues as a result of the contribution from newly awarded contracts and the Cieslok Media acquisition in January 2017, as well as by higher year-over-year revenues from digital properties.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	$ CHANGE	% CHANGE
Operating costs	**(2,388)**	(2,338)	(50)	(2.1%)
Adjusted EBITDA	**716**	743	(27)	(3.6%)
Adjusted EBITDA margin	**23.1%**	24.1%		(1.0) pts

Bell Media operating costs increased by 2.1% in 2017, compared to last year, mainly due to higher programming and content costs primarily related to the ongoing ramp up of content for CraveTV and pay TV services, deal renewals for specialty TV programming, content costs associated with TMN national expansion, escalating sports rights costs, greater expenses resulting from the Cieslok Media acquisition and the execution of newly awarded contracts in OOH. This was partially mitigated by reduced labour costs driven mainly by workforce reductions.

Bell Media adjusted EBITDA decreased by 3.6% in 2017, compared to the previous year, due to escalating programming and content costs and flow-through of the advertising revenue decline which included the unfavourable impact of the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. This was moderated by continued growth in subscriber revenues and lower labour costs.

BELL MEDIA OPERATING METRICS

- CTV maintained its #1 ranking as the most-watched network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Bell Media's English specialty and pay TV properties reached 82% of all Canadian English specialty and pay TV viewers on an average weekly basis in 2017. Four of the top 10 Canadian English commercial specialty channels among viewers aged 25 to 54 are Bell Media properties (TSN, Space, Discovery and CP24).
- In Québec, Bell Media maintained its leadership position in the French specialty and pay TV market, reaching 72% of French-language TV viewers in the average week. Half of the Top 10 French specialty and pay channels among the key viewers aged 25 to 54 were Bell Media properties (RDS, Super Écran, Canal D, Canal Vie and Z).
- Bell Media continued to rank first in digital media among Canadian broadcast and video network competitors, and sixth among online properties in the country, with 18.9 million unique visitors per month, reaching 60% of the digital audience
- Bell Media remained Canada's top radio broadcaster, reaching 17.4 million listeners who spent 73.6 million hours tuned in each week during 2017
- Astral is one of Canada's leading OOH advertising companies with an offering of five innovative product lines and more than 31,000 at the end of 2017 advertising faces strategically located in the British Columbia, Alberta, Manitoba, Ontario, Québec and Nova Scotia markets

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

Competition in the Canadian media industry has changed in recent years as traditional media assets are increasingly being controlled by a small number of competitors with significant scale and financial resources. Technology has allowed new entrants to become media players in their own right. Some players have become more vertically integrated across both traditional and emerging platforms to better enable the acquisition and monetization of premium content. Global aggregators have also emerged and are competing for both content and viewers.

Bell Media competes in the TV, radio and OOH advertising markets:

- **TV:** The TV market has become increasingly fragmented and this trend is expected to continue as new services and technologies increase the diversity of information and entertainment outlets available to consumers
- **Radio:** Competition within the radio broadcasting industry occurs primarily in discrete local market areas among individual stations
- **OOH:** The Canadian OOH advertising industry is fragmented, consisting of a few large companies as well as numerous smaller and local companies operating in a few local markets

Consumers continue to shift their media consumption towards digital and online media, mobile devices and on-demand content, requiring industry players to increase their efforts in digital content and capabilities in order to compete. This trend is also causing advertisers to direct more of their spending to digital and online rather than traditional media. In addition, the number of competitors has increased as more digital and online media companies, including large global companies, enter the market.

Competitors

TV

- Conventional Canadian TV stations (local and distant signals) and specialty and pay channels, such as those owned by Corus, Rogers, Québecor, Canadian Broadcasting Corporation (CBC)/Société Radio-Canada (SRC) and Groupe V
- U.S. conventional TV stations and specialty channels
- OTT streaming providers such as Netflix, Amazon Prime Video and DAZN
- Video-sharing websites such as YouTube

RADIO

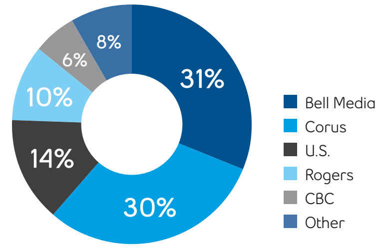
- Large radio operators, such as Rogers, Corus, Cogeco and Newcap Inc. (Newcap) that also own and operate radio station clusters in various local markets
- Radio stations in specific local markets
- Satellite radio provider SiriusXM
- Music streaming services such as Spotify, Apple Music and Google Play Music
- Music downloading services such as Apple's iTunes Store
- Other media such as newspapers, local weeklies, TV, magazines, outdoor advertising and the Internet

OOH ADVERTISING

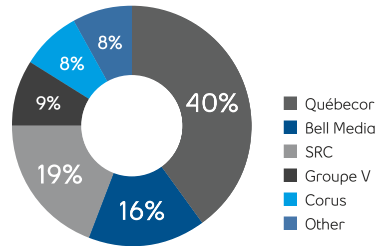
- Large outdoor advertisers, such as Jim Pattison Broadcast Group, Outfront Media, Québecor, Dynamic and Clear Channel Outdoor
- Numerous smaller and local companies operating a limited number of display faces in a few local markets
- Other media such as TV, radio, print media and the Internet

Canadian market share

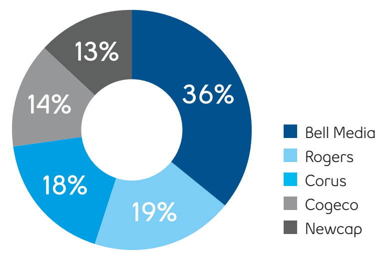
TV viewership [1]
English language TV [2]



TV viewership [1]
French language TV



Radio [1]
Broadcaster hours tuned



(1) *Broadcast year-end at August 31, 2017, 2+ age category, Fall 2017 for radio.*

(2) *Percentages may not add to 100 due to rounding.*

INDUSTRY TRENDS

TECHNOLOGY AND CONSUMER HABITS TRANSFORMING THE WAY TV IS DELIVERED

Technology used in the media industry continues to evolve rapidly, which has led to alternative methods for the distribution, storage and consumption of content. These technological developments have driven and reinforced changes in consumer behaviour as consumers seek more control over when, where and how they consume content. Consumers now have the ability to watch content from a variety of media services on the screen of their choice, including TVs, computers, and mobile devices. The number of Canadian users who are connected to the Internet through their TVs is growing as connection becomes easier and more affordable. Changes in technology and consumer behaviour have resulted in a number of challenges for content aggregators and distributors. Ubiquitous access to content enabled by connected devices introduces risk to traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional content aggregators.

GROWTH OF ALTERNATIVES TO TRADITIONAL LINEAR TV

Consumers have improved access to online entertainment and information alternatives that did not previously exist. While traditional linear TV was the only way to access entertainment programming in the past, the increase in alternative entertainment options has led to a fragmentation in consumption habits. Traditional linear TV still remains the most common form of video consumption and people are increasingly consuming content on their own terms. In particular, today's viewers are consuming more content online, watching less scheduled programming live, time-shifting original broadcasts through PVRs, viewing more TV on mobile devices, and catching up on past programming on-demand. In addition, a growing number of consumers are spending considerable time viewing online alternatives to traditional TV. This is evident in the growing number and popularity of OTT video services like Netflix and Amazon Prime Video. To date, these OTT services have largely complemented existing TV services, with the majority of subscribers adding an OTT service subscription to complement their traditional linear package. In recognition of changing consumer behaviour, media companies are evolving their content and launching their own solutions to better compete with these non-traditional offerings through services such as Bell Media's CraveTV on-demand TV streaming service and authenticated TV Everywhere services such as CTV GO, TSN GO, RDS GO, Discovery GO and TMN GO.

ESCALATING CONTENT COSTS AND SHIFTS IN ADVERTISING

Viewership and usage trends suggest that online and mobile Internet video consumption is increasing rapidly. Changing content consumption patterns and growth of alternative content providers could exert downward pressure on advertising revenues for traditional media broadcasters. However, premier content, live sports and special events should continue to draw audiences and advertisers, which is expected to result in pricing pressure on future broadcasting rights. Additionally, while access to premium content has become increasingly important to media companies in attracting viewers and advertisers, there is now increased competition for these rights from global competitors, including Netflix, Amazon, and DAZN. This has resulted in higher TV program rights costs, which is a trend that is expected to continue into the future.

ALTERNATIVE DELIVERY OF LIVE SPORTS CONTENT

Access to live sports and other premium content has become even more important for acquiring and retaining audiences that in turn attract advertisers and subscribers. Ownership of content and/or long-term agreements with content owners has, therefore, also become increasingly important to media companies. Leagues, teams, and networks are also experimenting with the delivery of live sports content through online, social, and virtual platforms, while non-traditional sports are also growing in mindshare.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

Revenue performance is expected to reflect Bell Media's broadcast of the 2018 FIFA World Cup, further growth in CraveTV, higher outdoor advertising revenue at Astral and the financial contribution from the pending acquisition of radio stations from Larche. However, the effects of shifting media consumption towards OTT and digital platforms, further TV cord-shaving and cord-cutting, as well as the financial impact of higher content costs for sports broadcast rights and premium programming content will continue to weigh on adjusted EBITDA in 2018. We also intend to continue controlling costs by leveraging assets, achieving productivity gains and pursuing operational efficiencies across all of our media properties, while continuing to invest in premium content across all screens and platforms.

While the advertising market is expected to remain soft in 2018, we anticipate that the strength of our programming including the 2018 FIFA World Cup, and continued strong outdoor advertising growth, will offset some advertising pressure resulting from increased competition and declining audiences. Subscriber fee revenues are projected to remain stable, as growth in CraveTV and TV Everywhere is expected to offset subscriber erosion.

In conventional TV, we intend to leverage the strength of our market position combined with enhanced audience targeting to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. Success in this area requires that we focus on a number of factors, including: successfully acquiring highly rated programming and differentiated content; building and maintaining strategic supply arrangements for content across all screens and platforms, producing and commissioning high-quality Canadian content, including market-leading news; and bringing our data-enhanced TV planning tool to market.

Our sports specialty TV offerings are expected to continue to deliver premium content and exceptional viewing experiences to our viewers. Expanded NFL and NHL offerings, combined with the integration of our digital platforms, are integral parts of our strategy to enhance viewership and engagement. Contractual price increases for strategic sports properties are the principal factors driving continued increases in sports rights costs. We will also continue to focus on creating innovative high-quality productions in the areas of sports news and editorial coverage.

In non-sports specialty TV, audiences and advertising revenues are expected to be driven by investment in quality programming and production. As part of our objective to drive revenue growth, we intend to capitalize on our competitive position in key specialty services to improve both channel strength and channel selection.

In pay TV, we will continue to leverage our investments in premium content (including HBO and SHOWTIME) in order to attract subscribers.

In our French-language pay and specialty services, we will continue to optimize our programming to increase our appeal to audiences, including the pending acquisition of French-language specialty channels Séries+ and Historia, which are subject to closing conditions, including approval by the CRTC and the Competition Bureau.

In radio, we intend to leverage the strength of our market position and pending radio station acquisitions from Larche to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. We also plan to leverage our recently enhanced iHeartRadio digital service in Canada that provides access to more than 1,000 live radio stations and some of the most popular podcasts. Additionally, in conjunction with our local TV properties, we will continue to pursue opportunities that leverage our promotional capabilities, provide an expanded platform for content sharing, and offer synergistic co-location and efficiencies.

In our OOH operations, we plan to leverage the strength of our products to provide advertisers with premium opportunities in key Canadian markets. We will also continue to seek new opportunities in digital markets, including converting our premium outdoor structures to digital.

ASSUMPTIONS

- Revenue performance is expected to reflect an improving TV advertising sales trajectory supported by our broadcast of the 2018 FIFA World Cup, further CraveTV subscriber growth and continued growth in outdoor advertising
- Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content
- Continued scaling of CraveTV
- Ability to successfully acquire and produce highly rated programming and differentiated content
- Building and maintaining strategic supply arrangements for content across all screens and platforms
- Increased revenue generation from monetization of content rights and Bell Media properties across all platforms
- TV unbundling and growth in OTT viewing expected to result in lower subscriber levels for many Bell Media TV properties
- No material financial, operational or competitive consequences of changes in regulations affecting our media business

KEY GROWTH DRIVERS

- Leveraging data to better inform media planning, insights, and execution, leading to an enhanced advertiser experience
- Investing in the best content
- Converting premium OOH structures to digital
- Establishing unique partnerships and strategic content investments

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks specifically related to the Bell Media segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION AND REGULATORY CHANGES

RISK

- The intensity of competitive activity from traditional TV services, as well as from new technologies and alternative distribution platforms such as unregulated OTT content offerings, video on demand, personal video platforms and video services over mobile devices and the Internet, in combination with regulations that require all BDUs to make TV services available à la carte
- Acceleration among non-traditional global players developing more aggressive product and sales strategies in creating and distributing video

POTENTIAL IMPACT

- Adverse impact on the level of subscriptions and/or viewership for Bell Media's TV services and on Bell Media's revenue streams

ADVERTISING AND SUBSCRIPTION REVENUE UNCERTAINTY

RISK

- Advertising is heavily dependent on economic conditions and viewership, as well as on our ability to grow alternative advertising media such as digital and OOH platforms, in the context of a changing and fragmented advertising market. Conventional media is under increasing competitive pressure for advertising spend from non-traditional/global technology companies
- Bell Media has contracts with a variety of BDUs, under which monthly subscription fees for specialty and pay TV services are earned. Agreements with several of these BDUs are expiring in 2018

POTENTIAL IMPACT

- Economic uncertainty could reduce advertisers' spending. Our failure to increase or maintain viewership or capture our share of the changing and fragmented advertising market could result in the loss of advertising revenue
- If we are not successful in renegotiating expiring BDU agreements on favourable terms, it could result in the loss of subscription revenue

RISING CONTENT COSTS AND ABILITY TO SECURE KEY CONTENT

RISK

- Rising content costs, as an increasing number of domestic and global competitors seek to acquire the same content, and the ability to secure key content to drive revenues and subscriber growth

POTENTIAL IMPACT

- Rising programming costs could require us to incur unplanned expenses which could result in negative pressure on adjusted EBITDA
- Our inability to acquire popular programming content could adversely affect Bell Media's viewership and subscription levels and, consequently, advertising and subscription revenues

6 Financial and capital management

This section tells you how we manage our cash and capital resources to carry out our strategy and deliver financial results. It provides an analysis of our financial condition, cash flows and liquidity on a consolidated basis.

6.1 Net debt

	DECEMBER 31, 2017	DECEMBER 31, 2016	$ CHANGE	% CHANGE
Debt due within one year	5,178	4,887	291	6.0%
Long-term debt	18,215	16,572	1,643	9.9%
Preferred shares (1)	2,002	2,002	–	–
Cash and cash equivalents	(625)	(853)	228	26.7%
Net debt	24,770	22,608	2,162	9.6%

(1) *50% of outstanding preferred shares of $4,004 million in 2017 and 2016 are classified as debt consistent with the treatment by some credit rating agencies.*

The increase of $1,934 million in total debt, comprised of debt due within one year and long-term debt, was due to:

- the issuance of Series M-40 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of $700 million, $1 billion, $500 million and $800 million, respectively
- an increase in our debt of $972 million due to the acquisition of MTS
- an increase in our notes payable (net of repayments) of $333 million

Partly offset by:

- the repayment of borrowings under our unsecured committed term credit facility of $480 million
- the early redemption of Series M-22 MTN, M-35 and M-36 debentures in the principal amounts of $1 billion, $350 million and $300 million, respectively
- a net decrease of $241 million in our finance lease obligations and other debt

The decrease in cash and cash equivalents of $228 million was due mainly to:

- $2,639 million of dividends paid on BCE common and preferred shares
- $4,034 million of capital expenditures
- $1,649 million paid for business acquisitions mainly related to the acquisitions of MTS and Cieslok Media
- $224 million for the purchase on the open market of shares for the settlement of share-based payments

Partly offset by:

- $7,358 of cash from operating activities
- $691 million of debt issuances (net of repayments)
- $323 million from the divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS.

6.2 Outstanding share data

COMMON SHARES OUTSTANDING	NUMBER OF SHARES
Outstanding, January 1, 2017	870,706,332
Shares issued for the acquisition of MTS	27,642,714
Shares issued under employee stock option plan	2,555,863
Shares issued under employee savings plan (ESP)	91,731
Outstanding, December 31, 2017	900,996,640

Subsequent to year end, on February 8, 2018, BCE announced its plan to repurchase and cancel up to 3.5 million common shares, subject to a maximum aggregate purchase price of $175 million over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019 through a NCIB.

STOCK OPTIONS OUTSTANDING	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1, 2017	10,242,162	52
Granted	3,043,448	59
Exercised (1)	(2,555,863)	45
Forfeited	(239,498)	58
Outstanding, December 31, 2017	10,490,249	55
Exercisable, December 31, 2017	2,013,983	45

(1) *The weighted average share price for options exercised in 2017 was $60.*

At March 8, 2018, 899,000,579 common shares and 14,092,467 stock options were outstanding.

6.3 Cash flows

	2017	2016	$ CHANGE	% CHANGE
Cash flows from operating activities	**7,358**	6,643	715	10.8%
Capital expenditures	**(4,034)**	(3,771)	(263)	(7.0%)
Cash dividends paid on preferred shares	**(127)**	(126)	(1)	(0.8%)
Cash dividends paid by subsidiaries to non-controlling interest	**(34)**	(46)	12	26.1%
Acquisition and other costs paid	**155**	126	29	23.0%
Voluntary DB pension plan contribution	**100**	400	(300)	(75.0%)
Free cash flow	**3,418**	3,226	192	6.0%
Business acquisitions	**(1,649)**	(404)	(1,245)	n.m.
Acquisition and other costs paid	**(155)**	(126)	(29)	(23.0%)
Voluntary DB pension plan contribution	**(100)**	(400)	300	75.0%
Decrease in investments	**6**	107	(101)	(94.4%)
Loan to related party	**–**	(517)	517	100.0%
Disposition of intangibles and other assets	**323**	–	323	n.m.
Other investing activities	**(83)**	1	(84)	n.m.
Net issuance of debt instruments	**691**	719	(28)	(3.9%)
Issue of common shares	**117**	99	18	18.2%
Repurchase of shares for settlement of share-based payments	**(224)**	(106)	(118)	n.m.
Cash dividends paid on common shares	**(2,512)**	(2,305)	(207)	(9.0%)
Other financing activities	**(60)**	(54)	(6)	(11.1%)
Net (decrease) increase in cash and cash equivalents	**(228)**	240	(468)	n.m.

n.m.: not meaningful

CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOW

In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

CAPITAL EXPENDITURES

	2017	2016	$ CHANGE	% CHANGE
Bell Wireless	**731**	733	2	0.3%
Capital intensity ratio	***9.3%***	*10.2%*		*0.9 pts*
Bell Wireline	**3,174**	2,936	(238)	(8.1%)
Capital intensity ratio	***25.6%***	*24.3%*		*(1.3) pts*
Bell Media	**129**	102	(27)	(26.5%)
Capital intensity ratio	***4.2%***	*3.3%*		*(0.9) pts*
BCE	**4,034**	3,771	(263)	(7.0%)
Capital intensity ratio	***17.8%***	*17.4%*		*(0.4) pts*

BCE capital expenditures totaled $4,034 million in 2017, representing a 7% or $263 million increase over last year. Capital expenditures as a percentage of revenue (capital intensity ratio) increased to 17.8% in 2017, compared to 17.4% in 2016. The growth in capital spending was driven by increases in our Bell Wireline and Bell Media segments, while spending in our Bell Wireless segment remained relatively stable year over year. The growth in capital expenditures also included the impact from the acquisition and integration of Bell MTS. The higher year-over-year capital spending reflected:

- Greater spending in our wireline segment of $238 million in 2017 driven by the ongoing deployment of broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montréal that was announced on March 27, 2017. The increase over last year also included the impact of the MTS acquisition and integration.

- Higher capital spending at Bell Media of $27 million in 2017, mainly due to the Cieslok Media acquisition, the execution of contract wins in Astral and upgrades to Bell Media broadcast studios and TV production equipment
- Relatively stable spending at Bell Wireless, which declined $2 million year over year, primarily due to the slower pace of spending compared to 2016, offset in part by the acquisition and integration of MTS. Our capital investments in Wireless included the continued deployment of the LTE-A mobile network and the substantial completion of our 4G LTE network which reached 87% and 99% of the Canadian population, respectively, at December 31, 2017. Additionally, spending was focused on delivering faster speeds through carrier aggregation, the deployment of small-cell technology to optimize mobile coverage, signal quality and data back-haul, as well as the enhancement of customer experience and the expansion of wireless network capacity to support the growth in subscribers and data consumption.

VOLUNTARY DB PENSION PLAN CONTRIBUTION

In 2017, we made a voluntary contribution of $100 million, compared to a voluntary contribution of $400 million in 2016, to fund our post-employment benefit obligation. The voluntary contributions were funded from cash on hand at the end of 2017 and 2016 and will reduce the amount of BCE's future pension funding obligations.

BUSINESS ACQUISITIONS

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million, of which $1,339 million was paid in cash and the remaining $1,594 million through the issuance of approximately 27.6 million BCE common shares.

On January 3, 2017, BCE acquired all of the issued and outstanding common shares of Cieslok Media, for a total cash consideration of $161 million.

On October 3, 2016, BCE acquired the remaining 64.6% of the issued and outstanding shares of Q9 that it did not already own for a total cash consideration of approximately $158 million, net of cash on hand.

In Q1 2016, BCE completed a transaction with Corus under which Corus waived its HBO content rights in Canada and ceased operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service. TMN was successfully launched nationally on March 1, 2016. BCE paid to Corus a total consideration of $218 million, of which $21 million was paid in 2015.

Subsequent to year end, on January 5, 2018, BCE acquired all of the issued and outstanding shares of AlarmForce for a total consideration of $182 million, of which $181 million was paid in cash and the remaining $1 million through the issuance of 22,531 BCE common shares.

Subsequent to the acquisition of AlarmForce, on January 5, 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta, and Saskatchewan to TELUS for total proceeds of approximately $67 million subject to customary closing adjustments.

DECREASE IN INVESTMENTS

Decrease in investments of $107 million in 2016 included proceeds received from one of our equity investments from the sale of a portion of its operations.

LOAN TO A RELATED PARTY

In 2016, prior to closing the acquisition of Q9, Bell Canada provided a loan of $517 million to Q9 for the repayment of its debt.

DISPOSITION OF INTANGIBLE AND OTHER ASSETS

During Q2 2017, BCE completed the previously announced divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS for total proceeds of $323 million.

DEBT INSTRUMENTS

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of notes payable under commercial paper programs, loans securitized by trade receivables and bank facilities. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt. As at December 31, 2017, all of our debt was denominated in Canadian dollars with the exception of our commercial paper which is denominated in U.S. dollars, all of which has been hedged for foreign currency fluctuations through forward currency contracts.

2017

We issued $691 million of debt, net of repayments. This included the issuances of Series M-40 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of $700 million, $1 billion, $500 million and $800 million, respectively and the issuance (net of repayments) of $333 million of notes payable. These issuances were partly offset by the early redemption of Series M-22 MTN, M-35 and M-36 debentures in the principal amounts of $1 billion, $350 million and $300 million, respectively, payments of finance leases and other debt of $512 million and the repayment of borrowings under our unsecured committed term credit facility of $480 million.

2016

We issued $719 million of debt, net of repayments. This included the issuance of Series M-41 MTN, M-42 MTN and M-43 MTN debentures at Bell Canada with principal amounts of $750 million, $850 million and $650 million, respectively, and the issuance (net of repayments) of $991 million of notes payable. These issuances were partly offset by the early debt redemption of Series M-18 MTN, M-19 MTN, M-23 MTN and M-32 debentures, with principal amounts of $700 million, $200 million, $500 million and $500 million, respectively, the repayment of Series M-38 debentures of $150 million and payments of finance leases and other debt of $472 million.

CASH DIVIDENDS PAID ON COMMON SHARES

In 2017, cash dividends paid on common shares of $2,512 million increased by $207 million compared to 2016, due to a higher dividend paid in 2017 of $2.835 per common share compared to $2.6975 per common share in 2016 and a higher number of outstanding common shares principally as a result of shares issued for the acquisition of MTS.

6.4 Post-employment benefit plans

For the year ended December 31, 2017, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of $338 million. This was due to a lower actual discount rate of 3.6% at December 31, 2017, compared to 4.0% at December 31, 2016. The loss was partly offset by a higher-than-expected return on plan assets.

For the year ended December 31, 2016, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of $262 million. This was due to a lower actual discount rate of 4.0% at December 31, 2016, compared to 4.2% at December 31, 2015. The loss was partly offset by a higher-than-expected return on plan assets.

6.5 Financial risk management

Management's objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk, equity price risk and longevity risk. These risks are further described in Note 2, *Significant accounting policies*, Note 8, *Other (expense) income*, Note 22, *Post-employment benefit plans* and Note 24, *Financial and capital management* in BCE's 2017 consolidated financial statements.

The following table outlines our financial risks, how we manage these risks and their financial statement classification.

FINANCIAL RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION
Credit risk	We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position. We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations.	• Large and diverse customer base • Deal with institutions with investment-grade credit ratings • Regularly monitor our credit risk and exposure • Our trade receivables and allowance for doubtful accounts balances at December 31, 2017 were $3,138 million and $55 million, respectively
Liquidity risk	We are exposed to liquidity risk for financial liabilities.	• Sufficient cash from operating activities, possible capital markets financing and committed bank facilities to fund our operations and fulfill our obligations as they become due • Refer to section 6.7, *Liquidity – Contractual obligations*, for a maturity analysis of our recognized financial liabilities

Foreign currency risk	We are exposed to foreign currency risk related to anticipated transactions and certain foreign currency debt.
	A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $2 million recognized in net earnings at December 31, 2017 and a gain (loss) of $133 million recognized in OCI at December 31, 2017, with all other variables held constant.
	Refer to the following *Fair value* section for details on our derivative financial instruments.
		• Foreign currency forward contracts on our anticipated transactions and commercial paper maturing in 2018 to 2021 of $4.0 billion in U.S. dollars ($5.1 billion in Canadian dollars) at December 31, 2017, to manage foreign currency risk related to anticipated transactions and foreign currency debt
		  • For cash flow hedges, changes in the fair value are recognized in OCI, except for any ineffective portion, which is recognized immediately in earnings in *Other (expense) income*. Realized gains and losses in Accumulated OCI are reclassified to the income statements or as an adjustment to the cost basis of the hedged item in the same periods as the corresponding hedged transactions are recognized.
		  • For economic hedges, changes in the fair value are recognized in *Other (expense) income*
		• In 2017, we settled a cross currency basis swap with a notional amount of $357 million in U.S. dollars ($480 million in Canadian dollars) used to hedge borrowings under a credit facility
		  • For cross currency basis swaps, changes in the fair value of these derivatives and the related credit facility were recognized in *Other (expense) income* in the income statements and offset, unless a portion of the hedging relationship was ineffective

FINANCIAL RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION
Interest rate risk	We are exposed to risk on the interest rates of our debt, our post-employment benefit plans and on dividend rate resets on our preferred shares. A 1% increase (decrease) in interest rates would result in a decrease (increase) of $29 million in net earnings at December 31, 2017. Refer to the following *Fair value* section for details on our derivative financial instruments.	• We use interest rate swaps to manage the mix of fixed and floating interest rates of our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares. • There were no interest rate swaps and locks outstanding as of December 31, 2017 • For our post-employment benefit plans, the interest rate risk is managed using a liability matching approach which reduces the exposure of the DB pension plans to a mismatch between investment growth and obligation growth
Equity price risk	We are exposed to risk on our cash flow related to share-based payment plans. A 5% increase (decrease) in the market price of BCE's common shares at December 31, 2017 would result in a gain (loss) of $38 million recognized in net earnings for 2017, with all other variables held constant. Refer to the following *Fair value* section for details on our derivative financial instruments.	• Equity forward contracts with a fair value of $45 million at December 31, 2017 on BCE's common shares to economically hedge the cash flow exposure related to share-based payment plans • Changes in the fair value are recorded in the income statements in *Operating costs* for derivatives used to hedge a cash-settled share-based payment plan and *Other (expense) income* for derivatives used to hedge equity-settled share-based payment plans
Longevity risk	We are exposed to life expectancy risk on our post-employment benefit plans.	• The Bell Canada pension plan has an investment arrangement to hedge part of its exposure to potential increases in longevity which covers approximately $5 billion of post-employment benefit obligations

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, dividends payable, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable and loans secured by trade receivables approximate fair value as they are short-term.

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.

			DECEMBER 31, 2017		DECEMBER 31, 2016	
	CLASSIFICATION	FAIR VALUE METHODOLOGY	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	111	110	166	169
CRTC deferral account obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	124	128	136	145
Debt securities, finance leases and other debt	Debt due within one year and long-term debt	Quoted market price of debt or present value of future cash flows discounted using observable market interest rates	19,321	21,298	17,879	20,093

The following table provides the fair value details of financial instruments measured at fair value in the statements of financial position.

	CLASSIFICATION	CARRYING VALUE OF ASSET (LIABILITY) AT DECEMBER 31	FAIR VALUE AT DECEMBER 31 QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2)[1]	NON-OBSERVABLE MARKET INPUTS (LEVEL 3)[2]
2017					
Available-for-sale (AFS) publicly-traded and privately-held investments[3]	Other non-current assets	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	(48)	–	(48)	–
MLSE financial liability[4]	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	60	–	106	(46)
2016					
AFS publicly-traded and privately-held investments[3]	Other non-current assets	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	166	–	166	–
MLSE financial liability[4]	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	35	–	88	(53)

(1) *Observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.*

(2) *Non-observable market inputs such as discounted cash flows and earnings multiples. A reasonable change in our assumptions would not result in a significant increase (decrease) to our level 3 financial instruments.*

(3) *Unrealized gains and losses on AFS financial assets are recorded in OCI and are reclassified to* Other (expense) income *in the income statements when realized or when an impairment is determined.*

(4) *Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in* Other (expense) income *in the income statements. The option is exercisable in 2017 and thereafter.*

6.6 Credit ratings

Credit ratings generally address the ability of a company to repay principal and pay interest on debt or dividends on issued and outstanding preferred shares.

Our ability to raise financing depends on our ability to access the public equity and debt capital markets as well as the bank credit market. Our ability to access such markets and the cost and amount of funding available partly depends on the quality of our credit ratings at the time capital is raised. Investment-grade credit ratings usually mean that when we borrow money, we qualify for lower interest rates than companies that have ratings lower than investment grade. A ratings downgrade could result in adverse consequences for our funding capacity or ability to access the capital markets.

The following table provides BCE's and Bell Canada's credit ratings, which are considered investment grade, as at March 8, 2018 from DBRS, Moody's and S&P.

KEY CREDIT RATINGS

	BELL CANADA[1]		
MARCH 8, 2018	DBRS	MOODY'S	S&P
Commercial paper	R-2 (high)	P-2	A-1 (Low) (Canadian scale)
			A-2 (Global scale)
Long-term debt	BBB (high)	Baa1	BBB+
Subordinated long-term debt	BBB (low)	Baa2	BBB
	BCE[1]		
	DBRS	MOODY'S	S&P
Preferred shares	Pfd-3	–	P-2 (Low) (Canadian scale)
			BBB- (Global scale)

(1) *These credit ratings are not recommendations to buy, sell or hold any of the securities referred to above, and they may be revised or withdrawn at any time by the assigning rating organization. Each credit rating should be evaluated independently of any other credit rating.*

As of March 8, 2018, BCE and Bell Canada's credit ratings have stable outlooks from DBRS, Moody's and S&P.

6.7 Liquidity

SOURCES OF LIQUIDITY

Our cash and cash equivalents balance at the end of 2017 was $625 million. We expect that this balance, our 2018 estimated cash flows from operations, and capital markets financing, including commercial paper, will permit us to meet our cash requirements in 2018 for capital expenditures, post-employment benefit plans funding, dividend payments, the payment of contractual obligations, maturing debt, ongoing operations, and other cash requirements.

Should our 2018 cash requirements exceed our cash and cash equivalents balance, cash generated from our operations, and capital markets financing, we would expect to cover such a shortfall by drawing under committed credit facilities that are currently in place or through new facilities to the extent available.

Our cash flows from operations, cash and cash equivalents balance, capital markets financing and credit facilities should give us flexibility in carrying out our plans for future growth, including business acquisitions and contingencies.

Subsequent to year end, on March 7, 2018, we announced the issuance of 3.35% Series M-47 MTN debentures under Bell Canada's 1997 trust indenture, with a principal amount of $500 million, which mature on March 12, 2025. The net proceeds of the offering are intended to be used to redeem, prior to maturity, Bell Canada's 5.52% Series M-33 debentures having an outstanding principal amount of $300 million, which are due on February 26, 2019, and for the repayment of other short-term debt.

The table below is a summary of our total bank credit facilities at December 31, 2017.

DECEMBER 31, 2017	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
Committed credit facilities					
Unsecured revolving credit and expansion facilities (1) (2)	3,500	–	–	3,116	384
Other	134	–	106	–	28
Total committed credit facilities	3,634	–	106	3,116	412
Total non-committed credit facilities	1,829	–	1,148	–	681
Total committed and non-committed credit facilities	5,463	–	1,254	3,116	1,093

(1) *Bell Canada's $2.5 billion revolving credit facility expires in November 2022 and its $1 billion expansion credit facility expires in November 2020.*

(2) *As of December 31, 2017, Bell Canada's outstanding commercial paper included $2,484 million in U.S. dollars ($3,116 in Canadian dollars). All of Bell Canada's commercial paper outstanding is included in debt due within one year.*

Bell Canada may issue notes under its Canadian and U.S. commercial paper programs up to the maximum aggregate principal amount of $2.5 billion in either Canadian or U.S. currency provided that at no time shall such maximum amount of notes exceed $3.5 billion in Canadian currency which equals the aggregate amount available under Bell Canada's supporting committed revolving and expansion credit facilities as at December 31, 2017. The total amount of the committed revolving and expansion credit facilities may be drawn at any time. Some of our credit agreements require us to meet specific financial ratios and to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada. We are in compliance with all conditions and restrictions under such agreements.

CASH REQUIREMENTS

CAPITAL EXPENDITURES

In 2018, our planned capital spending will be focused on our strategic imperatives, reflecting an appropriate level of investment in our networks and services.

POST-EMPLOYMENT BENEFIT PLANS FUNDING

Our post-employment benefit plans include DB pension and defined contribution (DC) pension plans, as well as other post-employment benefits (OPEBs) plans. The funding requirements of our post-employment benefit plans, resulting from valuations of our plan assets and liabilities, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Our expected funding for 2018 is detailed in the following table and is subject to actuarial valuations that will be completed in mid-2018. Actuarial valuations were last performed for our significant post-employment benefit plans as at December 31, 2016.

2018 EXPECTED FUNDING	TOTAL
DB pension plans – service cost	203
DB pension plans – deficit	7
DB pension plans	210
OPEBs	80
DC pension plans	110
Total net post-employment benefit plans	400

DIVIDEND PAYMENTS

In 2018, the cash dividends to be paid on BCE's common shares are expected to be higher than in 2017 as BCE's annual common share dividend increased by 5.2% to $3.02 per common share from $2.87 per common share effective with the dividend payable on April 15, 2018. This increase is consistent with BCE's common share dividend payout policy of a target payout between 65% and 75% of free cash flow. BCE's dividend policy and the declaration of dividends are subject to the discretion of the BCE Board.

CONTRACTUAL OBLIGATIONS

The following table is a summary of our contractual obligations at December 31, 2017 that are due in each of the next five years and thereafter.

	2018	2019	2020	2021	2022	THERE-AFTER	TOTAL
Recognized financial liabilities							
Long-term debt	661	1,541	1,424	2,247	1,714	9,558	17,145
Notes payable	3,151	–	–	–	–	–	3,151
Minimum future lease payments under finance leases	572	501	326	278	248	883	2,808
Loans secured by trade receivables	921	–	–	–	–	–	921
Interest payable on long-term debt, notes payable and loan secured by trade receivables	792	688	628	586	525	5,197	8,416
MLSE financial liability	135	–	–	–	–	–	135
Commitments (off-balance sheet)							
Operating leases	312	264	225	175	119	341	1,436
Commitments for property, plant and equipment and intangible assets	1,039	808	614	516	372	808	4,157
Purchase obligations	865	664	550	498	429	903	3,909
Proposed acquisition of Séries+ and Historia specialty channels	200	–	–	–	–	–	200
Acquisition of AlarmForce [1]	182	–	–	–	–	–	182
Total	**8,830**	**4,466**	**3,767**	**4,300**	**3,407**	**17,690**	**42,460**

(1) *This commitment was settled on January 5, 2018, upon completion of the acquisition of AlarmForce.*

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 22 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years. These satellite leases are non-cancellable. Minimum future lease payments under finance leases include future finance costs of $636 million.

BCE's significant operating leases are for office premises, cellular tower sites, retail outlets, and OOH advertising spaces with lease terms ranging from 1 to 50 years. These leases are non-cancellable. Rental expense relating to operating leases was $399 million in 2017 and $353 million in 2016.

Our commitments for property, plant and equipment and intangible assets include program and feature film rights and investments to expand and update our networks to meet customer demand.

Purchase obligations consist of contractual obligations under service and product contracts for operating expenditures and other purchase obligations.

INDEMNIFICATIONS AND GUARANTEES (OFF-BALANCE SHEET)

As a regular part of our business, we enter into agreements that provide for indemnifications and guarantees to counterparties in transactions involving business dispositions, sales of assets, sales of services, purchases and development of assets, securitization agreements and operating leases. While some of the agreements specify a maximum potential exposure, many do not specify a maximum amount or termination date.

We cannot reasonably estimate the maximum potential amount we could be required to pay counterparties because of the nature of almost all of these indemnifications and guarantees. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. We have not made any significant payments under indemnifications or guarantees in the past.

LITIGATION

In the ordinary course of our business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management's assessment of the merits of the claims and legal proceedings pending at March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements or operations. We believe that we have strong defences and we intend to vigorously defend our positions.

You will find a description of the principal legal proceedings pending at March 8, 2018 in the BCE 2017 AIF.

7 Selected annual and quarterly information

7.1 Annual financial information

The following table shows selected consolidated financial data of BCE for 2017, 2016 and 2015, based on the annual consolidated financial statements, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). We discuss the factors that caused our results to vary over the past two years throughout this MD&A.

	2017	2016	2015
CONSOLIDATED INCOME STATEMENTS			
Operating revenues			
Service	**21,143**	20,090	19,759
Product	**1,576**	1,629	1,755
Total operating revenues	**22,719**	21,719	21,514
Operating costs	**(13,541)**	(12,931)	(12,963)
Adjusted EBITDA	**9,178**	8,788	8,551
Severance, acquisition and other costs	**(190)**	(135)	(446)
Depreciation	**(3,037)**	(2,877)	(2,890)
Amortization	**(813)**	(631)	(530)
Finance costs			
Interest expense	**(955)**	(888)	(909)
Interest on post-employment benefit obligations	**(72)**	(81)	(110)
Other (expense) income	**(102)**	21	(12)
Income taxes	**(1,039)**	(1,110)	(924)
Net earnings	**2,970**	3,087	2,730
Net earnings attributable to:			
Common shareholders	**2,786**	2,894	2,526
Preferred shareholders	**128**	137	152
Non-controlling interest	**56**	56	52
Net earnings	**2,970**	3,087	2,730
Net earnings per common share			
Basic	**3.12**	3.33	2.98
Diluted	**3.11**	3.33	2.98
RATIOS			
Adjusted EBITDA margin (%)	**40.4%**	40.5%	39.7%
Return on equity (%) [1]	**19.4%**	21.8%	21.1%

(1) *Net earnings attributable to common shareholders divided by total average equity attributable to BCE shareholders excluding preferred shares.*

	2017	2016	2015
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
Total assets	**54,263**	50,108	47,993
Cash and cash equivalents	**625**	853	613
Debt due within one year (including notes payable and loans secured by trade receivables)	**5,178**	4,887	4,895
Long-term debt	**18,215**	16,572	15,390
Total non-current liabilities	**23,993**	22,146	20,672
Equity attributable to BCE shareholders	**19,160**	17,540	17,023
Total equity	**19,483**	17,854	17,329
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities	**7,358**	6,643	6,274
Cash flows used in investing activities	**(5,437)**	(4,584)	(4,114)
Capital expenditures	**(4,034)**	(3,771)	(3,626)
Business acquisitions	**(1,649)**	(404)	(311)
Business dispositions	**–**	18	409
Acquisition of spectrum licences	**–**	(1)	(535)
Disposition of intangibles and other assets	**323**	–	–
Loan to related party	**–**	(517)	–
Cash flows used in financing activities	**(2,149)**	(1,819)	(2,113)
Issue of common shares	**117**	99	952
Net issuance (repayment) of debt instruments	**691**	719	(510)
Common shares issuance cost	**–**	–	(35)
Cash dividends paid on common shares	**(2,512)**	(2,305)	(2,169)
Cash dividends paid on preferred shares	**(127)**	(126)	(150)
Cash dividends paid by subsidiaries to non-controlling interest	**(34)**	(46)	(41)
Free cash flow	**3,418**	3,226	2,999
SHARE INFORMATION			
Average number of common shares (millions)	**894.3**	869.1	847.1
Common shares outstanding at end of year (millions)	**901.0**	870.7	865.6
Market capitalization (1)	**54,402**	50,527	46,275
Dividends declared per common share (dollars)	**2.87**	2.73	2.60
Dividends declared on common shares	**(2,564)**	(2,374)	(2,213)
Dividends declared on preferred shares	**(128)**	(137)	(152)
Closing market price per common share (dollars)	**60.38**	58.03	53.46
Total shareholder return	**8.9%**	13.7%	5.3%
RATIOS			
Capital intensity (%)	**17.8%**	17.4%	16.9%
Price to earnings ratio (times) (2)	**19.35**	17.43	17.94
OTHER DATA			
Number of employees (thousands)	**52**	48	50

(1) *BCE's common share price at the end of the year multiplied by the number of common shares outstanding at the end of the year.*
(2) *BCE's common share price at the end of the year divided by EPS.*

7.2 Quarterly financial information

The following table shows selected BCE consolidated financial data by quarter for 2017 and 2016. This quarterly information is unaudited but has been prepared on the same basis as the annual consolidated financial statements. We discuss the factors that caused our results to vary over the past eight quarters throughout this MD&A.

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating revenues								
Service	5,435	5,322	5,335	5,051	5,169	5,025	4,988	4,908
Product	523	356	364	333	533	382	352	362
Total operating revenues	5,958	5,678	5,699	5,384	5,702	5,407	5,340	5,270
Adjusted EBITDA	2,217	2,366	2,381	2,214	2,121	2,236	2,268	2,163
Severance, acquisition and other costs	(47)	(23)	(36)	(84)	(11)	(25)	(57)	(42)
Depreciation	(781)	(765)	(769)	(722)	(719)	(706)	(713)	(739)
Amortization	(209)	(208)	(211)	(185)	(165)	(161)	(156)	(149)
Net earnings	617	817	811	725	699	800	830	758
Net earnings attributable to common shareholders	575	770	762	679	657	752	778	707
Net earnings per common share								
Basic	0.64	0.86	0.84	0.78	0.75	0.87	0.89	0.82
Diluted	0.63	0.86	0.84	0.78	0.75	0.87	0.89	0.82
Average number of common shares outstanding – basic (millions)	900.6	900.4	900.1	875.7	870.5	869.9	869.1	867.1
OTHER INFORMATION								
Cash flows from operating activities	1,658	2,233	2,154	1,313	1,520	1,943	1,890	1,290
Free cash flow	652	1,183	1,094	489	923	951	934	418
Capital expenditures	(1,100)	(1,040)	(1,042)	(852)	(993)	(976)	(950)	(852)

FOURTH QUARTER HIGHLIGHTS

OPERATING REVENUES	Q4 2017	Q4 2016	$ CHANGE	% CHANGE
Bell Wireless	2,070	1,883	187	9.9%
Bell Wireline	3,222	3,137	85	2.7%
Bell Media	834	845	(11)	(1.3%)
Inter-segment eliminations	(168)	(163)	(5)	(3.1%)
Total BCE operating revenues	5,958	5,702	256	4.5%

ADJUSTED EBITDA	Q4 2017	Q4 2016	$ CHANGE	% CHANGE
Bell Wireless	736	674	62	9.2%
Bell Wireline	1,310	1,259	51	4.1%
Bell Media	171	188	(17)	(9.0%)
Total BCE adjusted EBITDA	2,217	2,121	96	4.5%

BCE operating revenues increased by 4.5% in Q4 2017, compared to the prior year, driven by growth in both our Bell Wireless and Bell Wireline segments, offset in part by a modest decline in our Bell Media segment.

BCE adjusted EBITDA grew by 4.5% in Q4 2017, compared to Q4 2016, due to year-over-year increases in our Bell Wireless and Bell Wireline segments, moderated by the decline in our Bell Media segment. BCE adjusted EBITDA margin remained unchanged at 37.2% compared to prior year.

Bell Wireless operating revenues increased by 9.9% in Q4 2017, compared to the same period last year, driven by growth in both service revenues of 10.6% and product revenues of 3.5%. The year-over-year increase in service revenue was mainly attributable to a greater postpaid subscriber base combined with higher blended ARPU of 2.4% and the contribution from Bell MTS. The increase in blended ARPU was driven by postpaid ARPU growth reflecting a higher postpaid subscriber mix, the flow-through of 2016 pricing changes, as well as a greater mix of postpaid LTE and LTE-A customers in our subscriber base resulting in greater data consumption and higher demand for larger data plans, offset in part by the unfavourable impact of Telecom Decision CRTC 2016-171 and the increased adoption of all-inclusive rate plans resulting in lower out of bundle usage. Wireless product revenues grew by 3.5%, year over year, mainly from a larger proportion of high end devices in our sales mix, higher gross activations and customer upgrades, along with the contribution from the MTS acquisition, moderated by increased promotional offers in a highly competitive marketplace and lower radio sales.

Bell Wireless adjusted EBITDA grew 9.2% in Q4 2017, compared to the prior year, driven by the flow-through of higher operating revenues, moderated by higher operating expenses primarily from our continued investment in customer retention and acquisition, expense contribution from Bell MTS, higher labour expense to support the growth in the business, greater network operating costs to support expanding capacity and higher advertising costs mainly driven by the recent launch of Lucky Mobile. Adjusted EBITDA margin, based on wireless operating service revenues of 38.9%, decreased 0.4 pts over last year.

Bell Wireline operating revenues in Q4 2017 increased by 2.7%, year over year, driven by higher service revenues of 3.6%, moderated by a decline in product revenues of 4.4%. The growth in service revenues was driven by the contribution from the acquisition of MTS, growth in our Internet and IPTV subscriber bases, higher household ARPU and growth in IP broadband connectivity services. This was offset in part by ongoing erosion in our voice, satellite TV, and legacy data revenues, lower business solution services revenue, increased residential customer acquisition, retention and bundle discounts due to aggressive offers from cable competitors, as well as the unfavourable CRTC regulatory impact from Telecom Decision CRTC 2016-171. The decline in product revenues reflected competitive pricing pressures in our business and wholesale markets and lower consumer electronic sales at The Source, mitigated in part by the contribution from the acquisition of MTS.

Bell Wireline adjusted EBITDA in Q4 2017 increased by 4.1%, year over year, with a corresponding adjusted EBITDA margin increase to 40.7% over the 40.1% experienced in Q4 2016, driven by the contribution from Bell MTS, growth in our Internet and IPTV businesses and continued effective cost containment, offset in part by the decline in our voice, satellite TV, and legacy data, including reduced customer spending and ongoing competitive pricing pressures in our business market.

Bell Media operating revenues decreased by 1.3% in Q4 2017, compared to the same period last year, due to lower advertising revenues driven by continued market softness and lower audience levels, which unfavourably impacted conventional and specialty TV and radio platforms, partially mitigated by higher OOH advertising revenues as a result of the contribution from the Cieslok Media acquisition and newly awarded contracts, as well as higher year-over-year revenue from digital properties. The decline in operating revenues was moderated by higher subscriber revenues driven by the growth in our subscriber base from our TV Everywhere GO Products, Crave TV and pay TV services, and the flow-through of rate increases on contract renewals that occurred earlier in the year.

Bell Media adjusted EBITDA decreased by 9.0% in Q4 2017, compared to the same period last year, due to lower operating revenues coupled with higher programming and content costs primarily related to sports broadcast rights and higher expenses in OOH resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This was partially mitigated by reduced labour costs driven mainly by workforce reductions.

BCE capital expenditures of $1,100 million in Q4 2017 increased by $107 million compared to last year, corresponding to an increased capital intensity ratio of 18.5% compared to 17.4% last year. The higher year-over-year capital investment was driven by increased spending across all three of our segments and included the impact from the acquisition and integration of Bell MTS in our wireless and wireline segments. The higher spending in our wireline segment of $67 million also reflected the continued deployment of broadband fibre directly to more homes and businesses, including the build-out of Gigabit Fibe infrastructure in the city of Toronto and other urban locations and the commencement of the FTTP build-out in the city of Montréal. The increased capital expenditures in our wireless segment of $25 million was mainly impacted by timing of spend. At Bell Media, spending increased by $15 million mainly due to the Cieslok Media acquisition, the execution of contract wins in Astral and upgrades to Bell Media broadcast studios, TV production equipment and digital platforms.

BCE severance, acquisition and other costs of $47 million in Q4 2017 increased by $36 million, compared to Q4 2016, due in part to higher workforce reduction initiatives and higher other costs.

BCE depreciation of $781 million in Q4 2017 increased by $62 million, year over year, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes to useful lives have been applied prospectively, effective January 1, 2017, as described in section 10.1, *Our accounting policies – Critical accounting estimates and key judgments*.

BCE amortization was $209 million in Q4 2017, up from $165 million in Q4 2016, due mainly to the acquisition of MTS and a higher asset base.

BCE net earnings attributable to common shareholders of $575 million in Q4 2017, or $0.64 per share, were lower than the $657 million, or $0.75 per share, reported in Q4 2016. The year-over-year decrease was due mainly to higher depreciation and amortization expense, higher severance, acquisition and other costs and higher other expense which included impairment charges of $82 million relating to our Bell Media segment, partly offset by higher adjusted EBITDA. Adjusted net earnings increased to $684 million, from $667 million in Q4 2016, and adjusted EPS remained flat to prior year.

BCE cash flows from operating activities was $1,658 million in Q4 2017 compared to $1,520 million in Q4 2016. The increase is mainly attributable to higher adjusted EBITDA and a lower voluntary DB pension plan contribution made in 2017, partly offset by reduced working capital, higher income taxes paid and higher interest payments, all of which included the contributions from MTS.

BCE free cash flow generated in Q4 2017 was $652 million, a decrease of $271 million compared to Q4 2016. This was due to lower cash flows from operating activities excluding a voluntary DB pension plan contribution and higher capital expenditures.

SEASONALITY CONSIDERATIONS

Some of our segments' revenues and expenses vary slightly by season, which may impact quarter-to-quarter operating results.

Bell Wireless operating results are influenced by the timing and richness of promotional activities, the level of overall competitive intensity, and the seasonal effect of higher levels of subscriber additions and handset discounts that may result in higher subscriber acquisition and activation-related expenses in certain quarters. In particular, subscriber activations are typically lowest in the first quarter, while adjusted EBITDA tends to be lower in the third and fourth quarters, due to higher subscriber acquisition and retention costs associated with a greater number of new subscriber activations and upgrades during the back-to-school and Black Friday to Christmas holiday periods. Additionally, wireless ARPU historically has experienced seasonal sequential increases in the second and third quarters, due to higher levels of usage and roaming in the spring and summer months, followed by historical seasonal sequential declines in the fourth and first quarters. However, this seasonal effect on ARPU has moderated, as unlimited voice options and larger usage data plans with higher recurring monthly fees have become more prevalent, resulting in less variability in chargeable data usage.

Bell Wireline revenues tend to be higher in the fourth quarter because of higher data and equipment product sales to business customers and higher consumer electronics equipment sales during the Q4 Christmas holiday period. However, this may vary from year to year depending on the strength of the economy and the presence of targeted sales initiatives, which can influence customer spending. Home Phone, TV and Internet subscriber activity is subject to modest seasonal fluctuations, attributable largely to residential moves during the summer months and the back-to-school period in the third quarter. Targeted marketing efforts conducted during various times of the year to coincide with special events or broad-based marketing campaigns also may have an impact on overall wireline operating results.

Bell Media revenues and related expenses from TV and radio broadcasting are largely derived from the sale of advertising, the demand for which is affected by prevailing economic conditions, as well as cyclical and seasonal variations. Seasonal variations are driven by the strength of TV ratings, particularly during the fall programming season, major sports league seasons and other special sporting events such as the Olympic Games, NHL playoffs and World Cup soccer, as well as fluctuations in consumer retail activity during the year.

8 Regulatory environment

8.1 Introduction

This section describes certain legislation that governs our business and provides highlights of recent regulatory initiatives and proceedings, government consultations and government positions that affect us, influence our business and may continue to affect our ability to compete in the marketplace. Bell Canada and several of its direct and indirect subsidiaries, including Bell Mobility, Bell ExpressVu Limited Partnership (Bell ExpressVu), Bell Media, NorthernTel, Limited Partnership (NorthernTel), Télébec, Limited Partnership (Télébec) and Northwestel, are governed by the *Telecommunications Act*, the *Broadcasting Act*, the *Radiocommunication Act* and/or the *Bell Canada Act*. Our business is affected by regulations, policies and decisions made by various regulatory agencies, including the CRTC, a quasi-judicial agency of the Government of Canada responsible for regulating Canada's telecommunications and broadcasting industries, and other federal government departments, in particular ISED.

The CRTC regulates the prices we can charge for telecommunications services in areas where it determines there is not enough competition to protect the interests of consumers. The CRTC has determined that competition was sufficient to grant forbearance from retail price regulation under the *Telecommunications Act* for the vast majority of our wireline residential and business telephone services, as well as for our wireless services (except our domestic wholesale wireless roaming service and certain restrictions for retail wireless services set out in the Wireless Code of Conduct (the Wireless Code)) and Internet services (except in certain parts of Northwestel's territory, where the CRTC re-regulated Internet services in 2013). Our TV distribution and our TV and radio broadcasting businesses are subject to the *Broadcasting Act* and are, for the most part, not subject to retail price regulation.

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, ISED, Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. Adverse decisions by regulatory agencies or increasing regulation could have negative financial, operational, reputational or competitive consequences for our business.

8.2 Telecommunications Act

The *Telecommunications Act* governs telecommunications in Canada. It defines the broad objectives of Canada's telecommunications policy and provides the Government of Canada with the power to give general direction to the CRTC on any of its policy objectives. It applies to several of the BCE group of companies and partnerships, including Bell Canada, Bell Mobility, NorthernTel, Télébec and Northwestel.

Under the *Telecommunications Act*, all facilities-based telecommunications service providers in Canada, known as telecommunications common carriers (TCCs), must seek regulatory approval for all telecommunications services, unless the services are exempt from regulation or forborne from regulation. The CRTC may exempt an entire class of carriers from regulation under the *Telecommunications Act* if the exemption meets the objectives of Canada's telecommunications policy. In addition, a few large TCCs, including the BCE group TCCs, must also meet certain Canadian ownership requirements. BCE monitors and periodically reports on the level of non-Canadian ownership of its common shares.

REVIEW OF BASIC TELECOMMUNICATIONS SERVICES

On December 21, 2016, the CRTC issued Telecom Regulatory Policy CRTC 2016-496, in which it determined broadband Internet to be a basic service and created a new fund designed to complement government investments in expanding access to broadband Internet across Canada. The new fund will collect and distribute $750 million over a five-year period to support an aspirational goal of bringing broadband Internet with speeds of 50 Mbps to 90% of Canadian households by the end of 2021. The contributions to the new fund will be collected from telecommunications service providers, like those of the BCE group, and distributed through a competitive bidding process to support broadband deployment initiatives. The fund is to start at $100 million in its first year and grow by $25 million each year until it caps out at $200 million in the fifth year. While we will be required to contribute to the new broadband fund based on our percentage of industry revenues for voice, data and Internet services, the extent of the impact of this new fund on our business is not yet known, as funds contributed may be offset by any funds received should we seek and be awarded funds to deploy broadband services as part of the CRTC's program. The CRTC has launched a proceeding to determine the details of the competitive bidding process and we anticipate that the fund will likely be operational in 2019.

NATIONAL WIRELESS SERVICES CONSUMER CODE

On June 3, 2013, the CRTC issued Telecom Regulatory Policy CRTC 2013-271, which established the Wireless Code. The Wireless Code applies to all wireless services provided to individual and small business consumers (i.e. businesses that on average spend less than $2,500 per month on telecom services) in all provinces and territories.

The Wireless Code regulates certain aspects of the provision of wireless services. Most notably, the Wireless Code prevents wireless service providers from charging an early cancellation fee after a customer has been under contract for 24 months and requires providers to recover any handset subsidies in two years or less. These requirements have effectively removed contracts with terms greater than two years from the marketplace.

On June 15, 2017, the CRTC issued Telecom Regulatory Policy CRTC 2017-200, making targeted changes to the Wireless Code, effective December 1, 2017, and clarifying existing rules. The revisions to the Wireless Code prevent service providers from selling locked devices, increase voice, text and data usage allowances for customers to try out their services during the mandatory 15-day buyer's trial period for purchased devices, and establish additional controls related to data overage and data roaming charges, among other things. These changes have had an adverse effect on our wireless business.

PROCEEDINGS REGARDING WHOLESALE DOMESTIC WIRELESS SERVICES

In Telecom Regulatory Policy CRTC 2015-177, the CRTC mandated Bell Mobility, Rogers Communications Partnership (now Rogers Communications Canada Inc.) and TELUS to issue tariffs to introduce new domestic wholesale roaming services for purchase by non-national wireless service providers (NNWPs). The terms of our tariff were approved by the CRTC in Telecom Decision CRTC 2017-56 (Decision 2017-56). Approval for the rates that we have proposed remains pending. If the CRTC mandates rates that are materially different from the rates we have proposed, this could improve the business position of our competitors and have a negative impact on our wireless business.

On June 1, 2017, the Federal Cabinet issued an Order to the CRTC directing it to reconsider certain determinations made in Decision 2017-56. In Decision 2017-56, the CRTC determined that Bell Mobility, Rogers Communications Canada Inc. and TELUS were required to provide "incidental" access to their networks and not "permanent" access as part of the mandated roaming service. The CRTC also determined that the use of generally available public Wi-Fi does not form part of a NNWP's home network for the purpose of establishing what constitutes incidental roaming access, since public Wi-Fi facilities represent infrastructure that is not necessarily owned, operated or controlled by a NNWP. As a result, NNWPs may not rely on the use of public Wi-Fi facilities to be eligible to purchase incidental roaming services. Among other things, the Federal Cabinet has asked the CRTC to consider whether allowing an end-user's connectivity to public Wi-Fi to count as connectivity to a NNWP's home network would make Canadian wireless services more affordable, and whether any affordability gains associated with such a changed rule would outweigh any disincentives for the national carriers to continue to invest in their networks. The Federal Cabinet's Order requires the CRTC to report back to the Cabinet by March 31, 2018. It is unclear what, if any, new rules the CRTC may adopt in reconsidering Decision 2017-56. Moreover, it is unclear what, if any, impact such new rules may have on Bell's wireless business.

MANDATED WHOLESALE ACCESS TO FTTP NETWORKS

On July 22, 2015, in Telecom Regulatory Policy CRTC 2015-326, the CRTC mandated the introduction of a new disaggregated wholesale high-speed access service, including over FTTP facilities, which had previously been exempt from mandated wholesale high-speed access. While this new service is mandated for all major incumbent telephone companies and cable carriers, the first stage of its implementation is to take place only in Ontario and Québec, our two largest markets. This adverse regulatory decision may impact the specific nature, magnitude, location and timing of our future FTTP investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireline networks, particularly in smaller communities and rural areas.

On September 20, 2016, the CRTC issued Telecom Decision CRTC 2016-379, in which it largely adopted our proposals concerning the technical design of our future disaggregated wholesale high-speed access service. On August 29, 2017, in Telecom Order CRTC 2017-312, the CRTC set interim rates for these services. The interim rates determined by the CRTC are essentially similar to those we proposed; however, the final rates remain to be determined. The mandating of final rates that are materially different from the rates we proposed could improve the business position of our competitors and further impact our investment strategy.

PROPOSED EXPANSION OF AGGREGATED WHOLESALE ACCESS REGIME TO FTTP NETWORKS

On March 30, 2017, the Canadian Network Operators Consortium Inc. (CNOC) applied to the CRTC for an expansion of the aggregated wholesale high-speed access regime, which mandates aggregated access to FTTN facilities, to also include aggregated access to FTTP facilities. CNOC argued that aggregated access to FTTP facilities was necessary in order for competitors to offer high-speed services in areas where aggregated FTTN service is not available and only FTTP facilities are present to support the delivery of high-speed services. On February 2, 2018, the CRTC issued Telecom Decision CRTC 2018-44, in which it rejected CNOC's application. The CRTC found that the exemption of FTTP facilities from aggregated access has limited impacts on competitors' ability to compete in the retail market, and that the adoption of CNOC's proposal would undermine the CRTC's desired transition to a disaggregated access regime.

REVIEW OF WHOLESALE FTTN HIGH-SPEED ACCESS SERVICE RATES

As part of its ongoing review of wholesale Internet rates, on October 6, 2016 the CRTC significantly reduced, on an interim basis, some of the wholesale rates that Bell Canada and other major providers charge for access by ISPs to FTTN or cable networks, as applicable. Should such substantially lowered wholesale rates remain in place in the long-term and, in addition, should the interim rates be made retroactive, the business position of some of our competitors could improve, adversely affecting our financial performance, and our investment strategy could change, especially in relation to investment in next-generation wireline networks, particularly in smaller communities and rural areas.

CANADA'S TELECOMMUNICATIONS FOREIGN OWNERSHIP RULES

Under the *Telecommunications Act*, there are no foreign investment restrictions applicable to TCCs that have less than a 10% share of the total Canadian telecommunications market as measured by annual revenues. However, foreign investment in telecommunications companies can still be refused by the government under the *Investment Canada Act*. The absence of foreign ownership restrictions on such small or new entrant TCCs could result in more foreign companies entering the Canadian market, including by acquiring spectrum licences or Canadian TCCs.

8.3 Broadcasting Act

The *Broadcasting Act* outlines the broad objectives of Canada's broadcasting policy and assigns the regulation and supervision of the broadcasting system to the CRTC. Key policy objectives of the *Broadcasting Act* are to protect and strengthen the cultural, political, social and economic fabric of Canada and to encourage the development of Canadian expression.

Most broadcasting activities require a programming or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if it is satisfied that non-compliance will not materially affect the implementation of Canadian broadcasting policy. A corporation must also meet certain Canadian ownership and control requirements to obtain a broadcasting or broadcasting distribution licence, and corporations must have the CRTC's approval before they can transfer effective control of a broadcasting licensee.

Our TV distribution operations and our TV and radio broadcasting operations are subject to the requirements of the *Broadcasting Act*, the policies and decisions of the CRTC and their respective broadcasting licences. Any changes in the *Broadcasting Act*, amendments to regulations or the adoption of new ones, or amendments to licences, could negatively affect our competitive position or the cost of providing services.

THE TELEVISION SERVICE PROVIDER CODE

On January 7, 2016, the CRTC issued Broadcasting Regulatory Policy CRTC 2016-1, which established the Television Service Provider Code (the TV Code). The TV Code came into force on September 1, 2017 and requires all regulated television service providers, as well as exempt television service providers that are affiliated with a regulated service provider, to observe certain rules concerning their consumer agreements for television services. The TV Code does not apply to other exempt providers, such as OTT providers not affiliated with a regulated service provider. The TV Code specifically imposes requirements relating to the clarity of offers, the content of contracts, trial periods for persons with disabilities, how consumers can change their programming options, and when services may be disconnected, among other things.

As part of Broadcasting Regulatory Policy CRTC 2016-1, the CRTC also expanded the mandate of the Commissioner for Complaints for Telecommunications Services, now the Commission for Complaints for Telecom-Television Services (CCTS), to include the administration of the TV Code and to enable the CCTS to accept consumer complaints about television services.

CHANGES TO SIMULTANEOUS SUBSTITUTION

In Broadcasting Regulatory Policy CRTC 2015-25, the CRTC announced that it would eliminate simultaneous substitution for the Super Bowl starting in 2017. This decision was implemented in Broadcasting Order CRTC 2016-335 (the Order).

Bell Canada and Bell Media appealed the application of the Order to the Federal Court of Appeal, as did the NFL. Bell Canada and Bell Media argued that the CRTC does not have jurisdiction under the *Broadcasting Act* to ban simultaneous substitution for the Super Bowl and that doing so constitutes unauthorized retrospective regulation and interference with Bell Media's vested economic rights. In a decision rendered on December 18, 2017, the Federal Court of Appeal denied the applications of Bell Media and Bell Canada, and that of the NFL, deferring to the CRTC's discretion as to how competing broadcasting policy objectives should be balanced. On January 3, 2018, Bell Canada and Bell Media filed for leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada on an expedited basis. Bell Canada and Bell Media additionally sought a stay of the Order. On January 24, 2018, the Supreme Court of Canada denied the request for a stay of the Order, but agreed to hear our application for leave, and our appeal should leave be granted, on an expedited basis. We expect a decision on our leave application in the coming months.

On August 1, 2017, BCE filed an application with the CRTC requesting that it rescind the Order, arguing that there have been significant negative economic and cultural impacts resulting from the Order. The application is supported by the NFL along with national union Unifor, the Alliance of Canadian Cinema, Television and Radio Artists, the Association of Canadian Advertisers and the Canadian Media Directors' Council.

The CRTC's decision to eliminate simultaneous substitution for the Super Bowl has had an adverse impact on Bell Media's conventional TV business and financial results, as a result of a reduction in viewership and advertising revenues. Such impacts will continue throughout the duration of our contract term with the NFL unless the CRTC's Order is rescinded.

WHOLESALE CODE

In Broadcasting Regulatory Policy CRTC 2015-438, the CRTC announced it would implement a new Wholesale Code to govern the commercial arrangements between BDUs, programming services and digital media services, including imposing additional restrictions on the sale of TV channels at wholesale and the carriage of TV channels by BDUs. Bell Canada and Bell Media have appealed the decision to the Federal Court of Appeal, arguing that the CRTC's implementation of the Wholesale Code conflicts with the *Copyright Act* and is outside the CRTC's jurisdiction under the *Broadcasting Act*. The appeal was heard on November 14, 2017, and a decision is expected in 2018.

LICENCE RENEWALS

On May 15, 2017, the CRTC issued decisions in which it renewed the TV licences held by the large English-language and French-language ownership groups, including those owned by Bell Media. The CRTC's decisions were generally positive for Bell Media as no adverse conditions of licence were imposed that could have negatively affected our business and financial performance.

In its renewals for the large English-language ownership groups (Broadcasting Decisions CRTC 2017-148 to 2017-151), the CRTC set symmetrical spending requirements across each licensing group for both Canadian programming (minimum 30% of revenues) and certain categories of programs of national interest (minimum 5% of revenues). Given that the new symmetrical requirements for spending on programs of national interest were lower than the pre-existing requirements for certain ownership groups (including Bell Media), several of the associations that represent creative groups are concerned about what they perceive will be a reduction in spending on this category of programming. Consequently, they filed petitions pursuant to section 28(1) of the *Broadcasting Act*, requesting that the Federal Cabinet set aside the decisions or refer them back to the CRTC for reconsideration.

In its renewals for the large French-language ownership groups (Broadcasting Decisions CRTC 2017-143 to 2017-147), the CRTC set minimum spending requirements for each group on a case-by-case basis, in accordance with recent historical levels. However, the Government of Québec and several of the associations that represent creative groups are concerned that the CRTC did not also set a specific minimum spending requirement relating to original French-language production. Consequently, they also filed petitions pursuant to section 28(1) of the *Broadcasting Act*, requesting that the Federal Cabinet refer the decisions back to the CRTC for reconsideration.

On August 14, 2017, the Federal Cabinet referred the English-language and French-language renewal decisions back to the CRTC for reconsideration to ensure that appropriate contributions are made to the creation and presentation of programs of national interest, original French-language programming and music programming, as well as short films and documentaries. The decisions remain in effect while the CRTC conducts its reconsideration process. Should the CRTC alter the current conditions of licence in an adverse manner, it could have a negative effect on Bell Media's business and financial performance going forward.

CRTC REPORT ON FUTURE PROGRAMMING DISTRIBUTION MODELS

On September 27, 2017, the Governor in Council, at the recommendation of the Minister of Canadian Heritage, issued a direction to the CRTC asking it to examine the distribution model or models of programming that are likely to exist in the future, how Canadians would access that programming, and the extent to which those models will ensure a vibrant domestic market that is capable of supporting the continued creation, production and distribution of Canadian programming, including original entertainment and information programming. The CRTC launched its public consultation on October 12, 2017, and is required to provide its report no later than June 1, 2018. The Minister of Canadian Heritage indicated that the CRTC's report will be used to inform a future review of the *Broadcasting Act* and the *Telecommunications Act*. At this time, it is unclear how the CRTC's report, or future legislative reviews, may impact our business.

8.4 Radiocommunication Act

ISED regulates the use of radio spectrum under the *Radiocommunication Act* to ensure that radiocommunication in Canada is developed and operated efficiently. All companies wishing to operate a wireless system in Canada must hold a spectrum licence to do so. Under the *Radiocommunication Regulations*, companies that are eligible for radio licences, such as Bell Canada and Bell Mobility, must meet the same ownership requirements that apply to companies under the *Telecommunications Act*.

600 MHZ SPECTRUM CONSULTATION

ISED is currently in the process of repurposing the 600 MHz band, which is currently being used primarily by over-the-air TV broadcasters for TV transmission, for mobile use. As part of the transition, TV broadcasters must be moved off the 600 MHz spectrum. In April 2017, ISED released its new digital television allotment plan, developed jointly with the U.S. regulatory authorities. The transition of broadcasters off 600 MHz spectrum will have an impact on Bell Media TV broadcasting stations; however, the extent of such impact is not yet known.

On August 4, 2017, ISED released a consultation paper seeking input regarding a technical, policy and licensing framework to govern the auction of spectrum licences in the 600 MHz band for mobile use. The consultation paper indicates that ISED is proposing to auction 70 MHz of spectrum (30 MHz of which would be set aside for set-aside-eligible entities) using an auction format similar to that used in the 700 MHz and 2500 MHz spectrum auctions. The set-aside spectrum can only be transferred to set-aside-eligible entities for the first five years. ISED proposes that the auctioned licences will have a 20-year term and be subject to certain deployment requirements requiring licensees to provide network coverage to a certain percentage of the population in each licence area at five, 10 and 20 years following licence issuance. ISED has not yet indicated when the auction will take place.

While the potential overall impact of the proposed auction framework is not known at the present time, the adoption of the set-aside provisions outlined in the consultation paper would limit the amount of spectrum that Bell Mobility can bid on. A decision on the consultation remains pending.

CONSULTATION ON RELEASING MILLIMETRE WAVE SPECTRUM TO SUPPORT 5G

On June 5, 2017, ISED launched a consultation entitled "Consultation on Releasing Millimetre Wave Spectrum to Support 5G". The consultation addresses the use of three key frequency bands, namely 28 GHz, 37-40 GHz and 64-71 GHz for possible 5G deployment. ISED has sought comments on a number of key technical and licensing policy considerations for the use of the above noted spectrum. As 5G is expected to be the next major advancement in mobile telecommunications standards, access to the millimetre spectrum will be important in order to facilitate the development and adoption of 5G technology. A decision on the consultation remains pending.

RENEWAL OF AWS-1 AND PCS G BLOCK AND I BLOCK SPECTRUM LICENCES

On February 15, 2018, ISED released its spectrum licence renewal process for the AWS-1 and the personal communications services (PCS) G Block and I Block spectrum. These spectrum licences were auctioned in 2008 with a ten-year term and begin to expire in December 2018. In its decision, ISED indicated that, where all conditions of licence have been met, licensees will be eligible for new spectrum licences. Compliant AWS-1 and G Block licensees will be eligible for new licences with a 20-year term and compliant I Block licensees will be eligible for new licences with a 10-year term. As part of the renewal process, ISED set population coverage targets that apply within the first eight years of the new licence term and a second set of population coverage targets that apply by the end of the 20-year licence term. As indicated in the consultation, the population targets are based on smaller geographic licensing areas.

AUCTION OF RESIDUAL SPECTRUM LICENCES

On December 19, 2017, ISED released a decision entitled "Licensing Framework for Residual Spectrum Licences in the 700 MHz, 2500 MHz, 2300 MHz and PCS G Bands". For residual licences in the 700 MHz and 2500 Mhz bands, ISED will impose the same aggregation limits that were in place for the primary auctions of these bands in 2014 and 2015, respectively. The licensing framework has set a sealed-bid auction with bids due on May 15, 2018.

CONSULTATION ON THE SPECTRUM OUTLOOK 2018 TO 2022

On October 6, 2017, ISED initiated a consultation entitled "Consultation on the Spectrum Outlook 2018 to 2022". The outcome of this consultation is intended to provide a roadmap for ISED to follow in making spectrum available over the next five years. As part of this consultation, ISED is seeking views on how it should change its licensing regime, how much spectrum will be required in the future, and how technology is evolving, among other things. It is unclear what, if any, impacts the results of this consultation could have on our business.

8.5 Bell Canada Act

Among other things, the *Bell Canada Act* limits how Bell Canada voting shares and Bell Canada facilities may be sold or transferred. Specifically, under the *Bell Canada Act*, the CRTC must approve any sale or other disposal of Bell Canada voting shares that are held by BCE, unless the sale or disposal would result in BCE retaining at least 80% of all of the issued and outstanding voting shares of Bell Canada. Except in the ordinary course of business, the sale or other disposal of facilities integral to Bell Canada's telecommunications activities must also receive CRTC approval.

8.6 Other key legislation

PERSONAL INFORMATION PROTECTION AND ELECTRONIC DOCUMENTS ACT

On June 18, 2015, the *Personal Information Protection and Electronic Documents Act* was amended to include mandatory notification requirements that must be followed in relation to the loss or unauthorized disclosure of personal information held by an organization resulting from a breach of the organization's security safeguards. Failure to comply with these notification requirements, or to log security breaches, may result in a fine of up to $100,000 per occurrence. These provisions dealing with notification requirements will come into force when related regulations are brought into force.

On September 28, 2017, the Office of the Privacy Commissioner of Canada (OPC) issued its Notice of Consultation and Call for Comments on Draft Consent Guidance Documents. The specific guidance documents at issue in this consultation are entitled "Draft Guidelines: Obtaining Meaningful Online Consent" and "Draft Guidelines: Inappropriate Data Practices – Interpretation and Application of Subsection 5(3)". The OPC is expected to issue final guidelines later this year. The OPC's guidelines could have significant impacts concerning how personal information may be collected, used and disclosed for analytics and marketing purposes.

CANADA'S ANTI-SPAM LEGISLATION

Federal legislation referred to as Canada's anti-spam legislation (CASL) came into force on July 1, 2014. Pursuant to CASL, commercial electronic messages can be sent only if the recipient has provided prior consent and the message complies with certain formalities, including the ability to unsubscribe easily from subsequent messages. As of January 15, 2015, CASL also requires that an organization have prior informed consent before downloading software to an end-user's computer. Penalties for non-compliance include administrative monetary penalties of up to $10 million.

While CASL is also intended to provide individual Canadians with a private right of action to commence proceedings for statutory damages in relation to instances of non-compliance, these provisions were deferred indefinitely from coming into force by the Federal Cabinet on June 2, 2017.

COPYRIGHT ACT REVIEW

On December 13, 2017, the Federal Government passed a motion in Parliament to formally launch a review of the *Copyright Act*. This review is mandated by the *Copyright Act* itself, which requires that the legislation be examined every five years. The Standing Committee on Industry, Science and Technology, working in collaboration with the Standing Committee on Canadian Heritage, will lead the process, beginning in early 2018. At this time, the impact of any potential amendments on our business is unknown.

9 Business risks

A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. The actual effect of any event could be materially different from what we currently anticipate. The risks described in this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial position, financial performance, cash flows, business or reputation.

This section describes the principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, and cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements. As indicated in the table below, certain of these principal business risks have already been discussed in other sections of this MD&A, and we refer the reader to those sections for a discussion of such risks. All of the risk discussions set out in the sections referred to in the table below are incorporated by reference in this section 9.

RISKS DISCUSSED IN OTHER SECTIONS OF THIS MD&A	SECTION REFERENCES
Competitive environment	Section 3.3, *Principal business risks* Section 5, *Business segment analysis* (*Competitive landscape and industry trends* section for each segment)
Regulatory environment	Section 3.3, *Principal business risks* Section 8, *Regulatory environment*
Security management	Section 3.3, *Principal business risks*
Risks specifically relating to our Bell Wireless, Bell Wireline and Bell Media segments	Section 5, *Business segment analysis* (*Principal business risks* section for each segment)

The other principal business risks that could also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation are discussed below.

TECHNOLOGY/INFRASTRUCTURE TRANSFORMATION

The failure to optimize network and IT deployment and upgrade timelines, accurately assess the potential of new technologies, or invest and evolve in the appropriate direction could have an adverse impact on our business and financial results

Globalization, increased competition and ongoing technological advances are driving customer expectations of faster market responses, enhanced user experiences and cost-effective delivery. Meeting these expectations requires the deployment of new service and product technologies that are network-neutral and based on a more collaborative and integrated development environment. Change can be difficult and may present unforeseen obstacles that might impact successful execution, and this transition is made more challenging by the complexity of our multi-product environment, combined with the complexity of our network and IT structures. In addition, new technologies may quickly become obsolete or their launch may be delayed. The failure to optimize network and IT deployment and upgrade timelines, in light of customer demand and competitor activities, to accurately assess the potential of new technologies, or to invest and evolve in the appropriate direction in an environment of changing business models could have an adverse impact on our business and financial results.

In particular, our network and IT evolution activities seek to leverage new as well as evolving and developing technologies, including network functions virtualization, software-defined networks and cloud technologies, and to transform our network and systems to achieve our objectives of becoming more agile in our service delivery and operations as well as providing self-serve and instant-on capabilities for our customers, ensuring best quality and customer experience, and developing a new network infrastructure that enables a competitive cost structure and rapidly growing capacity. These evolution activities require an operational and cultural shift. Alignment across technology, product development and operations is increasingly critical to ensure appropriate trade-offs and optimization of capital allocation.

If this cannot be achieved in accordance with our deployment schedules while maintaining network availability and performance through the migration process, we may lose customers as a result of poor service performance, which could adversely affect our ability to achieve our operational and financial objectives. Failure to leverage IP across all facets of our network and product and service portfolio could inhibit a fully customer-centric approach, limiting or preventing comprehensive self-serve convenience, real-time provisioning, cost savings and flexibility in delivery and consumption, leading to negative business and financial outcomes.

Parallel to our focus on next-generation investment, adverse regulatory decisions may impact the specific nature, magnitude, location and timing of investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP or wireless networks will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireline and wireless networks, particularly in smaller communities and rural areas. Failure to continue investment in next-generation capabilities in a disciplined and strategic manner, including real-time information-based customer service strategies, could limit our ability to compete effectively and achieve desired business and financial results.

Other examples of risks affecting achievement of our desired technology/infrastructure transformation include:

- Network construction and deployment on municipal or private property requires the issuance of municipal or property owner consents, respectively, for the installation of network equipment, which could cause delays in FTTP rollout

- The increasing dependence on apps for content delivery, sales, customer engagement and service experience drives the need for new and scarce capabilities (sourced internally or externally), which may not be available, as well as the need for associated operating processes integrated into ongoing operations
- New products, services or apps could reduce demand for our existing, more profitable service offerings or cause prices for those services to decline, and could result in shorter estimated useful lives for existing technologies, which could increase depreciation and amortization expense
- As consumption habits evolve and TV viewing alternatives expand, our ability to develop alternative delivery vehicles, which may require significant software development and network investment, in order to compete in new markets is essential to maintaining customer engagement and revenue streams
- We must be able to leverage new opportunities, such as those introduced by "big data", which is subject to many challenges, including evolving customer perceptions as well as legal and regulatory developments in order to meet our business objectives. If we cannot build market-leading competencies in this field across sales, service and operational platforms that respect societal values and legal and regulatory requirements, we may miss important opportunities to grow our business through enhanced market intelligence and a more proactive customer service model.

CUSTOMER EXPERIENCE

Driving a positive customer experience in all aspects of our engagement with customers by embracing new approaches and challenging operational limitations is important to avoid adverse impacts on our business and financial performance

As the bar continues to be raised based on customers' evolving expectations of service and value, failure to get ahead of such expectations and build a more robust service experience could hinder products and services differentiation and customer loyalty. With the proliferation of connectivity services, apps and devices, customers are accustomed to doing things when, how and where they want through websites, self-serve options, web chat, call centres, Facebook, Twitter and other social media forums. Failure to embrace these new media in a positive way, incorporate them into multiple elements of our service delivery and ensure that we understand their potential impact on customer perceptions could adversely affect our reputation and brand value. As the foundation of effective customer service stems from our ability to deliver simple solutions to customers in an expeditious manner, on mutually agreeable terms, complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings may limit our ability to respond quickly to market changes and reduce costs, and may lead to customer confusion or billing errors, which could adversely affect customer satisfaction, acquisition and retention. While speed of service evolution is critical to a competitive differentiation, it must not be achieved at the expense of the quality of our service offerings or of our brand.

OPERATIONAL PERFORMANCE

Our networks, IT systems and data centre assets are the foundation of high-quality consistent services which are critical to meeting service expectations

Our ability to provide consistent wireless, wireline, media broadcasting, satellite and data centre services to customers in a complex and constantly changing operating environment is crucial for sustained success. In particular, network capacity demands for TV and other bandwidth-intensive applications on our Internet and wireless networks have been growing at unprecedented rates. Unexpected capacity pressures on our networks may negatively affect our network performance and our ability to provide services. Issues relating to network availability, speed, consistency and traffic management on our more current as well as our aging networks could have an adverse impact on our business and financial performance.

In addition, we currently use a very large number of interconnected operational and business support systems including for provisioning, networking, distribution, broadcast management, billing and accounting, which may restrain our operational efficiency. If we fail to implement or maintain highly effective customer-facing IT systems supported by an effective governance and operating framework, this may lead to inconsistent performance and dissatisfied customers, which over time could result in higher churn.

Further examples of risks to operational performance that could impact our reputation, business operations and financial performance include the following:

- We may need to incur significant capital expenditures beyond those already anticipated by our capital intensity target in order to provide additional capacity and reduce network congestion on our wireline and wireless networks, and we may not be able to generate sufficient cash flows or raise the capital we need to fund such capital expenditures, which may result in service degradation
- Corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions may not deliver the benefits contemplated and could adversely impact our ongoing operations
- If we fail to streamline our significant IT legacy system portfolio and proactively improve operating performance, this could adversely affect our business and financial outcomes
- There may be a lack of competent and cost-effective resources to perform the life-cycle management and upgrades necessary to maintain the operational status of legacy networks

Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities

Our operations depend on how well we and our contracted service providers protect our networks and IT systems, as well as other infrastructure and facilities, against damage from fire, natural disaster (including, without limitation, seismic and severe weather-related events such as ice, snow and wind storms, flooding, hurricanes, tornadoes and tsunamis), power loss, building cooling loss, unauthorized access or entry, cyber threats, disabling devices, acts of war or terrorism, sabotage, vandalism, actions of neighbours and other events. Establishing response strategies and business continuity protocols to maintain service consistency if any disruptive event materializes is critical to the achievement of effective customer service. Any of the above-mentioned events, as well as the failure to complete planned and sufficient testing, maintenance or replacement of our networks, equipment and other facilities, could disrupt our operations (including through disruptions such as network failures, billing errors or delays in customer service), require significant resources and result in significant remediation costs, which in turn could have an adverse effect on our business and financial performance, or impair our ability to keep existing subscribers or attract new ones.

Satellites used to provide our satellite TV services are subject to significant operational risks that could have an adverse effect on our business and financial performance

Pursuant to a set of commercial arrangements between Bell ExpressVu and Telesat Canada (Telesat), we currently have two satellites under contract with Telesat. Telesat operates or directs the operation of these satellites, which utilize highly complex technology and operate in the harsh environment of space and are therefore subject to significant operational risks while in orbit. These risks include in-orbit equipment failures, malfunctions and other problems, commonly referred to as anomalies, that could reduce the commercial usefulness of a satellite used to provide our satellite TV services. Acts of war or terrorism, magnetic, electrostatic or solar storms, and space debris or meteoroids could also damage such satellites. Any loss, failure, manufacturing defect, damage or destruction of these satellites, of our terrestrial broadcasting infrastructure or of Telesat's tracking, telemetry and control facilities to operate the satellites could have an adverse effect on our business and financial performance and could result in customers terminating their subscriptions to our DTH satellite TV service.

PEOPLE

Our employees and contractors are key resources, and there is a broad and complex range of risks that must be managed effectively to drive a winning corporate culture and outstanding performance

Our business depends on the efforts, engagement and expertise of our management and non-management employees and contractors, who must be able to operate safely and securely based on the tasks they are completing and the environment in which they are functioning. If we fail to achieve this basic expectation, this could adversely affect our organizational culture, reputation and financial results as well as our ability to attract high-performing team members. Competition for highly skilled team members is intense, which makes the development of approaches to identify and secure high-performing candidates for a broad range of job functions, roles and responsibilities essential. Failure to appropriately train, motivate, remunerate or deploy employees on initiatives that further our strategic imperatives, or to efficiently replace retiring employees, could have an adverse impact on our ability to attract and retain talent and drive performance across the organization. The positive engagement of members of our team represented by unions is contingent on negotiating collective agreements that deliver competitive labour conditions and uninterrupted service, both of which are critical to achieving our business objectives. In addition, if the skill sets, diversity and size of the workforce do not match the operational requirements of the business and foster a winning culture, we will likely not be able to sustain our performance.

Other examples of people-related risks include the following:

- The increasing technical and operational complexity of our businesses and the high demand in the market for skilled technical resources create a challenging environment for hiring, retaining and developing such skilled technical resources
- Failure to establish a complete and effective succession plan, including preparation of internal talent and identification of potential external candidates where relevant for key roles, could impair our business until qualified replacements are found
- Approximately 45% of our employees are represented by unions and are covered by collective bargaining agreements. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions, including work stoppages or work slowdowns, which could adversely affect service to our customers and, in turn, our customer relationships and financial performance.
- Ensuring the safety and security of our workforce operating in different environments, including manholes, telephone poles, cell towers, vehicles, foreign news bureaus and war zones, requires focus, effective processes and flexibility to avoid injury, service interruption, fines and reputational impact
- Deterioration in employee morale and engagement resulting from staff reductions, ongoing cost reductions or reorganizations could adversely affect our business and financial results

FINANCIAL MANAGEMENT

If we are unable to raise the capital we need or generate sufficient cash flows from operations, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets

Our ability to meet our cash requirements, fund capital expenditures and provide for planned growth depends on having access to adequate sources of capital and on our ability to generate cash flows from operations, which is subject to various risks, including those described in this MD&A.

Our ability to raise financing depends on our ability to access the public equity, debt capital and money markets, as well as the bank credit market. Our ability to access such markets and the cost and amount of funding available depend largely on prevailing market conditions and the outlook for our business and credit ratings at the time capital is raised.

Risk factors such as capital market disruptions, political, economic and financial market instability in Canada or abroad, government policies, central bank monetary policies, changes to bank capitalization or other regulations, reduced bank lending in general or fewer banks as a result of reduced activity or consolidation, could reduce capital available or increase the cost of such capital. In addition, an increased level of debt borrowings could result in lower credit ratings, increased borrowing costs and a reduction in the amount of funding available to us, including through equity offerings. Business acquisitions could also adversely affect our outlook and credit ratings and have similar adverse consequences. In addition, participants in the public capital and bank credit markets have internal policies limiting their ability to invest in, or extend credit to, any single entity or entity group or a particular industry.

Our bank credit facilities, including credit facilities supporting our commercial paper program, are provided by various financial institutions. While it is our intention to renew certain of such credit facilities from time to time, there are no assurances that these facilities will be renewed on favourable terms or in similar amounts.

Differences between BCE's actual or anticipated financial results and the published expectations of financial analysts, as well as events affecting our business or operating environment, may contribute to volatility in BCE's securities. A major decline in the capital markets in general, or an adjustment in the market price or trading volumes of BCE's securities, may negatively affect our ability to raise debt or equity capital, retain senior executives and other key employees, make strategic acquisitions or enter into joint arrangements.

If we cannot access the capital we need or generate cash flows to implement our business plan or meet our financial obligations on acceptable terms, we may have to limit our ongoing capital expenditures and our investment in new businesses or try to raise additional capital by selling or otherwise disposing of assets. Any of these could have an adverse effect on our cash flows from operations and on our growth prospects.

We cannot guarantee that BCE's dividend policy will be maintained or that dividends will be declared

From time to time, the BCE Board reviews the adequacy of BCE's dividend policy with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders. Under the current dividend policy, increases in the common share dividend are directly linked to growth in BCE's free cash flow. BCE's dividend policy and the declaration of dividends on any of its outstanding shares are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE's dividend policy will be maintained or that dividends will be declared. The declaration of dividends by the BCE Board is ultimately dependent on BCE's operations and financial results which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

We are exposed to various credit, liquidity and market risks

Our exposure to credit, liquidity and market risks, including equity price, interest rate and currency fluctuations, is discussed in section 6.5, *Financial risk management* of this MD&A and in Note 24 of BCE's 2017 consolidated financial statements.

Our failure to identify and manage our exposure to changes in interest rates, foreign exchange rates (especially the weakening of the Canadian dollar), BCE's share price and other market conditions could lead to missed opportunities, reduced profit margins, cash flow shortages, inability to complete planned capital expenditures, reputational damage, equity and debt securities devaluations and challenges in raising capital on market-competitive terms.

The economic environment, pension rules or ineffective governance could have an adverse effect on our pension obligations, liquidity and financial performance, and we may be required to increase contributions to our post-employment benefit plans in the future

With a large pension plan membership and DB pension plans that are subject to the pressures of the global economic environment and changing regulatory and reporting requirements, our pension obligations are exposed to potential volatility. Failure to recognize and manage economic exposure and pension rule changes or to ensure that effective governance is in place for management and funding of pension plan assets and obligations could have an adverse impact on our liquidity and financial performance.

The funding requirements of our post-employment benefit plans, based on valuations of plan assets and obligations, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Changes in these factors could cause future contributions to significantly differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future and, therefore, could have a negative effect on our liquidity and financial performance.

There is no assurance that the assets of our post-employment benefit plans will earn their assumed rate of return. A substantial portion of our post-employment benefit plans' assets is invested in public equity and debt securities. As a result, the ability of our post-employment benefit plans' assets to earn the rate of return that we have assumed depends significantly on the performance of capital markets. Market conditions also impact the discount rate used to calculate our solvency obligations and could therefore also significantly affect our cash funding requirements.

Our expected funding for 2018 is in accordance with the latest post-employment benefit plan valuations as of December 31, 2016, filed in June 2017, and takes into account voluntary contributions of $100 million in 2017.

Income and commodity tax amounts may materially differ from the expected amounts

Our complex business operations are subject to various tax laws, and the adoption of new tax laws, or regulations or rules thereunder, or changes thereto or in the interpretation thereof, could result in higher tax rates, new taxes or other adverse tax implications. In addition, while we believe that we have adequately provided for all income and commodity taxes based on all of the information that is currently available, the calculation of income taxes and the applicability of commodity taxes in many cases require significant judgment in interpreting tax rules and regulations. Our tax filings are subject to government audits that could result in material changes to the amount of current and deferred income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

The failure to reduce costs as well as unexpected increases in costs could adversely affect our ability to achieve our strategic imperatives and our financial results

Our objectives for targeted cost reductions continue to be aggressive but there is no assurance that we will be successful in reducing costs, especially since incremental cost savings are more difficult to achieve on an ongoing basis. Our cost reduction objectives require aggressive negotiations with our suppliers and there can be no assurance that such negotiations will be successful or that replacement products or services provided will not lead to operational issues.

Examples of risks to our ability to reduce costs or of potential cost increases include:

- Achieving timely cost reductions while moving to an IP-based network is dependent on disciplined network decommissioning, which can be delayed by customer contractual commitments, regulatory considerations and other unforeseen obstacles
- Fluctuations in energy prices are partly influenced by government policies to address climate change which, combined with growing data demand that increases our energy requirements, could increase our energy costs beyond our current expectations
- Failure to successfully deliver on our contractual commitments, whether due to security events, operational challenges or other reasons, may result in financial penalties and loss of revenues

The failure to evolve practices to effectively monitor and control fraudulent activities could result in financial loss and brand degradation

As a public company with a range of desirable and valuable products and services and 51,679 employees at the end of 2017, fraud requires a disciplined program covering governance, exposure identification and assessment, prevention, detection and reporting that considers corruption, misappropriation of assets and intentional manipulation of financial statements by employees and/or external parties. Fraud events can result in financial loss and brand degradation.

Specific examples relevant to us include:

- Subscription fraud on accounts established with a false identity or paid with a stolen credit card
- Network usage fraud such as call/sell operations using our wireline or wireless networks
- Copyright theft and other forms of unauthorized use that undermine the exclusivity of Bell Media's content offerings, which could potentially divert users to unlicensed or otherwise illegitimate platforms, thus impacting our ability to derive distribution and advertising revenues
- TV distributors including Bell Canada and Bell ExpressVu are subject to ongoing efforts to steal their services through compromise or circumvention of signal security systems, causing revenue loss

DEPENDENCE ON THIRD-PARTY SUPPLIERS

We depend on third-party suppliers, outsourcers and consultants, some of which are critical, to provide an uninterrupted supply of the products and services we need to operate our business and to comply with various obligations

We depend on key third-party suppliers and outsourcers, over which we have no operational or financial control, for products and services, some of which are critical to our operations. If there are gaps in our supplier governance and oversight models established to ensure full risk transparency at point of purchase and throughout the relationship, including any contract renegotiations, there is the potential for a breakdown in supply, which could impact our ability to make sales, service customers and achieve our business and financial objectives. Some of our third-party suppliers and outsourcers are located in foreign countries, which increases the potential for a breakdown in supply due to the risks of operating in foreign jurisdictions with different laws, geo-political environments, cultures and the potential for localized natural disasters. The outsourcing of services generally involves transfer of risk, and we must take appropriate steps to ensure that the outsourcers' approach to risk management is aligned with our own standards in order to maintain continuity of supply and brand strength. Further, as cloud-based supplier models continue to evolve, our procurement and vendor management practices must also continue to evolve to fully address associated risk exposures.

In addition, certain company initiatives rely heavily upon professional consulting services provided by third parties, and a failure of such third parties may not be reasonably evident until their work is delivered or delayed. Depending on the size, complexity and level of third-party dependence, remedial strategies may be difficult to implement in respect of any professional consulting services provided by third-parties that are not performed in a proper or timely fashion. Any such difficulty when implementing remedial strategies could result in an adverse effect on our ability to comply with various obligations, including applicable legal and accounting requirements.

Other examples of risks associated with our dependence on third-party suppliers include the following:

- Demand for products and services available from only a limited number of suppliers, some of which dominate their global market, may lead to decreased availability, increased costs or delays in the delivery of such products and services, since suppliers may choose to favour global competitors that are larger than we are and, accordingly, purchase a larger volume of products and services. In addition, production issues affecting any such suppliers, or other suppliers, could result in decreased quantities, or a total lack, of supply of products or services. Any of these events could adversely impact our ability to meet customer commitments and demand.
- Cloud-based solutions may increase the risk of security and data leakage exposure if security control protocols affecting our suppliers are bypassed
- Failure to maintain strong discipline around vendor administration (especially around initial account setup) may mask potential financial or operational risks and complicate future problem resolutions
- If products and services important to our operations have manufacturing defects or do not comply with applicable government regulations and standards (including product safety practices), our ability to sell products and provide services on a timely basis may be negatively impacted. We work with our suppliers to identify serious product defects (including safety incidents) and develop appropriate remedial strategies. Remedial strategies may include a recall of products. To the extent that a supplier does not actively participate in, and/or bear primary financial responsibility for, a recall of its products, our ability to perform such recall programs at a reasonable cost and/or in a timely fashion may be negatively impacted. Any of the events referred to above could have an adverse effect on our operations and financial results.
- Products, services, software and other elements of our business supplied to us or used in our business operations may contain security issues including, but not limited to, latent security issues that would not be apparent upon an inspection. When any such security issue is discovered, we seek to identify and develop remedial strategies both internally and with our suppliers. Should we or a supplier fail to correct a security issue in a timely fashion, there could be an adverse effect on our business and financial performance.
- Temporary or permanent operational failures or service interruptions of the networks of other telecommunications carriers and suppliers on which we rely to deliver services could adversely affect our ability to provide services using such carriers' and suppliers' networks and could, consequently, have an adverse effect on our business and financial performance
- BCE depends on call centre and technical support services provided by a number of external suppliers and outsourcers, some of which are located in foreign countries. These vendors have access to customer and internal BCE information necessary for the support services that they provide. Information access and service delivery issues that are not managed appropriately may have an adverse impact on our reputation, the quality and speed of services provided to customers, and our ability to address technical issues.

LITIGATION AND LEGAL OBLIGATIONS

Legal proceedings, changes in applicable laws and the failure to proactively address our legal and regulatory obligations could have an adverse effect on our business and financial performance

We become involved in various claims and legal proceedings as part of our business. Plaintiffs are able to launch and obtain certification of class actions on behalf of a large group of people with increasing ease, and securities laws facilitate the introduction of class action lawsuits by secondary market investors against public companies for alleged misrepresentations in public disclosure documents and oral statements. Changes in laws or regulations, or in how they are interpreted, and the adoption of new laws or regulations, as well as pending or future litigation, including an increase in certified class actions which, by their nature, could result in sizeable damage awards and costs relating to litigation, could have an adverse effect on our business and financial performance.

Examples of legal and regulatory obligations that we must comply with include those resulting from:

- As discussed in more detail in section 8, *Regulatory environment*, decisions, policies and other initiatives of the CRTC, ISED, the Competition Bureau and other governmental agencies, as well as laws of a regulatory nature
- Consumer protection and privacy legislation
- Tax legislation
- Corporate and securities legislation
- IFRS requirements
- Environmental protection and health and safety laws
- Payment card industry standards for protection against customer credit card infractions

The failure to comply with any of the above or other legal or regulatory obligations could expose us to litigation, including pursuant to class actions, and significant fines and penalties, as well as result in reputational harm.

For a description of the principal legal proceedings involving us, please see the section entitled *Legal proceedings* contained in the BCE 2017 AIF.

HEALTH AND ENVIRONMENTAL CONCERNS

Health concerns about radiofrequency emissions from wireless communication devices, as well as epidemics and other health risks, could have an adverse effect on our business

Many studies have been performed or are ongoing to assess whether wireless phones, networks and towers pose a potential health risk. While some studies suggest links to certain conditions, others conclude there is no established causation between mobile phone usage and adverse health effects. In 2011, the International Agency for Research on Cancer (IARC) of the World Health Organization classified radiofrequency electromagnetic fields from wireless phones as possibly carcinogenic to humans, but also indicated that chance, bias or confounding could not be ruled out with reasonable confidence. The IARC also called for additional research into long-term heavy use of mobile phones.

ISED is responsible for approving radiofrequency equipment and performing compliance assessments and has chosen Health Canada's Safety Code 6, which sets the limits for safe exposure to radiofrequency emissions at home or at work, as its exposure standard. This code also outlines safety requirements for the installation and operation of devices that emit radiofrequency fields such as mobile phones, Wi-Fi technologies and base station antennas. ISED has made compliance to Safety Code 6 mandatory for all proponents and operators of radio installations.

Our business is heavily dependent on radiofrequency technologies, which could present significant challenges to our business and financial performance, such as the following:

- We face current and potential lawsuits relating to alleged adverse health effects on customers, as well as to our marketing and disclosure practices in connection therewith, and the likely outcome of such lawsuits is unpredictable and may change over time
- Changes in scientific evidence and/or public perceptions could lead to additional government regulations and costs for retrofitting infrastructure and handsets to achieve compliance
- Public concerns could result in a slower deployment of, or in our inability to deploy, infrastructure necessary to maintain and/or expand our wireless network as required by market evolution

In addition, epidemics, pandemics and other health risks could occur, which could adversely affect our ability to maintain operational networks and provide services to our customers. Any of these events could have an adverse effect on our business and financial performance.

Climate change and other environmental concerns could have an adverse effect on our business

Global climate change could exacerbate certain of the threats facing our business, including the frequency and severity of weather-related events referred to in *Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities* in this section 9. Several areas of our operations further raise environmental considerations such as fuel storage, greenhouse gas emissions, disposal of hazardous residual materials, and recovery and recycling of end-of-life electronic products we sell or lease. Failure to recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, missed opportunities, additional regulatory scrutiny or harm our brand and reputation.

10 Financial measures, accounting policies and controls

10.1 Our accounting policies

This section discusses key estimates and assumptions that management has made and how they affect the amounts reported in the financial statements and notes. It also describes key changes in accounting standards and our accounting policies, and how they affect our financial statements.

We have prepared our consolidated financial statements using IFRS. Other significant accounting policies, not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See Note 2, *Significant accounting policies*, in BCE's 2017 consolidated financial statements for more information about the accounting principles we used to prepare our consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGMENTS

When preparing financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

We consider the estimates and judgments described in this section to be an important part of understanding our financial statements because they require management to make assumptions about matters that were highly uncertain at the time the estimates and judgments were made, and changes to these estimates and judgments could have a material impact on our financial statements and our segments.

Our senior management has reviewed the development and selection of the critical accounting estimates and judgments described in this section with the Audit Committee of the BCE Board.

Any sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Our more significant estimates and judgments are described below.

ESTIMATES

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

We review our estimates of the useful lives of property, plant and equipment and finite-life intangible assets on an annual basis and adjust depreciation or amortization on a prospective basis, if needed.

Property, plant and equipment represent a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

The estimated useful lives of property, plant and equipment and finite-life intangible assets are determined by internal asset life studies, which take into account actual and expected future usage, physical wear and tear, replacement history and assumptions about technology evolution. When factors indicate that assets' useful lives are different from the prior assessment, we depreciate or amortize the remaining carrying value prospectively over the adjusted estimated useful lives.

CHANGE IN ACCOUNTING ESTIMATE

In 2017 and 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2017 and January 1, 2016, and did not have a significant impact on our financial statements.

POST-EMPLOYMENT BENEFIT PLANS

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The actuarial valuation uses management's assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect post-employment benefit obligations and future net post-employment benefit plans cost.

We account for differences between actual and expected results in benefit obligations and plan performance in OCI, which are then recognized immediately in the deficit.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.

A discount rate is used to determine the present value of the future cash flows that we expect will be needed to settle post-employment benefit obligations.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company's specific experience.

A lower discount rate and a higher life expectancy result in a higher net post-employment benefit obligation and a higher current service cost.

SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

		IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2017 – INCREASE (DECREASE)		IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2017 – INCREASE (DECREASE)	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.5%	(70)	62	(1,636)	1,746
Life expectancy at age 65	1 year	33	(31)	834	(808)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed.

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate. When impairment charges occur they are recorded in *Other (expense) income*.

In 2017, we recorded impairment charges of $82 million, of which $70 million was allocated to indefinite-life intangible assets, and $12 million to finite-life intangible assets. The impairment charges relate to our music TV channels and two small market radio station CGUs within our Bell Media segment. These impairments were the result of revenue and profitability declines from lower audience levels. The charges were determined by comparing the carrying value of the CGUs to their fair value less costs of disposal. We estimated the fair value of the CGUs using both discounted cash flows and market-based valuation models, which include five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2018 to December 31, 2022, using a discount rate of 8.5% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of these CGUs was $67 million at December 31, 2017.

GOODWILL IMPAIRMENT TESTING

We perform an annual test for goodwill impairment in the fourth quarter for each of our CGUs or groups of CGUs to which goodwill is allocated, and whenever there is an indication that goodwill might be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in *Other (expense) income* in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE's CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4, *Segmented information*, in BCE's 2017 consolidated financial statements.

Any significant change in each of the estimates used could have a material impact on the calculation of the recoverable amount and resulting impairment charge. As a result, we are unable to reasonably quantify the changes in our overall financial performance if we had used different assumptions.

We cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values we have reported.

We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless or Bell Wireline groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

There were no goodwill impairment charges in 2016 or 2017.

DEFERRED TAXES

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax assets and liabilities are estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

If the final resolution of a legal or regulatory matter results in a judgment against us or requires us to pay a large settlement, it could have a material adverse effect on our consolidated financial statements in the period in which the judgment or settlement occurs.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under a contract exceed the expected benefits to be received under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

JUDGMENTS

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when setting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

MULTIPLE-ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple-element arrangements requires judgment to establish the separately identifiable components and the allocation of the total price between those components.

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

We accrue a potential loss if we believe a loss is probable and an outflow of resources is likely and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in *Trade payables and other liabilities* or *Other non-current liabilities*. Any payment as a result of a judgment or cash settlement would be deducted from cash from operating activities. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2017, we adopted the following amended accounting standard.

STANDARD	DESCRIPTION	IMPACT
Amendments to IAS 7 – Statement of Cash Flows	Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.	The required enhanced disclosures have been provided in Note 27, *Additional cash flow information*.

FUTURE CHANGES TO ACCOUNTING STANDARDS

The following new or amended standards and interpretation issued by the IASB have an effective date after December 31, 2017 and have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 15 – Revenue from Contracts with Customers	Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation The new standard also provides guidance relating to principal versus agent relationships, licences of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.	IFRS 15 will principally affect the timing of revenue recognition and how we classify revenues between product and service in our Bell Wireless segment. IFRS 15 will also affect how we account for costs to obtain a contract. • Under multiple-element arrangements, revenue allocated to a satisfied performance obligation will no longer be limited to the amount that is not contingent upon the satisfaction of additional performance obligations. Although the total revenue recognized during the term of a contract will be largely unaffected, revenue recognition may be accelerated and reflected ahead of the associated cash inflows. This will result in the recognition of a contract asset on the balance sheet, corresponding to the amount of revenue recognized and not yet billed to a customer. The contract asset will be realized over the term of the customer contract. • As revenues allocated to a satisfied performance obligation are no longer limited to the non-contingent amount, a greater proportion of the total revenue recognized during the term of certain customer contracts will be attributed to a delivered product, resulting in a corresponding decrease in service revenue. • Sales commissions and any other incremental costs of obtaining a contract with a customer will be recognized on the balance sheet and amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services, except as noted below. Under IFRS 15, certain practical expedients are permitted both on transition and on an ongoing basis. • On transition, completed contracts that begin and end within the same annual reporting period and those completed before January 1, 2017 are not restated. Similarly, contracts modified prior to January 1, 2017 are not restated. • When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we will recognize revenue in the amount to which we have a right to invoice. • Costs of obtaining a contract that would be amortized within one year or less will be immediately expensed. We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes, and systems of internal control are being completed. A dedicated project team that leverages key resources throughout the company is in place to effect the necessary changes. While our testing and data validation process is ongoing, we expect that the impact of the new standard will be most pronounced in our Bell Wireless segment. • Although total revenue recognized over the term of a customer contract is not expected to change significantly, our preliminary estimate of the impact of adopting IFRS 15 is a decrease in 2017 service revenues within the range of $1.2 billion to $1.4 billion, with a corresponding increase in product revenue. • Total operating revenues less operating costs in 2017 is estimated to increase by approximately $0.1 billion. • Total assets on our January 1, 2017 statement of financial position will increase as we record contract assets and costs to obtain a contract. We currently estimate the value of the gross contract assets to be in the range of $1.1 billion to $1.3 billion and an increase in costs to obtain a contract of approximately $0.3 billion to $0.4 billion, both of which would be recognized through an adjustment to opening retained earnings. • Total liabilities will increase mainly to reflect a resulting $0.4 billion deferred tax liability, also recognized through an adjustment to opening retained earnings. • We do not expect that IFRS 15 will impact our cash flows from operating activities.	Annual periods beginning on or after January 1, 2018, using a full retrospective approach for all periods presented in the period of adoption.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
Amendments to IFRS 2 – Share-based Payment	Clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled.	The amendments to IFRS 2 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 9 – Financial Instruments	Sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and modifies the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard.	The amendments to IFRS 9 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 16 – Leases	Eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease asset is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets, nor does it substantially change lease accounting for lessors.	We continue to make progress towards adoption of IFRS 16 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes and systems of internal control are being designed and tested. It is not yet possible to make a reliable estimate of the impact of the new standard on our financial statements.	Annual periods beginning on or after January 1, 2019, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.
International Financial Reporting Interpretations Committee (IFRIC) 23 – Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.	We are currently evaluating the impact of IFRIC 23 on our financial statements.	Annual periods beginning on or after January 1, 2019, using either a full retrospective or a modified retrospective approach.

10.2 Non-GAAP financial measures and key performance indicators (KPIs)

This section describes the non-GAAP financial measures and KPIs we use in this MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable IFRS financial measures.

In Q1 2017, we updated our definition of adjusted net earnings and adjusted EPS to also exclude impairment charges as they may affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. There was no impact to previously reported results as a result of this change.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The terms adjusted EBITDA and adjusted EBITDA margin do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted EBITDA as operating revenues less operating costs, as shown in BCE's consolidated income statements. Adjusted EBITDA for BCE's segments is the same as segment profit as reported in Note 4, *Segmented information*, in BCE's 2017 consolidated financial statements. We define adjusted EBITDA margin as adjusted EBITDA divided by operating revenues.

We use adjusted EBITDA and adjusted EBITDA margin to evaluate the performance of our businesses as they reflect their ongoing profitability. We believe that certain investors and analysts use adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the telecommunications industry. We believe that certain investors and analysts also use adjusted EBITDA and adjusted EBITDA margin to evaluate the performance of our businesses. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Adjusted EBITDA and adjusted EBITDA margin have no directly comparable IFRS financial measure. Alternatively, the following table provides a reconciliation of net earnings to adjusted EBITDA.

	2017	2016
Net earnings	2,970	3,087
Severance, acquisition and other costs	190	135
Depreciation	3,037	2,877
Amortization	813	631
Finance costs		
Interest expense	955	888
Interest on post-employment benefit obligations	72	81
Other expense (income)	102	(21)
Income taxes	1,039	1,110
Adjusted EBITDA	9,178	8,788
BCE operating revenues	*22,719*	*21,719*
Adjusted EBITDA margin	40.4%	40.5%

ADJUSTED NET EARNINGS AND ADJUSTED EPS

The terms adjusted net earnings and adjusted EPS do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs. We define adjusted EPS as adjusted net earnings per BCE common share.

We use adjusted net earnings and adjusted EPS, and we believe that certain investors and analysts use these measures, among other ones, to assess the performance of our businesses without the effects of severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs, net of tax and non-controlling interest (NCI). We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

The most comparable IFRS financial measures are net earnings attributable to common shareholders and EPS. The following table is a reconciliation of net earnings attributable to common shareholders and EPS to adjusted net earnings on a consolidated basis and per BCE common share (adjusted EPS), respectively.

	2017		2016	
	TOTAL	PER SHARE	TOTAL	PER SHARE
Net earnings attributable to common shareholders	2,786	3.12	2,894	3.33
Severance, acquisition and other costs	143	0.16	104	0.12
Net losses on investments	29	0.03	3	–
Early debt redemption costs	15	0.02	8	0.01
Impairment charges	60	0.06	–	–
Adjusted net earnings	3,033	3.39	3,009	3.46

FREE CASH FLOW AND DIVIDEND PAYOUT RATIO

The terms free cash flow and dividend payout ratio do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define free cash flow as cash flows from operating activities, excluding acquisition and other costs paid (which include significant litigation costs) and voluntary pension funding, less capital expenditures, preferred share dividends and dividends paid by subsidiaries to NCI. We exclude acquisition and other costs paid and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

We consider free cash flow to be an important indicator of the financial strength and performance of our businesses because it shows how much cash is available to pay dividends, repay debt and reinvest in our company. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets and to evaluate the financial strength and performance of our businesses. The most comparable IFRS financial measure is cash flows from operating activities.

We define dividend payout ratio as dividends paid on common shares divided by free cash flow. We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the sustainability of the company's dividend payments.

The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis.

	2017	2016
Cash flows from operating activities	7,358	6,643
Capital expenditures	(4,034)	(3,771)
Cash dividends paid on preferred shares	(127)	(126)
Cash dividends paid by subsidiaries to NCI	(34)	(46)
Acquisition and other costs paid	155	126
Voluntary defined benefit pension plan contribution	100	400
Free cash flow	3,418	3,226

NET DEBT

The term net debt does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define net debt as debt due within one year plus long-term debt and 50% of preferred shares, less cash and cash equivalents, as shown in BCE's consolidated statements of financial position. We include 50% of outstanding preferred shares in our net debt as it is consistent with the treatment by certain credit rating agencies.

We consider net debt to be an important indicator of the company's financial leverage because it represents the amount of debt that is not covered by available cash and cash equivalents. We believe that certain investors and analysts use net debt to determine a company's financial leverage.

Net debt has no directly comparable IFRS financial measure, but rather is calculated using several asset and liability categories from the statements of financial position, as shown in the following table.

	2017	2016
Debt due within one year	5,178	4,887
Long-term debt	18,215	16,572
50% of outstanding preferred shares	2,002	2,002
Cash and cash equivalents	(625)	(853)
Net debt	24,770	22,608

NET DEBT LEVERAGE RATIO

The net debt leverage ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the net debt leverage ratio as a measure of financial leverage.

The net debt leverage ratio represents net debt divided by adjusted EBITDA. For the purposes of calculating our net debt leverage ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA.

ADJUSTED EBITDA TO NET INTEREST EXPENSE RATIO

The ratio of adjusted EBITDA to net interest expense does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio represents adjusted EBITDA divided by net interest expense. For the purposes of calculating our adjusted EBITDA to net interest expense ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA. Net interest expense is twelve-month trailing net interest expense as shown in our statements of cash flows, plus 50% of declared preferred share dividends as shown in our income statements.

KPIs

In addition to the non-GAAP financial measures described previously, we use a number of KPIs to measure the success of our strategic imperatives. These KPIs are not accounting measures and may not be comparable to similar measures presented by other issuers.

KPI	DEFINITION
ARPU	Average revenue per user (ARPU) or subscriber is a measure used to track our recurring revenue streams. Wireless blended ARPU is calculated by dividing certain service revenues by the average subscriber base for the specified period and is expressed as a dollar unit per month.
Capital intensity	Capital expenditures divided by operating revenues.
Churn	Churn is the rate at which existing subscribers cancel their services. It is a measure of our ability to retain our customers. Wireless churn is calculated by dividing the number of deactivations during a given period by the average number of subscribers in the base for the specified period and is expressed as a percentage per month.
Subscriber unit	Wireless subscriber unit is comprised of an active revenue-generating unit (e.g. mobile device, tablet or wireless Internet products), with a unique identifier (typically International Mobile Equipment Identity (IMEI) number), that has access to our wireless networks. We report wireless subscriber units in two categories: postpaid and prepaid. Prepaid subscriber units are considered active for a period of 120 days following the expiry of the subscriber's prepaid balance. Wireline subscriber unit consists of an active revenue-generating unit with access to our services, including Internet, satellite TV, IPTV, and/or NAS. A subscriber is included in our subscriber base when the service has been installed and is operational at the customer premise and a billing relationship has been established. • Internet, IPTV and satellite TV subscribers have access to stand-alone services, and are primarily represented by a dwelling unit • NAS subscribers are based on a line count and are represented by a unique telephone number

10.3 Effectiveness of internal controls

DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including BCE's President and CEO and Executive Vice-President and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

As at December 31, 2017, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the U.S. *Securities Exchange Act of 1934*, as amended, and under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

The CEO and CFO have limited the scope of their design and evaluation of our disclosure controls and procedures to exclude the disclosure controls and procedures of MTS, which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, at December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities, respectively. The design and evaluation of the disclosure controls and procedures of MTS will be completed for the first quarter of 2018. Further details related to the acquisition of MTS is disclosed in Note 3, *Business acquisitions and dispositions*, in BCE's 2017 consolidated financial statements.

Based on that evaluation, which excluded the disclosure controls and procedures of MTS, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13(a)-15(f) under the U.S. *Securities Exchange Act of 1934*, as amended, and under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO, and effected by the Board, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The CEO and CFO have limited the scope of their design and evaluation of our internal control over financial reporting to exclude the internal control over financial reporting of MTS.

Based on that evaluation, which excluded the internal control over financial reporting of MTS, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2017.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the year ended December 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The adoption of IFRS 15–*Revenue from Contracts with Customers*, required the implementation of new accounting processes, which changed the Company's internal controls over revenue recognition, contract acquisition costs and financial reporting. We are in the process of completing the design of these controls. We do not expect significant changes to our internal control over financial reporting due to the adoption of this new standard in 2018.

Reports on internal controls

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of BCE Inc. (BCE) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer and effected by the board of directors, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, the effectiveness of our internal control over financial reporting as at December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's evaluation of and conclusion on the effectiveness of our internal control over financial reporting did not include an evaluation of the internal control over financial reporting of Manitoba Telecom Services Inc. (MTS), which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, on December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities.

Based on that evaluation, which excluded the internal control over financial reporting of MTS, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that our internal control over financial reporting was effective as at December 31, 2017. There were no material weaknesses that have been identified by BCE's management in internal control over financial reporting as at December 31, 2017.

Our internal control over financial reporting as at December 31, 2017 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited our consolidated financial statements for the year ended December 31, 2017. Deloitte LLP issued an unqualified opinion on the effectiveness of our internal control over financial reporting as at December 31, 2017.

(signed) George A. Cope
President and Chief Executive Officer

(signed) Glen LeBlanc
Executive Vice-President and Chief Financial Officer

(signed) Thierry Chaumont
Senior Vice-President and Controller

March 8, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BCE Inc.

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the internal control over financial reporting of BCE Inc. and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 8, 2018, expressed an unmodified/unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Manitoba Telecom Services Inc. (MTS), which was acquired on March 17, 2017 and whose financial statements constitute 2% and 4% of current assets and liabilities, respectively, 7% and 2% of non-current assets and non-current liabilities, respectively, 3% of consolidated revenues and 3% of consolidated net earnings of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at MTS.

BASIS FOR OPINION

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP [1]
Chartered Professional Accountants

Montréal, Canada
March 8, 2018

1 *CPA auditor, CA, public accountancy permit No. A124391*

Consolidated financial statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of BCE Inc. (BCE) and have been reviewed and approved by the board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities. Deloitte LLP, Independent Registered Public Accounting Firm, have audited the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present BCE's consolidated financial position, results of operations and cash flows.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. This is supported by an internal audit group that reports to the Audit Committee, and includes communication with employees about policies for ethical business conduct. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The board of directors has appointed an Audit Committee, which is made up of unrelated and independent directors. The Audit Committee's responsibilities include reviewing the financial statements and other information in this annual report, and recommending them to the board of directors for approval. You will find a description of the Audit Committee's other responsibilities on page 164 of this annual report. The internal auditors and the shareholders' auditors have free and independent access to the Audit Committee.

(signed) George A. Cope
President and Chief Executive Officer

(signed) Glen LeBlanc
Executive Vice-President and Chief Financial Officer

(signed) Thierry Chaumont
Senior Vice-President and Controller

March 8, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BCE Inc.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of BCE Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

BASIS FOR OPINION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

/s/ Deloitte LLP [1]
Chartered Professional Accountants

Montréal, Canada
March 8, 2018

We have served as the Company's auditor since 1880.

1 *CPA auditor, CA, public accountancy permit No. A124391*

Consolidated financial statements

CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)	NOTE	2017	2016
Operating revenues	4	22,719	21,719
Operating costs	4, 5	(13,541)	(12,931)
Severance, acquisition and other costs	4, 6	(190)	(135)
Depreciation	4, 13	(3,037)	(2,877)
Amortization	4, 14	(813)	(631)
Finance costs			
Interest expense	7	(955)	(888)
Interest on post-employment benefit obligations	22	(72)	(81)
Other (expense) income	8	(102)	21
Income taxes	9	(1,039)	(1,110)
Net earnings		2,970	3,087
Net earnings attributable to:			
Common shareholders		2,786	2,894
Preferred shareholders		128	137
Non-controlling interest	30	56	56
Net earnings		2,970	3,087
Net earnings per common share	10		
Basic		3.12	3.33
Diluted		3.11	3.33
Average number of common shares outstanding – basic (millions)		894.3	869.1

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	2017	2016
Net earnings		2,970	3,087
Other comprehensive loss, net of income taxes			
Items that will be subsequently reclassified to net earnings			
Net change in value of available-for-sale financial assets, net of income taxes of nil for 2017 and 2016		–	(7)
Net change in value of derivatives designated as cash flow hedges, net of income taxes of $21 million and $24 million for 2017 and 2016, respectively		(65)	(68)
Items that will not be reclassified to net earnings			
Actuarial losses on post-employment benefit plans, net of income taxes of $92 million and $71 million for 2017 and 2016, respectively	22	(246)	(191)
Other comprehensive loss		(311)	(266)
Total comprehensive income		2,659	2,821
Total comprehensive income attributable to:			
Common shareholders		2,477	2,630
Preferred shareholders		128	137
Non-controlling interest	30	54	54
Total comprehensive income		2,659	2,821

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN MILLIONS OF CANADIAN DOLLARS)	NOTE	DECEMBER 31, 2017	DECEMBER 31, 2016
ASSETS			
Current assets			
Cash		442	603
Cash equivalents		183	250
Trade and other receivables	11	3,135	2,979
Inventory	12	380	403
Prepaid expenses		375	420
Other current assets		124	200
Total current assets		4,639	4,855
Non-current assets			
Property, plant and equipment	13	24,033	22,346
Intangible assets	14	13,305	11,998
Deferred tax assets	9	144	89
Investments in associates and joint ventures	3, 15	814	852
Other non-current assets	16	900	1,010
Goodwill	17	10,428	8,958
Total non-current assets		49,624	45,253
Total assets		54,263	50,108
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	18	4,623	4,326
Interest payable		168	156
Dividends payable		678	617
Current tax liabilities		140	122
Debt due within one year	19	5,178	4,887
Total current liabilities		10,787	10,108
Non-current liabilities			
Long-term debt	20	18,215	16,572
Deferred tax liabilities	9	2,447	2,192
Post-employment benefit obligations	22	2,108	2,105
Other non-current liabilities	23	1,223	1,277
Total non-current liabilities		23,993	22,146
Total liabilities		34,780	32,254
Commitments and contingencies	28		
EQUITY			
Equity attributable to BCE shareholders			
Preferred shares	25	4,004	4,004
Common shares	25	20,091	18,370
Contributed surplus	25	1,162	1,160
Accumulated other comprehensive (loss) income		(17)	46
Deficit		(6,080)	(6,040)
Total equity attributable to BCE shareholders		19,160	17,540
Non-controlling interest	30	323	314
Total equity		19,483	17,854
Total liabilities and equity		54,263	50,108

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS							
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at January 1, 2017		4,004	18,370	1,160	46	(6,040)	17,540	314	17,854
Net earnings		–	–	–	–	2,914	2,914	56	2,970
Other comprehensive loss		–	–	–	(63)	(246)	(309)	(2)	(311)
Total comprehensive (loss) income		–	–	–	(63)	2,668	2,605	54	2,659
Common shares issued under employee stock option plan	25	–	122	(6)	–	–	116	–	116
Common shares issued under employee savings plan	25	–	5	–	–	–	5	–	5
Other share-based compensation		–	–	8	–	(16)	(8)	–	(8)
Common shares issued for the acquisition of Manitoba Telecom Services Inc.	3, 25	–	1,594	–	–	–	1,594	–	1,594
Dividends declared on BCE common and preferred shares		–	–	–	–	(2,692)	(2,692)	–	(2,692)
Dividends declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	(45)	(45)
Balance at December 31, 2017		4,004	20,091	1,162	(17)	(6,080)	19,160	323	19,483

FOR THE YEAR ENDED DECEMBER 31, 2016 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS							
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at January 1, 2016		4,004	18,100	1,150	119	(6,350)	17,023	306	17,329
Net earnings		–	–	–	–	3,031	3,031	56	3,087
Other comprehensive loss		–	–	–	(73)	(191)	(264)	(2)	(266)
Total comprehensive (loss) income		–	–	–	(73)	2,840	2,767	54	2,821
Common shares issued under employee stock option plan	25	–	104	(6)	–	–	98	–	98
Common shares issued under dividend reinvestment plan	25	–	38	–	–	–	38	–	38
Common shares issued under employee savings plan	25	–	128	–	–	–	128	–	128
Other share-based compensation		–	–	16	–	(19)	(3)	–	(3)
Dividends declared on BCE common and preferred shares		–	–	–	–	(2,511)	(2,511)	–	(2,511)
Dividends declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	(46)	(46)
Balance at December 31, 2016		4,004	18,370	1,160	46	(6,040)	17,540	314	17,854

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	2017	2016
Cash flows from operating activities			
Net earnings		2,970	3,087
Adjustments to reconcile net earnings to cash flows from operating activities			
Severance, acquisition and other costs	6	190	135
Depreciation and amortization	13, 14	3,850	3,508
Post-employment benefit plans cost	22	314	305
Net interest expense		942	875
Losses (gains) on investments	8	5	(58)
Income taxes	9	1,039	1,110
Contributions to post-employment benefit plans	22	(413)	(725)
Payments under other post-employment benefit plans	22	(77)	(76)
Severance and other costs paid		(147)	(231)
Interest paid		(965)	(882)
Income taxes paid (net of refunds)		(675)	(565)
Acquisition and other costs paid		(155)	(126)
Net change in operating assets and liabilities		480	286
Cash flows from operating activities		7,358	6,643
Cash flows used in investing activities			
Capital expenditures	4	(4,034)	(3,771)
Business acquisitions	3	(1,649)	(404)
Disposition of intangibles and other assets	3	323	–
Decrease in investments		6	107
Loan to related party	3	–	(517)
Other investing activities		(83)	1
Cash flows used in investing activities		(5,437)	(4,584)
Cash flows used in financing activities			
Increase in notes payable		333	991
Issue of long-term debt	20	3,011	2,244
Repayment of long-term debt	20	(2,653)	(2,516)
Issue of common shares	25	117	99
Repurchase of shares for settlement of share-based payments	26	(224)	(106)
Cash dividends paid on common shares		(2,512)	(2,305)
Cash dividends paid on preferred shares		(127)	(126)
Cash dividends paid by subsidiaries to non-controlling interest		(34)	(46)
Other financing activities		(60)	(54)
Cash flows used in financing activities		(2,149)	(1,819)
Net (decrease) increase in cash		(161)	503
Cash at beginning of year		603	100
Cash at end of year		442	603
Net decrease in cash equivalents		(67)	(263)
Cash equivalents at beginning of year		250	513
Cash equivalents at end of year		183	250

Notes to consolidated financial statements

We**, **us**, **our**, **BCE **and** ***the company*** **mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates.** ***MTS*** **means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and** ***Bell MTS*** **means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba.**

Note 1 Corporate information

BCE is incorporated and domiciled in Canada. BCE's head office is located at 1, Carrefour Alexander-Graham-Bell, Verdun, Québec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers nationally across Canada. Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada. The consolidated financial statements (financial statements) were approved by BCE's board of directors on March 8, 2018.

Note 2 Significant accounting policies

A) BASIS OF PRESENTATION

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in our accounting policies.

All amounts are in millions of Canadian dollars, except where noted.

FUNCTIONAL CURRENCY

The financial statements are presented in Canadian dollars, the company's functional currency.

B) BASIS OF CONSOLIDATION

We consolidate the financial statements of all of our subsidiaries. Subsidiaries are entities we control, where control is achieved when the company is exposed or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee's returns.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries sold during the year are deconsolidated from the date of disposal. Where necessary, adjustments are made to the financial statements of acquired subsidiaries to conform their accounting policies to ours. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Changes in BCE's ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive (loss) income.

C) REVENUE RECOGNITION

We recognize revenues from the sale of products or the rendering of services when they are earned; specifically when all the following conditions are met:

- the significant risks and rewards of ownership are transferred to customers and we retain neither continuing managerial involvement nor effective control
- there is clear evidence that an arrangement exists
- the amount of revenues and related costs can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company

In particular, we recognize:

- fees for local, long distance and wireless services when we provide the services
- other fees, such as network access fees, licence fees, hosting fees, maintenance fees and standby fees over the term of the contract
- subscriber revenues when customers receive the service
- revenues from the sale of equipment when the equipment is delivered and accepted by customers
- revenues on long-term contracts as services are provided, equipment is delivered and accepted, and contract milestones are met
- advertising revenue, net of agency commissions, when advertisements are aired on radio or TV, posted on our website or appear on the company's advertising panels and street furniture

We measure revenues at the fair value of the arrangement consideration. We record payments we receive in advance, including upfront non-refundable payments, as deferred revenues until we provide the service or deliver the product to customers. Deferred revenues are presented in *Trade payables and other liabilities* or in *Other non-current liabilities* in the consolidated statements of financial position (statements of financial position).

Revenues are reduced for customer rebates and allowances and exclude sales and other taxes we collect from our customers.

We expense subscriber acquisition costs when the related services are activated.

MULTIPLE-ELEMENT ARRANGEMENTS

We enter into arrangements that may include the sale of a number of products and services together, primarily to our wireless and business customers. When two or more products or services have value to our customers on a stand-alone basis, we separately account for each product or service according to the methods previously described. The total price to the customer is allocated to each product or service based on its relative fair value. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

If the conditions to account for each product or service separately are not met, we recognize revenues proportionately over the term of the sale agreement.

SUBCONTRACTED SERVICES

We may enter into arrangements with subcontractors and others who provide services to our customers. When we act as the principal in these arrangements, we recognize revenues based on the amounts billed to our customers. Otherwise, we recognize the net amount that we retain as revenues.

D) SHARE-BASED PAYMENTS

Our share-based payment arrangements include stock options, restricted share units and performance share units (RSUs/PSUs), deferred share units (DSUs), an employee savings plan (ESP) and a deferred share plan (DSP).

STOCK OPTIONS

We use a fair value-based method to measure the cost of our employee stock options, based on the number of stock options that are expected to vest. We recognize compensation expense in *Operating costs* in the consolidated income statements (income statements). Compensation expense is adjusted for subsequent changes in management's estimate of the number of stock options that are expected to vest.

We credit contributed surplus for stock option expense recognized over the vesting period. When stock options are exercised, we credit share capital for the amount received and the amounts previously credited to contributed surplus.

RSUs/PSUs

For each RSU/PSU granted, we recognize compensation expense in *Operating costs* in the income statements, equal to the market value of a BCE common share at the date of grant and based on the number of RSUs/PSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus. Additional RSUs/PSUs are issued to reflect dividends declared on the common shares.

Compensation expense is adjusted for subsequent changes in management's estimate of the number of RSUs/PSUs that are expected to vest. The effect of these changes is recognized in the period of the change. Upon settlement of the RSUs/PSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit. Vested RSUs/PSUs are settled in BCE common shares, DSUs, or a combination thereof.

DSUs

If compensation is elected to be taken in DSUs, we issue DSUs equal to the fair value of the services received. Additional DSUs are issued to reflect dividends declared on the common shares. DSUs are settled in BCE common shares purchased on the open market following the cessation of employment or when a director leaves the board. We credit contributed surplus for the fair value of DSUs at the issue date. Upon settlement of the DSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

ESP

We recognize our ESP contributions as compensation expense in *Operating costs* in the income statements. We credit contributed surplus for the ESP expense recognized over the two-year vesting period, based on management's estimate of the accrued contributions that are expected to vest. Upon settlement of shares under the ESP, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

DSP

For each deferred share granted under the DSP, we recognize compensation expense in *Operating costs* in the income statements equal to the market value of a BCE common share and based on the number of deferred shares expected to vest, recognized over the vesting period. Additional deferred shares are issued to reflect dividends declared on the common shares.

Compensation expense is adjusted for subsequent changes in the market value of BCE common shares and any change in management's estimate of the number of deferred shares that are expected to vest. The cumulative effect of any change in value is recognized in the period of the change. Participants have the option to receive either BCE common shares or a cash equivalent for each vested deferred share upon qualifying for payout under the terms of the grant.

E) INCOME AND OTHER TAXES

Current and deferred income tax expense is recognized in the income statements, except to the extent that the expense relates to items recognized in other comprehensive (loss) income or directly in equity.

A current or non-current tax asset (liability) is the estimated tax receivable (payable) on taxable earnings (loss) for the current or past periods. We also record future tax liabilities, which are included in *Other non-current liabilities* in the statements of financial position.

We use the liability method to account for deferred tax assets and liabilities, which arise from:

- temporary differences between the carrying amount of assets and liabilities recognized in the statements of financial position and their corresponding tax bases
- the carryforward of unused tax losses and credits, to the extent they can be used in the future

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax liabilities are, where permitted, offset against tax assets within the same taxable entity and tax jurisdiction.

INVESTMENT TAX CREDITS (ITCs), OTHER TAX CREDITS AND GOVERNMENT GRANTS

We recognize ITCs, other tax credits and government grants given on eligible expenditures when it is reasonably assured that they will be realized. They are presented as part of *Trade and other receivables* in the statements of financial position when they are expected to be utilized in the next year. We use the cost reduction method to account for ITCs and government grants, under which the credits are applied against the expense or asset to which the ITC or government grant relates.

F) CASH EQUIVALENTS

Cash equivalents are comprised of highly liquid investments with original maturities of three months or less from the date of purchase.

G) SECURITIZATION OF TRADE RECEIVABLES

Proceeds on the securitization of trade receivables are recognized as a collateralized borrowing as we do not transfer control and substantially all the risks and rewards of ownership to another entity.

H) INVENTORY

We measure inventory at the lower of cost and net realizable value. Inventory includes all costs to purchase, convert and bring the inventories to their present location and condition. We determine cost using specific identification for major equipment held for resale and the weighted average cost formula for all other inventory. We maintain inventory valuation reserves for inventory that is slow-moving or potentially obsolete, calculated using an inventory aging analysis.

I) PROPERTY, PLANT AND EQUIPMENT

We record property, plant and equipment at historical cost. Historical cost includes expenditures that are attributable directly to the acquisition or construction of the asset, including the purchase cost, and labour.

Borrowing costs are capitalized for qualifying assets, if the time to build or develop is in excess of one year, at a rate that is based on our weighted average interest rate on our outstanding long-term debt. Gains or losses on the sale or retirement of property, plant and equipment are recorded in *Other (expense) income* in the income statements.

LEASES

Leases of property, plant and equipment are recognized as finance leases when we obtain substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, we record an asset together with a corresponding long-term lease liability, at the lower of the fair value of the leased asset or the present value of the minimum future lease payments. If there is reasonable certainty that the lease transfers ownership of the asset to us by the end of the lease term, the asset is amortized over its useful life. Otherwise, the asset is amortized over the shorter of its useful life and the lease term. The long-term lease liability is measured at amortized cost using the effective interest method.

All other leases are classified as operating leases. We recognize operating lease expense in *Operating costs* in the income statements on a straight-line basis over the term of the lease.

ASSET RETIREMENT OBLIGATIONS (AROs)

We initially measure and record AROs at management's best estimate using a present value methodology, adjusted subsequently for any changes in the timing or amount of cash flows and changes in discount rates. We capitalize asset retirement costs as part of the related assets and amortize them into earnings over time. We also increase the ARO and record a corresponding amount in interest expense to reflect the passage of time.

J) INTANGIBLE ASSETS

FINITE-LIFE INTANGIBLE ASSETS

Finite-life intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses, if any.

SOFTWARE

We record internal-use software at historical cost. Cost includes expenditures that are attributable directly to the acquisition or development of the software, including the purchase cost and labour.

Software development costs are capitalized when all the following conditions are met:

- technical feasibility can be demonstrated
- management has the intent and the ability to complete the asset for use or sale
- it is probable that economic benefits will be generated
- costs attributable to the asset can be measured reliably

CUSTOMER RELATIONSHIPS

Customer relationship assets are acquired through business combinations and are recorded at fair value at the date of acquisition.

PROGRAM AND FEATURE FILM RIGHTS

We account for program and feature film rights as intangible assets when these assets are acquired for the purpose of broadcasting. Program and feature film rights, which include producer advances and licence fees paid in advance of receipt of the program or film, are stated at acquisition cost less accumulated amortization, and accumulated impairment losses, if any. Programs and feature films under licence agreements are recorded as assets for rights acquired and liabilities for obligations incurred when:

- we receive a broadcast master and the cost is known or reasonably determinable for new program and feature film licences
- the licence term commences for licence period extensions or syndicated programs

Programs and feature films are classified as non-current assets with related liabilities classified as current or non-current, based on the payment terms. Amortization of program and feature film rights is recorded in *Operating costs* in the income statements.

INDEFINITE-LIFE INTANGIBLE ASSETS

Brand assets, mainly comprised of the Bell, Bell Media and Bell MTS brands, and broadcast licences are acquired through business combinations and are recorded at fair value at the date of acquisition, less accumulated impairment losses, if any. Wireless spectrum licences are recorded at acquisition cost, including borrowing costs when the time to build or develop the related network is in excess of one year. Borrowing costs are calculated at a rate that is based on our weighted average interest rate on our outstanding long-term debt.

Currently there are no legal, regulatory, competitive or other factors that limit the useful lives of our brands or spectrum licences.

K) DEPRECIATION AND AMORTIZATION

We depreciate property, plant and equipment and amortize finite-life intangible assets on a straight-line basis over their estimated useful lives. We review our estimates of useful lives on an annual basis and adjust depreciation and amortization on a prospective basis, as required. Land and assets under construction or development are not depreciated.

	ESTIMATED USEFUL LIFE
Property, plant and equipment	
Network infrastructure and equipment	2 to 40 years
Buildings	5 to 50 years
Finite-life intangible assets	
Software	2 to 12 years
Customer relationships	3 to 26 years
Program and feature film rights	Up to 5 years

L) INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Our financial statements incorporate our share of the results of our associates and joint ventures using the equity method of accounting, except when the investment is classified as held for sale. Equity income from investments is recorded in *Other (expense) income* in the income statements.

Investments in associates and joint ventures are recognized initially at cost and adjusted thereafter to include the company's share of income or loss and comprehensive income on an after-tax basis.

Investments are reviewed for impairment at each reporting period and we compare their recoverable amount to their carrying amount when there is an indication of impairment.

We recognize our share of the assets, liabilities, revenues and expenses of joint operations in accordance with the related contractual agreements.

M) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and recorded in *Severance, acquisition and other costs* in the income statements.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. When we acquire control of a business, any previously-held equity interest is remeasured to fair value and any gain or loss on remeasurement is recognized in *Other (expense) income* in the income statements. The excess of the purchase consideration and any previously-held equity interest over the fair value of identifiable net assets acquired is recorded as *Goodwill* in the statements of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in *Other (expense) income* in the income statements immediately as a bargain purchase gain.

Changes in our ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying amount of non-controlling interest (NCI) and the consideration paid or received is attributed to owner's equity.

N) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed.

GOODWILL IMPAIRMENT TESTING

We perform an annual test for goodwill impairment in the fourth quarter for each of our cash generating units (CGUs) or groups of CGUs to which goodwill is allocated, and whenever there is an indication that goodwill might be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in *Other (expense) income* in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, our CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4, *Segmented information*.

O) FINANCIAL INSTRUMENTS

TRADE AND OTHER RECEIVABLES

Trade and other receivables, which include trade receivables and other short-term receivables, are measured at amortized cost using the effective interest method, net of any allowance for doubtful accounts. An allowance for doubtful accounts is established based on individually significant exposures or on historical trends. Factors considered when establishing an allowance include current economic conditions, historical information and the reason for the delay in payment. Amounts considered uncollectible are written off and recognized in *Operating costs* in the income statements.

AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

Our portfolio investments in equity securities are classified as AFS and are presented in our statements of financial position as *Other non-current assets*. They have been designated as such based on management's intentions or because they are not classified in any other categories. These securities are recorded at fair value on the date of acquisition, including related transaction costs, and are adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in *Other comprehensive (loss) income* in the consolidated statements of comprehensive income (statements of comprehensive income) and are reclassified to *Other (expense) income* in the income statements when realized or when an impairment is determined.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, which include trade payables and accruals, compensation payable, obligations imposed by the Canadian Radio-television and Telecommunications Commission (CRTC), interest payable and long-term debt, are recorded at amortized cost using the effective interest method.

COSTS OF ISSUING DEBT AND EQUITY

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the deficit.

P) DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments to manage interest rate risk, foreign currency risk and cash flow exposures related to share-based payment plans, capital expenditures, long-term debt instruments and operating revenues and expenses. We do not use derivative financial instruments for speculative or trading purposes.

HEDGE ACCOUNTING

To qualify for hedge accounting, we document the relationship between the derivative and the related identified risk exposure, and our risk management objective and strategy. This includes associating each derivative to a specific asset or liability, a specific firm commitment, anticipated purchases or sales.

We assess the effectiveness of a derivative in managing an identified risk exposure when hedge accounting is initially applied, and on an ongoing basis thereafter. If a hedge becomes ineffective, we stop using hedge accounting.

FAIR VALUE HEDGES

We enter into interest rate swaps to manage the effect of changes in interest rates relating to fixed-rate long-term debt. These swaps involve exchanging interest payments without exchanging the notional amount on which the payments are based. We record the exchange of payments as an adjustment to interest expense on the hedged debt. We include the related net receivable or payable from counterparties in *Other current assets* or *Trade payables and other liabilities* in the statements of financial position for swaps due within one year and in *Other non-current assets* or *Other non-current liabilities* for swaps that have a maturity of more than one year. Changes in the fair value of these derivatives and the related long-term debt are recognized in *Other (expense) income* in the income statements and offset, unless a portion of the hedging relationship is ineffective.

CASH FLOW HEDGES

We enter into cash flow hedges to mitigate foreign currency risk on certain debt instruments and anticipated purchases and sales, as well as interest rate risk related to future debt issuances. We use foreign currency forward contracts to manage the exposure to anticipated purchases and sales denominated in foreign currencies.

Changes in the fair value of foreign currency forward contracts related to anticipated purchases and sales are recognized in our statements of comprehensive income, except for any ineffective portion, which is recognized immediately in *Other (expense) income* in the income statements. Realized gains and losses in *Accumulated other comprehensive income* are reclassified to the income statements or as an adjustment to the cost basis of the hedged item in the same periods as the corresponding hedged transactions are recognized. Cash flow hedges that mature within one year are included in *Other current assets* or *Trade payables and other liabilities* in the statements of financial position, whereas hedges that have a maturity of more than one year are included in *Other non-current assets* or *Other non-current liabilities*.

We use cross currency basis swaps and foreign currency forward contracts to manage our U.S. dollar borrowings under our unsecured committed term credit facility and U.S. commercial paper program. Changes in the fair value of these derivatives and the related borrowings are recognized in *Other (expense) income* in the income statements and offset, unless a portion of the hedging relationship is ineffective.

DERIVATIVES USED AS ECONOMIC HEDGES

We use derivatives to manage cash flow exposures related to equity-settled share-based payment plans and anticipated purchases, equity price risk related to a cash-settled share-based payment plan, and interest rate risk related to preferred share dividend rate resets. As these derivatives do not qualify for hedge accounting, the changes in their fair value are recorded in the income statements in *Operating costs* for derivatives used to hedge cash-settled share-based payments and in *Other (expense) income* for other derivatives.

Q) POST-EMPLOYMENT BENEFIT PLANS

DEFINED BENEFIT (DB) AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

We maintain DB pension plans that provide pension benefits for certain employees. Benefits are based on the employee's length of service and average rate of pay during the highest paid consecutive five years of service. Most employees are not required to contribute to the plans. Certain plans provide cost of living adjustments to help protect the income of retired employees against inflation.

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections, future service and life expectancy.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which were phased out for new retirees over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependants, from the time their employment ends until their retirement starts, under certain circumstances

We accrue our obligations and related costs under post-employment benefit plans, net of the fair value of the benefit plan assets. Pension and OPEB costs are determined using:

- the projected unit credit method, prorated on years of service, which takes into account future pay levels
- a discount rate based on market interest rates of high-quality corporate fixed income investments with maturities that match the timing of benefits expected to be paid under the plans
- management's best estimate of pay increases, retirement ages of employees, expected healthcare costs and life expectancy

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in *Operating costs* in the income statements. Interest on our post-employment benefit assets and obligations is recognized in *Finance costs* in the income statements and represents the accretion of interest on the assets and obligations under our post-employment benefit plans. The interest rate is based on market conditions that existed at the beginning of the year. Actuarial gains and losses for all post-employment benefit plans are recorded in *Other comprehensive (loss) income* in the statements of comprehensive income in the period in which they occur and are recognized immediately in the deficit.

December 31 is the measurement date for our significant post-employment benefit plans. Our actuaries perform a valuation based on management's assumptions at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The most recent actuarial valuation of our significant pension plans was as at December 31, 2016.

DEFINED CONTRIBUTION (DC) PENSION PLANS

We maintain DC pension plans that provide certain employees with benefits. Under these plans, we are responsible for contributing a predetermined amount to an employee's retirement savings, based on a percentage of the employee's salary.

We recognize a post-employment benefit plans service cost for DC pension plans when the employee provides service to the company, essentially coinciding with our cash contributions.

Generally, new employees can participate only in the DC pension plans.

R) PROVISIONS

Provisions are recognized when all the following conditions are met:

- the company has a present legal or constructive obligation based on past events
- it is probable that an outflow of economic resources will be required to settle the obligation
- the amount can be reasonably estimated

Provisions are measured at the present value of the estimated expenditures expected to settle the obligation, if the effect of the time value of money is material. The present value is determined using current market assessments of the discount rate and risks specific to the obligation. The obligation increases as a result of the passage of time, resulting in interest expense which is recognized in *Finance costs* in the income statements.

S) ESTIMATES AND KEY JUDGMENTS

When preparing the financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ. Our more significant estimates and judgments are described below.

ESTIMATES

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment represent a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

POST-EMPLOYMENT BENEFIT PLANS

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

The actuarial valuation uses management's assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company's specific experience.

IMPAIRMENT OF NON-FINANCIAL ASSETS

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model and the discount rate.

DEFERRED TAXES

The amount of deferred tax assets and liabilities are estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under a contract exceed the expected benefits to be received under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

JUDGMENTS

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when setting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

MULTIPLE-ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple-element arrangements requires judgment to establish the separately identifiable components and the allocation of the total price between those components.

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

T) CHANGE IN ACCOUNTING ESTIMATE

In 2017 and 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2017 and January 1, 2016, and did not have a significant impact on our financial statements.

U) ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2017, we adopted the following amended accounting standard.

STANDARD	DESCRIPTION	IMPACT
Amendments to IAS 7 – Statement of Cash Flows	Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.	The required enhanced disclosures have been provided in Note 27, *Additional cash flow information*.

V) FUTURE CHANGES TO ACCOUNTING STANDARDS

The following new or amended standards and interpretation issued by the IASB have an effective date after December 31, 2017 and have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 15 – Revenue from Contracts with Customers	Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation The new standard also provides guidance relating to principal versus agent relationships, licences of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.	IFRS 15 will principally affect the timing of revenue recognition and how we classify revenues between product and service in our Bell Wireless segment. IFRS 15 will also affect how we account for costs to obtain a contract. • Under multiple-element arrangements, revenue allocated to a satisfied performance obligation will no longer be limited to the amount that is not contingent upon the satisfaction of additional performance obligations. Although the total revenue recognized during the term of a contract will be largely unaffected, revenue recognition may be accelerated and reflected ahead of the associated cash inflows. This will result in the recognition of a contract asset on the balance sheet, corresponding to the amount of revenue recognized and not yet billed to a customer. The contract asset will be realized over the term of the customer contract. • As revenues allocated to a satisfied performance obligation are no longer limited to the non-contingent amount, a greater proportion of the total revenue recognized during the term of certain customer contracts will be attributed to a delivered product, resulting in a corresponding decrease in service revenue. • Sales commissions and any other incremental costs of obtaining a contract with a customer will be recognized on the balance sheet and amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services, except as noted below. Under IFRS 15, certain practical expedients are permitted both on transition and on an ongoing basis. • On transition, completed contracts that begin and end within the same annual reporting period and those completed before January 1, 2017 are not restated. Similarly, contracts modified prior to January 1, 2017 are not restated. • When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we will recognize revenue in the amount to which we have a right to invoice. • Costs of obtaining a contract that would be amortized within one year or less will be immediately expensed. We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing information technology (IT) systems, business processes, and systems of internal control are being completed. A dedicated project team that leverages key resources throughout the company is in place to effect the necessary changes. While our testing and data validation process is ongoing, we expect that the impact of the new standard will be most pronounced in our Bell Wireless segment. • Although total revenue recognized over the term of a customer contract is not expected to change significantly, our preliminary estimate of the impact of adopting IFRS 15 is a decrease in 2017 service revenues within the range of \$1.2 billion to \$1.4 billion, with a corresponding increase in product revenue. • Total operating revenues less operating costs in 2017 is estimated to increase by approximately \$0.1 billion. • Total assets on our January 1, 2017 statement of financial position will increase as we record contract assets and costs to obtain a contract. We currently estimate the value of the gross contract assets to be in the range of \$1.1 billion to \$1.3 billion and an increase in costs to obtain a contract of approximately \$0.3 billion to \$0.4 billion, both of which would be recognized through an adjustment to opening retained earnings. • Total liabilities will increase mainly to reflect a resulting \$0.4 billion deferred tax liability, also recognized through an adjustment to opening retained earnings. • We do not expect that IFRS 15 will impact our cash flows from operating activities.	Annual periods beginning on or after January 1, 2018, using a full retrospective approach for all periods presented in the period of adoption.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
Amendments to IFRS 2 – Share-based Payment	Clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled.	The amendments to IFRS 2 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 9 – Financial Instruments	Sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and modifies the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard.	The amendments to IFRS 9 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 16 – Leases	Eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease asset is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets, nor does it substantially change lease accounting for lessors.	We continue to make progress towards adoption of IFRS 16 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes, and systems of internal control are being designed and tested. It is not yet possible to make a reliable estimate of the impact of the new standard on our financial statements.	Annual periods beginning on or after January 1, 2019, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.
International Financial Reporting Interpretations Committee (IFRIC) 23 – Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.	We are currently evaluating the impact of IFRIC 23 on our financial statements.	Annual periods beginning on or after January 1, 2019, using either a full retrospective or a modified retrospective approach.

Note 3 Business acquisitions and dispositions

2017

ACQUISITION OF MTS

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million, of which $1,339 million was paid in cash and the remaining $1,594 million through the issuance of approximately 27.6 million BCE common shares. BCE funded the cash component of the transaction through debt financing.

Bell MTS is an information and communications technology provider offering wireless, Internet, TV, phone services, security systems and information solutions including unified cloud and managed services to residential and business customers in Manitoba.

The acquisition of MTS allows us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada's leading communications company.

The results from the acquired MTS operations are included in our Bell Wireline and Bell Wireless segments from the date of acquisition.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	TOTAL
Cash consideration	1,339
Issuance of 27.6 million BCE common shares (1)	1,594
Total cost to be allocated	**2,933**
Trade and other receivables	91
Other non-cash working capital	(164)
Assets held for sale (2)	302
Property, plant and equipment	978
Finite-life intangible assets (3)	979
Indefinite-life intangible assets (4)	280
Deferred tax assets	32
Other non-current assets	129
Debt due within one year	(251)
Long-term debt	(721)
Other non-current liabilities	(49)
	1,606
Cash and cash equivalents	(16)
Fair value of net assets acquired	**1,590**
Goodwill (5)	**1,343**

(1) *Recorded at fair value based on the market price of BCE common shares on the acquisition date.*
(2) *Consists of finite-life and indefinite-life intangible assets recorded at fair value less costs to sell.*
(3) *Consists mainly of customer relationships.*
(4) *Indefinite-life intangible assets of $228 million and $52 million were allocated to our Bell Wireless and Bell Wireline groups of cash generating units (CGUs), respectively.*
(5) *Goodwill arises principally from the assembled workforce, expected synergies and future growth. Goodwill is not deductible for tax purposes. Goodwill arising from the transaction of $677 million and $666 million was allocated to our Bell Wireless and Bell Wireline groups of CGUs, respectively.*

As a result of the acquisition of MTS, we acquired non-capital tax loss carryforwards of approximately $1.5 billion and recognized a deferred tax asset of approximately $300 million which was realized in 2017.

Revenues of $728 million and net earnings of $87 million from the acquired MTS operations are included in the consolidated income statements from the date of acquisition. BCE's consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

During Q2 2017, BCE completed the previously announced divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS Communications Inc. (TELUS) for total proceeds of $323 million.

Subsequent to the acquisition of MTS, on March 17, 2017, BCE transferred to Xplornet Communications Inc. (Xplornet) a total of 40 Megahertz (MHz) of 700 MHz, advanced wireless services-1 and 2500 MHz wireless spectrum which was previously held by MTS. BCE has also agreed to transfer to Xplornet wireless customers once Xplornet launches its mobile wireless service.

ACQUISITION OF CIESLOK MEDIA LTD. (CIESLOK MEDIA)

On January 3, 2017, BCE acquired all of the issued and outstanding common shares of Cieslok Media for a total cash consideration of $161 million.

Cieslok Media specializes in large-format outdoor advertising in key urban areas across Canada. This acquisition will contribute to growing and strengthening our digital presence in out-of-home advertising. Cieslok Media is included in our Bell Media segment in our consolidated financial statements.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	TOTAL
Cash consideration	161
Total cost to be allocated	**161**
Trade and other receivables	11
Other non-cash working capital	(4)
Property, plant and equipment	13
Finite-life intangible assets	6
Indefinite-life intangible assets	76
Deferred tax liabilities	(20)
Other non-current liabilities	(1)
	81
Cash and cash equivalents	1
Fair value of net assets acquired	**82**
Goodwill (1)	**79**

(1) *Goodwill arises principally from the assembled workforce, expected synergies and future growth. Goodwill is not deductible for tax purposes. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.*

The transaction did not have a significant impact on our consolidated operating revenues and net earnings for the year ended December 31, 2017.

ACQUISITION OF ALARMFORCE INDUSTRIES INC. (ALARMFORCE)

Subsequent to year end, on January 5, 2018, BCE acquired all of the issued and outstanding shares of AlarmForce for a total consideration of $182 million, of which $181 million was paid in cash and the remaining $1 million through the issuance of 22,531 BCE common shares.

Subsequent to the acquisition of AlarmForce, on January 5, 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta and Saskatchewan to TELUS for total proceeds of approximately $67 million subject to customary closing adjustments.

AlarmForce provides security alarm monitoring, personal emergency response monitoring, video surveillance and related services to residential and commercial subscribers. The acquisition of AlarmForce supports our strategic expansion in the Connected Home marketplace.

AlarmForce will be included in our Bell Wireline segment in our consolidated financial statements.

The fair values of AlarmForce's assets and liabilities have not yet been determined.

PROPOSED ACQUISITION OF SÉRIES+ AND HISTORIA SPECIALTY CHANNELS

On October 17, 2017, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction is valued at approximately $200 million. Subject to closing conditions, including approval by the CRTC and the Competition Bureau, the transaction is expected to close in mid-2018.

Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series.

The acquisition of Séries+ and Historia is expected to further enhance our competitiveness in the Québec media landscape.

2016

ACQUISITION OF Q9 NETWORKS INC. (Q9)

On October 3, 2016, BCE acquired the remaining 64.6% of the issued and outstanding shares of Q9 that it did not already own for a total cash consideration of approximately $170 million.

Q9 is a Toronto-based data centre operator providing outsourced hosting and other data solutions to Canadian business and government customers. The acquisition supports BCE's ability to compete against domestic and international providers in the growing outsourced data services sector. Q9 is included in our Bell Wireline segment in our financial statements.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	TOTAL
Cash consideration	170
Fair value of previously held interest in Q9 and favourable purchase option	131
Note receivable from Q9	517
Total cost to be allocated	**818**
Trade and other receivables	19
Other non-cash working capital	(39)
Property, plant and equipment	311
Finite-life intangible assets	267
Long-term debt	(7)
Deferred tax liabilities	(69)
Other non-current liabilities	(16)
	466
Cash and cash equivalents	12
Fair value of net assets acquired	**478**
Goodwill [(1)]	**340**

(1) *Goodwill arises principally from the assembled workforce, expected synergies and future growth. Goodwill is not deductible for tax purposes. The goodwill arising from the transaction was allocated to our Bell Wireline group of CGUs.*

In 2016, prior to the acquisition of Q9, BCE provided a loan of $517 million to Q9 mainly for the repayment of certain of its debt.

A gain on investment of $12 million was recognized in *Other (expense) income* in the income statements in 2016 from remeasuring BCE's previously held equity interest in Q9 to its fair value.

Revenues of $29 million and net earnings of $2 million were included in the income statements in 2016 from the date of acquisition. BCE's consolidated operating revenues and net earnings for the year ended December 31, 2016 would have been $21,801 million and $3,038 million, respectively, had the Q9 acquisition occurred on January 1, 2016. These proforma amounts reflect the elimination of intercompany transactions and earnings related to our previously held interest, the amortization of certain elements of the purchase price allocation and related tax adjustments.

NATIONAL EXPANSION OF HBO AND THE MOVIE NETWORK (TMN)

In Q1 2016, BCE completed a transaction with Corus under which Corus waived its HBO content rights in Canada and ceased operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service. TMN was successfully launched nationally on March 1, 2016. BCE paid to Corus a total cash consideration of $218 million, of which $21 million was paid in 2015.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	TOTAL
Cash consideration	**218**
Finite-life intangible assets	8
Non-current assets	1
Current liabilities	(3)
Non-current liabilities	(8)
Fair value of net assets acquired	**(2)**
Goodwill [(1)]	**220**

(1) *Goodwill arises principally from the ability to leverage media content and expected future growth. The amount of goodwill deductible for tax purposes is $163 million at a 7% annual rate declining balance. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.*

The transaction is part of our strategy to create, negotiate and deliver premium TV programming to Canadian consumers across more platforms on a national basis.

This transaction did not have a significant impact on our consolidated operating revenues and net earnings for the year ended December 31, 2016.

Note 4 Segmented information

The accounting policies used in our segment reporting are the same as those we describe in Note 2, *Significant accounting policies*. Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance. Accordingly, we operate and manage our segments as strategic business units organized by products and services. Segments negotiate sales with each other as if they were unrelated parties.

We measure the performance of each segment based on segment profit, which is equal to operating revenues less operating costs for the segment. We report severance, acquisition and other costs and depreciation and amortization by segment for external reporting purposes. Substantially all of our finance costs and other (expense) income are managed on a corporate basis and, accordingly, are not reflected in segment results.

Substantially all of our operations and assets are located in Canada.

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS. The results from the acquired MTS operations are included in our Bell Wireless and Bell Wireline segments from the date of acquisition.

Our Bell Wireless segment provides wireless voice and data communication products and services to our residential, small and medium-sized business and large enterprise customers across Canada.

Our Bell Wireline segment provides data, including Internet access and Internet protocol television, local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized business and large enterprise customers primarily in Ontario, Québec, the Atlantic provinces and Manitoba, while satellite TV service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home advertising services to customers nationally across Canada.

SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTER-SEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		7,838	12,205	2,676	–	22,719
Inter-segment		45	210	428	(683)	–
Total operating revenues		7,883	12,415	3,104	(683)	22,719
Operating costs	5	(4,607)	(7,229)	(2,388)	683	(13,541)
Segment profit (1)		3,276	5,186	716	–	9,178
Severance, acquisition and other costs	6	(18)	(150)	(22)	–	(190)
Depreciation and amortization	13, 14	(603)	(3,102)	(145)	–	(3,850)
Finance costs						
Interest expense	7					(955)
Interest on post-employment benefit obligations	22					(72)
Other expense	8					(102)
Income taxes	9					(1,039)
Net earnings						2,970
Goodwill	17	3,032	4,497	2,899	–	10,428
Indefinite-life intangible assets	14	3,891	1,692	2,645	–	8,228
Capital expenditures		731	3,174	129	–	4,034

(1) *The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.*

FOR THE YEAR ENDED DECEMBER 31, 2016	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTER-SEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		7,117	11,917	2,685	–	21,719
Inter-segment		42	187	396	(625)	–
Total operating revenues		7,159	12,104	3,081	(625)	21,719
Operating costs	5	(4,156)	(7,062)	(2,338)	625	(12,931)
Segment profit (1)		3,003	5,042	743	–	8,788
Severance, acquisition and other costs	6	(6)	(130)	1	–	(135)
Depreciation and amortization	13, 14	(555)	(2,816)	(137)	–	(3,508)
Finance costs						
Interest expense	7					(888)
Interest on post-employment benefit obligations	22					(81)
Other income	8					21
Income taxes	9					(1,110)
Net earnings						3,087
Goodwill	17	2,304	3,831	2,823	–	8,958
Indefinite-life intangible assets	14	3,663	1,640	2,640	–	7,943
Capital expenditures		733	2,936	102	–	3,771

(1) *The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.*

REVENUES BY SERVICES AND PRODUCTS

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Services		
Wireless	**7,308**	6,602
Data	**7,146**	6,791
Local and access	**3,161**	3,089
Long distance	**639**	741
Media	**2,676**	2,685
Other services	**213**	182
Total services	**21,143**	20,090
Products		
Wireless	**530**	515
Data	**519**	559
Equipment and other	**527**	555
Total products	**1,576**	1,629
Total operating revenues	**22,719**	21,719

Note 5 Operating costs

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Labour costs			
Wages, salaries and related taxes and benefits		(4,158)	(4,016)
Post-employment benefit plans service cost (net of capitalized amounts)	22	(242)	(224)
Other labour costs [1]		(1,056)	(1,036)
Less:			
Capitalized labour		1,043	967
Total labour costs		(4,413)	(4,309)
Cost of revenues [2]		(7,056)	(6,705)
Other operating costs [3]		(2,072)	(1,917)
Total operating costs		(13,541)	(12,931)

(1) *Other labour costs include contractor and outsourcing costs.*
(2) *Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.*
(3) *Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, IT costs, professional service fees and rent.*

Research and development expenses of $119 million and $147 million are included in operating costs for 2017 and 2016, respectively.

Note 6 Severance, acquisition and other costs

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Severance	(79)	(87)
Acquisition and other	(111)	(48)
Total severance, acquisition and other costs	(190)	(135)

SEVERANCE COSTS

Severance costs consist of charges related to involuntary and voluntary employee terminations.

ACQUISITION AND OTHER COSTS

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant. Acquisition costs also include a loss on transfer of spectrum licences relating to the MTS acquisition in 2017 and severance and integration costs relating to the privatization of Bell Aliant Inc.

Note 7 Interest expense

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Interest expense on long-term debt	(898)	(852)
Interest expense on other debt	(101)	(86)
Capitalized interest	44	50
Total interest expense	(955)	(888)

Interest expense on long-term debt includes interest on finance leases of $145 million and $153 million for 2017 and 2016, respectively.

Capitalized interest was calculated using an average rate of 3.81% and 3.95% for 2017 and 2016, respectively, which represents the weighted average interest rate on our outstanding long-term debt.

Note 8 Other (expense) income

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Net mark-to-market gains on derivatives used as economic hedges		88	67
Impairment of assets	13, 14	(82)	(9)
Losses on retirements and disposals of property, plant and equipment and intangible assets		(47)	(28)
Equity losses from investments in associates and joint ventures	15		
Loss on investment		(22)	(57)
Operations		(9)	(32)
Early debt redemption costs	20	(20)	(11)
(Losses) gains on investments		(5)	58
Other		(5)	33
Total other (expense) income		(102)	21

IMPAIRMENT OF ASSETS

In 2017, we recorded impairment charges of $82 million, of which $70 million was allocated to indefinite-life intangible assets, and $12 million to finite-life intangible assets. The impairment charges relate to our music TV channels and two small market radio station CGUs within our Bell Media segment. These impairments were the result of revenue and profitability declines from lower audience levels. The charges were determined by comparing the carrying value of the CGUs to their fair value less costs of disposal. We estimated the fair value of the CGUs using both discounted cash flows and market-based valuation models, which include five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2018 to December 31, 2022, using a discount rate of 8.5% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of these CGUs was $67 million at December 31, 2017.

EQUITY LOSSES FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In 2017 and 2016, we recorded a loss on investment of $20 million and $11 million, respectively, related to equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. The obligation is marked to market each reporting period and the gain or loss on investment is recorded as equity gains or losses from investments in associates and joint ventures.

In 2016, we also recorded a loss on investment of $46 million related to BCE's share of the loss recorded by one of our equity investments on the sale of a portion of its operations.

(LOSSES) GAINS ON INVESTMENTS

In 2016, BCE recorded gains on investments of $58 million which included a gain related to one of our equity investments of $34 million, as well as a gain on investment of $12 million due to the remeasurement of BCE's previously held equity interest in Q9 to its fair value. See Note 3, *Business acquisitions and dispositions* for additional details.

Note 9 Income taxes

The following table shows the significant components of income taxes deducted from net earnings.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Current taxes		
Current taxes	(758)	(850)
Uncertain tax positions	(9)	(14)
Change in estimate relating to prior periods	40	14
Other	–	(1)
Deferred taxes		
Deferred taxes relating to the origination and reversal of temporary differences	(41)	(299)
Change in estimate relating to prior periods	11	32
Recognition and utilization of loss carryforwards	(304)	(1)
Effect of change in provincial corporate tax rate	(3)	4
Resolution of uncertain tax positions	25	5
Total income taxes	**(1,039)**	**(1,110)**

The following table reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% for 2017 and 2016.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Net earnings	2,970	3,087
Add back income taxes	1,039	1,110
Earnings before income taxes	4,009	4,197
Applicable statutory tax rate	27.1%	27.1%
Income taxes computed at applicable statutory rates	(1,086)	(1,137)
Non-taxable portion of (losses) gains on investments	(1)	11
Uncertain tax positions	16	(9)
Effect of change in provincial corporate tax rate	(3)	4
Change in estimate relating to prior periods	51	46
Non-taxable portion of equity losses	(10)	(23)
Other	(6)	(2)
Total income taxes	**(1,039)**	**(1,110)**
Average effective tax rate	**25.9%**	**26.4%**

The following table shows aggregate current and deferred taxes relating to items recognized outside the income statements.

FOR THE YEAR ENDED DECEMBER 31	2017		2016	
	OTHER COMPREHENSIVE LOSS	DEFICIT	OTHER COMPREHENSIVE LOSS	DEFICIT
Current taxes	10	9	127	11
Deferred taxes	103	2	(32)	6
Total income tax recovery	**113**	**11**	**95**	**17**

Notes to consolidated financial statements

The following table shows deferred taxes resulting from temporary differences between the carrying amounts of assets and liabilities recognized in the statements of financial position and their corresponding tax basis, as well as tax loss carryforwards.

NET DEFERRED TAX LIABILITY	NOTE	NON-CAPITAL LOSS CARRY-FORWARDS	POST-EMPLOY-MENT BENEFIT PLANS	INDEFINITE-LIFE INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS	INVESTMENT TAX CREDITS	CRTC TANGIBLE BENEFITS	OTHER	TOTAL
January 1, 2016		12	520	(1,619)	(968)	(6)	61	265	(1,735)
Income statement		(1)	(28)	(61)	(152)	(3)	(17)	3	(259)
Business acquisitions		10	–	–	(79)	–	–	(6)	(75)
Other comprehensive income		–	(38)	–	–	–	–	6	(32)
Deficit		–	–	–	–	–	–	6	6
Other		–	–	–	–	–	–	(8)	(8)
December 31, 2016		21	454	(1,680)	(1,199)	(9)	44	266	(2,103)
Income statement		(304)	(31)	(8)	12	7	(14)	26	(312)
Business acquisitions	3	300	(11)	(73)	(223)	(5)	–	24	12
Other comprehensive income		–	82	–	–	–	–	21	103
Deficit		–	–	–	–	–	–	2	2
Other		–	–	–	(3)	–	–	(2)	(5)
December 31, 2017		17	494	(1,761)	(1,413)	(7)	30	337	(2,303)

At December 31, 2017, BCE had $208 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $17 million for $64 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2029 to 2037.
- did not recognize a deferred tax asset for $144 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2023 to 2037.

At December 31, 2017, BCE had $827 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

At December 31, 2016, BCE had $221 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $21 million, of which $11 million related to Q9, for $77 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2029 to 2036.
- did not recognize a deferred tax asset for $144 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2023 to 2035.

At December 31, 2016, BCE had $765 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

Note 10 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Net earnings attributable to common shareholders – basic	2,786	2,894
Dividends declared per common share (in dollars)	2.87	2.73
Weighted average number of common shares outstanding (in millions)		
Weighted average number of common shares outstanding – basic	894.3	869.1
Assumed exercise of stock options [(1)]	0.6	1.2
Weighted average number of common shares outstanding – diluted (in millions)	894.9	870.3

(1) *The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 3,031,125 in 2017 and 2,936,091 in 2016.*

Note 11 Trade and other receivables

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Trade receivables [1]		3,138	2,967
Allowance for doubtful accounts	24	(55)	(60)
Allowance for revenue adjustments		(80)	(85)
Current tax receivable		31	35
Other accounts receivable		101	122
Total trade and other receivables		3,135	2,979

(1) *The details of securitized trade receivables are set out in Note 19,* Debt due within one year.

Note 12 Inventory

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Finished goods	322	333
Work in progress	76	85
Provision	(18)	(15)
Total inventory	380	403

The total amount of inventory subsequently recognized as an expense in cost of revenues was $2,910 million and $2,689 million for 2017 and 2016, respectively.

Note 13 Property, plant and equipment

FOR THE YEAR ENDED DECEMBER 31, 2017	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL [1]
COST				
January 1, 2017	58,680	5,572	1,374	65,626
Additions	2,492	70	1,587	4,149
Acquisition through business combinations	653	264	76	993
Transfers	775	77	(1,263)	(411)
Retirements and disposals	(1,105)	(22)	–	(1,127)
December 31, 2017	61,495	5,961	1,774	69,230
ACCUMULATED DEPRECIATION				
January 1, 2017	40,233	3,047	–	43,280
Depreciation	2,816	221	–	3,037
Retirements and disposals	(1,054)	(19)	–	(1,073)
Other	(39)	(8)	–	(47)
December 31, 2017	41,956	3,241	–	45,197
NET CARRYING AMOUNT				
January 1, 2017	18,447	2,525	1,374	22,346
December 31, 2017	19,539	2,720	1,774	24,033

(1) *Includes assets under finance leases.*

FOR THE YEAR ENDED DECEMBER 31, 2016	NOTE	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL [1]
COST					
January 1, 2016		57,233	5,174	1,287	63,694
Additions		2,361	120	1,415	3,896
Acquisition through business combinations		32	282	1	315
Transfers		692	35	(1,325)	(598)
Retirements and disposals		(1,637)	(39)	(4)	(1,680)
Impairment losses recognized in earnings	8	(1)	–	–	(1)
December 31, 2016		58,680	5,572	1,374	65,626
ACCUMULATED DEPRECIATION					
January 1, 2016		39,183	2,881	–	42,064
Depreciation		2,672	205	–	2,877
Retirements and disposals		(1,591)	(35)	–	(1,626)
Other		(31)	(4)	–	(35)
December 31, 2016		40,233	3,047	–	43,280
NET CARRYING AMOUNT					
January 1, 2016		18,050	2,293	1,287	21,630
December 31, 2016		18,447	2,525	1,374	22,346

(1) *Includes assets under finance leases.*

FINANCE LEASES

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 22 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years.

The following table shows additions to and the net carrying amount of assets under finance leases.

	ADDITIONS		NET CARRYING AMOUNT	
FOR THE YEAR ENDED DECEMBER 31	2017	2016	2017	2016
Network infrastructure and equipment	**334**	375	**1,435**	1,580
Land and buildings	**2**	72	**467**	506
Total	**336**	447	**1,902**	2,086

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

AT DECEMBER 31, 2017	NOTE	2018	2019	2020	2021	2022	THERE-AFTER	TOTAL
Minimum future lease payments	24	572	501	326	278	248	883	2,808
Less:								
Future finance costs		(127)	(111)	(96)	(80)	(65)	(157)	(636)
Present value of future lease obligations		**445**	**390**	**230**	**198**	**183**	**726**	**2,172**

Note 14 Intangible assets

FOR THE YEAR ENDED DECEMBER 31, 2017	NOTE	FINITE-LIFE SOFTWARE	FINITE-LIFE CUSTOMER RELATION-SHIPS	FINITE-LIFE PROGRAM AND FEATURE FILM RIGHTS	FINITE-LIFE OTHER	FINITE-LIFE TOTAL	INDEFINITE-LIFE BRANDS	INDEFINITE-LIFE SPECTRUM AND OTHER LICENCES	INDEFINITE-LIFE BROADCAST LICENCES	INDEFINITE-LIFE TOTAL	TOTAL INTANGIBLE ASSETS
COST											
January 1, 2017		7,861	1,159	682	350	10,052	2,333	3,288	2,322	7,943	17,995
Additions		344	31	1,009	7	1,391	–	–	–	–	1,391
Acquired through business combinations		98	830	–	103	1,031	110	246	–	356	1,387
Transfers		407	–	–	–	407	–	–	(1)	(1)	406
Retirements and disposals		(21)	(20)	–	(55)	(96)	–	–	–	–	(96)
Impairment losses recognized in earnings	8	–	–	–	(12)	(12)	–	–	(70)	(70)	(82)
Amortization included in operating costs		–	–	(950)	–	(950)	–	–	–	–	(950)
December 31, 2017		8,689	2,000	741	393	11,823	2,443	3,534	2,251	8,228	20,051
ACCUMULATED AMORTIZATION											
January 1, 2017		5,316	513	–	168	5,997	–	–	–	–	5,997
Amortization		672	102	–	39	813	–	–	–	–	813
Retirements and disposals		(21)	–	–	(52)	(73)	–	–	–	–	(73)
Other		9	–	–	–	9	–	–	–	–	9
December 31, 2017		5,976	615	–	155	6,746	–	–	–	–	6,746
NET CARRYING AMOUNT											
January 1, 2017		2,545	646	682	182	4,055	2,333	3,288	2,322	7,943	11,998
December 31, 2017		2,713	1,385	741	238	5,077	2,443	3,534	2,251	8,228	13,305

FOR THE YEAR ENDED DECEMBER 31, 2016	NOTE	FINITE-LIFE SOFTWARE	FINITE-LIFE CUSTOMER RELATION-SHIPS	FINITE-LIFE PROGRAM AND FEATURE FILM RIGHTS	FINITE-LIFE OTHER	FINITE-LIFE TOTAL	INDEFINITE-LIFE BRANDS	INDEFINITE-LIFE SPECTRUM AND OTHER LICENCES	INDEFINITE-LIFE BROADCAST LICENCES	INDEFINITE-LIFE TOTAL	TOTAL INTANGIBLE ASSETS
COST											
January 1, 2016		6,906	866	577	325	8,674	2,333	3,267	2,334	7,934	16,608
Additions		412	–	973	17	1,402	–	21	–	21	1,423
Acquired through business combinations		–	293	–	8	301	–	–	–	–	301
Transfers		615	–	–	–	615	–	–	–	–	615
Retirements and disposals		(72)	–	–	–	(72)	–	–	–	–	(72)
Business dispositions		–	–	–	–	–	–	–	(4)	(4)	(4)
Impairment losses recognized in earnings	8	–	–	–	–	–	–	–	(8)	(8)	(8)
Amortization included in operating costs		–	–	(868)	–	(868)	–	–	–	–	(868)
December 31, 2016		7,861	1,159	682	350	10,052	2,333	3,288	2,322	7,943	17,995
ACCUMULATED AMORTIZATION											
January 1, 2016		4,824	466	–	142	5,432	–	–	–	–	5,432
Amortization		558	47	–	26	631	–	–	–	–	631
Retirements and disposals		(69)	–	–	–	(69)	–	–	–	–	(69)
Other		3	–	–	–	3	–	–	–	–	3
December 31, 2016		5,316	513	–	168	5,997	–	–	–	–	5,997
NET CARRYING AMOUNT											
January 1, 2016		2,082	400	577	183	3,242	2,333	3,267	2,334	7,934	11,176
December 31, 2016		2,545	646	682	182	4,055	2,333	3,288	2,322	7,943	11,998

Note 15 Investments in associates and joint ventures

The following table provides summarized financial information in respect to BCE's associates and joint ventures. For a list of our associates and joint ventures please see Note 29, *Related party transactions*.

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Assets		3,796	3,856
Liabilities		(2,155)	(2,119)
Total net assets		1,641	1,737
BCE's share of net assets		814	852
Revenues		1,863	2,511
Expenses		(1,924)	(2,720)
Total net losses		(61)	(209)
BCE's share of net losses	8	(31)	(89)

Note 16 Other non-current assets

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Net assets of post-employment benefit plans	22	262	403
Investments [(1)]		106	88
AFS publicly-traded and privately-held investments	24	103	103
Long-term notes and other receivables		101	63
Derivative assets	24	51	126
Other		277	227
Total other non-current assets		900	1,010

(1) *These amounts have been pledged as security related to obligations for certain employee benefits and are not available for general use.*

Note 17 Goodwill

The following table provides details about the changes in the carrying amounts of goodwill for the years ended December 31, 2017 and 2016. BCE's groups of CGUs correspond to our reporting segments.

	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	BCE
Balance at January 1, 2016	2,303	3,491	2,583	8,377
Acquisitions and other	1	340	240	581
Balance at December 31, 2016	2,304	3,831	2,823	8,958
Acquisitions and other	728	666	76	1,470
Balance at December 31, 2017	3,032	4,497	2,899	10,428

IMPAIRMENT TESTING

As described in Note 2, *Significant accounting policies*, goodwill is tested annually for impairment by comparing the carrying value of a CGU or group of CGUs to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal or value in use.

VALUE IN USE

The value in use for a CGU or group of CGUs is determined by discounting five-year cash flow projections derived from business plans reviewed by senior management. The projections reflect management's expectations of revenue, segment profit, capital expenditures, working capital and operating cash flows, based on past experience and future expectations of operating performance.

Cash flows beyond the five-year period are extrapolated using perpetuity growth rates. None of the perpetuity growth rates exceed the long-term historical growth rates for the markets in which we operate.

The discount rates are applied to the cash flow projections and are derived from the weighted average cost of capital for each CGU or group of CGUs.

The following table shows the key assumptions used to estimate the recoverable amounts of the groups of CGUs.

	ASSUMPTIONS USED	
GROUPS OF CGUs	PERPETUITY GROWTH RATE	DISCOUNT RATE
Bell Wireless	0.8%	9.1%
Bell Wireline	1.0%	6.0%
Bell Media	1.0%	8.5%

We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless or Bell Wireline groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

Note 18 Trade payables and other liabilities

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Trade payables and accruals		2,441	2,319
Deferred revenues		884	819
Compensation payable		560	531
Taxes payable		150	137
Maple Leaf Sports and Entertainment Ltd. (MLSE) financial liability (1)	24	135	135
Derivative liabilities	24	96	18
CRTC tangible benefits obligation	24	38	51
Provisions	21	55	39
Severance and other costs payable		29	30
CRTC deferral account obligation	24	28	32
Other current liabilities		207	215
Total trade payables and other liabilities		**4,623**	4,326

(1) *Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in* Other (expense) income *in the income statements.*

Notes to consolidated financial statements

Note 19 Debt due within one year

FOR THE YEAR ENDED DECEMBER 31	NOTE	WEIGHTED AVERAGE INTEREST RATE	2017	2016
Notes payable [1]	24	1.16%	3,151	2,649
Loans secured by trade receivables	24	2.11%	921	931
Long-term debt due within one year [2]		4.38%	1,106	835
Unsecured committed term credit facility [3]			–	479
Net unamortized discount			–	(1)
Unamortized debt issuance costs			–	(6)
Total long-term debt due within one year	20		1,106	1,307
Total debt due within one year			5,178	4,887

(1) *Includes commercial paper of $2,484 million in U.S. dollars ($3,116 million in Canadian dollars) and $1,945 million in U.S. dollars ($2,612 million in Canadian dollars) as at December 31, 2017 and 2016, respectively, which were issued under our U.S. commercial paper program and have been hedged for foreign currency fluctuations through forward currency contracts. See Note 24,* Financial and capital management *for additional details.*

(2) *Included in long-term debt due within one year is the current portion of finance leases of $445 million and $435 million as at December 31, 2017 and December 31, 2016, respectively.*

(3) *In 2017, Bell Canada repaid $357 million in U.S. dollars ($480 million in Canadian dollars) representing all of the borrowings outstanding under its unsecured committed term credit facility. Accordingly, this credit facility was closed and the cross currency basis swap which was used to hedge the U.S. currency exposure under such credit facility was settled. See Note 24,* Financial and capital management *for additional details.*

SECURITIZED TRADE RECEIVABLES

Our securitized trade receivables programs are recorded as floating rate revolving loans secured by certain trade receivables and expire on July 1, 2018 and November 1, 2020.

The following table provides further details on our securitized trade receivables programs.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Average interest rate throughout the year	1.74%	1.51%
Securitized trade receivables	1,867	1,904

We continue to service these trade receivables. The buyers' interest in the collection of these trade receivables ranks ahead of our interests, which means that we are exposed to certain risks of default on the amounts securitized.

We have provided various credit enhancements in the form of overcollateralization and subordination of our retained interests.

The buyers will reinvest the amounts collected by buying additional interests in our trade receivables until the securitized trade receivables agreements expire or are terminated. The buyers and their investors have no further claim on our other assets if customers do not pay the amounts owed.

CREDIT FACILITIES

Bell Canada may issue notes under its Canadian and U.S. commercial paper programs up to the maximum aggregate principal amount of $2.5 billion in either Canadian or U.S. currency provided that at no time shall such maximum amount of notes exceed $3.5 billion in Canadian currency which equals the aggregate amount available under Bell Canada's supporting revolving and expansion credit facilities as at December 31, 2017. The total amount of the committed revolving and expansion credit facilities may be drawn at any time.

The table below is a summary of our total bank credit facilities at December 31, 2017.

	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
Committed credit facilities					
Unsecured revolving credit and expansion facilities [1][2]	3,500	–	–	3,116	384
Other	134	–	106	–	28
Total committed credit facilities	3,634	–	106	3,116	412
Total non-committed credit facilities	1,829	–	1,148	–	681
Total committed and non-committed credit facilities	5,463	–	1,254	3,116	1,093

(1) *Bell Canada's $2.5 billion revolving credit facility expires in November 2022 and its $1 billion expansion credit facility expires in November 2020.*

(2) *As of December 31, 2017, Bell Canada's outstanding commercial paper included $2,484 million in U.S. dollars ($3,116 million in Canadian dollars). All of Bell Canada's commercial paper outstanding is included in debt due within one year.*

RESTRICTIONS

Some of our credit agreements:

- require us to meet specific financial ratios
- require us to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada

We are in compliance with all conditions and restrictions under such credit agreements.

Note 20 Long-term debt

FOR THE YEAR ENDED DECEMBER 31	NOTE	WEIGHTED AVERAGE INTEREST RATE	MATURITY	2017	2016
Debt securities					
1997 trust indenture		3.86%	2018–2047	14,950	13,600
1976 trust indenture		9.54%	2021–2054	1,100	1,100
2011 trust indenture (1)		4.28%	2018–2024	425	–
2001 trust indenture (1)		5.63%	2019	200	–
Subordinated debentures		8.21%	2026–2031	275	275
Finance leases	13	6.64%	2018–2047	2,172	2,260
Unsecured committed term credit facility (2)	19			–	479
Other				195	188
Total debt				19,317	17,902
Net unamortized premium				50	18
Unamortized debt issuance costs				(46)	(41)
Less:					
Amount due within one year	19			(1,106)	(1,307)
Total long-term debt				18,215	16,572

(1) *As part of the acquisition of MTS, on March 17, 2017, Bell Canada assumed all of MTS' debt issued under its 2001 and 2011 trust indentures.*

(2) *In 2017, Bell Canada repaid $357 million in U.S. dollars ($480 million in Canadian dollars) representing all of the borrowings outstanding under its unsecured committed term credit facility. Accordingly, this credit facility was closed and the cross currency basis swap which was used to hedge the U.S. currency exposure under such credit facility was settled. See Note 24,* Financial and capital management *for additional details.*

Bell Canada's debt securities have been issued in Canadian dollars and bear a fixed interest rate.

RESTRICTIONS

Some of our debt agreements:

- impose covenants and new issue tests
- require us to make an offer to repurchase certain series of debt securities upon the occurrence of a change of control event as defined in the relevant debt agreements

We are in compliance with all conditions and restrictions under such debt agreements.

All outstanding debt securities are issued under trust indentures and are unsecured. All debt securities are issued in series and certain series are redeemable at Bell Canada's option prior to maturity at the prices, times and conditions specified for each series.

2017

On October 30, 2017, Bell Canada redeemed, prior to maturity, its 4.40% Series M-22 medium-term note (MTN) debentures, having an outstanding principal amount of $1 billion, which were due on March 16, 2018. We incurred an $11 million charge for early debt redemption costs which was recorded in *Other (expense) income* in the income statement.

On October 9, 2017, Bell Canada redeemed, prior to maturity, its 4.88% Series M-36 debentures, having an outstanding principal amount of $300 million, which were due on April 26, 2018. We incurred a $5 million charge for early debt redemption costs which was recorded in *Other (expense) income* in the income statement.

On September 29, 2017, Bell Canada issued 3.00% Series M-40 MTN debentures (Series M-40 debentures) under its 1997 trust indenture, with a principal amount of $700 million, which mature on October 3, 2022. The Series M-40 debentures were issued as part of an existing series of MTN debentures. In addition, on the same date, Bell Canada issued 3.60% Series M-46 MTN debentures under its 1997 trust indenture, with a principal amount of $800 million, which mature on September 29, 2027.

On May 12, 2017, Bell Canada redeemed, prior to maturity, its 4.37% Series M-35 debentures, having an outstanding principal amount of $350 million which were due on September 13, 2017. We incurred a $4 million charge for early debt redemption costs which was recorded in *Other (expense) income* in the income statement.

On February 27, 2017, Bell Canada issued 2.70% Series M-44 MTN debentures under its 1997 trust indenture, with a principal amount of $1 billion, which mature on February 27, 2024. In addition, on the same date, Bell Canada issued 4.45% Series M-45 MTN debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on February 27, 2047.

Subsequent to year end, on March 7, 2018, we announced the issuance of 3.35% Series M-47 MTN debentures under Bell Canada's 1997 trust indenture, with a principal amount of $500 million, which mature on March 12, 2025. The net proceeds of the offering are intended to be used to redeem, prior to maturity, Bell Canada's 5.52% Series M-33 debentures having an outstanding principal amount of $300 million, which are due on February 26, 2019, and for the repayment of other short-term debt.

2016

On September 16, 2016, Bell Canada redeemed, prior to maturity, its 5.00% Series M-18 MTN debentures, having an outstanding principal amount of $700 million which were due on February 15, 2017. The interest rate swap which was used to hedge the interest rate exposure was also settled in 2016. See Note 24, *Financial and capital management* for additional details.

On August 12, 2016, Bell Canada issued 2.00% Series M-42 MTN debentures under its 1997 trust indenture, with a principal amount of $850 million, which mature on October 1, 2021. In addition, on the same date, Bell Canada issued 2.90% Series M-43 MTN debentures under its 1997 trust indenture, with a principal amount of $650 million, which mature on August 12, 2026.

On March 31, 2016, Bell Canada redeemed, prior to maturity, its 5.41% Series M-32 debentures, having an outstanding principal amount of $500 million which were due on September 26, 2016. We incurred an $11 million charge for the early debt redemption costs which was recorded in *Other (expense) income* in the income statement.

On February 29, 2016, Bell Canada issued 3.55% Series M-41 MTN debentures under its 1997 trust indenture, with a principal amount of $750 million, which mature on March 2, 2026.

On January 11, 2016, Bell Canada redeemed, prior to maturity, its 4.64% Series M-19 MTN debentures, having an outstanding principal amount of $200 million which were due on February 22, 2016, as well as its 3.65% Series M-23 MTN debentures, having an outstanding principal amount of $500 million which were due on May 19, 2016.

Note 21 Provisions

FOR THE YEAR ENDED DECEMBER 31	NOTE	ASSET RETIREMENT OBLIGATIONS (AROs)	OTHER [1]	TOTAL
January 1, 2017		175	137	312
Additions		14	46	60
Usage		(2)	(30)	(32)
Reversals		(18)	(12)	(30)
Acquired through business combinations		1	17	18
December 31, 2017		170	158	328
Current	18	11	44	55
Non-current	23	159	114	273
December 31, 2017		170	158	328

(1) *Other includes environmental, legal, regulatory and vacant space provisions.*

AROs reflect management's best estimates of expected future costs to restore current leased premises to their original condition prior to lease inception. Cash outflows associated with our ARO liabilities are generally expected to occur at the restoration dates of the assets to which they relate, which are long-term in nature. The timing and extent of restoration work that will be ultimately required for these sites is uncertain.

Note 22 Post-employment benefit plans

POST-EMPLOYMENT BENEFIT PLANS COST

We provide pension and other benefits for most of our employees. These include DB pension plans, DC pension plans and OPEBs.

We operate our DB and DC pension plans under applicable Canadian and provincial pension legislation, which prescribes minimum and maximum DB funding requirements. Plan assets are held in trust, and the oversight of governance of the plans, including investment decisions, contributions to DB plans and the selection of the DC plans investment options offered to plan participants, lies with the Pension Fund Committee, a committee of our board of directors.

The interest rate risk is managed using a liability matching approach, which reduces the exposure of the DB plans to a mismatch between investment growth and obligation growth.

The longevity risk is managed using a longevity swap, which reduces the exposure of the DB plans to an increase in life expectancy.

COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS SERVICE COST

FOR THE YEAR ENDED DECEMBER 31	2017	2016
DB pension	(208)	(203)
DC pension	(102)	(100)
OPEBs	(6)	(7)
Plan amendment gain on OPEBs and DB pension	16	27
Less:		
Capitalized benefit plans cost	58	59
Total post-employment benefit plans service cost included in operating costs	**(242)**	(224)
Other costs recognized in severance, acquisition and other costs	(10)	5
Total post-employment benefit plans service cost	**(252)**	(219)

COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE YEAR ENDED DECEMBER 31	2017	2016
DB pension	(18)	(24)
OPEBs	(54)	(57)
Total interest on post-employment benefit obligations	**(72)**	(81)

The statements of comprehensive income include the following amounts before income taxes.

	2017	2016
Cumulative losses recognized directly in equity, January 1	(2,646)	(2,384)
Actuarial losses in other comprehensive income (1)	(313)	(264)
(Increase) decrease in the effect of the asset limit (2)	(25)	2
Cumulative losses recognized directly in equity, December 31	**(2,984)**	(2,646)

(1) *The cumulative actuarial losses recognized in the statements of comprehensive income are $3,217 million in 2017.*
(2) *The cumulative decrease in the effect of the asset limit recognized in the statements of comprehensive income is $233 million in 2017.*

Notes to consolidated financial statements

COMPONENTS OF POST-EMPLOYMENT BENEFIT (OBLIGATIONS) ASSETS

The following table shows the change in post-employment benefit obligations and the fair value of plan assets.

	DB PENSION PLANS		OPEB PLANS		TOTAL	
	2017	2016	2017	2016	2017	2016
Post-employment benefit obligations, January 1	(20,853)	(20,675)	(1,684)	(1,705)	(22,537)	(22,380)
Current service cost	(208)	(203)	(6)	(7)	(214)	(210)
Interest on obligations	(896)	(852)	(65)	(68)	(961)	(920)
Actuarial (losses) gains (1)	(1,193)	(311)	(28)	12	(1,221)	(299)
Net curtailment (losses) gains	(4)	27	16	5	12	32
Loss on plan transfer	(6)	–	–	–	(6)	–
Benefit payments	1,320	1,169	81	79	1,401	1,248
Employee contributions	(10)	(5)	–	–	(10)	(5)
Acquisition of MTS	(2,677)	–	(5)	–	(2,682)	–
Plan transfer	122	–	–	–	122	–
Other	1	(3)	38	–	39	(3)
Post-employment benefit obligations, December 31	(24,404)	(20,853)	(1,653)	(1,684)	(26,057)	(22,537)
Fair value of plan assets, January 1	20,563	20,244	280	266	20,843	20,510
Expected return on plan assets (2)	878	828	11	11	889	839
Actuarial gains (1)	896	29	12	6	908	35
Benefit payments	(1,320)	(1,169)	(81)	(79)	(1,401)	(1,248)
Employer contributions	305	626	77	76	382	702
Employee contributions	10	5	–	–	10	5
Acquisition of MTS	2,735	–	–	–	2,735	–
Plan transfer	(122)	–	–	–	(122)	–
Fair value of plan assets, December 31	23,945	20,563	299	280	24,244	20,843
Plan deficit	(459)	(290)	(1,354)	(1,404)	(1,813)	(1,694)
Effect of asset limit	(33)	(8)	–	–	(33)	(8)
Post-employment benefit liability, December 31	(492)	(298)	(1,354)	(1,404)	(1,846)	(1,702)
Post-employment benefit assets included in other non-current assets	262	403	–	–	262	403
Post-employment benefit obligations	(754)	(701)	(1,354)	(1,404)	(2,108)	(2,105)

(1) *Actuarial (losses) gains include experience gains of $911 million in 2017 and $157 million in 2016.*
(2) *The actual return on plan assets was $1,797 million or 8.2% in 2017 and $874 million or 4.7% in 2016.*

On January 15, 2016, MTS completed the sale of its wholly-owned subsidiaries Allstream Inc., Allstream Fibre U.S., and Delphi Solutions Corp. (collectively, Allstream), to Zayo Group Holdings Inc. As part of the sale agreement, MTS retained Allstream's two existing DB pension plans including the benefit obligations for retirees and other former employees. On October 31, 2017, we completed the transfer of assets and liabilities related to pre-closing service obligations for Allstream's active employees from the existing Allstream DB pension plans to two new Zayo Canada Inc. pension plans.

FUNDED STATUS OF POST-EMPLOYMENT BENEFIT PLANS COST

The following table shows the funded status of our post-employment benefit obligations.

	FUNDED		PARTIALLY FUNDED (1)		UNFUNDED (2)		TOTAL	
FOR THE YEAR ENDED DECEMBER 31	2017	2016	2017	2016	2017	2016	2017	2016
Present value of post–employment benefit obligations	(23,746)	(20,249)	(1,976)	(1,995)	(335)	(293)	(26,057)	(22,537)
Fair value of plan assets	23,894	20,520	350	323	–	–	24,244	20,843
Plan surplus (deficit)	148	271	(1,626)	(1,672)	(335)	(293)	(1,813)	(1,694)

(1) *The partially funded plans consist of supplementary executive retirement plans (SERPs) for eligible employees and OPEBs. The company partially funds the SERPs through letters of credit and a retirement compensation arrangement account with Canada Revenue Agency. Certain paid-up life insurance benefits are funded through life insurance contracts.*
(2) *Our unfunded plans consist of OPEBs, which are pay-as-you-go.*

SIGNIFICANT ASSUMPTIONS

We used the following key assumptions to measure the post-employment benefit obligations and the net benefit plans cost for the DB pension plans and OPEB plans. These assumptions are long-term, which is consistent with the nature of post-employment benefit plans.

	DB PENSION PLANS AND OPEB PLANS	
	2017	2016
At December 31		
Post-employment benefit obligations		
Discount rate	**3.6%**	4.0%
Rate of compensation increase	**2.25%**	2.25%
Cost of living indexation rate (1)	**1.6%**	1.6%
Life expectancy at age 65 (years)	**23.2**	23.1
For the year ended December 31		
Net post-employment benefit plans cost		
Discount rate	**4.2%**	4.3%
Rate of compensation increase	**2.25%**	2.5%
Cost of living indexation rate (1)	**1.6%**	1.6%
Life expectancy at age 65 (years)	**23.1**	23.0

(1) *Cost of living indexation rate is only applicable to DB pension plans.*

The weighted average duration of the post-employment benefit obligation is 15 years.

We assumed the following trend rates in healthcare costs:

- an annual increase in the cost of medication of 8.0% for 2017 decreasing to 4.5% over 20 years
- an annual increase in the cost of covered dental benefits of 4.0%
- an annual increase in the cost of covered hospital benefits of 3.3%
- an annual increase in the cost of other covered healthcare benefits of 3.0%

Assumed trend rates in healthcare costs have a significant effect on the amounts reported for the healthcare plans.

The following table shows the effect of a 1% change in the assumed trend rates in healthcare costs.

EFFECT ON POST-EMPLOYMENT BENEFITS – INCREASE/(DECREASE)	1% INCREASE	1% DECREASE
Total service and interest cost	7	(5)
Post-employment benefit obligations	133	(115)

SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

		IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2017 – INCREASE/(DECREASE)		IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2017 – INCREASE/(DECREASE)	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.5%	(70)	62	(1,636)	1,746
Life expectancy at age 65	1 year	33	(31)	834	(808)

POST-EMPLOYMENT BENEFIT PLAN ASSETS

The investment strategy for the post-employment benefit plan assets is to maintain a diversified portfolio of assets invested in a prudent manner to maintain the security of funds.

The following table shows the target allocations for 2017 and the allocation of our post-employment benefit plan assets at December 31, 2017 and 2016.

	WEIGHTED AVERAGE TARGET ALLOCATION	TOTAL PLAN ASSETS FAIR VALUE AT DECEMBER 31 (%)	
ASSET CATEGORY	2017	2017	2016
Equity securities	**20%–35%**	**22%**	22%
Debt securities	**55%–80%**	**65%**	68%
Alternative investments	**0%–25%**	**13%**	10%
Total		**100%**	100%

The following table shows the fair value of the DB pension plan assets at the end of the year for each category.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Observable markets data		
Equity securities		
Canadian	1,045	901
Foreign	4,349	3,682
Debt securities		
Canadian	13,126	12,469
Foreign	1,890	1,068
Money market	491	387
Non-observable markets inputs		
Alternative investments		
Private equities	1,484	1,164
Hedge funds	965	726
Real estate	484	55
Other	111	111
Total	23,945	20,563

Equity securities included approximately $13 million of BCE common shares, or 0.05% of total plan assets, at December 31, 2017 and approximately $17 million of BCE common shares, or 0.08% of total plan assets, at December 31, 2016.

Debt securities included approximately $11 million of Bell Canada debentures, or 0.05% of total plan assets, at December 31, 2017 and approximately $15 million of Bell Canada debentures, or 0.07% of total plan assets, at December 31, 2016.

Alternative investments included the pension plan's investment in MLSE of $135 million, or 0.56% of total plan assets, at December 31, 2017 and $135 million, or 0.66% of total plan assets at December 31, 2016.

The Bell Canada pension plan has an investment arrangement which hedges part of its exposure to potential increases in longevity, which covers approximately $5 billion of post-employment benefit obligations. The fair value of the arrangement is included within other alternative investments. As a hedging arrangement of the pension plan, the transaction requires no cash contributions from BCE.

CASH FLOWS

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods that are permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. Changes in these factors could cause actual future contributions to differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future, which could have a negative effect on our liquidity and financial performance.

We contribute to the DC pension plans as employees provide service.

The following table shows the amounts we contributed to the DB and DC pension plans and the payments made to beneficiaries under OPEB plans.

	DB PLANS (1)		DC PLANS		OPEB PLANS	
FOR THE YEAR ENDED DECEMBER 31	2017	2016	2017	2016	2017	2016
Contributions	(305)	(626)	(108)	(99)	(77)	(76)

(1) *Includes voluntary contributions of $100 million in 2017 and $400 million in 2016.*

We expect to contribute approximately $210 million to our DB pension plans in 2018, subject to actuarial valuations being completed. We expect to pay approximately $80 million to beneficiaries under OPEB plans and to contribute approximately $110 million to the DC pension plans in 2018.

Note 23 Other non-current liabilities

FOR THE YEAR ENDED DECEMBER 31	NOTE	2017	2016
Long-term disability benefits obligation		322	302
Provisions	21	273	273
Deferred revenue on long-term contracts		174	105
CRTC deferral account obligation	24	96	104
Future tax liabilities		81	73
CRTC tangible benefits obligation	24	73	115
Other		204	305
Total other non-current liabilities		1,223	1,277

Note 24 Financial and capital management

FINANCIAL MANAGEMENT

Management's objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk.

DERIVATIVES

We use derivative instruments to manage our exposure to foreign currency risk, interest rate risk and changes in the price of BCE common shares under our share-based payment plans.

The following derivative instruments were outstanding during 2017 and/or 2016:

- foreign currency forward contracts and options that manage the foreign currency risk of certain anticipated purchases and sales
- cross currency basis swaps that hedge foreign currency risk on a portion of our debt due within one year
- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- interest rate locks on future debt issuances and dividend rate resets on preferred shares
- forward contracts on BCE common shares that mitigate the cash flow exposure related to share-based payment plans

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, dividends payable, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable and loans secured by trade receivables approximate fair value as they are short-term.

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.

				DECEMBER 31, 2017		DECEMBER 31, 2016	
	CLASSIFICATION	FAIR VALUE METHODOLOGY	NOTE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	18, 23	111	110	166	169
CRTC deferral account obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	18, 23	124	128	136	145
Debt securities, finance leases and other debt	Debt due within one year and long-term debt	Quoted market price of debt or present value of future cash flows discounted using observable market interest rates	19, 20	19,321	21,298	17,879	20,093

Notes to consolidated financial statements

The following table provides the fair value details of financial instruments measured at fair value in the statements of financial position.

	CLASSIFICATION	NOTE	CARRYING VALUE OF ASSET (LIABILITY) AT DECEMBER 31	FAIR VALUE AT DECEMBER 31: QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	FAIR VALUE AT DECEMBER 31: OBSERVABLE MARKET DATA (LEVEL 2) (1)	FAIR VALUE AT DECEMBER 31: NON-OBSERVABLE MARKET INPUTS (LEVEL 3) (2)
2017						
AFS publicly-traded and privately-held investments	Other non-current assets	16	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities		(48)	–	(48)	–
MLSE financial liability (3)	Trade payables and other liabilities	18	(135)	–	–	(135)
Other	Other non-current assets and liabilities		60	–	106	(46)
2016						
AFS publicly-traded and privately-held investments	Other non-current assets	16	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities		166	–	166	–
MLSE financial liability (3)	Trade payables and other liabilities	18	(135)	–	–	(135)
Other	Other non-current assets and liabilities		35	–	88	(53)

(1) *Observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.*

(2) *Non-observable market inputs such as discounted cash flows and earnings multiples. A reasonable change in our assumptions would not result in a significant increase (decrease) to our level 3 financial instruments.*

(3) *Represents BCE's obligation to repurchase the Master Trust's 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in* Other (expense) income *in the income statements. The option is exercisable in 2017 and thereafter.*

CREDIT RISK

We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position.

We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations. The concentration of credit risk from our customers is minimized because we have a large and diverse customer base. There was minimal credit risk relating to derivative instruments at December 31, 2017 and 2016. We deal with institutions that have investment-grade credit ratings, and as such we expect that they will be able to meet their obligations. We regularly monitor our credit risk and credit exposure.

The following table provides the change in allowance for doubtful accounts for trade receivables.

	NOTE	2017	2016
Balance, January 1		(60)	(64)
Additions		(99)	(102)
Usage		104	106
Balance, December 31	11	(55)	(60)

In many instances, trade receivables are written off directly to bad debt expense if the account has not been collected after a predetermined period of time.

The following table provides further details on trade receivables not impaired.

AT DECEMBER 31	2017	2016
Trade receivables not past due	2,257	2,187
Trade receivables past due and not impaired		
Under 60 days	491	286
60 to 120 days	279	359
Over 120 days	56	75
Trade receivables, net of allowance for doubtful accounts	3,083	2,907

LIQUIDITY RISK

Our cash and cash equivalents, cash flows from operations and possible capital markets financing are expected to be sufficient to fund our operations and fulfill our obligations as they become due. Should our cash requirements exceed the above sources of cash, we would expect to cover such a shortfall by drawing on existing committed bank facilities and new ones, to the extent available.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2017 for each of the next five years and thereafter.

AT DECEMBER 31, 2017	NOTE	2018	2019	2020	2021	2022	THERE-AFTER	TOTAL
Long-term debt	20	661	1,541	1,424	2,247	1,714	9,558	17,145
Notes payable	19	3,151	–	–	–	–	–	3,151
Minimum future lease payments under finance leases	13	572	501	326	278	248	883	2,808
Loan secured by trade receivables	19	921	–	–	–	–	–	921
Interest payable on long-term debt, notes payable and loan secured by trade receivables		792	688	628	586	525	5,197	8,416
MLSE financial liability	18	135	–	–	–	–	–	135
Total		**6,232**	**2,730**	**2,378**	**3,111**	**2,487**	**15,638**	**32,576**

We are also exposed to liquidity risk for financial liabilities due within one year as shown in the statements of financial position.

MARKET RISK

CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated purchases and sales and certain foreign currency debt. In 2017, we settled a cross currency basis swap with a notional amount of $357 million in U.S. dollars ($480 million in Canadian dollars) used to hedge borrowings under a credit facility. Refer to Note 19, *Debt due within one year* for additional details.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $2 million recognized in net earnings at December 31, 2017 and a gain (loss) of $133 million recognized in *Other comprehensive loss* at December 31, 2017, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts and cross currency basis swaps as at December 31, 2017.

TYPE OF HEDGE	BUY CURRENCY	AMOUNT TO RECEIVE	SELL CURRENCY	AMOUNT TO PAY	MATURITY	HEDGED ITEM
Cash flow	USD	2,492	CAD	3,180	2018	Commercial paper
Cash flow	USD	872	CAD	1,134	2018	Anticipated transactions
Cash flow	CAD	97	USD	75	2018–2019	Anticipated transactions
Cash flow	USD	576	CAD	721	2019	Anticipated transactions
Cash flow	USD	76	CAD	96	2020–2021	Anticipated transactions
Economic	USD	36	CAD	46	2018	Anticipated transactions

INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates on our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares.

In 2016, we settled interest rate locks which hedged long-term debt and dividend rate resets on preferred shares with a notional amount of $500 million and $350 million, respectively.

In 2016, we redeemed long-term debt prior to maturity, and settled an interest rate swap with a notional amount of $700 million used to hedge the interest rate exposure on the redeemed debt. In 2016, we also recognized a loss of $15 million on an interest rate swap used as a fair value hedge of long-term debt and an offsetting gain of $16 million on the corresponding long-term debt in *Other (expense) income* in the income statements.

A 1% increase (decrease) in interest rates would result in a decrease (increase) of $29 million in net earnings at December 31, 2017.

EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE's common shares to economically hedge the cash flow exposure related to the settlement of share-based payment plans. See Note 26, *Share-based payments* for details on our share-based payment arrangements. The fair value of our equity forward contracts at December 31, 2017 was $45 million (2016 – $111 million).

A 5% increase (decrease) in the market price of BCE's common shares at December 31, 2017 would result in a gain (loss) of $38 million recognized in net earnings for 2017, with all other variables held constant.

CAPITAL MANAGEMENT

We have various capital policies, procedures and processes which are utilized to achieve our objectives for capital management. These include optimizing our cost of capital and maximizing shareholder return while balancing the interests of our stakeholders.

Our definition of capital includes equity attributable to BCE shareholders, debt, and cash and cash equivalents.

The key ratios that we use to monitor and manage our capital structure are a net debt leverage ratio [(1)] and an adjusted EBITDA to net interest expense ratio [(2)]. Our net debt leverage ratio target range is 1.75 to 2.25 times adjusted EBITDA and our adjusted EBITDA to net interest expense ratio target is greater than 7.5 times. We monitor our capital structure and make adjustments, including to our dividend policy, as required. At December 31, 2017, we had exceeded the limit of our internal net debt leverage ratio target range by 0.45. This excess over the limit of our internal ratio target range does not create risk to our investment-grade credit rating.

These ratios do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, our net debt leverage ratio and adjusted EBITDA to net interest expense ratio as measures of financial leverage and health of the company.

The following table provides a summary of our key ratios.

AT DECEMBER 31	2017	2016
Net debt leverage ratio	2.70	2.57
Adjusted EBITDA to net interest expense ratio	9.12	9.31

On February 7, 2018, the board of directors of BCE approved an increase of 5.2% in the annual dividend on BCE's common shares, from $2.87 to $3.02 per common share. In addition, the board of directors of BCE declared a quarterly dividend of $0.7550 per common share, payable on April 15, 2018 to shareholders of record at March 15, 2018.

On February 8, 2018, BCE announced a normal course issuer bid (NCIB). See Note 25, *Share capital* for additional details.

On February 1, 2017, the board of directors of BCE approved an increase of 5.1% in the annual dividend on BCE's common shares, from $2.73 to $2.87 per common share.

(1) *Our net debt leverage ratio represents net debt divided by adjusted EBITDA. We define net debt as debt due within one year plus long-term debt and 50% of preferred shares less cash and cash equivalents as shown in our statements of financial position. Adjusted EBITDA is defined as operating revenues less operating costs as shown in our income statements.*

(2) *Our adjusted EBITDA to net interest expense ratio represents adjusted EBITDA divided by net interest expense. Adjusted EBITDA is defined as operating revenues less operating costs as shown in our income statements. Net interest expense is net interest expense as shown in our statements of cash flows and 50% of declared preferred share dividends as shown in our income statements.*

Note 25 Share capital

PREFERRED SHARES

BCE's articles of amalgamation, as amended, provide for an unlimited number of First Preferred Shares and Second Preferred Shares, all without par value. The terms set out in the articles authorize BCE's directors to issue the shares in one or more series and to set the number of shares and the conditions for each series.

The following table provides a summary of the principal terms of BCE's First Preferred Shares as at December 31, 2017. There were no Second Preferred Shares issued and outstanding at December 31, 2017. BCE's articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

						NUMBER OF SHARES		STATED CAPITAL	
SERIES	ANNUAL DIVIDEND RATE	CONVERTIBLE INTO	CONVERSION DATE	REDEMPTION DATE	REDEMPTION PRICE	AUTHORIZED	ISSUED AND OUTSTANDING	DEC. 31, 2017	DEC. 31, 2016
Q	floating	Series R	December 1, 2025		$25.50	8,000,000	–	–	–
R [1]	4.13%	Series Q	December 1, 2020	December 1, 2020	$25.00	8,000,000	8,000,000	200	200
S	floating	Series T	November 1, 2021	At any time	$25.50	8,000,000	3,513,448	88	88
T [1]	3.019%	Series S	November 1, 2021	November 1, 2021	$25.00	8,000,000	4,486,552	112	112
Y	floating	Series Z	December 1, 2022	At any time	$25.50	10,000,000	8,081,491	202	219
Z [1]	3.904%	Series Y	December 1, 2022	December 1, 2022	$25.00	10,000,000	1,918,509	48	31
AA [1]	3.61%	Series AB	September 1, 2022	September 1, 2022	$25.00	20,000,000	11,398,396	291	259
AB	floating	Series AA	September 1, 2022	At any time	$25.50	20,000,000	8,601,604	219	251
AC [1]	3.55%	Series AD	March 1, 2018	March 1, 2018	$25.00	20,000,000	5,069,935	129	129
AD	floating	Series AC	March 1, 2018	At any time	$25.50	20,000,000	14,930,065	381	381
AE	floating	Series AF	February 1, 2020	At any time	$25.50	24,000,000	9,292,133	232	232
AF [1]	3.11%	Series AE	February 1, 2020	February 1, 2020	$25.00	24,000,000	6,707,867	168	168
AG [1]	2.80%	Series AH	May 1, 2021	May 1, 2021	$25.00	22,000,000	4,985,351	125	125
AH	floating	Series AG	May 1, 2021	At any time	$25.50	22,000,000	9,014,649	225	225
AI [1]	2.75%	Series AJ	August 1, 2021	August 1, 2021	$25.00	22,000,000	5,949,884	149	149
AJ	floating	Series AI	August 1, 2021	At any time	$25.50	22,000,000	8,050,116	201	201
AK [1]	2.954%	Series AL	December 31, 2021	December 31, 2021	$25.00	25,000,000	22,745,921	569	569
AL [2]	floating	Series AK	December 31, 2021	At any time		25,000,000	2,254,079	56	56
AM [1]	2.764%	Series AN	March 31, 2021	March 31, 2021	$25.00	30,000,000	9,546,615	218	218
AN [2]	floating	Series AM	March 31, 2021	At any time		30,000,000	1,953,385	45	45
AO [1]	4.26%	Series AP	March 31, 2022	March 31, 2022	$25.00	30,000,000	4,600,000	118	118
AP [3]	floating	Series AO	March 31, 2027			30,000,000	–	–	–
AQ [1]	4.25%	Series AR	September 30, 2018	September 30, 2018	$25.00	30,000,000	9,200,000	228	228
AR [3]	floating	Series AQ	September 30, 2023			30,000,000	–	–	–
								4,004	4,004

(1) *BCE may redeem each of these series of First Preferred Shares on the applicable redemption date and every five years after that date.*

(2) *BCE may redeem Series AL and AN First Preferred Shares at $25.00 per share on December 31, 2021 and March 31, 2021, respectively, and every five years thereafter (each, a Series conversion date). Alternatively, BCE may redeem Series AL or AN First Preferred Shares at $25.50 per share on any date which is not a Series conversion date for such series of First Preferred Shares.*

(3) *If Series AP or AR First Preferred Shares are issued on March 31, 2022 and September 30, 2018, respectively, BCE may redeem such shares at $25.00 per share on March 31, 2027 and September 30, 2023, respectively, and every five years thereafter (each, a Series conversion date). Alternatively, BCE may redeem Series AP or AR First Preferred Shares at $25.50 per share on any date, in the case of Series AP First Preferred Shares, and on any date after September 30, 2018, in the case of Series AR First Preferred Shares, which is not a Series conversion date for each relevant series.*

VOTING RIGHTS

All of the issued and outstanding First Preferred Shares at December 31, 2017 are non-voting, except under special circumstances, when the holders are entitled to one vote per share.

PRIORITY AND ENTITLEMENT TO DIVIDENDS

The First Preferred Shares of all series rank at parity with each other and in priority to all other shares of BCE with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BCE.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AK, AM, AO and AQ First Preferred Shares are entitled to fixed cumulative quarterly dividends. The dividend rate on these shares is reset every five years, as set out in BCE's articles of amalgamation, as amended.

Holders of Series S, Y, AB, AD, AE, AH and AJ First Preferred Shares are entitled to floating adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every month, as set out in BCE's articles of amalgamation, as amended.

Holders of Series AL and AN First Preferred Shares are entitled to floating cumulative quarterly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE's articles of amalgamation, as amended.

Dividends on all series of First Preferred Shares are paid as and when declared by the board of directors of BCE.

CONVERSION FEATURES

All of the issued and outstanding First Preferred Shares at December 31, 2017 are convertible at the holder's option into another associated series of First Preferred Shares on a one-for-one basis according to the terms set out in BCE's articles of amalgamation, as amended.

CONVERSION AND DIVIDEND RATE RESET OF FIRST PREFERRED SHARES

On December 1, 2017, 585,184 of BCE's 1,227,532 fixed-rate Cumulative Redeemable First Preferred Shares, Series Z (Series Z Preferred Shares) were converted, on a one-for-one basis, into floating-rate cumulative Redeemable First Preferred Shares, Series Y (Series Y Preferred Shares). In addition, on December 1, 2017, 1,276,161 of BCE's 8,772,468 Series Y Preferred Shares were converted, on a one-for-one basis, into Series Z Preferred Shares.

On September 1, 2017, 965,769 of BCE's 10,144,302 fixed-rate Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) were converted, on a one-for-one basis, into floating rate Cumulative Redeemable First Preferred Shares, Series AB (Series AB Preferred Shares). In addition, on September 1, 2017, 2,219,863 of BCE's 9,855,698 Series AB Preferred Shares were converted, on a one-for-one basis, into Series AA Preferred Shares.

Subsequent to year end, on March 1, 2018, 397,181 of BCE's 5,069,935 fixed-rate Cumulative Redeemable First Preferred Shares, Series AC (Series AC Preferred Shares) were converted, on a one-for-one basis, into floating rate Cumulative Redeemable First Preferred Shares, Series AD (Series AD Preferred Shares). In addition, on March 1, 2018, 5,356,937 of BCE's 14,930,065 Series AD Preferred Shares were converted, on a one-for-one basis, into Series AC Preferred Shares.

The annual fixed dividend rate on BCE's Series AC Preferred Shares was reset for the next five years, effective March 1, 2018, at 4.38% from 3.55%. The Series AD Preferred Shares continue to pay a monthly floating cash dividend.

COMMON SHARES AND CLASS B SHARES

BCE's articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares, all without par value. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE is liquidated, dissolved or wound up, after payments due to the holders of preferred shares. No Class B shares were outstanding at December 31, 2017 and 2016.

The following table provides details about the outstanding common shares of BCE.

		2017		2016	
	NOTE	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
Outstanding, January 1		870,706,332	18,370	865,614,188	18,100
Shares issued for the acquisition of MTS	3	27,642,714	1,594	–	–
Shares issued under employee stock option plan	26	2,555,863	122	2,236,891	104
Shares issued under dividend reinvestment plan		–	–	688,839	38
Shares issued under ESP		91,731	5	2,166,414	128
Outstanding, December 31		900,996,640	20,091	870,706,332	18,370

Subsequent to year end, on February 8, 2018, BCE announced its plan to repurchase and cancel up to 3.5 million common shares, subject to a maximum aggregate purchase price of $175 million over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019 through a NCIB.

CONTRIBUTED SURPLUS

Contributed surplus in 2017 and 2016 includes premiums in excess of par value upon the issuance of BCE common shares and share-based compensation expense net of settlements.

Note 26 Share-based payments

The following share-based payment amounts are included in the income statements as operating costs.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
ESP	(28)	(29)
RSUs/PSUs	(44)	(49)
Other [1]	(9)	(12)
Total share-based payments	(81)	(90)

(1) *Includes DSP, DSUs and stock options.*

DESCRIPTION OF THE PLANS

ESP

The ESP is designed to encourage employees of BCE and its participating subsidiaries to own shares of BCE. Each year, employees can choose to have a certain percentage of their eligible annual earnings withheld through regular payroll deductions for the purchase of BCE common shares. In some cases, the employer also will contribute a percentage of the employee's eligible annual earnings to the plan, up to a specified maximum. Dividends are credited to the participant's account on each dividend payment date and are equivalent in value to the dividends paid on BCE common shares.

The BCE ESP allows employees to contribute up to 12% of their annual earnings with a maximum employer contribution of 2%.

Employer contributions to the BCE ESP plan and related dividends are subject to employees holding their shares for a two-year vesting period.

The trustee of the ESP buys BCE common shares for the participants on the open market, by private purchase or from treasury. BCE determines the method the trustee uses to buy the shares.

At December 31, 2017, 5,591,566 common shares were authorized for issuance from treasury under the BCE ESP.

The following table summarizes the status of unvested employer contributions at December 31, 2017 and 2016.

NUMBER OF ESP SHARES	2017	2016
Unvested contributions, January 1	1,073,212	1,146,046
Contributions [1]	610,657	600,808
Dividends credited	49,299	49,988
Vested	(553,837)	(586,309)
Forfeited	(140,301)	(137,321)
Unvested contributions, December 31	1,039,030	1,073,212

(1) *The weighted average fair value of the shares contributed was $60 and $59 in 2017 and 2016, respectively.*

RSUs/PSUs

RSUs/PSUs are granted to executives and other eligible employees. The value of an RSU/PSU at the grant date is equal to the value of one BCE common share. Dividends in the form of additional RSUs/PSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on BCE common shares.

Executives and other eligible employees are granted a specific number of RSUs/PSUs for a given performance period based on their position and level of contribution. RSUs/PSUs vest fully after three years of continuous employment from the date of grant and, in certain cases, if performance objectives are met, as determined by the board of directors.

The following table summarizes outstanding RSUs/PSUs at December 31, 2017 and 2016.

NUMBER OF RSUs /PSUs	2017	2016
Outstanding, January 1	2,928,698	3,333,583
Granted [1]	879,626	874,888
Dividends credited	132,402	137,583
Settled	(1,096,403)	(1,321,846)
Forfeited	(103,931)	(95,510)
Outstanding, December 31	2,740,392	2,928,698
Vested, December 31 [2]	985,382	1,058,200

(1) *The weighted average fair value of the RSUs/PSUs granted was $58 in 2017 and 2016.*
(2) *The RSUs/PSUs vested on December 31, 2017 were fully settled in February 2018 with BCE common shares and/or DSUs.*

DSP

The value of a deferred share is equal to the value of one BCE common share. Dividends in the form of additional deferred shares are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on BCE common shares. Deferred shares vest fully after three years of continuous employment from the date of grant. The liability related to the DSP is recorded in *Trade payables and other liabilities* in the statements of financial position and was $30 million and $37 million at December 31, 2017 and 2016, respectively.

DSUs

Eligible bonuses and RSUs/PSUs may be paid in the form of DSUs when executives or other eligible employees elect to or are required to participate in the plan. The value of a DSU at the issuance date is equal to the value of one BCE common share. For non-management directors, compensation is paid in DSUs until the minimum share ownership requirement is met; thereafter, at least 50% of their compensation is paid in DSUs. There are no vesting requirements relating to DSUs. Dividends in the form of additional DSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividends paid on BCE common shares. DSUs are settled when the holder leaves the company.

The following table summarizes the status of outstanding DSUs at December 31, 2017 and 2016.

NUMBER OF DSUs	2017	2016
Outstanding, January 1	4,131,229	3,796,051
Issued [1]	69,742	87,665
Settlement of RSUs/PSUs	101,066	323,428
Dividends credited	203,442	183,852
Settled	(195,951)	(259,767)
Outstanding, December 31	4,309,528	4,131,229

(1) *The weighted average fair value of the DSUs issued was $59 in 2017 and 2016.*

STOCK OPTIONS

Under BCE's long-term incentive plans, BCE may grant options to executives to buy BCE common shares. The subscription price of a grant is based on the higher of:

- the volume-weighted average of the trading price on the trading day immediately prior to the effective date of the grant
- the volume-weighted average of the trading price for the last five consecutive trading days ending on the trading day immediately prior to the effective date of the grant

At December 31, 2017, 14,586,683 common shares were authorized for issuance under these plans. Options vest fully after three years of continuous employment from the date of grant. All options become exercisable when they vest and can be exercised for a period of seven years from the date of grant.

The following table summarizes BCE's outstanding stock options at December 31, 2017 and 2016.

	NOTE	2017 NUMBER OF OPTIONS	2017 WEIGHTED AVERAGE EXERCISE PRICE ($)	2016 NUMBER OF OPTIONS	2016 WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1		10,242,162	52	9,666,904	48
Granted		3,043,448	59	2,968,062	58
Exercised [1]	25	(2,555,863)	45	(2,236,891)	44
Forfeited		(239,498)	58	(155,913)	52
Outstanding, December 31		10,490,249	55	10,242,162	52
Exercisable, December 31		2,013,983	45	1,786,251	42

(1) *The weighted average share price for options exercised was $60 and $59 in 2017 and 2016, respectively.*

The following table provides additional information about BCE's stock option plans at December 31, 2017.

	STOCK OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE ($)
$30–$39	35,408	0.14	36
$40–$49	1,978,575	2.54	46
$50–$59	8,377,818	5.19	58
$60 & above	98,448	5.84	61
	10,490,249	4.68	55

ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

The fair value of options granted was determined using a variation of a binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following table shows the principal assumptions used in the valuation.

	2017
Weighted average fair value per option granted	$1.97
Weighted average share price	$58
Weighted average exercise price	$59
Dividend yield	5%
Expected volatility	13%
Risk-free interest rate	1%
Expected life (years)	4

Expected volatilities are based on the historical volatility of BCE's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

Note 27 Additional cash flow information

The following table provides a reconciliation of changes in liabilities arising from financing activities.

	NOTE	DEBT DUE WITHIN ONE YEAR AND LONG-TERM DEBT	DERIVATIVE TO HEDGE FOREIGN CURRENCY ON DEBT (1)	DIVIDENDS PAYABLE	OTHER LIABILITIES	TOTAL
January 1, 2017		21,459	(31)	617	–	22,045
Cash flows from (used in) financing activities						
Increase in notes payable		452	(119)	–	–	333
Issue of long-term debt		3,011	–	–	–	3,011
Repayments of long-term debt		(2,653)	–	–	–	(2,653)
Cash dividends paid on common and preferred shares		–	–	(2,639)	–	(2,639)
Cash dividends paid by subsidiaries to non-controlling interests	30	–	–	(34)	–	(34)
Other financing activities		(44)	6	–	(22)	(60)
Total cash flows from (used in) financing activities excluding equity		766	(113)	(2,673)	(22)	(2,042)
Non-cash changes arising from						
Finance lease additions		339	–	–	–	339
Dividends declared on common and preferred shares		–	–	2,692	–	2,692
Dividends declared by subsidiaries to non-controlling interests		–	–	45	–	45
Effect of changes in foreign exchange rates		(198)	198	–	–	–
Business acquisitions	3	972	–	–	–	972
Other		55	–	(3)	22	74
Total non-cash changes		1,168	198	2,734	22	4,122
December 31, 2017		23,393	54	678	–	24,125

(1) *Included in* Other current assets, Trade payables and other liabilities, Other non-current assets *and* Other non-current liabilities *in the statements of financial position.*

Note 28 Commitments and contingencies

COMMITMENTS

The following table is a summary of our contractual obligations at December 31, 2017 that are due in each of the next five years and thereafter.

	NOTE	2018	2019	2020	2021	2022	THERE-AFTER	TOTAL
Operating leases		312	264	225	175	119	341	1,436
Commitments for property, plant and equipment and intangible assets		1,039	808	614	516	372	808	4,157
Purchase obligations		865	664	550	498	429	903	3,909
Proposed acquisition of Séries+ and Historia specialty channels	3	200	–	–	–	–	–	200
Acquisition of AlarmForce [(1)]	3	182	–	–	–	–	–	182
Total		**2,598**	**1,736**	**1,389**	**1,189**	**920**	**2,052**	**9,884**

(1) *This commitment was settled on January 5, 2018, upon completion of the acquisition of AlarmForce. See Note 3,* Business acquisitions and dispositions *for additional details.*

BCE's significant operating leases are for office premises, cellular tower sites, retail outlets and OOH advertising spaces with lease terms ranging from 1 to 50 years. These leases are non-cancellable. Rental expense relating to operating leases was $399 million in 2017 and $353 million in 2016.

Our commitments for property, plant and equipment and intangible assets include program and feature film rights and investments to expand and update our networks to meet customer demand.

Purchase obligations consist of contractual obligations under service and product contracts for operating expenditures and other purchase obligations.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management's assessment of the merits of the claims and legal proceedings pending at March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements. We believe that we have strong defences and we intend to vigorously defend our positions.

Note 29 Related party transactions

SUBSIDIARIES

The following table shows BCE's significant subsidiaries at December 31, 2017. BCE has other subsidiaries which have not been included in the table as each represents less than 10% individually and less than 20% in aggregate of total consolidated revenues.

All of these significant subsidiaries are incorporated in Canada and provide services to each other in the normal course of operations. The value of these transactions is eliminated on consolidation.

	OWNERSHIP PERCENTAGE	
SUBSIDIARY	2017	2016
Bell Canada	100%	100%
Bell Mobility	100%	100%
Bell Media	100%	100%

TRANSACTIONS WITH JOINT ARRANGEMENTS AND ASSOCIATES

During 2017 and 2016, BCE provided communication services and received programming content and other services in the normal course of business on an arm's length basis to and from its joint arrangements and associates. Our joint arrangements and associates include MLSE, Glentel Inc., and Dome Productions Partnership. From time to time, BCE may be required to make capital contributions in its investments.

In 2017, BCE recognized revenues and incurred expenses with our joint arrangements and associates of $11 million (2016 – $16 million) and $177 million (2016 – $180 million), respectively.

BCE MASTER TRUST FUND

Bimcor Inc. (Bimcor), a wholly-owned subsidiary of Bell Canada, is the administrator of the Master Trust. Bimcor recognized management fees of $10 million from the Master Trust for 2017 and 2016. The details of BCE's post-employment benefit plans are set out in Note 22, *Post-employment benefit plans*.

COMPENSATION OF KEY MANAGEMENT PERSONNEL AND BOARD OF DIRECTORS

The following table includes compensation of key management personnel and the board of directors for the years ended December 31, 2017 and 2016 included in our income statements. Key management personnel include the company's Chief Executive Officer (CEO), Group President and the executives who report directly to them.

FOR THE YEAR ENDED DECEMBER 31	2017	2016
Wages, salaries, fees and related taxes and benefits	(23)	(24)
Post-employment benefit plans and OPEBs cost	(3)	(4)
Share-based compensation	(23)	(27)
Key management personnel and board of directors compensation expense	(49)	(55)

Note 30 Significant partly-owned subsidiaries

The following tables show summarized financial information for our subsidiaries with significant non-controlling interest (NCI).

SUMMARIZED STATEMENTS OF FINANCIAL POSITION

	CTV SPECIALTY [1] [2]	
FOR THE YEAR ENDED DECEMBER 31	2017	2016
Current assets	328	293
Non-current assets	1,013	1,013
Total assets	1,341	1,306
Current liabilities	153	130
Non-current liabilities	184	195
Total liabilities	337	325
Total equity attributable to BCE shareholders	700	687
NCI	304	294

(1) *At December 31, 2017 and 2016, the ownership interest held by NCI in CTV Specialty Television Inc. (CTV Specialty) was 29.9%. CTV Specialty was incorporated and operated in Canada as at such dates.*

(2) *CTV Specialty's net assets at December 31, 2017 and 2016, include $6 million and $2 million, respectively, directly attributable to NCI.*

SELECTED INCOME AND CASH FLOW INFORMATION

	CTV SPECIALTY [1]	
FOR THE YEAR ENDED DECEMBER 31	2017	2016
Operating revenues	832	824
Net earnings	179	182
Net earnings attributable to NCI	56	56
Total comprehensive income	172	173
Total comprehensive income attributable to NCI	54	54
Cash dividends paid to NCI	34	46

(1) *CTV Specialty's net earnings and total comprehensive income include $3 million directly attributable to NCI for 2017 and 2016, respectively.*

Board of directors

AS OF MARCH 8, 2018

Gordon M. Nixon
ONTARIO, CANADA
Corporate Director
Chair of the Board,
BCE Inc. and Bell Canada
Director since November 2014

Barry K. Allen
FLORIDA, UNITED STATES
Operating Partner,
Providence Equity Partners LLC
Director since May 2009

Sophie Brochu
QUÉBEC, CANADA
President and
Chief Executive Officer,
Énergir
Director since May 2010

Robert E. Brown
QUÉBEC, CANADA
Corporate Director
Director since May 2009

George A. Cope
ONTARIO, CANADA
President and
Chief Executive Officer,
BCE Inc. and Bell Canada
Director since July 2008

David F. Denison,
FCPA, FCA
ONTARIO, CANADA
Corporate Director
Director since October 2012

Robert P. Dexter
NOVA SCOTIA, CANADA
Chair and
Chief Executive Officer,
Maritime Travel Inc.
Director since November 2014

Ian Greenberg
QUÉBEC, CANADA
Corporate Director
Director since July 2013

Katherine Lee
ONTARIO, CANADA
Chief Executive Officer,
3 Angels Holdings Limited
Director since August 2015

Monique F. Leroux,
C.M., O.Q., FCPA, FCA
QUÉBEC, CANADA
Corporate Director
Director since April 2016

Calin Rovinescu
QUÉBEC, CANADA
President and
Chief Executive Officer,
Air Canada
Director since April 2016

Karen Sheriff
TORONTO, ONTARIO
Corporate Director
Director since April 2017

Robert C. Simmonds
ONTARIO, CANADA
Chair,
Lenbrook Corporation
Director since May 2011

Paul R. Weiss,
FCPA, FCA
ONTARIO, CANADA
Corporate Director
Director since May 2009

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

P.R. Weiss (Chair), D.F. Denison, R.P. Dexter, I. Greenberg, K. Lee, M.F. Leroux, R.C. Simmonds

The audit committee assists the board in the oversight of:

- the integrity of BCE Inc.'s financial statements and related information
- BCE Inc.'s compliance with applicable legal and regulatory requirements
- the independence, qualifications and appointment of the external auditors
- the performance of both the external and internal auditors
- management's responsibility for assessing and reporting on the effectiveness of internal controls
- BCE Inc.'s enterprise risk management processes.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

R.E. Brown (Chair), B.K. Allen, S. Brochu, I. Greenberg, C. Rovinescu

The MRCC assists the board in the oversight of:

- the compensation, nomination, evaluation and succession of officers and other management personnel
- BCE's workplace policies and practices (including health and safety policies, policies ensuring a respectful workplace free from harassment and policies ensuring a diverse and inclusive workplace).

CORPORATE GOVERNANCE COMMITTEE

B.K. Allen (Chair), S. Brochu, R.E. Brown, M.F. Leroux, R.C. Simmonds

The CGC assists the board in:

- developing and implementing BCE Inc.'s corporate governance policies and guidelines
- identifying individuals qualified to become members of the board
- determining the composition of the board and its committees
- determining the directors' remuneration for board and committee service
- developing and overseeing a process to assess the Chair of the board, the board, committees of the board, Chairs of committees and individual directors
- reviewing and recommending for board approval BCE Inc.'s policies concerning business conduct, ethics, public disclosure of material information and other matters.

PENSION FUND COMMITTEE

D.F. Denison (Chair), R.P. Dexter, K. Lee, C. Rovinescu, K. Sheriff, P.R. Weiss

The PFC assists the board in the oversight of:

- the administration, funding and investment of BCE Inc.'s pension plans and funds
- the unitized pooled funds sponsored by BCE Inc. for the collective investment of the funds and the participant subsidiaries' pension funds.

Executives

AS OF MARCH 8, 2018

George A. Cope
President and Chief Executive Officer,
BCE Inc. and Bell Canada

Mirko Bibic
Chief Legal & Regulatory Officer and
Executive Vice-President – Corporate Development,
BCE Inc. and Bell Canada

Charles Brown
President – The Source,
Bell Canada

Michael Cole
Executive Vice-President and Chief Information Officer,
Bell Canada

Stephen Howe
Executive Vice-President and Chief Technology Officer,
Bell Canada

Rizwan Jamal
President – Bell Residential & Small Business,
Bell Canada

Blaik Kirby
President – Bell Mobility,
Bell Canada

Glen LeBlanc
Executive Vice-President and Chief Financial Officer,
BCE Inc. and Bell Canada

Bernard le Duc
Executive Vice-President – Corporate Services,
BCE Inc. and Bell Canada

Randy Lennox
President – Bell Media,
Bell Canada

Thomas Little
President – Bell Business Markets,
Bell Canada

Wade Oosterman
Group President,
BCE Inc. and Bell Canada

Martine Turcotte
Vice Chair – Québec,
BCE Inc. and Bell Canada

John Watson
Executive Vice-President – Customer Experience,
Bell Canada

Investor information

SHARE FACTS

SYMBOL

BCE

LISTINGS

TSX and NYSE stock exchanges

You will find a summary of the differences between our governance practices and the NYSE corporate governance rules in the Governance section of our website at BCE.ca.

COMMON SHARES OUTSTANDING

December 31, 2017 – 900,996,640

QUARTERLY DIVIDEND*

$0.755 per common share

2018 DIVIDEND SCHEDULE*

Record date	*Payment date***
March 15, 2018	April 15, 2018
June 15, 2018	July 15, 2018
September 14, 2018	October 15, 2018
December 14, 2018	January 15, 2019

* *Subject to dividends being declared by the board of directors*

** *When a dividend payment date falls on a weekend, the payment is made on the following business day*

2018 QUARTERLY EARNINGS RELEASE DATES

First quarter	May 3, 2018
Second quarter	August 2, 2018
Third quarter	November 7, 2018
Fourth quarter	February 7, 2019

Quarterly and annual reports as well as other corporate documents can be found on our website. Copies can be requested from the Investor Relations group.

TAX ASPECTS

Shareholders are required to pay tax on dividends received as well as on any capital gains they realize, if any, when they sell their shares or are deemed to have sold them.

THE SALE OR DISPOSITION OF YOUR SHARES COULD TRIGGER A CAPITAL GAIN

IMPORTANT: If you received Nortel Networks common shares in May 2000 and/or Bell Aliant Regional Communications Income Fund units in July 2006, you should contact the Investor Relations group to learn more about the tax implications of these plans of arrangement and the impact on the calculation of your cost, or visit BCE.ca.

DIVIDENDS

Since January 1, 2006 and unless stated otherwise, dividends paid by BCE Inc. to Canadian residents are eligible dividends as per the Canadian *Income Tax Act*. Since March 24, 2006 and unless stated otherwise, dividends paid by BCE Inc. to Québec residents also qualify as eligible dividends.

NON-RESIDENTS OF CANADA

Dividends paid or credited to non-residents of Canada are subject to a 25% withholding tax unless reduced by a tax treaty. Under current tax treaties, U.S. and U.K. residents are subject to a 15% withholding tax.

Beginning in 2012, the Canada Revenue Agency introduced new rules requiring residents of any country with which Canada has a tax treaty to certify that they reside in that country and are eligible to have Canadian non-resident tax withheld on the payment of their dividends at the tax treaty rate. Registered shareholders should have completed the Declaration of Eligibility for Benefits under a Tax Treaty for a Non-Resident Taxpayer and returned it to the transfer agent.

U.S. RESIDENTS

In addition to the Declaration of Eligibility for Benefits under a Tax Treaty for a Non-Resident Taxpayer mentioned above, we are required to solicit taxpayer identification numbers and Internal Revenue Service (IRS) Form W-9 certifications of residency from certain U.S. residents. If these have not been received, we may be required to deduct the IRS's specified backup withholding tax. For more information, please contact the transfer agent or the Investor Relations group.

NORMAL COURSE ISSUER BID

On February 8, 2018, BCE received acceptance from the Toronto Stock Exchange (TSX) of its *Notice of Intention to Make a Normal Course Issuer Bid (Notice of Intention)*. The filing of the *Notice of Intention* allows BCE to repurchase, from February 13, 2018 until February 12, 2019, up to 3,500,000 of its common shares (subject to a maximum aggregate amount of $175 million), representing approximately 0.388% of BCE's 901,034,253 common shares issued and outstanding as at February 1, 2018. The repurchase of common shares represents an appropriate use of funds for the purpose of offsetting share dilution resulting from the exercise of stock options. Purchases under the normal course issuer bid are made at the discretion of BCE's management on the open market through the facilities of the TSX, the New York Stock Exchange (NYSE) and/or alternative trading platforms, or by such other means as may be permitted by the TSX and/or the NYSE and under applicable laws. You can obtain a copy of the *Notice of Intention* on request, without charge, from BCE's Investor Relations group.

SHAREHOLDER SERVICES

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

A convenient method for eligible shareholders to reinvest their dividends and make optional cash contributions to purchase additional common shares without brokerage costs.

DIVIDEND DIRECT DEPOSIT SERVICE

Avoid postal delays and trips to the bank by subscribing to the dividend direct deposit service.

DIRECT REGISTRATION (DRS)

HOLDING YOUR SHARES ELECTRONICALLY IN LIEU OF SHARE CERTIFICATES

Holdings are represented by a statement issued when establishing or subsequently modifying your DRS balance. This option removes the risks of holding share certificates, including their safekeeping, and, most importantly, eases the replacement process. Note that there is a cost to replace lost or stolen certificates as well as certificates mailed and never received by the shareholder (if claimed two years after mailing). Generally, this cost is a percentage of the value of the shares represented.

E-DELIVERY SERVICE

Enrol in the e-delivery service to receive the proxy material, the annual report and/or quarterly reports by e-mail. By doing so, you will receive your documents faster and in an environmentally friendly manner while helping your company reduce its costs.

DUPLICATE MAILINGS

Eliminate duplicate mailings by consolidating your accounts.

MANAGE YOUR SHAREHOLDER ACCOUNT

Enrol in AnswerLine at www.astfinancial.com and benefit from a wide variety of self-service tools to help track and manage your shares.

For more details on any of these services, registered shareholders (shares are registered under your name) must contact the transfer agent. Non-registered shareholders must contact their brokers.

CONTACT INFORMATION

TRANSFER AGENT AND REGISTRAR

For information on shareholder services or any other inquiries regarding your account (including stock transfer, address change, lost certificates and tax forms), contact:

AST Trust Company (Canada)
1 Toronto Street, Suite 1200
Toronto, Ontario M5C 2V6

e-mail bce@astfinancial.com
tel 416 682-3861 or 1 800 561-0934
(toll free in Canada and the U.S.)
fax 514 985-8843 or 1 888 249-6189
(toll free in Canada and the U.S.)

website www.astfinancial.com

INVESTOR RELATIONS

For financial inquiries:

Building A, 8th Floor
1 Carrefour Alexander-Graham-Bell
Verdun, Québec H3E 3B3

e-mail investor.relations@bce.ca
tel 1 800 339-6353
fax 514 786-3970

or visit the Investors section of our website at BCE.ca

Trade-marks: The following are trade-marks referred to and used as such in this annual report that BCE Inc., its subsidiaries, joint arrangements, associates or other entities in which we hold an equity interest own or use under licence. BCE is a trade-mark of BCE Inc.; AAA Security, Aliant, Alt TV, Bell, Bell Canada, Bell Centre, Bell Connected Car, Bell Media, Bell Mobility, Bell MTS, Bell TV, Fibe, Let's Talk, MTS, NextGen Home Security, Q9, Q9 Networks, Roam Better, Whole Home Wi-Fi, Workplace Mental Health Leadership and TV Everywhere are trade-marks of Bell Canada; Astral, BNN, Canal D, Canal Vie, Comedy, CP24, CraveTV, CTV, CTV GO, CTV News Channel, CTV Two, eTalk, Much, The Launch, SnackableTV, Space, Super Écran, The Movie Network, TMN, TMN Encore, TMN GO and Z are trade-marks of Bell Media Inc.; Lucky Mobile and NumberShare are trade-marks of Bell Mobility Inc.; AlarmForce is a trade-mark of Alarmforce Industries Inc.; Bloomberg is a trade-mark of Bloomberg L.P.; Discovery and Discovery GO are trade-marks of Discovery Communications, LLC; E Z Rock is a trade-mark of Bell Media Radio G.P.; ExpressVu is a trade-mark of Bell ExpressVu Limited Partnership; Glentel, Tbooth wireless, Wirelesswave and Wireless etc. are trade-marks of Glentel Inc.; HBO Canada is a trade-mark of Home Box Office Inc.; Historia is a trademark of 8504644 Canada Inc.; iHeartRadio is a trade-mark of iHM Identity, Inc.; MLSE and Toronto Maple Leafs are trade-marks of Maple Leaf Sports & Entertainment Partnership; Montreal Canadiens is a trade-mark of Club de Hockey Canadien, Inc.; NorthernTel is a trade-mark of Nortel Networks Limited; Northwestel and N-NorthwesTel Design are trade-marks of Northwestel Inc.; Séries+ is a trade-mark of 8504652 Canada Inc.; Showtime is a trade-mark of Showtime Networks Inc.; Starz is a trade-mark of Starz Entertainment, LLC; Télébec is a trade-mark of Télébec, Limited Partnership; The Source is a trade-mark of The Source (Bell) Electronics Inc.; Toronto Argonauts is a trade-mark of Argonauts Holdings Limited Partnership; Toronto FC is a trade-mark of MLS Canada LP; TSN, TSN GO, RDS and RDS GO are trade-marks of The Sports Network Inc.; Virgin Radio, Virgin Mobile and Virgin Mobile Canada are trade-marks of Virgin Enterprises Limited.

We believe that our trade-marks are very important to our success and take appropriate measures to protect, renew and defend them. Any other trade-marks used in this annual report are the property of their respective owners.

Page 18: Virgin Mobile awarded "Highest in customer services among wireless providers" and "Best in-store purchase experience" by J.D. Power.

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THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, RSC 1985, c C-34;

AND IN THE MATTER OF the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.;

AND IN THE MATTER OF an application by the Commissioner of Competition for one or more orders pursuant to section 92 of the *Competition Act*.

B E T W E E N :

COMMISSIONER OF COMPETITION
Applicant

- and -

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.
Respondents

- and -

ATTORNEY GENERAL OF ALBERTA AND VIDEOTRON LTD.
Intervenors

WITNESS STATEMENT OF BLAIK KIRBY
