UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2007** Commission File Number: **1-8481**

BCE Inc.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

4813
(Primary Standard Industrial Classification Code Number (if applicable))

98-0134477
(I.R.S. Employer Identification Number (if applicable))

1000 rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec, Canada H3B 4Y7, (514) 397-7000
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, N.Y. 10011, (212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies of all correspondence should be sent to:

Ildo Ricciuto
Assistant General Counsel, Compliance
BCE Inc.
1000 rue de La Gauchetière Ouest
Bureau 3700
Montréal, Québec
Canada H3B 4Y7
Tel : (514) 786-3931

Donald R. Crawshaw
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004-2498
Tel : (212) 558-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

[x] Annual Information Form [x] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Common Shares	805,264,816
First Preferred Shares	
Series R	8,000,000
Series S	2,279,791
Series T	5,720,209
Series Y	8,126,330
Series Z	1,873,670
Series AA	10,081,586
Series AB	9,918,414
Series AC	20,000,000
Series AE	1,914,218
Series AF	14,085,782
Series AG	10,051,751
Series AH	3,948,249
Series AI	14,000,000
Total First Preferred Shares	110,000,000

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "*Exchange Act*"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

YES: [ ] NO: [x]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Exchange Act* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

YES: [x] NO: [ ]

PRIOR FILINGS MODIFIED AND SUPERSEDED

BCE Inc.'s ("BCE") annual report on Form 40-F for the year ended December 31, 2007, at the time of filing with the U.S. Securities and Exchange Commission (the "SEC" or "Commission"), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the *Exchange Act* for purposes of any offers or sales of any securities after the date of such filing pursuant to any registration statement or prospectus filed pursuant to the *Securities Act of 1933* which incorporates by reference such annual report on Form 40-F.

Other than:

- the Annual Information Form of BCE for the year ended December 31, 2007 (the "AIF") attached hereto as Exhibit 99.1;
- BCE's annual audited consolidated financial statements for the year ended December 31, 2007 and the related management's discussion and analysis of financial condition and results of operations included in the Bell Canada Enterprises 2007 Annual Report to shareholders attached hereto as Exhibit 99.2 (the "BCE 2007 Annual Report");
- the reports of BCE's management and of BCE's external auditors on the annual audited consolidated financial statements for the year ended December 31, 2007 included in the BCE 2007 Annual Report;
- the reports of BCE's management and of BCE's external auditors concerning internal control over financial reporting included in the BCE 2007 Annual Report; and
- BCE's Reconciliation of Canadian GAAP to United States GAAP attached hereto as Exhibit 99.4 and the related report of BCE's external auditors attached hereto as Exhibit 99.5;

no other information from the Exhibits attached hereto is to be incorporated by reference in a registration statement or prospectus filed by BCE pursuant to the *Securities Act of 1933*.

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

A. Annual Audited Consolidated Financial Statements

For BCE's annual audited consolidated financial statements for the year ended December 31, 2007 (the "Financial Statements"), including

the external auditors' report with respect thereto, see pages 69 to 110 and part of page 68, respectively, of the BCE 2007 Annual Report, which pages are incorporated herein by reference.

B. Management's Discussion and Analysis

For management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2007 ("MD&A"), see pages 2 to 65 and 111 and 112 of the BCE 2007 Annual Report, which pages are incorporated herein by reference.

RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP

Refer to the document entitled "Reconciliation of Canadian GAAP to United States GAAP" reconciling the significant differences between Canadian and United States generally accepted accounting principles attached hereto as Exhibit 99.4, which is incorporated herein by reference, and to the external auditors' report with respect thereto attached hereto as Exhibit 99.5, which is also incorporated herein by reference.

DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian and U.S. securities 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 Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

As of December 31, 2007, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the *Exchange Act* and under *Multilateral Instrument 52-109* adopted by the Canadian securities regulatory authorities, was carried out by our management under the supervision, and with the participation, of the President and CEO and the CFO. Based on that evaluation, the President and CEO and the CFO concluded that the design and operation of our disclosure controls and procedures were effective as at December 31, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Management's report on internal control over financial reporting

The report of BCE's management entitled "Management's Report On Internal Control Over Financial Reporting" appearing at page 66 of the BCE 2007 Annual Report is incorporated herein by reference.

B. Auditors' report on internal control over financial reporting

The report of BCE's external auditors concerning BCE's internal control over financial reporting appearing at page 67 of the BCE 2007 Annual Report is incorporated herein by reference.

C. Changes in internal control over financial reporting

No changes were made in our internal control over financial reporting during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

STATEMENT REGARDING CONTROLS AND PROCEDURES

There can be no assurance that our disclosure controls and procedures will detect or uncover all failures to disclose all material information otherwise required to be set forth in our disclosure. Furthermore, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Accordingly, BCE does not expect that BCE's internal control over financial reporting will prevent or detect all errors and all fraud. BCE will continue to periodically review its disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

AUDIT COMMITTEE FINANCIAL EXPERT

BCE's 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", and that all members of the audit committee are independent under the listing standards of the New York Stock Exchange.

CODE OF ETHICS

All of BCE's employees, directors and officers must follow the Bell Canada Enterprises Code of Business Conduct (the "Code of Conduct"), which provides guidelines for ethical behaviour. The Code of Conduct includes additional guidelines for BCE's executive officers, including the President and CEO, CFO, Controller and Treasurer. The Code of Conduct is available in the governance section of BCE's website at www.bce.ca.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

External auditors' fees

The table below shows the fees that BCE's external auditors, Deloitte & Touche LLP, billed to BCE Inc. and its subsidiaries for various services for each year in the past two fiscal years.

	2007 (in $ millions)	2006 (in $ millions)
Audit fees	$16.2	$13.6
Audit-related fees	$3.8	$5.2
Tax fees	0.8	$0.9
All other fees	—	—
Total	$20.8[(1)]	$19.7[(1)]

(1) *The amounts of $20.8 million for 2007 and $19.7 million for 2006 reflect fees billed in those fiscal years without taking into account the year to which those services relate. However, total fees for services provided for each fiscal year amounted to $13.5 million in 2007 and $26.7 million in 2006.*

Audit fees
These fees include professional services provided by the external auditors for the review of the interim financial statements, statutory audits of the annual financial statements, the audit of the effectiveness of internal control over financial reporting, the review of prospectuses, the 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, due diligence, pension plan audits and the review of financial accounting and reporting matters.

Tax fees
These fees include professional services for tax compliance, tax advice and assistance with tax audits and appeals.

All other fees
These fees include any other fees for permitted services not included in any of the above-stated categories. No such services were provided in the last two fiscal years.

Auditor Independence Policy

BCE's Auditor Independence Policy is a comprehensive policy governing all aspects of BCE's relationship with the external auditors, including:

- establishing a process for determining whether various audit and other services provided by the external auditors affect their independence;
- identifying the services that the external auditors may and may not provide to BCE and its subsidiaries;
- pre-approving all services to be provided by the external auditors of BCE and its subsidiaries; and
- establishing a process outlining procedures when hiring current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained.

In particular, the policy specifies that:

- the external auditors cannot be hired to provide any services falling within the prohibited services category, such as bookkeeping, financial information system design and implementation and legal services;
- for all audit or non-audit services falling within the permitted services category (such as prospectus work, due diligence and non-statutory audits), a request for approval must be submitted to the audit committee by the CFO prior to engaging the external auditors;
- specific permitted services however are pre-approved annually and quarterly by the audit committee and consequently only require approval by the CFO prior to engaging the external auditors; and
- at each regularly scheduled audit committee meeting, a consolidated summary of all fees paid to the external auditors by service type is presented. This summary includes a breakout of fees incurred within the pre-approved amounts.

The Auditor Independence Policy is available in the governance section of BCE's website at www.bce.ca.

In 2006 and 2007, BCE's audit committee did not approve any audit-related, tax or other services pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

Please see the sections entitled “Off-Balance Sheet Arrangements” and “Derivative Instruments” at pages 38 and 39, respectively, of BCE’s MD&A contained in the BCE 2007 Annual Report (which sections are incorporated by reference in this annual report on Form 40-F) and Notes 10, 20 and 26, entitled “Accounts Receivable”, “Financial Instruments” and “Guarantees”, respectively, of the Financial Statements, all contained in the BCE 2007 Annual Report, for a discussion of off-balance sheet arrangements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Please see the section entitled “Contractual Obligations” at page 38 of BCE’s MD&A (which section is incorporated by reference in this annual report on Form 40-F), for a tabular disclosure and discussion of contractual obligations.

IDENTIFICATION OF THE AUDIT COMMITTEE

BCE has a separately designated standing audit committee established in accordance with section 3(a)(58) (A) of the *Exchange Act*. BCE’s audit committee is comprised of five independent members: Mr. T.C. O’Neill (Chair), Mr. A. Bérard, Mr. A.S. Fell, Ms. J. Maxwell and Mr. V.L. Young.

UNDERTAKING

BCE undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file this annual report on Form 40-F arises; or transactions in said securities.

WEB SITE INFORMATION

Notwithstanding any reference to BCE’s website on the World Wide Web in this annual report on Form 40-F or in the documents attached as Exhibits hereto, the information contained in BCE’s website or any other site on the World Wide Web referred to in BCE’s website is not a part of this annual report on Form 40-F and, therefore, is not filed with the Commission.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

BCE has made in the documents filed as part of this annual report on Form 40-F, and from time to time may otherwise make, forward-looking statements and related assumptions concerning its operations, economic performance and financial matters. Except as may be required by Canadian securities laws, BCE does not undertake any obligation to update or revise any of these forward-looking statements or related assumptions whether as a result of new information, future events or otherwise. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of risk factors. Reference is made to the various risk factors discussed throughout BCE’s MD&A, contained in the BCE 2007 Annual Report, including, in particular, to the risk factors discussed in the sections of BCE’s MD&A entitled “About Forward-Looking Statements”, “Our Competitive Environment”, “Our Regulatory Environment” and “Risks that Could Affect Our Business and Results”. Reference is also hereby made to the various assumptions discussed throughout BCE’s MD&A, including, in particular, to the assumptions discussed in the sections of BCE’s MD&A entitled “Strategic Priorities” and “Business Outlook and Assumptions”.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

BCE Inc.

By:	*(signed) Siim A. Vanaselja*

Siim A. Vanaselja
Chief Financial Officer

Date: March 12, 2008

LIST OF EXHIBITS TO FORM 40-F

Annual Information Form of BCE Inc. for the year ended December 31, 2007	Exhibit 99.1
Bell Canada Enterprises 2007 Annual Report	Exhibit 99.2
Consent of Independent Registered Chartered Accountants	Exhibit 99.3
Reconciliation of Canadian GAAP to United States GAAP	Exhibit 99.4
Report of Independent Registered Chartered Accountants on Reconciliation of Canadian GAAP to United States GAAP	Exhibit 99.5
Definitive Agreement, dated as of June 29, 2007 (the “Definitive Agreement”), between BCE Inc. and 6796508 Canada Inc. (incorporated by reference from BCE Inc.’s Report on Form 6-K, filed July 5, 2007)	Exhibit 99.6
Amending Agreement, dated July 12, 2007, between BCE Inc. and 6796508 Canada Inc., to the Definitive Agreement (incorporated by reference from Exhibit 1 to BCE Inc.’s Report on Form 6-K, filed July 13, 2007)	Exhibit 99.7
Acknowledgment and consent letter, dated September 11, 2007, between BCE Inc. and 6796508 Canada Inc., in respect of the Definitive Agreement	Exhibit 99.8
Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 99.31
Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit 99.32

EXHIBIT 99.1



2007
Annual Information Form

BCE Inc.

For the year ended December 31, 2007

March 5, 2008

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In this annual information form, *we, us, our, company* and *BCE* mean BCE Inc., its subsidiaries, joint ventures and associated companies. Bell Canada is, unless otherwise indicated, referred to in this document as Bell, and is comprised of our Bell Wireline and Bell Wireless segments. References to Bell Aliant include matters relating to, and actions taken by, both Aliant Inc. and its affiliated entities prior to July 7, 2006, and Bell Aliant Regional Communications Income Fund and its affiliated entities, on and after such date.

All dollar figures are in Canadian dollars, unless stated otherwise. The information in this annual information form is as of March 5, 2008, unless stated otherwise, and except for information in documents incorporated by reference that have a different date.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This annual information form contains forward-looking statements concerning, among other things, BCE's objectives, plans, strategies, financial condition, results of operations and business outlooks. 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 *aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strategy, strive, target 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 Private Securities Litigation Reform Act of 1995*.

Unless otherwise indicated by us, forward-looking statements in this annual information form describe our expectations at March 5, 2008. Except as may be required by Canadian securities laws, we do not undertake to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from our expectations expressed in or implied by such forward-looking statements and that our objectives, strategic priorities and business outlooks may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize. Forward-looking statements are provided in this document for the purpose of allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this annual information form are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. Refer, in particular, to the sections of BCE Inc.'s 2007 management's discussion and analysis entitled *Strategic Priorities* and *Business Outlook and Assumptions* at pages 10 to 13 of the Bell Canada Enterprises 2007 annual report (BCE 2007 MD&A), for a discussion of certain assumptions we have made in making forward-looking statements, which sections are incorporated by reference herein.

Factors that could cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements include: general economic conditions; failure to achieve our business objectives; the intensity of competitive activity and the increase in wireless competitive activity that could result from Industry Canada's decision to license additional wireless spectrum; our ability to respond to technological changes and rapidly offer new products and services; events affecting the functionality of, and our ability to protect, maintain and replace, our networks, information technology (IT) systems and softwares; labour disruptions; the potential adverse effects on our Internet business of the significant increase in broadband demand; competitive risks related to potential changes in foreign ownership restrictions; events affecting the operations of our service providers operating outside Canada; our ability to raise the capital we need to implement our business plan; the consummation of the Privatization (as defined under *General Development of Our Business – Three-Year History*) is still subject to a number of terms and conditions including the receipt of regulatory approval, resolution of any appeal filed by the debenture holders which affects the approval of the Arrangement (as defined under *General Development of Our Business – Three-Year History*), and contractual termination rights; our ability to discontinue certain traditional services as necessary to improve capital and operating efficiencies; regulatory initiatives or proceedings, litigation and changes in laws or regulations; increased regulations banning the use of wireless devices while driving; launch and in-orbit risks of satellites used by Bell ExpressVu Limited Partnership (Bell ExpressVu); increased pension fund contributions; and health concerns about radio frequency emissions from wireless devices.

These and other risk factors that could cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements are discussed throughout this annual

information form and the BCE 2007 MD&A and, in particular, under the sections entitled *Our Competitive Environment*, *Our Regulatory Environment* and *Risks That Could Affect Our Business and Results*, beginning on pages 40, 43 and 50, respectively, of the BCE 2007 MD&A, which sections are incorporated by reference herein.

Except as otherwise indicated by us, 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. More specifically, such statements do not, unless otherwise specified by us, 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.

We caution readers that the risks described above are not the only ones that could impact 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 business, financial condition or results of operations.

TRADEMARKS

The table below is a list of our trademarks that are referred to and used as such in this annual information form and their owners.

Owner	Trademark
Bell Aliant Regional Communications, Limited Partnership	Aliant
(Bell Aliant LP)	xwave
BCE Inc.	BCE
Bell Canada	Bell
	Bell World
	Sympatico
Telesat Canada (Telesat)	Nimiq

Any other trademarks, or corporate, trade or domain names used in this annual information form are the property of their owners. We believe that our trademarks are very important to our success. Our exclusive trademark rights are perpetual provided that their registrations are timely renewed and that the trademarks are used in commerce by us or our licensees. We take appropriate measures to protect, renew and defend our trademarks. We also spend considerable time and resources overseeing, registering, renewing, licensing and protecting our trademarks and prosecuting those who infringe on them. We take great care not to infringe on the intellectual property and trademarks of others.

CORPORATE STRUCTURE

INCORPORATION AND REGISTERED OFFICES

BCE Inc. was incorporated in 1970 and was continued under the *Canada Business Corporations Act in 1979*. It is governed by a certificate and articles of amalgamation dated August 1, 2004, by a certificate and articles of arrangement dated July 10, 2006 and by a certificate and articles of amendment dated January 25, 2007. BCE Inc.'s head and registered offices are at 1000 de La Gauchetière Street West, Suite 3700, Montréal, Québec H3B 4Y7. BCE Inc.'s auditors are Deloitte & Touche LLP.

SUBSIDIARIES

The table below shows BCE Inc.'s main subsidiaries, where they are incorporated or registered, and the percentage of voting and non-voting securities or partnership interest that BCE Inc. beneficially owns or directly or indirectly exercises control or direction over. BCE Inc. has other subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. These other subsidiaries together represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues at December 31, 2007.

Subsidiary	Where Is It Incorporated or Registered	Percentage of Voting Securities or Partnership Interest that BCE Inc. Held at December 31, 2007[1]
Bell Canada	Canada	100%
Bell Mobility Inc. (Bell Mobility)	Canada	100%
Bell ExpressVu[2][3]	Canada	100%

(1) BCE Inc. does not own any outstanding non-voting securities issued by these subsidiaries.

(2) This partnership represents less than 10% of our total consolidated assets and less than 10% of our total consolidated operating revenues. We have included it to provide a better understanding of our overall corporate structure.

(3) This partnership is indirectly wholly-owned by BCE Inc. 52% is indirectly held by Bell Canada.

As at December 31, 2007, BCE Inc. also owned approximately 44% of the voting securities of Bell Aliant on a fully-diluted basis. For so long as BCE Inc. owns a 30% or greater interest in Bell Aliant and provided that certain major commercial agreements are in place, BCE Inc. has the right to appoint a majority of the directors and to nominate a majority of the trustees of Bell Aliant. For so long as BCE Inc. owns a 20% or greater interest in Bell Aliant, BCE Inc. also has the ability to veto certain actions of Bell Aliant (business plans, significant corporate transactions, material changes in business, leverage in excess of 2.5 times debt to earnings before interest, taxes, depreciation and amortization (EBITDA), appointment and change of Chief Executive Officer and entering into material commercial agreements with our competitors). For more details, see *General Development of Our Business – Key Transactions.*

GENERAL DEVELOPMENT OF OUR BUSINESS

THREE-YEAR HISTORY

Our overall strategy for the past three years has been to deliver unrivalled integrated communication services to customers efficiently and cost-effectively. In order to achieve this, we have focused our efforts on returning Bell Canada to its core communications business with a view of enhancing shareholder value.

Beginning in 2005, we announced a series of transactions to achieve the strategic objective of focusing BCE Inc. solely on Bell Canada and enhancing shareholder value.

These actions included:

- launching Virgin Mobile Canada
- forming the Inukshuk joint venture
- divesting BCE's interest in CGI Group Inc. (CGI)
- restructuring the ownership of Bell Globemedia Inc. (now CTVglobemedia Inc.)

- creating the Bell Aliant Regional Communications Income Fund (Bell Aliant Income Fund)
- divesting BCE Inc.'s interest in Telesat.

More information with respect to these transactions can be found under *General Development of Our Business – Key Transactions* .

On October 11, 2006, we also announced that we would eliminate BCE Inc.'s holding company operations and convert into an income trust in order to ensure competitive parity in the Canadian capital markets within the telecom sector and to enhance value for BCE Inc.'s shareholders. The decision also reflected BCE Inc.'s board of directors' confidence that the operating changes underway in BCE would result in improvements in profitability and cash flow. As a result of the Government's subsequent announcement which effectively removed the advantages of converting into an income trust, BCE Inc. announced on December 12, 2006 that it would not proceed with a conversion, but that it would continue with its previously announced plans to simplify its corporate structure. As part of this simplification process, we announced on that same date that we would submit a proposal to BCE Inc.'s shareholders at the annual general meeting to change BCE Inc.'s name to Bell Canada Inc. Such proposal was approved on June 6, 2007 but was suspended pending completion of the Privatization (defined below). On that same date, we also announced that holders of Bell Canada preferred shares would be asked to exchange their shares for BCE Inc. preferred shares through a plan of arrangement. The arrangement provided for the payment of a special one-time dividend of $0.20 per Bell Canada preferred share outstanding immediately prior to the exchange. The plan of arrangement was approved by the Bell Canada common and preferred shareholders on January 23, 2007 and became effective on January 31, 2007. On February 1, 2007, BCE Inc. entered into agreements to guarantee all of Bell Canada's public debt securities and, as a result, Bell Canada no longer prepares and files public disclosure documents separate from those of BCE Inc.

In April 2007, BCE Inc. announced that it was reviewing its strategic alternatives with a view to further enhancing shareholder value. On April 20, 2007, BCE Inc. announced the establishment of a committee of independent directors (Strategic Oversight Committee) to oversee and direct the review of all strategic alternatives available to BCE Inc. This strategic review process culminated in the announcement on June 30, 2007 that BCE Inc. had entered into a definitive agreement relating to its privatization through the proposed acquisition by a corporation (the Purchaser) owned by an investor group led by Teachers' Private Capital, the private investment arm of the Ontario Teachers' Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC of all of BCE Inc.'s outstanding common and preferred shares (the Privatization). The all-cash transaction is valued at $51.7 billion**,** including $16.9 billion of debt, preferred equity and non-controlling interest. The transaction is to be completed through a plan of arrangement (the Arrangement). Under the terms of the Privatization, the Purchaser would acquire all of the common shares of BCE Inc. for an offer price of $42.75 per common share and all preferred shares (at various prices provided for in the definitive agreement). The closing of the Privatization remains subject to a number of terms and conditions including Canadian Radio-television and Telecommunications Commission approval for the transfer of our broadcasting licences and Industry Canada approval with respect to the transfer of spectrum licences. On March 7, 2008, the Québec Superior Court approved the Arrangement and dismissed all claims made by or on behalf of certain holders of Bell Canada debentures in connection with the Arrangement. Any appeal of the Court's decisions must be filed by the debenture holders with the Québec Court of Appeal by March 17, 2008.

Under the terms of the definitive agreement, BCE Inc. has agreed that prior to the consummation of the Privatization, it will conduct its business, and cause its subsidiaries to conduct their business, in the ordinary course consistent with past practice. In connection with this general covenant, BCE Inc. has also agreed to certain specific covenants, which, among other things, restrict certain of its activities, including the

entering into of certain transactions such as mergers, asset dispositions and acquisitions, capital contributions and the incurrence of debt (subject to certain thresholds and exceptions). Subject to any appeal by the debenture holders and the timing and terms of such an appeal, BCE Inc. anticipates that the Privatization will be consummated in the first part of the second quarter of 2008.

Since the announcement, significant progress has been made towards completing the Privatization and a number of key developments have taken place. By August 2, 2007, applications were made for necessary regulatory approvals, including applications with Industry Canada, the Canadian Radio-television and Telecommunications Commission, the Canadian Competition Bureau, the United States Federal Trade Commission and the United States Federal Communications Commission. We have since received antitrust clearance from the United States Federal Trade Commission on August 14, 2007 and from the Canadian Competition Bureau on September 21, 2007. The United States Federal Communications Commission also granted approval of the Privatization on December 20, 2007. Furthermore, on February 25 and 26, 2008, the Canadian Radio-television and Telecommunications Commission held a public hearing to review the change in control of BCE's broadcasting licenses as a result of the Privatization. The public hearing is scheduled to resume on March 11, 2008 and a decision is expected by March 31, 2008.

On September 21, 2007, BCE Inc.'s shareholders approved the Arrangement by more than 97% of the votes cast by holders of common and preferred shares, voting as a single class, exceeding the required $66^2/_3$% approval. Of the total outstanding common and preferred shares, 62.5% were voted at the meeting either in person or by proxy.

An order approving the Arrangement sought by BCE Inc. was granted by the Québec Superior Court on March 7, 2008. The Court dismissed all claims made by or on behalf of certain holders of Bell Canada debentures in connection with the Arrangement. Any appeal of the Court's decisions must be filed by the debenture holders with the Québec Court of Appeal by March 17, 2008. See *Legal Proceedings – Lawsuits Related to BCE Inc.* for more information concerning these legal proceedings.

KEY TRANSACTIONS

The transactions that have influenced the general development of our business over the past three years are summarized in the following table:

Transaction	Key Characteristics
Sale of Telesat (2007) $3.25 billion	• Bell ExpressVu has maintained commercial agreements with Telesat that provide Bell ExpressVu continued access to current and expanded satellite capacity.
BCE Inc. and Aliant Inc. formed Bell Aliant Regional Communications Income Fund (2006)	• Bell Aliant combines Bell Canada's former regional wireline operations in rural Ontario and Québec with Aliant Inc.'s former wireline, IT and related operations in Atlantic Canada, and also includes Bell Canada's former 63.4% interest in NorthernTel, Limited Partnership (NorthernTel) and Télébec, Limited Partnership (Télébec) held indirectly through Bell Nordiq Group Inc. • As part of the creation of Bell Aliant Income Fund, Aliant Inc.'s former wireless business was added to Bell Canada's wireless business. • For so long as BCE Inc. owns a 30% or greater interest in Bell Aliant and provided that certain major commercial agreements are in place, BCE Inc. has the right to appoint a majority of the directors and to nominate a majority of the trustees of Bell Aliant. • For so long as BCE Inc. owns a 20% or greater interest in Bell Aliant, BCE Inc. also has the ability to veto certain actions of Bell Aliant (business plans, 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 entering into material commercial agreements with our competitors).

Transaction	Key Characteristics

Sale of BCE Inc.'s majority interest in CTVglobemedia Inc. (previously known as Bell Globemedia Inc.) (2006) $1.3 billion	• We retained certain rights and have entered into a commercial agreement with CTVglobemedia Inc. to have access to existing and future content. • Subsequent to the conclusion of this transaction, CTVglobemedia Inc. completed its takeover bid of CHUM Limited, resulting in a further reduction of BCE Inc.'s ownership in CTVglobemedia Inc. from 20% to approximately 15%.
Investment in Clearwire Corporation (2005, 2006)	• In March 2005, Bell Canada completed an investment of US$100 million in Clearwire Corporation and the President and Chief Executive Officer of BCE Inc. joined Clearwire Corporation's board of directors. • In September 2006, Bell Canada exercised its pre-emptive right to subscribe for US$83.8 million of additional common equity of Clearwire Corporation, bringing its total invested capital in Clearwire Corporation to US$183.8 million.
Sale of BCE Inc.'s interest in CGI Group Inc. (2006) $859.23 million	• CGI repurchased 100 million of its Class A shares held by BCE Inc. • CGI remains Bell Canada's preferred information systems/information technologies provider until June 2016. • CGI's outsourcing of its Canadian communications network management requirements to Bell Canada was similarly extended until 2016. • The commercial alliance between CGI and BCE was also extended to 2016. • In July 2006, the Bell Canada pension fund acquired 25 million Class A shares of CGI still held by BCE Inc. and in October 2006, BCE Inc.'s last remaining 6.4 million Class A shares.
Alliance with Rogers Communications Inc. to form Inukshuk joint venture (2005)	• Bell Canada and Rogers Communications Inc. formed an alliance to jointly build and manage a nationwide wireless broadband network through Inukshuk Wireless Inc., which holds approximately 98 MHz of wireless broadband spectrum in the 2.5G Hz frequency range across much of Canada. • Inukshuk Wireless Inc. is owned and controlled equally by Bell Canada and Rogers Communications Inc. who jointly and equally fund the initial network deployment costs estimated at $200 million over a three-year period.
Launch of Virgin Mobile Canada (2005)	• Bell Canada and The Virgin Group launched mobile voice and data services in Canada through a jointly-owned entity, Virgin Mobile Canada. Bell Canada holds a 50% interest in Virgin Mobile Canada.

Additional information about the general development of our business can also be found under the headings *2007 Operating Highlights* and *Strategic Priorities* beginning on pages 9 and 10, respectively, of the BCE 2007 MD&A, which pages are incorporated by reference herein .

DESCRIPTION OF OUR BUSINESS

GENERAL SUMMARY

BCE Inc. is Canada's largest communications company. Bell, which encompasses our core business operation, is the nation's leading provider of wireline and wireless communications services, Internet access, data services and video services to residential, business and wholesale customers. At December 31, 2007, we reported our results of operations in four segments: *Bell Wireline, Bell Wireless, Bell Aliant,* and *Telesat.* Our reporting structure reflects how we managed our business in financial year 2007 and how we classified our operations for planning and measuring performance.

In 2007, we had consolidated operating revenues of $17.9 billion and we had total assets of $37.8 billion.

The table below shows the operating revenues that each segment contributed to total operating revenues for the years ended December 31, 2007 and 2006.

Operating Revenues (in $ millions)	2007	2006	% Change
Bell Wireline	10,660	10,763	(1.0%)
Bell Wireless	4,131	3,827	7.9%
Inter-segment eliminations	(48)	(49)	2.0%
Bell	14,743	14,541	1.4%
Bell Aliant	3,373	3,301	2.2%
Telesat	458[1]	479	(4.4%)
Inter-segment eliminations	(708)	(665)	(6.5%)
Total Operating Revenues	17,866	17,656	1.2%

(1) The sale of Telesat was completed on October 31, 2007. With the sale of Telesat, BCE's results subsequent to October 31, 2007 no longer reflect Telesat's contribution to our financial and operating results. For more information on the sale of Telesat, see *Description of Our Business – General Summary – Telesat Segment*.

Bell Wireline Segment

Our Bell Wireline segment provides local telephone, long distance, data (including Internet access and information and communications technology solutions (ICT)), video and other services to Bell's residential, small and medium-sized business (SMB) and large enterprise customers primarily in the urban areas of Ontario and Québec. Video services are provided nationwide. Also included in this segment is our wholesale business which provides local telephone, long distance, data and other services to resellers and other carriers, the results of our Bell West unit, which offers competitive local exchange carrier (CLEC) services to business customers in Alberta and British Columbia, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services to less populated areas of Canada's northern territories. At December 31, 2007, we owned 100% of Northwestel.

Local telephone and long distance services are sold under the Bell brand, Internet access under the Sympatico brand and video services through Bell ExpressVu with IP television services through Bell.

Bell Wireless Segment

Our Bell Wireless segment provides wireless voice and data communications products and services to Bell's residential, SMB and large enterprise customers across Canada. Bell Wireless includes the results of operation for Bell Mobility, Virgin Mobile Canada and the wireless operations of Northwestel. Virgin Mobile Canada is a mobile virtual network operator providing mobile service nationwide. At December 31, 2007, we owned 50% of Virgin Mobile Canada.

Bell Aliant Segment

The Bell Aliant segment provides local telephone, long distance, Internet, data, wireless and other ICT services to residential and business customers in the Atlantic provinces, and in rural Ontario and Québec. Bell Aliant provides IT services in Canada and the United States through its IT division, xwave. Formed on July 7, 2006, Bell Aliant is one of the largest regional telecommunications service providers in North America. At December 31, 2007, BCE owned approximately 44% of Bell Aliant. The remaining 56% was publicly held. Further information regarding Bell Aliant is provided under the headings *Corporate Structure – Subsidiaries* and *General Development of Our Business – Key Transactions* .

Telesat Segment

We sold our investment in Telesat on October 31, 2007 to a company formed by Canada's Public Sector Pension Investment Board and Loral Space & Communications Inc. Telesat provided satellite communications and systems management and also provided consulting services in establishing, operating and upgrading satellite systems worldwide. BCE Inc. realized net cash proceeds of approximately $3.1 billion. In conjunction with the sale, a set of commercial arrangements between Telesat and Bell ExpressVu were put into place that provide Bell ExpressVu access to current and expanded satellite capacity. Telesat is not accounted for as discontinued operations as a result of these ongoing commercial arrangements. With the sale of Telesat, BCE's financial and operating results subsequent to October 31, 2007 no longer reflect Telesat's contribution. Further information regarding the sale of Telesat is provided under *General Development of Our Business – Key Transactions*.

Additional information regarding our business operations can be found under the heading *About Our Business* beginning on page 4 of the BCE 2007 MD&A, which pages are incorporated herein by reference.

OUR EMPLOYEES

The table below shows the number of our employees as at December 31, 2007, 2006 and 2005.

Number of employees at December 31 (in thousands)	2007	2006	2005
Total	54	54	56(1)

(1) Includes increases due to acquisitions made during the year.

Approximately 45% of our employees are represented by unions and are covered by collective agreements.

The following collective agreements were signed or expired in 2007:

- The collective agreement between the Communications, Energy and Paperworkers' Union of Canada (CEP) and Bell Canada covering 5,122 craft and services employees expired on November 30, 2007. Negotiations between the CEP and Bell Canada started on October 29, 2007. On December 11, 2007, Bell Canada asked the federal Minister of Labour to appoint a conciliator to help move forward negotiations with the CEP. A conciliator was appointed on December 13, 2007. The conciliator met both parties in December 2007 and January 2008. On January 31, 2008, Bell Canada offered the craft and services employees covered by this collective agreement a new long-term contract that includes wage increases in each year, while providing Bell Canada with additional flexibility. The CEP will put the offer to a vote and is expected to communicate the results to Bell Canada on March 17, 2008.
- The collective agreement between the CEP and Bell Information and Communications Technology Outsourcing Solutions Inc. (Bell ICT) (previously Connexim Inc.) covering approximately 70 craft employees expired on November 30, 2007. The CEP and Bell ICT exchanged demands on October 24, 2007. Negotiations began on October 29, 2007. Negotiations were suspended by mutual agreement of the parties on January 16, 2008 as a result of the announcement of the planned amalgamation of Bell ICT into Bell Canada.

- The collective agreement between the Canadian Telecommunications Employees' Association (CTEA) and Télébec covering approximately 245 clerical employees expired on November 1, 2007. Negotiations began on October 31, 2007. An agreement was signed on December 5, 2007. The new collective agreement will expire on November 1, 2011.
- Bell Aliant LP and the CEP signed a tentative agreement on November 16, 2007 covering approximately 685 craft and services employees in Ontario and Québec. The agreement was ratified by employees on December 14, 2007. The new agreement expires November 30, 2011 and is essentially an extension of the existing agreement.
- The collective agreement between the CEP Atlantic Communications Council (CEPACC) and Bell Aliant LP, covering approximately 3,700 craft, clerical and operator employees in the four Atlantic Provinces, was to expire on December 31, 2007. On July 26, 2007, Bell Aliant LP and the CEPACC announced that the employees had voted to accept a new four-year collective agreement. The new agreement extends the current contract from December 31, 2007 to December 31, 2011.
- The collective agreement between Expertech Networks Installation Inc. (Expertech) and the CEP covering approximately 137 clerical employees was signed on May 23, 2007. The new agreement will expire on November 30, 2010.
- The collective agreement between Expertech and the CEP covering approximately 1,104 craft employees was signed on May 23, 2007. The new agreement will expire on November 30, 2011.
- A first collective agreement covering approximately 135 employees was signed between the CEP and Bell Canada for its Bell West division and became effective on May 11, 2007. This agreement will expire on May 10, 2010.
- The collective agreement between the CEP and NorthernTel covering approximately 138 craft and clerical employees expired on February 28, 2007. The CEP and NorthernTel signed a four-year collective agreement on August 23, 2007. The new agreement will expire on February 28, 2011.

The following collective agreements will expire in 2008:

- The collective agreement between the CEP and Pagelink, a division of Bell Mobility, covering approximately 27 employees will expire on March 23, 2008.
- The collective agreement between the CEP and Bell Canada covering approximately 200 operators will expire on November 24, 2008.
- The collective agreement between the CEP (formerly the CTEA) and Bell Canada covering approximately 700 communications sales employees will expire on December 31, 2008.

Merger between CEP and CTEA

On October 15, 2007, it was announced that the CTEA members had approved a merger with the CEP. The CEP became the successor union to the CTEA for all of its certifications in Bell Canada, Bell Aliant, Bell ICT and Télébec. The certifications, collective agreements and working conditions remain unchanged.

CORPORATE RESPONSIBILITY

BCE has implemented a range of social and environmental policies which are supported by various programs and initiatives. These policies include:

- Code of Business Conduct (signed by all employees)
- Community Investment
- Consumer Protection
- Corporate Security and Emergency Management

- Environment
- Health, Safety and Wellness
- Human Resources
- Political Contributions
- Privacy
- Procurement.

Details of these policies, programs and initiatives can be found under the heading *Responsibility* on BCE Inc.'s website at www.bce.ca.

Environmental Policy

On November 2, 2004, BCE Inc. adopted an environmental policy that affirms:

- our commitment to environmental protection
- our belief that environmental protection is an integral part of doing business, and needs to be managed systematically under a continuous improvement process.

The policy contains principles that support our commitment, varying from exercising due diligence to meet or exceed the environmental legislation that applies to us, to preventing pollution and promoting cost-effective initiatives that minimize resources and waste.

We have instructed subsidiaries subject to this policy to support these principles, and have established a management-level committee to oversee the implementation of the policy.

Bell Canada monitors its operations to ensure that it complies with environmental requirements and standards, and takes action to prevent and correct problems, when needed. It has had an environmental management and review system in place since 1993, that:

- provides early warning of potential problems
- identifies management and cost-saving opportunities
- establishes a course of action
- ensures ongoing improvement through regular monitoring and reporting.

One of its key tools is the corporate environmental action plan, which outlines the environmental activities of Bell Canada's various business units. The plan identifies funding requirements, accountabilities and deliverables, and monitors Bell Canada's progress in meeting its objectives. Bell Canada has integrated the following entities into its corporate environmental action plan: Bell Canada, Bell Aliant (Québec and Ontario), Bell Mobility, Bell ExpressVu, Bell Technical Solutions Inc., BCE Nexxia Corp., Expertech, Télébec, NorthernTel and Northwestel.

For the year ended December 31, 2007, Bell Canada spent $12.3 million on environmental activities, 65% of this was expenses and 35% was for capital expenditures. For 2008, Bell Canada has budgeted $14 million (57% for expenses and 43% for capital expenditures) to ensure that its environmental policy is applied properly and its environmental risks are minimized.

Bell Aliant adopted a comprehensive environment policy for Atlantic Canada that was updated in 2006 which affirms its commitment to working to create a sustainable future by integrating long-term economic, environmental and social considerations into the way the business is operated. The policy provides for the identification of activities and situations which may have potential to harm the environment, and the implementation of environmentally positive practices and preventive measures. Bell Aliant's program seeks to ensure that it complies with all environmental regulatory requirements

and that its activities are carried out in a manner that minimizes risk to the environment through a continuous improvement process.

Bell Aliant manages its environment program through processes similar to those employed by Bell Canada, and collaborates on many levels to seek harmonization with Bell Canada's environment program. Bell Aliant has adopted an environment action plan which sets out specific environmental goals for 2008.

Social Policy

Our duty as a responsible corporate citizen also extends to using our financial resources and the expertise of our employees to invest in the communities we serve.

We believe the future of our country is being determined today by our collective ability to enable our children to reach their full potential.

We therefore invest, for example, in innovative programs in children's hospitals and we support initiatives such as www.cybertip.ca – a web portal through which ordinary Canadians can report suspected abuse. We also continue to grow the Bell Walk for Kids Help Phone which has raised $12 million in six years for Canada's only toll-free, 24-hour bilingual phone and web counseling, referral and information service for young people.

In 2007, Bell Canada and Bell Aliant together contributed over $23 million in donations and local community sponsorships and their employees and pensioners committed over $2 million in charitable gifts and logged nearly 500,000 hours in volunteer time. All of this is indicative of our

belief that we have an important role to play in the sustainability of the communities in which we live and work.

We are committed to sustainable development and integrate environmental, social and economic considerations into our business decisions. We engage with stakeholders to identify opportunities to create benefits for both society and BCE while minimizing where we can, any negative impact our activities may generate. In line with this commitment, in 2006, we adopted a resolution to support the United Nations Global Compact principles.

We are an active member of the Global e-Sustainability Initiative (www.gesi.org), an international organization that promotes sustainable development in the information and communications technology industry. Partners of the Global e-Sustainability Initiative acknowledge the need for the ICT industry to take a leadership role in:

- better understanding the impact and opportunities offered by its evolving technology in a fast growing information society
- providing individuals, businesses and institutions with sustainable solutions to the challenges they face in attempting to maintain a balance between economy, ecology and society.

BCE Inc. is a component of socially responsible investment indices such as the Dow Jones Sustainability Index, the FTSE4 GOOD Index and the Jantzi Social Index.

COMPETITIVE ENVIRONMENT

A discussion of BCE's competitive environment can be found under the heading *Our Competitive Environment* beginning on page 40 of the BCE 2007 MD&A, which pages are incorporated herein by reference.

REGULATORY ENVIRONMENT

A discussion of the legislation that governs our business as well as government consultations and recent regulatory initiatives and proceeding affecting us can be found under the heading *Our Regulatory Environment* beginning on page 43 of the BCE 2007 MD&A, which pages are incorporated herein by reference.

OUR CAPITAL STRUCTURE

This section describes BCE Inc.'s securities, the trading of such securities on the Toronto Stock Exchange and the ratings that certain rating agencies have attributed to such securities and Bell Canada's public debt securities.

BCE INC. SECURITIES

BCE Inc.'s articles of amalgamation, as amended, provide for an unlimited number of common shares, an unlimited number of first preferred shares issuable in series, an unlimited number of second preferred shares also issuable in series and an unlimited number of Class B shares. In addition, BCE Inc. has issued debt securities in the form of notes.

BCE Inc. Preferred Shares

The terms set out in BCE Inc.'s articles authorize its directors to issue first and second preferred shares in one or more series and to set the number of shares and conditions for each series.

On January 25, 2007, the articles of BCE Inc. were amended to create the series AE, AF, AG, AH, AI and AJ first preferred shares. These new series of preferred shares were created in connection with a plan of arrangement of Bell Canada where all of the issued and outstanding series of preferred shares of Bell Canada were exchanged on a one-for-one basis for equivalent new first preferred shares of BCE Inc. This plan of arrangement became effective on January 31, 2007. As a result of the implementation of the plan of arrangement and of the provision by BCE Inc. of certain guarantees of Bell Canada's public debt securities effective February 1, 2007, Bell Canada no longer has to prepare and file public disclosure documents separate from those of BCE Inc.

The table below is a summary of the principal terms of BCE Inc.'s first preferred shares and BCE Inc.'s new preferred shares at December 31, 2007 (formerly Bell Canada's preferred shares Series 15, 16, 17, 18, 19 and 20). There were no second preferred shares issued and outstanding at December 31, 2007. BCE Inc.'s first and second preferred shares are non-voting. BCE Inc.'s articles describe the terms and conditions of these shares in detail.

	Annual Dividend	Convertib	Conversion	Redemption	Redemption		Number of Shares Issued and	Stated Capital at December 31 (in $millions)

Series	Rate	le Into	Date	Date	Price	Authorized	Outstanding	2007	2006
Q	Floating	Series R	Dec. 1, 2015	At any time	$25.50	8,000,000	—	—	—
R	4.54%	Series Q	Dec. 1, 2010	Dec. 1, 2010	$25.00	8,000,000	8,000,000	200	200
S	Floating	Series T	Nov. 1, 2011	At any time	$25.50	8,000,000	2,279,791	57	57
T	4.502%	Series S	Nov. 1, 2011	Nov. 1, 2011	$25.00	8,000,000	5,720,209	143	143
Y	Floating	Series Z	Dec. 1, 2012	At any time	$25.50	10,000,000	8,126,330	203	29
Z	4.331%	Series Y	Dec. 1, 2012	Dec. 1, 2012	$25.00	10,000,000	1,873,670	47	221
AA	4.80%	Series AB	Sep. 1, 2012	Sep. 1, 2012	$25.00	20,000,000	10,081,586	257	510
AB	Floating	Series AA	Sep. 1, 2012	At any time	$25.50	20,000,000	9,918,414	253	—
AC	5.54%	Series AD	Mar. 1, 2008	Mar. 1, 2008	$25.00	20,000,000	20,000,000	510	510
AD[1]	Floating	Series AC	Mar. 1, 2013	At any time	$25.50	20,000,000	—	—	—
AE (old 15)	Floating	Series AF (old 16)	Feb. 1, 2010	At any time	$25.50	24,000,000	1,914,218	48	—
AF (old 16)	4.40%	Series AE (old 15)	Feb. 1, 2010	Feb. 1, 2010	$25.00	24,000,000	14,085,782	352	—
AG (old 17)	4.35%	Series AH (old 18)	May 1, 2011	May 1, 2011	$25.00	22,000,000	10,051,751	251	—
AH (old 18)	Floating	Series AG (old 17)	May 1, 2011	At any time	$25.50	22,000,000	3,948,249	99	—
AI (old 19)	4.65%	Series AJ (old 20)	Aug. 1, 2011	Aug. 1, 2011	$25.00	22,000,000	14,000,000	350	—
AJ (old 20)	Floating	Series AI (old 19)	Aug. 1, 2016	At any time	$25.50	22,000,000	—	—	—
								2,770	1,670

(1) On March 1, 2008, 10,755,445 Series AD preferred shares were issued upon the conversion of 10,755,445 Series AC preferred shares.

Additional information about the terms and conditions of the BCE Inc. preferred shares can be found under Note 21 of the BCE Inc. 2007 financial statements on pages 96 to 99 of the Bell Canada Enterprises 2007 Annual Report (BCE 2007 Financial Statements), which pages are incorporated herein by reference.

BCE Inc. Common Shares and Class B Shares

BCE Inc.'s articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares. Each common share entitles its holder to one vote at any meeting of shareholders. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE Inc. is liquidated, dissolved or wound up, after payments due to the holders of preferred shares.

The following table provides details about the outstanding common shares of BCE Inc. at December 31, 2007 and 2006. No Class B shares were outstanding at December 31, 2007 and 2006.

	December 31, 2007		December 31, 2006	
	Number of shares	Stated capital (in $millions)	Number of shares	Stated capital (in $millions)
Outstanding, beginning of year	807,643,941	13,487	927,318,916	16,806
Shares issued under employee stock option plan[1]	4,994,073	172	1,246,932	35
Shares repurchased and cancelled	(7,373,198)	(123)	(45,151,666)	(805)
Share reduction[2]	-	-	(75,770,241)	(2,549)
Outstanding, end of year	805,264,816	13,536	807,643,941	13,487

(1) Includes a $19 million reclassification ($6 million in 2006) from contributed surplus relating to the exercise of employees' stock options.

(2) Reduction in the number of BCE Inc. common shares outstanding, in conjunction with a distribution of Bell Aliant Income Fund units, by way of return of capital, to holders of BCE Inc. common shares.

There are ownership constraints on BCE Inc.'s common shares. A discussion of these ownership constraints can be found under the heading *Our Regulatory Environment* beginning on page 43 of the BCE 2007 MD&A, which pages are incorporated by reference herein.

Additional information about the terms and conditions of the BCE Inc. common shares and Class B Shares can be found under Note 21 of the BCE Inc. 2007 financial statements on pages 96 to 99 of the BCE 2007 Financial Statements, which pages are incorporated herein by reference.

BCE Inc. Debt Securities

BCE Inc. has issued long-term debt securities as summarized in the table below which remain outstanding.

	Interest rate	Maturity	At December 31, 2007 (in $millions)
Series C Notes(1)	7.35%	October 30, 2009	650

(1) It is anticipated that outstanding Series C Notes will be redeemed pursuant to their terms, at the time of and subject to the consummation of the Privatization.

The Series C notes issued by BCE Inc. are unsecured. BCE Inc. has the option to redeem the Series C notes at any time.

The indenture governing the Series C notes contains certain covenants including, but not limited to, a negative pledge, and certain events of default including, but not limited to, a cross-default with respect to Bell Canada's indebtedness for borrowed money in certain circumstances. The indenture contains, in particular, a provision stating that in the event BCE Inc. disposes of voting shares of Bell Canada in such a number as to hold, directly or indirectly, less than 75% of the voting rights attaching to the outstanding voting shares of Bell Canada, unless the Series C notes have an approved rating from each of certain rating agencies on each day of a rating period, BCE Inc. shall have the obligation to make an offer to purchase all of the Series C notes within the five business days following the rating period at 100% of their face value together with accrued and unpaid interest to the purchase date.

BCE Inc. may issue notes under its commercial paper program up to the amount of its supporting committed lines of credit. The total amount of its supporting committed lines of credit available was $279 million at December 31, 2007. BCE Inc. had no commercial paper outstanding at December 31, 2007.

BCE Inc. is in compliance with all conditions and restrictions attaching to its debt securities described above.

BELL CANADA DEBT SECURITIES

Bell Canada has also issued long-term debt securities as summarized in the table below.

	Weighted Average Interest rate	Maturity	At December 31, 2007 (in $millions)
Debentures(1)(2)	6.82%	2008-2035	5,506
Debentures	9.84%	2041-2054	700
Subordinated debentures	8.21%	2026-2031	275
Total			6,481

(1) This data includes the Northwestel debentures.

(2) It is anticipated that outstanding Bell Canada debentures maturing prior to August 2010 will be redeemed pursuant to their terms, at the time of and subject to the consummation of the Privatization.

The Bell Canada debentures are unsecured and effective February 1, 2007 have been guaranteed by BCE Inc. They include US$200 million maturing in 2010, which has been swapped into Canadian dollars.

Bell Canada has a shelf prospectus providing for the issuance of $3.0 billion of debt securities. As of March 5, 2008, Bell Canada had no debt securities issued under its current shelf prospectus. This shelf prospectus expires in July 2009.

Bell Canada may issue notes under its commercial paper program up to the amount of its supporting committed lines of credit. The total amount of its supporting committed lines of credit available was $860 million at December 31, 2007. Bell Canada had no commercial paper outstanding at December 31, 2007. Bell Canada may issue up to $400 million Class E notes under its commercial paper program. These notes are not supported by committed lines of credit and may be extended in certain circumstances. Bell Canada had no Class E notes outstanding at

December 31, 2007.

Certain of Bell Canada's debt agreements impose covenants which place limitations on the issuance of additional debt with a maturity date exceeding one year based on certain tests related to interest and asset coverage. Bell Canada is in compliance with all conditions and restrictions attaching to its debt securities.

RATINGS FOR BCE INC. AND BELL CANADA PUBLIC DEBT SECURITIES

Ratings generally address the ability of a company to repay principal and interest or dividends on securities.

BCE Inc.'s and Bell Canada's securities are rated by the following rating agencies:

- DBRS Limited (DBRS)
- Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P)
- Moody's Investors Service, Inc. (Moody's)
- Fitch Ratings Ltd. (Fitch).

This section describes the credit ratings that BCE Inc. and Bell Canada have asked for or received for their securities. These ratings provide investors with an independent measure of credit quality of an issue of securities. Each rating should be evaluated independently.

These credit ratings are not recommendations to purchase, hold or sell any of the securities discussed above, or a comment on the market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn in the future by a rating agency.

Short-Term Debt Securities

Short-Term Debt Securities	Rating Agency	Rating	Rank
BCE Inc. and Bell Canada commercial paper	DBRS	R-1 (low)	3
	Moody's	P-2	2
BCE Inc. extendible commercial notes	DBRS	R-2 (high)	4
Bell Canada extendible commercial notes	DBRS	R-1 (low)	3

Long-Term Debt Securities

Short-Term Debt Securities	Rating Agency	Rating	Rank
BCE Inc. unsubordinated long-term debt	DBRS	A (low)	7
	S&P	BBB+	8
	Moody's	Baa2	9
	Fitch	BB- (1)	13
Bell Canada unsubordinated long-term debt	DBRS	A	6
	S&P	BB+(1)	11
	Moody's	Baa1	8
	Fitch	BB-(1)	13
Bell Canada subordinated long-term debt	DBRS	BBB (high)	8
	S&P	B(1)	15
	Moody's	Baa2	9
	Fitch	B+(1)	14

(1) These securities were downgraded due to the Privatization.

RATINGS FOR BCE INC. PREFERRED SHARES

Preferred Shares	Rating Agency	Rating	Rank
BCE Inc. preferred shares	DBRS	Pfd-2 (low)	6
	S&P	P-2	5

OUTLOOK

As of March 5, 2008, BCE Inc. and Bell Canada ratings are currently under review or on credit watch with negative implications from S&P, DBRS,

Moody's and Fitch.

Fitch's ratings are based solely on publicly available information and are not solicited by BCE Inc. or Bell Canada.

Additional information can be found under the heading *Credit Ratings* beginning on page 36 of the BCE 2007 MD&A, which pages are incorporated herein by reference.

GENERAL EXPLANATION

Short-Term Debt Securities

The table below shows the range of credit ratings that each rating agency which rates BCE Inc.'s or Bell Canada's short-term debt instruments assigns to short-term debt instruments.

	Highest Quality of Securities Rated	Lowest Quality of Securities Rated
DBRS	R-1(high)	D
S&P	A-1(high)	D
Moody's	P-1	P-3

The DBRS short-term debt rating scale indicates DBRS' assessment of the risk that a borrower will not fulfill its near-term debt obligation in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

An S&P commercial paper rating indicates S&P's assessment of whether the company can meet the financial commitments of a specific commercial paper program or other short-term financial instrument, compared to the debt servicing and repayment capacity of other companies in Canada's financial markets.

Moody's short-term ratings indicate Moody's assessment of the ability of issuers to meet short-term financial obligations. It may assign ratings to issuers, short-term programs or to individual short-term debt instruments. These short-term obligations generally have an original maturity of 13 months or less, unless explicitly noted.

Long-Term Debt Securities

The table below shows the range of credit ratings that each rating agency assigns to long-term debt instruments.

	Highest Quality of Securities Rated	Lowest Quality of Securities Rated
DBRS	AAA	D
S&P	AAA	D
Moody's	Aaa	C
Fitch	AAA	D

The DBRS long-term debt rating scale indicates the risk that a company may not meet its obligations to pay interest and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

S&P's credit rating scale provides a current assessment of the creditworthiness of a company in meeting a specific financial obligation, a specific class of financial obligations, or a specific financial program. It takes into consideration:

- the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation
- the currency that the obligation is denominated in
- current information provided by the company or obtained by S&P from other reliable sources
- unaudited financial information from time to time, as S&P does not perform an audit
- the likelihood of payment – capacity and willingness of the company in meeting its financial commitment on an obligation according to the terms of the obligation
- the nature of and provisions of the obligation
- the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Moody's long-term obligation ratings are an assessment of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honoured as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Fitch's international long-term credit ratings assess the capacity to meet foreign or local currency commitments. Both foreign and local currency ratings are internationally comparable assessments. The local currency rating measures the probability of payment only within the sovereign state's currency and jurisdiction.

Preferred Shares

The table below describes the range of credit ratings that each rating agency assigns to preferred share instruments.

	Highest Quality of Securities Rated	Lowest Quality of Securities Rated
DBRS	Pfd-1(high)	D
S&P	P-1(high)	D

The DBRS preferred share rating scale indicates their assessment of the risk that a borrower may not be able to meet its full obligation to pay dividends and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

S&P's preferred share rating is a current assessment of the creditworthiness of a company in meeting a specific preferred share obligation issued in the market, compared to preferred shares issued by other issuers in the Canadian market.

EXPLANATION OF RATINGS RECEIVED FOR OUR SECURITIES

Rating Agency	Description of Securities	Rating	Explanation of Rating Received
DBRS	Short-term debt	R-1 (low)	• satisfactory credit quality • respectable overall strength and outlook for key liquidity, debt and profitability ratios, but not as favourable as higher rating categories • any qualifying negative factors that exist are considered manageable, and the company is normally of sufficient size to have some influence in its industry.
		R-2 (high)	• the upper end of adequate credit quality • the ability to repay obligations as they mature remains acceptable, although the overall strength and outlook for key liquidity, debt and profitability ratios is not as strong as higher rating categories.
	Long-term debt	A	• satisfactory credit quality • protection of interest and principal is still substantial, but the degree of strength is less than that of AA rated entities • while A is a respectable rating, companies that fall into this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.
		BBB	• adequate credit quality • protection of interest and principal is acceptable, but the company is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the company and its rated securities.
	Preferred Shares	Pfd-2	• satisfactory credit quality • protection of dividends and principal is still substantial, but earnings, balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies. Generally, companies with Pfd-2 ratings have senior bonds rated in

Rating Agency	Description of Securities	Rating	Explanation of Rating Received
			the A category.

S&P	Long-term debt	BBB	• adequate capacity to meet its financial commitments • adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the company to meet its financial commitments
		BB	• regarded as having significant speculative characteristics but is less vulnerable to non-payment than other speculative issues • faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the company's inadequate capacity to meet its financial commitment on the obligation
		B	• regarded as having significant speculative characteristics and is more vulnerable to non-payment than obligations rated BB, but the company currently has the capacity to meet its financial commitment on the obligation • adverse business, financial, or economic conditions will likely impair the company's capacity or willingness to meet its financial commitment on the obligation
	Preferred Shares	P-2	• adequate protection parameters • adverse economic conditions or changing circumstances are more likely to weaken the company's ability to meet its financial commitment on the obligation
Moody's	Short-term debt	P-2	• a strong ability to repay short-term debt obligations
	Long-term debt	Baa	• subject to moderate credit risk • considered medium-grade and may have certain speculative characteristics
Fitch	Long-term debt	BB	• indicates that there is a possibility of credit risk developing, particularly as a result of adverse economic change over time, however, business or financial alternatives may be available to allow financial commitments to be met • considered speculative
		B	• indicates that significant credit risk is present, but a limited margin of safety remains • financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment • considered highly speculative

MARKET FOR OUR SECURITIES

The common and preferred shares of BCE Inc. are listed on the Toronto Stock Exchange and, up to January 31, 2007, the Bell Canada preferred shares were also listed on the Toronto Stock Exchange. In addition, BCE Inc.'s common shares are also listed on the New York Stock Exchange.

TRADING OF OUR SECURITIES

The tables below and on the next pages show the range in share price per month and volume traded on the Toronto Stock Exchange in 2007 for each class of BCE Inc. securities (and Bell Canada preferred shares exchanged for BCE new preferred shares).

	Common Shares	Preferred Shares Series R	Preferred Shares Series S	Preferred Shares Series T	Preferred Shares Series Y	Preferred Shares Series Z	Preferred Shares Series AA	Preferred Shares Series AB[1]
January 2007								
High ($)	$31.64	$26.05	$25.10	$25.51	$25.49	$28.00	$25.70	—
Low ($)	$28.95	$25.19	$24.81	$25.25	$24.71	$25.26	$25.10	—
Volume	41,513,949	47,385	49,050	9,043	10,800	72,495	44,543	—
February 2007								
High ($)	$32.00	$25.55	$25.25	$25.83	$25.01	$26.00	$25.30	—

Low ($)	$30.05	$25.16	$24.95	$25.35	$24.66	$25.29	$25.07	—
Volume	53,834,555	37,390	27,970	21,195	4,400	44,949	74,129	—
March 2007								
High ($)	$33.60	$25.60	$25.50	$26.00	$25.30	$26.86	$25.49	—
Low ($)	$29.90	$25.38	$25.10	$25.05	$25.10	$24.96	$25.10	—
Volume	66,695,652	730,584	234,175	285,655	135,425	403,521	759,189	—
April 2007								
High ($)	$40.31	$25.47	$25.43	$25.60	$25.06	$25.59	$25.16	—
Low ($)	$32.15	$21.50	$22.50	$21.91	$23.17	$23.00	$23.00	—
Volume	178,933,007	97,183	48,447	58,620	6,150	67,799	726,946	—
May 2007								
High ($)	$39.74	$23.69	$23.56	$23.25	$23.70	$24.26	$24.45	—
Low ($)	$36.88	$20.05	$21.26	$21.30	$21.00	$22.20	$22.62	—
Volume	97,047,368	1,338,592	57,260	61,940	11,302	687,098	1,204,723	—
June 2007								
High ($)	$41.14	$22.70	$22.94	$21.75	$22.61	$23.49	$23.68	—
Low ($)	$38.75	$19.05	$22.03	$19.00	$21.51	$21.75	$21.00	—
Volume	132,371,268	169,081	25,444	60,070	7,122	45,214	187,735	—
July 2007								
High ($)	$41.80	$24.50	$25.00	$24.65	$24.70	$24.98	$24.88	—
Low ($)	$39.88	$23.51	$23.59	$23.00	$23.54	$23.60	$23.61	—
Volume	120,711,117	154,328	34,260	62,847	21,527	53,598	279,011	—
August 2007								
High ($)	$40.49	$24.81	$24.50	$24.65	$24.41	$24.94	$24.75	$24.75
Low ($)	$37.55	$23.82	$24.12	$24.15	$24.10	$23.87	$23.90	$24.75
Volume	256,877,060	43,084	18,525	36,514	16,400	63,474	185,089	100
September 2007								
High ($)	$41.00	$24.70	$24.90	$24.90	$24.70	$24.94	$25.18	$25.50
Low ($)	$39.79	$24.25	$24.39	$24.41	$24.27	$24.31	$24.45	$24.50
Volume	116,752,614	51,636	29,521	24,240	4,769	30,812	67,564	4,200
October 2007								
High ($)	$41.25	$24.79	$24.90	$24.70	$24.65	$24.88	$24.98	$24.50
Low ($)	$39.84	$24.25	$24.51	$24.40	$24.45	$24.20	$24.51	$24.50
Volume	77,886,712	200,934	84,602	33,025	46,500	338,596	209,708	4,700
November 2007								
High ($)	$41.20	$24.88	$24.82	$24.85	$24.75	$24.74	$24.95	$24.50
Low ($)	$38.70	$24.26	$24.30	$24.49	$24.50	$23.85	$24.60	$24.50
Volume	86,684,969	107,558	50,387	58,298	31,680	163,688	316,813	7,000
December 2007								
High ($)	$39.82	$24.60	$24.60	$24.75	$24.99	$24.80	$24.94	$24.50
Low ($)	$37.25	$23.75	$24.16	$24.45	$24.37	$23.73	$24.24	$24.50
Volume	85,097,600	190,514	55,515	163,040	123,682	66,442	104,066	634

(1) On August 23, 2007, BCE Inc. announced that 9,918,414 of its 20,000,000 Series AA preferred shares were tendered for conversion, on a one-for-one basis, into Series AB preferred shares. Consequently, BCE Inc. issued 9,918,414 new Series AB preferred shares on September 1, 2007. The balance of the Series AA preferred shares that were not converted remains outstanding and continues to be listed on the Toronto Stock Exchange under the symbol BCE.PR.A.

	Preferred Shares Series AC	Preferred Shares Series AE	Preferred Shares Series AF	Preferred Shares Series AG	Preferred Shares Series AH	Preferred Shares Series AI
January 2007						
High ($)	$26.36	$25.55	$25.90	$25.65	$25.54	$26.69
Low ($)	$25.30	$24.80	$25.10	$25.10	$25.15	$25.55
Volume	37,332	7,760	11,440	1,027,778	64,000	2,513,453
February 2007						
High ($)	$25.80	$25.36	$25.45	$25.40	$25.30	$25.95
Low ($)	$25.35	$25.00	$25.05	$25.00	$25.10	$25.11

Volume	42,880	24,167	1,256,619	83,056	1,294,200	90,550
March 2007						
High ($)	$25.60	$25.50	$25.50	$25.70	$25.49	$26.10
Low ($)	$25.15	$24.92	$25.05	$25.10	$25.12	$24.75
Volume	1,233,960	214,050	7,558,956	601,572	1,249,275	64,760
April 2007						
High ($)	$25.48	$25.10	$25.49	$25.33	$25.23	$25.79
Low ($)	$23.30	$23.50	$21.27	$21.01	$23.01	$21.70
Volume	467,959	114,300	420,121	106,080	75,530	155,757
May 2007						
High ($)	$24.39	$23.70	$23.05	$22.79	$24.07	$23.50
Low ($)	$22.87	$22.27	$20.56	$20.25	$22.90	$20.25
Volume	2,887,187	24,786	31,538	141,599	48,600	207,409
June 2007						
High ($)	$23.65	$22.99	$22.25	$21.79	$23.50	$22.25
Low ($)	$22.66	$21.21	$18.51	$19.00	$22.75	$19.25
Volume	235,105	11,940	68,563	121,143	17,450	223,303
July 2007						
High ($)	$25.00	$24.15	$26.00	$24.45	$24.60	$24.63
Low ($)	$23.50	$23.75	$23.11	$23.25	$23.50	$23.00
Volume	197,791	29,030	71,839	211,192	18,920	293,091
August 2007						
High ($)	$24.69	$24.50	$24.89	$24.49	$24.77	$25.00
Low ($)	$24.11	$24.16	$23.96	$23.85	$24.40	$24.03
Volume	166,428	12,550	62,204	71,591	26,760	134,851
September 2007						
High ($)	$24.97	$24.99	$24.84	$24.75	$24.75	$25.24
Low ($)	$24.50	$24.30	$24.16	$24.11	$24.16	$24.41
Volume	67,815	42,340	156,981	255,790	21,550	54,432
October 2007						
High ($)	$25.12	$24.60	$24.79	$24.65	$25.00	$25.33
Low ($)	$24.50	$24.50	$24.08	$24.12	$24.52	$24.40
Volume	236,970	8,220	316,292	78,232	12,650	183,821
November 2007						
High ($)	$24.99	$24.75	$25.30	$24.75	$24.98	$24.94
Low ($)	$24.63	$24.51	$24.60	$24.25	$24.50	$24.40
Volume	214,616	18,725	31,137	59,047	9,700	103,347
December 2007						
High ($)	$24.97	$24.85	$25.40	$24.74	$24.97	$24.60
Low ($)	$24.30	$24.01	$24.00	$23.50	$24.55	$23.90
Volume	211,034	13,250	35,850	45,990	59,555	954,954

OUR DIVIDEND POLICY

BCE Inc.'s dividend policy takes into consideration a number of factors including BCE Inc.'s earnings and cash flow trends, financial condition and capital requirements. We seek to allow BCE Inc.'s shareholders to participate in our operational progress through growth in dividend distributions, while maintaining a healthy capital structure that provides sufficient financial flexibility for investment in strategic priorities and future growth.

In December 2006, the board of directors of BCE Inc. established a targeted common share dividend payout ratio of 70-75% of earnings. Under this dividend policy, increases in the common share dividend will be directly linked to growth in BCE Inc.'s earnings. However, based on the prevailing competitive and technological environment at any given time, there can be no guarantee that BCE Inc.'s dividend

policy will be maintained. Additional information about these risks and their potential impact on our businesses, revenues, cash flows and capital expenditures which in turn could adversely affect BCE Inc.'s ability to maintain its dividend policy can be found under the headings *Our Competitive Environment* and *Risks That Could Affect Our Business and Results* beginning on pages 40 and 50, respectively, in the BCE 2007 MD&A, which pages are incorporated by reference herein.

In the context of the Privatization, under the definitive agreement dated June 29, 2007 between BCE Inc. and the Purchaser, BCE Inc. has committed to not increase its common share dividend without the consent of the Purchaser while the definitive agreement is effective.

Subject to being declared by the board of directors, BCE Inc. pays quarterly dividends on common shares at a rate of $1.46 per year. Subject to

board approval, BCE Inc. will continue to pay dividends until the effective date of the Arrangement.

Subject to being declared by the board of directors, BCE Inc. pays dividends on preferred shares every quarter, except for dividends on Series S, Series Y, Series AB, Series AD, Series AE and Series AH preferred shares, which BCE Inc. declares and pays monthly. BCE Inc. will continue to pay dividends on the preferred shares until the effective date of the Arrangement.

The table below shows the amount of cash dividends declared per share of each class of BCE Inc. shares for 2007, 2006, and 2005.

	2007	2006	2005
Common	$1.46	$1.32	$1.32
Preferred Shares			
Series R	$1.135	$1.135	$1.441375
Series S	$1.29394	$0.97808	$0.7546
Series T	$1.1255	$0.281375	—
Series Y	$1.23028	$0.97212	$0.79798
Series Z	$1.2680375	$1.3298	$1.3298
Series AA	$1.28125	$1.3625	$1.3625
Series AB	$0.55352	—	—
Series AC	$1.385	$1.385	$1.385

As previously discussed, effective January 31, 2007, the outstanding Bell Canada preferred shares were exchanged for equivalent BCE Inc. new preferred shares. The table below shows the amount of cash dividends declared in 2007, 2006 and 2005 per class of Bell Canada preferred shares or, starting February 1, 2007 the corresponding series of first preferred shares of BCE Inc.

	2007	2006[(1)]	2005
Series AE (old Bell Canada Series 15)	$1.25049	$0.96979	$0.80885
Series AF (old Bell Canada Series 16)	$1.10	$1.10	$1.10
Series AG (old Bell Canada Series 17)	$1.0875	$1.143755	$1.31252
Series AH (old Bell Canada Series 18)	$1.31798	$0.88802	—
Series AI (old Bell Canada Series 19)	$1.1625	$1.27501	$1.38752

(1) Excludes $0.20 special dividend per share declared on December 11, 2006.

OUR DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The tables below tell you about the directors and the voting securities that they own directly or indirectly, as well as BCE Inc. deferred share units. Generally, all non-management directors sit on at least one

committee of the board. We have also included other directorships held by our directors with public companies that are currently listed on an exchange.

Under BCE Inc.'s by-laws, each director holds office until the next annual shareholder meeting or until his or her successor is elected. All of BCE Inc.'s directors have held the positions listed in the table below or other executive positions with the same or associated firms or organizations during the past five years or more, except where indicated in the table below.

Also see *Schedule 1 - Statement of Corporate Governance Practices – 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)

Past Occupation

Mr. Bérard was Chief Executive Officer of National Bank of Canada (chartered bank) from September 1990 to March 2002 and Chairman of the Board of National Bank of Canada from September 1990 to March 2004.

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	1,120 BCE Inc. common shares
January 2003	7/7	14/16	26,234 BCE Inc. deferred share units 88 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
Bombardier	2004 - present	Audit	5/5	1/1
Groupe BMTC Inc.	2001 – present	CGC	4/4	2/3
Saputo Inc.	1997 – present			
Tembec Inc.	2006 – present			
TransForce Inc.	2003 – present			

RONALD ALVIN BRENNEMAN Alberta, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	38,564 BCE Inc. common shares
November 2003	6/7	10/16	22,171 BCE Inc. deferred share units 13,780 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
Bank of Nova Scotia	2000 - present	MRCC	4/4	2/2
Petro-Canada	2000 - present	PFC	4/4	N/A

RICHARD JAMES CURRIE, O.C.C.[1] Ontario, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	1,024,120 BCE Inc. common shares
May 1995	7/7	16/16	31,401 BCE Inc. deferred share units 74,406 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS	COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
		REGULARLY SCHEDULED	SPECIAL

Petro-Canada	2003 - present			
		MRCC (Chair)	4/4	2/2

ANTHONY SMITHSON FELL, O.C.[1] Ontario, Canada

CORPORATE DIRECTOR (SINCE JANUARY 2008)

Past Occupation

Mr. Fell was Chairman of the board of directors of RBC Dominion Securities Limited (investment bank) from December 1999 to December 2007 and Chairman of the board and Chief Executive Officer of RBC Dominion Securities Limited from 1992 to December 1999.

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	91,500 BCE Inc. common shares
January 2002	6/7	14/16	27,526 BCE Inc. deferred share units 7,250 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
CAE Inc.	2000 - present	Audit	5/5	1/1
Loblaws Companies Limited	2001 - present	MRCC	4/4	2/2

DONNA SOBLE KAUFMAN Ontario, Canada

CORPORATE DIRECTOR (SINCE JULY 1997) AND LAWYER

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	3,049 BCE Inc. common shares
June 1998	7/7	15/16	25,766 BCE Inc. deferred share units 241 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
TransAlta Corporation (Chair)	1989 - present	CGC (Chair)	4/4	3/3

BRIAN MICHAEL LEVITT Québec, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
May 1998	REGULARLY SCHEDULED	SPECIAL*	2,573 BCE Inc. common shares 47,735 BCE Inc. deferred share units 2,000 Bell Aliant Income Fund units
	7/7	7/7	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS	COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
Domtar Corporation 1997 - present		REGULARLY SCHEDULED	SPECIAL
	PFC	4/4	N/A

* As of May 2007, Mr. Levitt was recused from attending special board meetings held in connection with the strategic review process, as more fully described in the Notice of Special Shareholder Meeting and Management Proxy Circular of BCE Inc. dated August 7, 2007 in respect of the special meeting of shareholders held on September 21, 2007 (the BCE Special Meeting Proxy Circular).

THE HONOURABLE EDWARD C. LUMLEY, P.C. [2] Ontario, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
January 2003	REGULARLY SCHEDULED	SPECIAL	9,150 BCE Inc. common shares 19,916 BCE Inc. deferred share units 724 Bell Aliant Income Fund units
	7/7	15/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
Canadian National Railway Company	1996 - present		REGULARLY SCHEDULED	SPECIAL
Dollar-Thrifty Automotive Group	1997 - present	CGC	4/4	2/3

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)

Past Occupation

Ms. Maxwell was founder and President of Canadian Policy Research Networks Inc. from 1995 to January 2006.

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
January 2000	REGULARLY SCHEDULED	SPECIAL	915 BCE Inc. common shares 18, 113 BCE Inc. deferred share units 72 Bell Aliant Income Fund units
	7/7	15/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS	COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007

N/A		REGULARLY SCHEDULED	SPECIAL
	Audit	5/5	1/1

JOHN HECTOR McARTHUR Massachusetts, United States of America

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
May 1995	REGULARLY SCHEDULED	SPECIAL	889 BCE Inc. common shares 45, 455 BCE Inc. deferred share units
	7/7	16/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
AES Corporation	1997 - present		REGULARLY SCHEDULED	SPECIAL
KOC Holdings, A.S. (Turkey)	1999 - present	CGC	4/4	3/3
		MRCC	4/4	2/2

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

CORPORATE DIRECTOR (SINCE OCTOBER 2002) AND CHARTERED ACCOUNTANT

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
January 2003	REGULARLY SCHEDULED	SPECIAL	2,745 BCE Inc. common shares 10,446 BCE Inc. deferred share units 217 Bell Aliant Income Fund units
	7/7	15/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
Adecco S.A.	2004 - present		REGULARLY SCHEDULED	SPECIAL
Loblaw Companies Limited	2003 - present	Audit (Chair)	5/5	1/1
Nexen Inc.	2002 - present			

JAMES ALLEN PATTISON, O.C., O.B.C.[3] British Columbia, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007	OWNERSHIP AT MARCH 5, 2008

February 2005	REGULARLY SCHEDULED	SPECIAL	91,500 BCE Inc. common shares 13, 775 BCE Inc. deferred share units 7,250 Bell Aliant Income Fund units
	7/7	14/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
Canfor Corporation	2003 – present		REGULARLY SCHEDULED	SPECIAL
Brookfield Asset Management	2006 – present	CGC	3/4	3/3

ROBERT CHARLES POZEN Massachusetts, United States of America

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

Past Occupation

Mr. Pozen served as a visiting professor, Harvard Law School, from 2002 to August 2004

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
February 2002	REGULARLY SCHEDULED	SPECIAL	111,602 BCE Inc. common shares 39,022 BCE Inc. deferred share units 8,800 Bell Aliant Income Fund units
	7/7	11/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
Medtronic Inc.	2004 - present		REGULARLY SCHEDULED	SPECIAL
		PFC (Chair)	4/4	N/A
		MRCC	3/4	1/2

MICHAEL JONATHAN SABIA[1] Québec, Canada

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

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
October 2002	REGULARLY SCHEDULED	SPECIAL	137,571 BCE Inc. common shares 319,506 BCE Inc. deferred share units 6,829 Bell Aliant Income Fund units
	7/7	16/16	

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
The Thomson Corporation	2006 - present		REGULARLY SCHEDULED	SPECIAL
Clearwire Corporation	2005 - present	N/A	N/A	N/A

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

CORPORATE DIRECTOR (SINCE DECEMBER 2004)

Past Occupation

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.

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	1,555 BCE Inc. common shares
April 1999	6/7	14/16	49,158 BCE Inc. deferred share units 123 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
Rio Tinto PLC	2007 - present	PFC	3/4	N/A
Rio Tinto Limited	2007 - present			

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

CORPORATE DIRECTOR (SINCE MAY 2001)

DATE JOINED BOARD & ATTENDANCE DURING 2007			OWNERSHIP AT MARCH 5, 2008
	REGULARLY SCHEDULED	SPECIAL	5,952 BCE Inc. common shares
May 1995	7/7	14/16	17,787 BCE Inc. deferred share units 5,500 Bell Aliant Income Fund units

OTHER CURRENT PUBLIC BOARD DIRECTORSHIPS		COMMITTEE APPOINTMENTS AND ATTENDANCE DURING 2007		
			REGULARLY SCHEDULED	SPECIAL
Imperial Oil Limited	2002 - present	Audit	5/5	1/1
Royal Bank of Canada	1991 - present	PFC	4/4	N/A
Bell Aliant Income Fund (before July 2006, member of the board of Aliant Inc.)	2002 - present			

CGC = Corporate Governance Committee, **MRCC** = Management Resources and Compensation Committee, **PFC** = Pension Fund Committee

(1) Mr. Currie, Mr. Fell and Mr. Sabia were directors of Teleglobe Inc. until April 2002. Teleglobe Inc. filed for court protection under insolvency statutes in May 2002.

(2) Mr. Lumley was a director of Air Canada until October 2004. Air Canada filed for court protection under insolvency statutes on April 1, 2003.

(3) Mr. Pattison was a director of Livent Inc. until September 1999. Livent Inc. filed for court protection under insolvency statutes in November 1998.

EXECUTIVE OFFICERS

The table below lists BCE's executive officers, being the 15 members of the Executive Committee of BCE Inc. and Bell Canada, where they lived and the office that they held at BCE on December 31, 2007.

Name	Province and Country of Residence	Office held at BCE Inc./Bell Canada
Stéphane Boisvert	Québec, Canada	President – Enterprise (Bell Canada)
Ron Close	Ontario, Canada	President – Bell New Ventures (BCE Inc. and Bell Canada)
George A. Cope	Ontario, Canada	President and Chief Operating Officer (Bell Canada)
Kevin W. Crull	Ontario, Canada	President – Residential Services (Bell Canada)
William J. Fox	Ontario, Canada	Executive Vice-President – Communications and Corporate Development (BCE Inc. and Bell Canada)
Leo W. Houle	Québec, Canada	Chief Talent Officer (BCE Inc. and Bell Canada)
Lawson A.W. Hunter	Ontario, Canada	Executive Vice-President and Chief Corporate Officer (BCE Inc. and Bell Canada)
Wade Oosterman	Ontario, Canada	President – Bell Mobility and Channels and Chief Brand Officer (Bell Canada)
Patrick Pichette	Québec, Canada	President – Operations (Bell Canada)
Eugene Roman	Ontario, Canada	Group President – Systems and Technology (Bell Canada)
Michael J. Sabia (1)	Québec, Canada	President and Chief Executive Officer of BCE Inc. – Chief Executive Officer of Bell Canada
Karen H. Sheriff	Ontario, Canada	President – Small and Medium Business (Bell Canada)
L. Scott Thomson	Québec, Canada	Executive Vice-President – Corporate Development and Planning (BCE Inc. and Bell Canada)
Martine Turcotte	Québec, Canada	Chief Legal Officer (BCE Inc. and Bell Canada)
Siim Vanaselja	Québec, Canada	Chief Financial Officer (BCE Inc. and Bell Canada)

(1) Mr. Sabia was a director of Teleglobe Inc. until April 2002. Teleglobe Inc. filed for court protection under insolvency statutes in May 2002.

Past Occupation

All of our executive officers have held their present positions or other executive positions with BCE Inc. or Bell Canada during the past five years or more, except for:

Officer	Past Occupation
Mr. Boisvert	Senior Vice-President, Global Client Solutions Sales – Sun Microsystems Inc. before June 2006
	President – Sun Microsystems Canada before January 2005
Mr. Cope	President and Chief Executive Officer - Telus Mobility Inc. before November 2005
Mr. Crull	Senior Vice-President and General Manager – AT&T Mobility before March 2005
	Senior Vice-President – Consumer and Small Business – AT&T Inc. from 2001 to 2004
Mr. Fox	Senior Vice-President – Public Affairs of Bombardier Inc. before January 2005
	Senior Vice-President – Public Affairs of Canadian National Railway Company before January 2003
Mr. Hunter	Partner with Stikeman Elliott LLP (law firm) before March 2003
Mr. Oosterman	Executive Vice-President, Sales and Marketing – Telus Mobility before December 2005 Chief Marketing Officer – Telus Corporation before December 2005
Mr. Close	President and Chief Executive Officer and Director – Nextair Corporation before February 2005
Mr. Thomson	Vice-President of Mergers and Acquisitions of Goldman, Sachs & Co. in both Toronto and New York before January 2003

DIRECTORS' AND EXECUTIVE OFFICERS' SHARE OWNERSHIP

As at March 5, 2008, BCE's directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 1,887,901 common shares (or 0.23%) of BCE Inc.

As at March 5, 2008, BCE's directors and executive officers as a group also beneficially owned, directly or indirectly, or exercised control or direction over 153,782 units (or 0.12%) of Bell Aliant Income Fund.

Individual share ownership of each director of BCE Inc. is set out above under the heading *Our Directors and Officers – Directors*.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

BCE Inc. and its subsidiaries have not granted loans or extended credit to any director or executive officer or to individuals who have held these positions during the last fiscal year, or to any of their associates, and to this extent we are compliant with the prohibition under the *Sarbanes-Oxley Act*.

LEGAL PROCEEDINGS

We become involved in various claims and litigation as a part of our business. This section describes important legal proceedings that you should be aware of. While we cannot predict the final outcome of the claims and litigation described below or of any other pending claims and litigation at March 5, 2008, based on the information currently available and management's assessment of the merits of such claims and litigation, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations. We believe that we have strong defenses and we intend to vigorously defend our position.

LAWSUITS RELATED TO BCE INC.

Privatization Transaction Lawsuit

On June 30, 2007, BCE Inc. announced that it had entered into a definitive agreement providing for the Privatization. Under the terms of the transaction, the Purchaser is to acquire all BCE Inc.'s outstanding common shares at a purchase price of $42.75 per common share and all of BCE Inc.'s outstanding preferred shares (at the prices per share provided for in the definitive agreement, together will all accrued but unpaid dividends on these preferred shares). For more information on the Privatization, see *General Development of Our Business*.

On September 26, 2007, each of Computershare Trust Company of Canada (Computershare), the trustee under the Bell Canada trust indenture dated April 17, 1996, and CIBC Mellon Trust Company (CIBC Mellon), the trustee under the Bell Canada trust indenture dated July 1, 1976, filed a motion asking the Québec Superior Court to determine whether the Privatization and the Arrangement giving effect thereto would constitute a "reorganization or reconstruction" of Bell Canada as per the terms of the Bell Canada trust indentures dated April 17, 1996 and July 1, 1976, and, if so, the trustees asked the court to declare that the Privatization could not be completed unless approved by Bell Canada and by the trustees as being in no way prejudicial to the interests of the debenture holders under such indentures.

On October 5, 2007, certain debenture holders allegedly representing approximately 15.3% of the senior debentures issued under the Bell Canada trust indenture dated July 1, 1976, 66.9% of the subordinated debentures issued under the Bell Canada trust indenture dated April 17, 1996 and 21.6% of the medium-term debentures issued under the Bell Canada trust indenture dated November 28, 1997, directly and/or through the trustees under these indentures, filed contestations with the Québec Superior Court seeking a declaration that the Arrangement was unfair, oppressive, unfairly prejudicial to and/or unfairly disregarded the interests of such debenture holders and asked the court to refuse to approve and ratify the Arrangement or, alternatively, asked the court to order that a meeting of the holders of debentures be convened to vote as a class on the Arrangement.

On October 19, 2007, the contesting debenture holders described above filed two separate proceedings for an oppression remedy under section 241 of the *Canada Business Corporations Act*. In their proceeding for an oppression remedy, the contesting debenture holders under the Bell Canada trust indenture dated November 28, 1997 asked the Québec Superior Court to, among other things: (i) declare that the Arrangement and the guarantee by Bell Canada of debt to be issued in connection with the Privatization were oppressive to the interests of the 1997 debenture holders; (ii) restrain Bell Canada from entering into the foregoing guarantee; and (iii) refuse to approve the Arrangement. In their proceeding for an oppression remedy, the contesting debenture holders under the Bell Canada trust indentures dated July 1, 1976 and April 17, 1996 asked the court to, among other things: (i) declare that BCE Inc. and Bell Canada acted in a manner that was oppressive and unfairly prejudicial to the interests of the 1976 and 1996 debenture holders; and (ii) in the event that the court approved the Arrangement, require Bell Canada to redeem the 1976 and 1996 debentures either at their redemption price, where applicable, and otherwise at an amount equal to the net present value of the remaining cash flow, discounted at a rate equal to the yield of a Government of Canada bond with a similar maturity date, as at the time of redemption, together with unpaid interest accrued up to and including the date of payment.

BCE asserted that the basis on which these holders of debentures contested the Privatization and the Arrangement giving effect to it was without merit and that the holders of debentures of Bell Canada and the trustees under the Bell Canada indentures did not have standing to contest the granting of the order by the Québec Superior Court in respect of the Arrangement.

On March 7, 2008 the Court granted an order approving the Arrangement and dismissed all claims asserted by the contesting debenture holders and the trustees identified above. Among other things, the Court declared that (i) the Arrangement did not constitute a "reorganization or reconstruction" of Bell Canada; (ii) the Arrangement conforms with the requirements of the *Canada Business Corporations Act* and is fair and reasonable; and (iii) the Arrangement is not oppressive or unfairly prejudicial to the interests of the debenture holders.

In the event the contesting debenture holders and/or trustees decide to appeal the Court's judgements, they have agreed the appeal must be filed with the Québec Court of Appeal by March 17, 2008.

LAWSUITS RELATED TO BELL CANADA

Class Action Concerning Wireless Access Charges

On August 9, 2004, a statement of claim was filed under the *Class Actions Act* (Saskatchewan) in the Court of Queen's Bench, Judicial Centre of Regina, Saskatchewan against wireless communications services providers, including Bell Mobility and Aliant Telecom Inc. (Aliant Telecom), by certain alleged customers.

The statement of claim alleged, amongst other things, breach of contract and duty to inform, deceit, misrepresentation, unjust enrichment and collusion, in connection with certain "system access fees" and "system licensing charges" invoiced by wireless communications service providers to their customers. The plaintiffs sought unspecified damages and punitive damages. The Saskatchewan action sought certification of a national class encompassing all customers of wireless communications service providers wherever resident in Canada.

On September 17, 2007, the Court of Queen's Bench granted certification on the grounds of unjust enrichment only. Bell Mobility sought leave to appeal. However, there were several outstanding motions before the Court, including a motion brought by Bell Mobility alleging that the province of Saskatchewan is not the proper forum for a class action against it because it does not carry on business in such province. The leave to appeal application was being held in abeyance pending determination of these outstanding applications.

The outstanding motions were heard on December 18 and 19, 2007. On February 20, 2008, the court released its decision, dismissing Bell Mobility's motion that Saskatchewan is not the proper forum. The

court, however, granted Rogers and Telus' motions that class members who have an arbitration clause in their contracts with these companies should not be part of the class.

The court will now issue a certification order which reflects the redefined class. Once the order has been issued, Bell Mobility and the other defendants will pursue their leave to appeal applications.

Purported Class Action Concerning Bell Mobility Billing System

On October 28, 2004, a motion seeking certification to proceed as a class action against Bell Mobility was filed with the Québec Superior Court. In December 2006, identical motions were filed in Ontario, Alberta and British Columbia. The lawsuits were filed on behalf of any person who entered into a contract with Bell Mobility and allege that such persons have unjustly incurred expenses as a result of billing errors made by Bell Mobility following the change of its billing platform.

In addition to the reimbursement of such expenses, the class actions would, if certified, also seek payment in the amount of $100 per class member for inconvenience as well as punitive damages in the amount of $200 per class member in Québec, of general damages in the amount of $500 million with no precise amount claimed as punitive damages in Ontario, and of damages with no precise amount in Alberta and British Columbia.

On July 20, 2007, the Québec Superior Court dismissed the motion seeking certification to proceed as a class action. On August 16, 2007, petitioner filed a notice of appeal and in December 2007 filed a factum with a motion to amend the class description. The motions in the other provinces have been stayed until the judgment rendered in Québec is final.

Class Action Concerning Bell ExpressVu Late Payment Charges

On September 29, 2005, a statement of claim was filed under the *Class Proceedings Act, 1992* (Ontario) in the Ontario Superior Court of Justice against Bell ExpressVu by certain alleged customers. The statement of claim alleges that the interest and late payment fees charged by Bell ExpressVu to customers whose accounts are in arrears are in excess of the effective annual rate of interest permitted by certain provisions of the *Criminal Code* (Canada). The plaintiffs seek an order requiring Bell ExpressVu to repay all interest and late payment fees paid to Bell ExpressVu by the class of plaintiffs. In addition to the reimbursement of such amounts, the class action also seeks payment of punitive damages by Bell ExpressVu in the amount of $10 million.

On February 12, 2008, the court granted the plaintiffs' motion to certify the action as a class proceeding and certified as a class all former and current customers of Bell ExpressVu who have been charged one or more Administrative Fees (the fees of $19 and $25 charged by Bell ExpressVu beginning January 1, 2003 for the payment of an account after the due date) and have paid those fees up to the date of certification of the proceeding. Bell ExpressVu has filed a motion for summary judgment on the underlying substantive issue that Bell ExpressVu is not violating the *Criminal Code*. That motion is scheduled to be heard on April 15, 2008.

Vidéotron Litigation

On August 31, 2005, a statement of claim was filed in Québec Superior Court against Bell ExpressVu by Vidéotron ltée., Vidéotron (Régional) ltée and CF Cable TV Inc. (a subsidiary of Vidéotron ltée). In the statement of claim, the plaintiffs have alleged that Bell ExpressVu has failed to adequately protect its system against signal piracy, thereby depriving the plaintiffs of subscribers who, but for their alleged ability to pirate Bell ExpressVu's signal, would be subscribing to plaintiffs' services. On November 4, 2005, the plaintiffs amended their statement of claim to increase the amount of damages claimed from $1 million to approximately $49.5 million for profits allegedly lost over the last three years, $314.7 million for alleged future losses and $10 million in punitive damages. Bell ExpressVu filed its defence in November 2006.

Litigation Concerning Bell Distribution Inc. Decision not to Proceed With a Wireless Income Fund

Transaction

On March 28, 2006, a statement of claim was filed in the Québec Superior Court against Bell Distribution Inc. (Bell Distribution) by 50 independent dealers that own 78 Bell World retail stores. The plaintiffs alleged that Bell Distribution agreed to proceed with a transaction pursuant to which the independent dealer retail stores and Bell Distribution-owned retail stores would be sold to a Wireless Distribution Income Fund and that Bell Distribution subsequently reneged on this agreement causing damages to the independent dealers; and alternatively, that Bell Distribution's refusal to allow the independent dealers to proceed to sell their stores and assign the dealer agreements to the Wireless Distribution Income Fund constitutes an abuse of right and is contrary to Bell Distribution's obligations to act fairly and in accordance with reasonable commercial standards. The plaintiffs seek damages against Bell Distribution in an amount of $135 million. Bell Distribution filed its defence in late fall 2006.

Class Action Concerning Bell Canada and Bell Mobility Late Payment Charges

On June 27, 2006, a motion to obtain the authorization to institute a class action in the Province of Québec was served against Bell Canada and Bell Mobility in the Québec City District of the Québec Superior Court. The lawsuit was filed on behalf of all physical persons and companies in Canada that were billed late payment charges despite the fact that customers allegedly paid amounts owing to Bell Canada and Bell Mobility within the payment period indicated on their bills. On September 28, 2007, Bell Canada and Bell Mobility received an amended motion to obtain the authorization to institute a class action pursuant to which the plaintiff indicated that it intends to act only for customers in the Province of Québec.

On January 10, 2008, the Québec Superior Court issued a judgment granting the plaintiff's motion and authorizing the institution of a class action against Bell Canada and Bell Mobility. The members of the classes are all physical persons and companies in Québec, of 50 employees or less, who were billed late payment charges since June 21, 2003 after allegedly having made full payment of amounts owing to Bell Canada and/or Bell Mobility to a financial institution and/or, for Bell Mobility's customers only, by cheque, within the payment period indicated on their bills. The class action seeks an order requiring Bell Canada and Bell Mobility to repay all late payment charges to the members of the classes. In addition to the reimbursement of such amounts, the class action also seeks payment of punitive damages by Bell Canada and Bell Mobility.

LAWSUITS RELATED TO TELEGLOBE

Teleglobe Lending Syndicate Lawsuit

On July 12, 2002, a statement of claim was issued against BCE Inc. in the Ontario Superior Court of Justice by ABN AMRO Bank N.V., Bank of Montreal, Bank of Tokyo-Mitsubishi (Canada), Bayerische Landesbank Girozentrale, BNP Paribas (Canada), La Caisse Centrale Desjardins du Québec, Canadian Imperial Bank of Commerce, Canadian Imperial Bank of Commerce, N.Y. Agency, Citibank, N.A., Credit Suisse First Boston Canada, Credit Suisse First Boston, Export Development Canada, HSBC Bank Canada, JPMorgan Chase Bank, Laurentian Bank of Canada, Merrill Lynch Capital (Canada) Inc., Merrill Lynch Capital Corporation, National Bank of Canada, Royal Bank of Canada, Société Générale, The Bank of Nova Scotia, and The Toronto-Dominion Bank.

The plaintiffs sought damages of US$1.19 billion, plus interest and costs, from BCE Inc. They alleged that these damages are equal to the amount they advanced as members of the Teleglobe Inc. and Teleglobe Holdings (U.S.) Corporation (together referred to in this section as Teleglobe) lending syndicate. The plaintiffs represented approximately 95.2% of the US$1.25 billion that the members of that lending syndicate advanced.

The plaintiffs' claim is based on several allegations, including that:

- the actions and representations of BCE Inc. and its management, in effect, amounted to a legal commitment that BCE Inc. would repay the advances

- the court should disregard Teleglobe Inc. as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

On September 16, 2003, BCE Inc. filed its statement of defense relating to this action.

On November 2, 2004, two of the plaintiffs, Canadian Imperial Bank of Commerce and Canadian Imperial Bank of Commerce, N.Y. Agency, which had advanced approximately US$104 million to Teleglobe, filed a notice of discontinuance with the court and are therefore no longer plaintiffs in this action.

On May 3, 2005, following the launch of the BNP Paribas (Canada) lawsuit described below, BNP Paribas (Canada), which had advanced approximately US$50 million to Teleglobe, filed a notice of discontinuance with the court and is therefore no longer a plaintiff in this action.

Following these discontinuances, the damages sought by the remaining plaintiffs would now amount to approximately US$1.04 billion, plus interest and costs, representing approximately 83% of the US$1.25 billion that the members of the lending syndicate advanced to Teleglobe.

On June 29, 2006, the plaintiffs filed an amended statement of claim in this lawsuit to add certain allegations of material misrepresentations regarding Teleglobe's business plan.

BNP Paribas (Canada) Lawsuit

On December 23, 2004, BNP Paribas (Canada), a former plaintiff in the Teleglobe lending syndicate lawsuit action against BCE Inc., filed a statement of claim with the Ontario Superior Court of Justice. The action is against BCE Inc. and five former directors of Teleglobe Inc. The statement of claim was served on the defendants, subject to their right of challenging jurisdiction, on April 20, 2005. The statement of claim

alleges:

- oppression against the former directors
- breach of contract against BCE Inc.

BNP Paribas (Canada) seeks US$50 million in damages. Teleglobe Inc. was at the relevant time a subsidiary of BCE Inc. Pursuant to standard policies and subject to applicable law, the five former directors of Teleglobe Inc. are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

On September 15, 2005, the defendants filed a motion challenging the Ontario Superior Court of Justice's jurisdiction on the basis that Québec is the only convenient forum for adjudication of the plaintiff's claims.

The court dismissed the motion on August 16, 2006. An appeal was filed by the defendants and on August 7, 2007, the Ontario Court of Appeal dismissed the appeal. On November 20, 2007, the defendants filed their statement of defence.

Teleglobe Unsecured Creditor Lawsuit

On May 26, 2004, a lawsuit was filed in the United States Bankruptcy Court for the District of Delaware (which is now pending in the District Court for the District of Delaware) against BCE Inc. and ten directors and officers of Teleglobe Inc. and certain of its subsidiaries. The plaintiffs are comprised of Teleglobe Communications Corporation, certain of its affiliated debtors and debtors in possession, and the Official Committee of Unsecured Creditors of these debtors. The lawsuit alleges:

- breach of an alleged funding commitment of BCE Inc. towards the debtors
- misrepresentation by BCE Inc.
- breach and aiding and abetting breaches of fiduciary duty by the defendants.

The plaintiffs seek an unspecified amount of damages against the defendants.

In March 2006, the plaintiffs filed an amended complaint to add specific factual allegations. Due to an appeal by the defendants of a decision of the court on a preliminary matter, the trial, which was originally scheduled to commence on June 19, 2006, was postponed to a later date to be determined upon the disposition of the appeal of the defendants.

VarTec Lawsuit

On December 2, 2002, VarTec Telecom, Inc. and VarTec Holding Company (together referred to in this section as VarTec) filed a lawsuit against BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. in the United States District Court for the Northern District of Texas (Dallas division) now transferred to the United States District Court for the District of Columbia.

The claim alleges fraud and violation of the anti-fraud provisions of the *United States Securities Exchange Act of 1934* relating to VarTec's purchase of Excelcom, Inc., Excel Telecommunications (Canada) Inc. and Telco Communications Group, Inc. from a Teleglobe Inc. affiliate.

Among other things, the complaint alleges that the defendants misrepresented Teleglobe Inc.'s financial status and its ability to assume certain liabilities related to the transaction. The complaint claims that Teleglobe Inc.'s liabilities to VarTec from the transaction could be more than US$250 million. It also seeks punitive damages, but does not state an amount.

In February 2003, VarTec amended its complaint by removing a series of causes of action previously included in the complaint, including breach of contract, and that the court should disregard Teleglobe Inc. as a corporate entity and hold BCE Inc. responsible for its liabilities as Teleglobe Inc.'s alter ego.

On March 2, 2003, BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. filed a motion:

- to dismiss the action because of improper venue and on the merits for failure to state a claim for which relief may be granted and/or failure to plead fraud claims with sufficient particularity
- to strike VarTec's jury demand.

On May 7, 2007 the court issued a minute order denying the motion to dismiss .

On June 7, 2007 BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. filed an answer to VarTec's amended complaint.

Kroll Restructuring Lawsuit

On February 26, 2003, BCE Inc. was informed that Kroll Restructuring Ltd., in its capacity as interim receiver of Teleglobe Inc., had filed a notice of action in the Ontario Superior Court of Justice against five former directors of Teleglobe Inc. This lawsuit relates to Teleglobe Inc.'s redemption of its third series preferred shares in April 2001 and the retraction of its fifth series preferred shares in March 2001.

The statement of claim was filed on March 26, 2003 and was served to each of the directors in August and September 2003. On April 16, 2004, the defendants filed their statement of defense.

The plaintiff, now Kathy Morgan, in her capacity as plan administrator for Teleglobe Inc., is seeking a declaration that the redemption and retraction were prohibited under the *Canada Business Corporations Act* and that the five former directors should be held jointly and severally

liable to restore to Teleglobe Inc. all amounts paid or distributed on these transactions. These amounts total approximately $661 million, plus interest.

On February 26, 2007, the five former directors filed a third party claim in the Ontario Superior Court of Justice against the former third series preferred shareholders of Teleglobe Inc. As provided by the *Canada Business Corporations Act*, the third party claim seeks to recover from those former third series preferred shareholders any amounts the former directors may have to restore to Teleglobe Inc. as a result of this lawsuit, on account of the redemption of the third series preferred shares.

While BCE Inc. is not a defendant in this lawsuit, Teleglobe Inc. was a subsidiary of BCE Inc. when the redemption and retraction took place. Under standard policies and subject to applicable law, the five former Teleglobe Inc. directors are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

Teleglobe Plan Administrator Lawsuit

On November 16, 2005, Kathy Morgan, in her capacity as plan administrator for Teleglobe Inc., filed a lawsuit in the Ontario Superior Court of Justice against BCE Inc. and seven former directors of Teleglobe Inc. The plaintiff is seeking a declaration that Teleglobe Inc. and its creditors have been oppressed by the former directors of Teleglobe Inc. and by BCE Inc. within the meaning of the *Canada Business Corporations Act*. The plaintiff is also seeking a declaration that the former directors of Teleglobe Inc. breached their fiduciary duty to Teleglobe Inc. and failed to act in accordance with the standard of care prescribed under the *Canada Business Corporations Act*.

The plaintiff is seeking compensation for oppression in the amount of $3 billion and damages for breach of fiduciary duty in the amount of $3 billion, in each case plus interest and costs.

Teleglobe Inc. was a subsidiary of BCE Inc. when the acts or omissions alleged in the lawsuit would have taken place. Under standard policies and subject to applicable laws, the seven former directors are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

BCE Inc.'s directors and certain members of BCE Inc.'s senior management have certain interests in connection with the Privatization discussed under *General Development of Our Business – Three-Year History*.

DIRECTORS

To our knowledge, our directors beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 1,385,234 common shares of BCE Inc. representing approximately 0.17% of the common shares outstanding. All of the common shares held by BCE Inc.'s directors will be treated in the same fashion under the Arrangement as common shares held by any other shareholder of BCE Inc.

Each of the members of the Strategic Oversight Committee (other than the Chair of the Strategic Oversight Committee) will receive a flat fee of $50,000, and the Chair of the Strategic Oversight Committee will receive a flat fee of $100,000, in each case payable in cash by BCE Inc. as compensation for their additional work and efforts in connection with the strategic review process.

Anthony Fell, one of BCE Inc.'s directors, was, up to the end of 2007, the chairman and a director of RBC Dominion Securities Inc., and Victor L. Young, one of BCE Inc.'s directors, is a director of the parent bank of RBC Dominion Securities Inc. Additionally, Edward C. Lumley, one of BCE Inc.'s directors, is also the vice-chair and a director of BMO Nesbitt Burns Inc. Each of RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc. was engaged by BCE Inc. to act as co-financial advisor to the board regarding potential strategic alternatives aimed at enhancing shareholder value, including the provision of financial analysis and advice on structuring, planning and negotiating a transaction and the furnishing of fairness opinions as to the consideration to be received by BCE Inc. shareholders pursuant to the Privatization.

DIRECTOR COMPENSATION TABLE

Current personal share ownership and deferred share units held by BCE Inc.'s directors and payable upon the Arrangement becoming effective at $42.75 per common share or deferred share unit, being the price that will apply to any outstanding BCE Inc. common share upon closing of the Privatization, are presented in the following table.

Name	Personal ownership of Common Shares (#)[1]	Personal ownership of Common Shares ($)[1]	Vested DSUs (#)[2]	Vested DSUs ($)[2]
Bérard, André	1,120	$47,880	26,234	$1,121,484
Brenneman, Ronald A.	38,564	$1,648,611	22,171	$947,804
Currie, Richard J.	1,024,120	$43,781,130	31,401	$1,342,398
Fell, Anthony S.	91,500	$3,911,625	27,526	$1,176,725

Kaufman, Donna Soble	3,049	$130,345	25,766	$1,101,494
Levitt, Brian	2,573	$109,996	47,735	$2,040,684
Lumley, Edward C.	9,150	$391,163	19,916	$851,423
Maxwell, Judith	915	$39,116	18,113	$774,349
McArthur, John	889	$38,005	45,455	$1,943,219
O'Neill, Thomas C.	2,745	$117,349	10,446	$446,555
Pattison, James A.	91,500	$3,911,625	13,775	$588,867
Pozen, Robert C.	111,602	$4,770,985	39,022	$1,668,182
Tellier, Paul M.	1,555	$66,476	49,158	$2,101,518
Young, Victor L.	5,952	$254,448	17,787	$760,390

(1) None of our directors owned any BCE Inc. preferred shares, except P.M. Tellier who owned 4,000 Series AC preferred shares.

(2) Deferred share units may be redeemed before the Arrangement becomes effective as a result of retirement from the board. Deferred share units will be payable upon closing of the Privatization, as if the deferred share units had been converted into common shares on that date.

EXECUTIVE OFFICERS

To BCE Inc.'s knowledge, as at March 5, 2008, our executive officers, being the 15 members of the executive committee of BCE Inc. and Bell Canada (including the President and Chief Executive Officer), beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 502,669 BCE Inc. common shares, representing approximately 0.06% of BCE Inc.'s outstanding common shares. The number of common shares individually owned is set forth under the executive compensation table below. All of the BCE Inc. common shares held by our executive officers will be treated in the same fashion under the Arrangement as common shares held by any other BCE Inc. shareholder.

Our executive officers hold, in the aggregate, 685,823 deferred share units, all issued under BCE Inc.'s 1997 Share Unit Plan for Senior Executives and Other Key Employees and representing 59.7% of the outstanding deferred share units under such plan. These vested deferred share units were purchased at market prices by the executives who have elected to reinvest in securities of BCE Inc. some or all of their performance bonuses from previous years that would otherwise have been paid in cash. All vested deferred share units held by our executive officers will be treated in the same fashion under the Arrangement as common shares held by any other shareholder of BCE Inc., as if such deferred share units had been converted into common shares on the date of the closing of the Privatization. The consideration payable to our executive officers pursuant to the Arrangement in respect of their outstanding deferred share units is set forth in the executive compensation table below, as of March 5, 2008.

Our executive officers beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 5,997,357 stock options (of which 2,678,000 are unvested), representing approximately 34.1% of the stock options outstanding. Under the terms of the Arrangement, each stock option not yet vested at the time the Arrangement becomes effective shall be deemed to vest and be transferred to BCE Inc. in exchange for a cash amount equal to the amount by which $42.75 (being the price that will apply to any common share held by any other BCE Inc. shareholder) exceeds the exercise price of the option. The amounts payable to our executive officers as a result of the Privatization in respect of their unvested stock options are set forth in the executive compensation table below.

Given the uncertainty generally prevailing in potential change of control transactions, the Management Resources and Compensation Committee of the board of directors, as is customary in these circumstances, reviewed various human resource matters, such as retention of key personnel, to ensure that our ability to maintain the business and achieve an optimal outcome for our shareholders would not be damaged by the loss of critical personnel. Following such review, the board of directors, upon the recommendation of the Management Resources and Compensation Committee, approved the implementation of a retention policy and a change in control severance policy.

The retention policy was designed to foster appropriate focus on ongoing operations throughout the strategic review process and for a period following the closing of the Privatization. Upon announcement of the Privatization, all executives except our President and Chief Executive Officer (who declined to participate in the program) became eligible for a fixed retention payment in lieu of their restricted share units granted in 2006 (which is part of our mid-term incentive plan) for the performance period ending December 31, 2007 and that would have otherwise been payable (based on vesting percentage) in early 2008. Such restricted share units were cancelled as of December 31, 2007. In order to determine the retention payment, the Management Resources and Compensation Committee used a formula corresponding to the value of restricted share units already granted to executives plus an additional retention amount, the whole having an aggregate fixed value equal to the greater of (i) 1.25 times the executive's restricted share units held upon the announcement of the Privatization valued at $42.75 per BCE Inc. common share and (ii) one times the executive's base salary and target bonus as of the date that the Arrangement comes into effect. This design was used to set a fixed retention amount for each executive at the beginning of the retention period, June 30, 2007, to ensure the effectiveness of the retention policy. The overall value of the retention policy has not changed since June 30, 2007.

Our executives will be eligible for such retention incentive if employed by BCE Inc. or its subsidiaries on the earlier of (i) six months after the closing of the change in control transaction, and (ii) 12 months after the change in control transaction is announced (the retention period). The payment will be made at the end of the retention period, provided that 25% of such payment will be made upon the closing of the change in control transaction if it occurs earlier than the end of the retention period. The Privatization constitutes a "change in control" as defined in this policy. BCE Inc.'s President and Chief Executive Officer declined any payments under this retention policy. The value of the top-up amount

payable to our executive officers pursuant to the Arrangement is set forth in the executive compensation table below.

Wade Oosterman, President of Bell Mobility Inc. and Channels as well as Chief Brand Officer, has a passive investment in an affiliated fund of Madison Dearborn Partners which could be an owner of the purchasing entity under the Privatization. At the appropriate time, measures were taken to manage this potential conflict.

EXECUTIVE COMPENSATION TABLE

Current personal share ownership and compensation of the executive officers triggered by the completion of the Arrangement are presented in the following table.

Name	Title	Personal ownership of Common Shares (#)[1]	Personal ownership of Common Shares ($)[1][2]	Vested DSUs (#)[3]	Vested DSUs ($)[3]	Unvested stock options (#)[4]	Unvested stock options ($)[5]	Value of Retention beyond value of cancelled RSUs ($)[6]
Boisvert, Stéphane	President – Enterprise	1,361	$58,182	0	$0	130,000	$1,563,900	$935,176
Close, Ron	President - Bell New Ventures	6,006	$256,756	4,386	$187,509	0	$0	$1,946,888
Cope, George A. [7]	President and Chief Operating Officer	132,795	$5,676,986	0	$0	693,000	$9,984,750	$1,800,000
Crull, Kevin W.	President - Residential Services	5,594	$239,143	33,576	$1,435,359	155,000	$1,900,150	$3,219,405
Fox, William J.	Executive Vice-President - Communications and Corporate Development	17,656	$754,794	26,473	$1,131,716	110,000	$1,323,300	$946,888
Houle, Leo W.	Chief Talent Officer	12,281	$525,012	43,516	$1,860,316	100,000	$1,203,000	$852,197
Hunter, Lawson A.W.	Executive Vice-President and Chief Corporate Officer	11,430	$488,632	35,714	$1,526,785	130,000	$1,563,900	$1,230,962
Oosterman, Wade	President - Bell Mobility Inc. and Channels and Chief Brand Officer	94,043	$4,020,338	8,697	$371,809	130,000	$1,563,900	$1,257,329
Pichette, Patrick	President – Operations	15,120	$646,380	53,070	$2,268,730	190,000	$2,285,700	$1,230,962
Roman, Eugene [8]	Group President - Systems and Technology	15,757	$673,611	23,819	$1,018,264	130,000	$1,563,900	$1,230,962
Sabia, Michael J.	President and Chief Executive Officer of BCE Inc. – Chief Executive Officer of Bell Canada	137,571	$5,881,160	319,506	$13,658,882	450,000	$5,413,500	$0

Name	Title	Personal ownership of Common Shares (#)[1]	Personal ownership of Common Shares ($)[1][2]	Vested DSUs (#)[3]	Vested DSUs ($)[3]	Unvested stock options (#)[4]	Unvested stock options ($)[5]	Value of Retention beyond value of cancelled RSUs ($)[6]
Sheriff, Karen H.	President - Small and Medium Business	12,021	$513,897	43,514	$1,860,220	130,000	$1,563,900	$1,230,962
Thomson, L. Scott	Executive Vice-President - Corporate Development and Planning	12,792	$546,858	30,464	$1,302,329	110,000	$1,323,300	$1,245,777
Turcotte, Martine	Chief Legal Officer	16,457	$703,536	23,254	$994,126	110,000	$1,323,300	$946,888
Vanaselja, Siim A.	Chief Financial Officer	11,783	$503,723	39,833	$1,702,873	110,000	$1,323,300	$1,136,271

(1) These shares were purchased by the executive officers and were not granted or awarded by BCE Inc. None of BCE Inc.'s executive officers owns any preferred shares.
(2) Common shares are valued at $42.75 per common share, being the price that will apply to any outstanding BCE Inc. common share upon closing of the Privatization.
(3) These vested deferred share units were purchased at market prices by the executives who have elected to reinvest in securities of BCE Inc. some or all of their performance bonuses from previous years that would otherwise have been paid in cash. Deferred share units are valued, before applicable withholdings, at $42.75 per unit, being the price that will apply to any BCE Inc. outstanding common share upon closing of the Privatization, as if the deferred share units had been converted into common shares on that date. Deferred share units may be redeemed before the effective date of the Arrangement as a result of employment termination.
(4) Assuming none of the stock options becoming vested prior to the effective time on the effective date of the Arrangement is exercised.
(5) Represents the amount that the consideration per common share ($42.75) exceeds the exercise price of the option, before applicable withholdings. The consideration per common share will apply to any outstanding BCE Inc. common share upon closing of the Privatization.
(6) An amount of $19,210,670 will be payable to BCE Inc.'s executive officers over the actual value of their regular restricted share units which have been cancelled and would have otherwise vested as per the vesting percentage approved by the board. Such retention amounts have been adjusted from previous disclosure to reflect a lower value of restricted share units based on actual vesting, as of December 31, 2007. Accordingly, there has been a change in the proportion attributable to the value of restricted share units which would have vested and the value of additional retention amounts but the overall value of the retention policy fixed on June 30, 2007 remains unchanged at $38,788,311. No changes were made to the retention policy since June 30, 2007. Amounts shown are subject to applicable withholdings.
Mr. Sabia declined any payments under this retention policy. According to his employment agreement, his unvested restricted share units will vest upon completion of the Arrangement, providing an estimated benefit of $6.8 million at a price of $42.75 per common share. Mr. Close was allocated an additional amount for retention purposes.
(7) The 693,000 options include 443,000 options granted to Mr. Cope to replace non-performance-based options granted by his former employer.
(8) Mr. Roman will be credited with up to five years of service to qualify for an immediate pension in the event of involuntary termination (for reason other than cause) further to a change in control.

In recognition of their performance and increased responsibilities and workload in connection with the strategic review process, the board at its discretion and upon the recommendation of the Management Resources and Compensation Committee may pay bonuses to certain executives and key employees involved in the transaction in an aggregate amount of up to $25 million (and not exceeding 10% of that amount for any individual). Some of these payments may be awarded to executive officers.

CHANGE OF CONTROL AGREEMENTS

We have also implemented a change in control severance policy for certain designated levels of executives, including the executive officers, pursuant to which such executive officers will be eligible to

receive a change in control severance payment in the event of (i) a termination of employment (for reason other than cause) at BCE Inc. or its subsidiaries' discretion within 24 months following a change in control, (ii) a constructive dismissal within 24 months following a change in control invoked within six months of occurrence of the constructive dismissal event, (iii) a voluntary resignation in the 13th month following a change in control, or (iv) a termination of employment (for reason other than cause) at BCE Inc. or its subsidiaries' discretion within 12 months prior to a change in control. For executive officers, the severance payment will be equal to 2.5 times their base salary and target bonus (3.0 for Mr. Sabia as per his current contractual arrangement and without duplication). During the severance period, health benefits and life insurance coverage will be maintained (or ceased earlier if benefits are secured elsewhere) and years of pensionable service will be credited for pension calculation

purposes. The completion of the Privatization will constitute a “change in control” as defined in this policy. The policy provides for non-competition, non-solicitation, non-disparagement and confidentiality restrictions for a period equal to the duration of the severance benefit.

At the time he was appointed President and Chief Executive Officer in April 2002, Mr. Sabia entered into a written employment agreement with BCE Inc. None of these contractual provisions have changed as a result of the Privatization. For more details, see *Report on Executive Compensation – Chief Executive Officer’s Compensation*.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND EXECUTIVE OFFICERS

Pursuant to the definitive agreement, from and after the time that the Arrangement becomes effective, the Purchaser has agreed, and agreed to cause BCE Inc. to, indemnify and hold harmless, to the fullest extent permitted under applicable law (including with respect to the advancement of expenses as incurred), each present and former director, officer, trustee and employee of BCE Inc. and its subsidiaries against any costs or expenses (including reasonable attorneys’ fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, inquiry, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such indemnified person’s service as a director, officer, trustee or employee of BCE Inc. and/or any of its subsidiaries or services performed by such persons at the request of BCE Inc. and/or any of its subsidiaries at or prior to or following the effective time of the Arrangement.

Prior to the Arrangement becoming effective, BCE Inc. has agreed, and if BCE Inc. is unable to, the Purchaser has agreed to cause BCE Inc. as of the effective time of such Arrangement, to obtain and fully pay the premium for the extension of the directors’, officers’, trustees’ and employees’ liability coverage of BCE Inc.’s and its subsidiaries’ existing directors’, officers’, trustees’ and employees’ insurance policies for a claims reporting or run-off and extended reporting period and claims reporting period of at least six years from and after the effective time of the Arrangement with respect to any claim related to any period or time at or prior to such effective time from an insurance carrier with the same or better credit rating as BCE Inc.’s current insurance carriers with respect to directors’, officers’, trustees’ and employees’ liability insurance, and with terms, conditions, retentions and limits of liability that are no less advantageous to the indemnified persons than the coverage provided under BCE Inc.’s and its subsidiaries’ existing policies. If BCE Inc. for any reason fails to obtain such “run off” insurance policies as of the effective time of the Arrangement, BCE Inc. has agreed to continue to maintain in effect for a period of at least six years from and after such effective time the directors’, officers’, trustees’ and employees’ liability insurance in place as of June 29, 2007, or purchase comparable directors’, officers’, trustees’ and employees’ liability insurance for such six-year period with terms, conditions, retentions and limits of liability that are at least as favourable to the indemnified persons as provided in BCE Inc.’s existing policies as of June 29, 2007.

INTERESTS OF EXPERTS

NAMES OF EXPERTS

Davies Ward Phillips Vineberg LLP and Stikeman Elliott LLP each provided a tax opinion in connection with the BCE Special Meeting Proxy Circular.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Goldman, Sachs & Co. and RBC Dominion Securities Inc. were engaged as co-financial advisors to the BCE Inc. board of directors, and Greenhill & Co. Canada Ltd. was engaged to act as financial advisor to the Strategic Oversight Committee, regarding potential strategic alternatives aimed at enhancing shareholder value. As described in the BCE Special Meeting Proxy Circular, each such firm delivered to the BCE Inc. board of directors and/or the Strategic Oversight Committee, as the case may be, certain fairness opinions in connection with the Privatization.

More information with respect to the strategic review process and the Privatization can be found under *General Development of Our Business - Three-Year History*.

INTERESTS OF EXPERTS

As of December 31, 2007, neither Davies Ward Phillips Vineberg LLP or Stikeman Elliott LLP and their respective designated professionals beneficially owned, directly or indirectly, or exercised control or direction over more than 1% of any class of BCE Inc.’s outstanding securities or more than 1% of each class of securities of any of BCE Inc.’s associates or affiliates.

BMO Nesbitt Burns Inc. acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, has, may have had, or may in the future have, positions in the securities of BCE Inc. In addition, BMO Nesbitt Burns Inc., from time to time, may have executed or may execute transactions on behalf of BCE or on behalf of other clients for which BMO Nesbitt Burns Inc. received or may receive compensation. As an investment dealer, BMO Nesbitt Burns Inc. conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to BCE.

CIBC World Markets Inc. acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of BCE Inc. or any of its affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation.

Goldman, Sachs & Co. and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman, Sachs & Co. and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other

obligations) of BCE Inc. and its affiliates.

RBC Dominion Securities Inc. acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of BCE Inc. or any of its associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC Dominion Securities Inc. conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to BCE Inc. or any of its associates and affiliates.

MATERIAL CONTRACTS

The only contract that is material to BCE Inc. (other than contracts entered into in the ordinary course of business) and that was entered into within the year ended December 31, 2007 or before such year but which is still in effect is the definitive agreement made as of June 29, 2007 between the Purchaser and BCE Inc. (including the schedules thereto), as amended on July 12, 2007. Please refer to BCE Inc.'s material change report dated July 5, 2007 available on SEDAR at www.sedar.com for the particulars of the definitive agreement, which material change report is incorporated herein by reference.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares and preferred shares of BCE Inc. in Canada is Computershare at its principal offices in Montréal and Toronto and in the United States is Computershare Trust Company, Inc. at its principal offices in Denver and New York.

The registrar for BCE Inc.'s debt securities is Computershare Trust Company of Canada, in Montréal, and debt securities may be presented for registration or transfer, at the principal office of Computershare in the cities of Halifax, Montréal, Toronto, Calgary or Vancouver.

The register for Bell Canada's debentures is kept at the principal office of CIBC Mellon, in Montréal, and facilities for registration, exchange and transfer of the debentures are maintained at the principal offices of CIBC Mellon in Halifax, Montréal, Toronto, Winnipeg, Calgary and Vancouver. The co-registrar for Bell Canada's series ES debentures is Bank of Montreal Trust Company, in New York, and the series ES debentures may be presented for registration, transfer or exchange at the office of the Bank of Montreal Trust Company in New York.

The register for Bell Canada's subordinated debentures is kept at the principal office of Computershare Trust Company of Canada, in Montréal, and facilities for registration, exchange and transfer of the subordinated debentures are maintained at the principal offices of Computershare in Halifax, Montréal, Toronto, Calgary and Vancouver.

FOR MORE INFORMATION

DOCUMENTS YOU CAN REQUEST

You can ask us for a copy of any of the following documents:

- this annual information form, together with any document, or the relevant pages of any document, incorporated by reference into it
- BCE Inc.'s most recent annual report, which includes the comparative financial statements and management's discussion and analysis for the most recently completed financial year together with the accompanying auditors' report
- any interim financial statements that were filed after the financial statements for the most recently completed financial year
- any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus and are not listed above.

Please send your request to the Corporate Secretary of BCE Inc., at 1000, rue de La Gauchetière Ouest, Suite 3700, Montréal, Québec H3B 4Y7.

We will send you the documents at no charge when our securities are being distributed under a preliminary short form prospectus or short form prospectus.

At any other time, we may charge you a reasonable fee if you or the company you work for is not a security holder of BCE Inc.

You can also ask us for a copy of the annual and quarterly management's discussion and analysis of BCE Inc. by contacting the Senior Vice-President – Finance and Investor Relations of BCE Inc., at 1000 de La Gauchetière Street West, Suite 3700, Montréal, Québec H3B 4Y7 or by sending an e-mail to investor.relations@bce.ca.

OTHER INFORMATION ABOUT BCE INC.

The above documents, as well as BCE Inc.'s annual and quarterly reports and news releases, are also available on BCE Inc.'s website at www.bce.ca.

Additional information relating to BCE Inc. is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Additional financial information is provided in the BCE 2007 MD&A and the BCE 2007 Financial Statements.

Shareholder inquiries	1-800-561-0934
Investor relations	1-800-339-6353

SCHEDULE 1 —STATEMENT OF CORPORATE GOVERNANCE PRACTICES[1]

BOARD OF DIRECTORS

The board has overall responsibility for the supervision of the management of BCE Inc.'s business in our best interests. In exercising this responsibility, the board must act in accordance with a number of rules and standards, including:

- the *Canada Business Corporations Act*
- the *Bell Canada Act*
- other laws that apply to telecommunications companies
- laws of general application
- BCE Inc.'s articles and by-laws
- BCE Inc.'s administrative resolution and the written charters of the board and each of its committees
- BCE Inc.'s Code of Business Conduct, Complaint Procedures for Accounting and Auditing Matters and other internal policies.

In 2007, the board held seven regularly scheduled meetings and 16 special meetings. At each regularly scheduled meeting, the directors meet without management and without the non-independent directors. Each such *in camera* session was chaired by Richard J. Currie, chair of the board of BCE Inc.

Role of the Board of Directors

The board has approved its written mandate, which is attached as Schedule 1A to this annual information form. The mandate can also be found in the governance section of BCE Inc.'s website at www.bce.ca. Some of the duties and responsibilities of the board are first reviewed and recommended by the appropriate committee and then submitted to the full board for its consideration and approval.

The board also established an administrative procedure which sets out rules governing the approval of transactions carried out in the ordinary course of BCE Inc.'s operations. These rules also provide for the delegation of authority and the signing or execution of documents on behalf of BCE Inc.

Measures for receiving feedback from interested parties have also been established by the board. BCE Inc. has 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 514-786-8424. For any complaints and/or concerns with respect to BCE Inc.'s accounting, internal accounting controls or auditing matters, interested parties should consult BCE Inc.'s Complaint Procedures for Accounting and Auditing Matters on BCE Inc.'s website at www.bce.ca.

The board and each committee may hire outside advisors at BCE Inc.'s expense. With the approval of the Corporate Governance Committee, individual directors may also hire outside advisors.

Composition of the Board of Directors and Nomination of Directors

In terms of the composition of BCE Inc.'s board, the objective is to have a sufficient range of skills, expertise and experience to ensure that the board can carry out its responsibilities effectively. Directors are chosen for their ability to contribute to the broad range of issues with which the board routinely deals.

1 You will find a summary of the differences between our governance practices and the New York Stock Exchange governance rules in the governance section of BCE Inc.'s website at www.bce.ca.

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 Corporate Governance Committee receives suggestions for board candidates from individual board members, the Chief Executive Officer, shareholders and professional search organizations. On a regular basis, the Corporate Governance Committee 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.

Independence of the Board of Directors

It is the board's policy that at least a majority of its members must be independent. Acting on the recommendation of the Corporate Governance Committee, 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. To guide this analysis, the board has adopted director independence standards. These standards are consistent with National Instrument 58-101 – *Corporate Governance Guidelines* and the New York Stock Exchange governance rules and can be reviewed in the governance section of BCE Inc.'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 such rules.

Evaluating the information provided by each director against the independence standards outlined above, the board determined that all of BCE Inc.'s directors (with the exception of BCE Inc.'s President and Chief Executive Officer, Mr. M.J. Sabia) do not have a material relationship with BCE and are considered to be independent under National Instrument 58-101 – *Corporate Governance Guidelines* and the New York Stock Exchange governance rules. Because he is an officer of BCE Inc., Mr. Sabia is not considered to be independent under these rules.

Certain directors may be partners in or hold other positions with entities that provide legal, financial or other services to BCE. The board has reviewed these relationships and has determined that each of these directors is independent on the basis that:

- the amount of fees received by such entities for services rendered 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 in the ordinary course of our respective businesses
- we are at liberty to choose from among other service providers which maintain similar quality standards.

Chair of the Board of Directors

BCE Inc.'s by-laws provide that directors may determine from time to time whether the Chair should be an officer of BCE Inc. or 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" who 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 and is considered independent under National Instrument 58-101 – *Corporate Governance Guidelines* and the New York Stock Exchange governance rules.

The detailed mandate of the board Chair is included in the mandate of the board, which can be found in Schedule 1A and in the governance section of BCE Inc.'s website at www.bce.ca.

Expectations and Personal Commitments of Directors

The board expects all of its members to comply with the BCE Inc.'s Statement of Corporate Governance Principles & Guidelines. Members are also expected to comply with BCE Inc.'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 below under *Directors' Compensation* for details) and the Code of Business 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 Inc. 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.

The Corporate Governance Committee is also responsible for administering BCE Inc.'s policy on directors' attendance at meetings of the board and its committees. Under this policy, the Corporate Secretary must report to the Corporate Governance Committee any director who did not attend at least 75% of the board and committee meetings held in the year.

Directors must follow the procedure for declaration of interest and changes in their principal occupation. The procedure is designed to enable the Corporate Governance Committee to be notified in a timely fashion of any change in a director's external directorships and principal occupation, and to permit the Corporate Governance Committee 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 Corporate Governance Committee.

BCE Inc.'s conflict of interest guidelines for directors set 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 BCE’s business. The Corporate Governance Committee assists new directors in becoming acquainted with BCE and its governance processes and encourages continuing education opportunities for all members of the board.

All directors have regular access to senior management to discuss board presentations and other matters of interest. We also provide directors with a comprehensive reference manual containing information about our various businesses and special legislation affecting us and our investments. The reference manual also covers the structure and responsibilities of the board and its committees, the legal duties and liabilities of directors, BCE Inc.’s articles and by-laws, Statement of Corporate Governance Principles & Guidelines and other significant policies.

The board adopted guidelines with respect to directors’ attendance at external continuing education programs under which BCE Inc. reimburses the costs of attendance. In recognition of the rapidly

changing technology and competitive environment in our business, the board from time to time at regularly scheduled meetings requires management to provide an in-depth review of the business segments in which we operate, as well as our industry in general.

Board of Directors Assessments

As part of its charter, the Corporate Governance Committee develops and oversees a process to enable each director to assess the effectiveness and performance of the board and its Chair, the board committees and their respective Chairs and themselves as a member of the board. The assessment process is conducted through one-on-one meetings. Each director meets first 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 Corporate Governance Committee Chair (if they serve on the Corporate Governance Committee), and their own performance as a member of the board. Next, each director meets with the Chair of the Corporate Governance Committee to discuss the performance of the Chair of the board and the Chair of each committee (other than the Corporate Governance Committee Chair) on which they serve. To facilitate these meetings, a written guide (approved by the Corporate Governance Committee) is given to each member of the board for their review and use in preparing for these meetings. The guide includes 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 of meeting materials to directors. Following the one-on-one meetings, an in camera session of the board is held at which the board discusses and reviews feedback from the one-on-one meetings and considers the appropriateness of any modifications or enhancements to the effective performance of the board, its committees, the Chair of the board, the respective Chairs of the board committees and individual directors.

COMMITTEES OF THE BOARD OF DIRECTORS

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. It is BCE Inc.’s policy that each of the Audit Committee, the Management Resources and Compensation Committee and the Corporate Governance Committee must be comprised solely of independent directors. As well, none of the members of the Audit Committee has directly or indirectly accepted any consulting, advisory or other compensatory fee from BCE, 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 Multilateral Instrument 52-110 – *Audit Committee* and the New York Stock Exchange governance rules.

		All Members	
Committee	**Members**	**Independent?**	**Number of Meetings Held in 2007**
Audit	T.C. O’Neill (Chair) A. Bérard A.S. Fell J. Maxwell	Yes	6 (including 1 special meeting)
	V.L. Young		
Corporate Governance	D. Soble Kaufman (Chair) A. Bérard E.C. Lumley J.H. McArthur	Yes	7 (including 3 special meetings)
	J.A. Pattison		
Management Resources and Compensation	R.J. Currie (Chair) R.A. Brenneman A.S. Fell J.H. McArthur	Yes	6 (including 2 special meetings)
	R.C. Pozen		
Pension Fund	R.C. Pozen (Chair)	Yes	4

	R.A. Brenneman B.M. Levitt P.M. Tellier		
	V.L. Young		

The complete charter of each board committee can be found in the governance section of BCE Inc.'s website at www.bce.ca and the Audit Committee charter is attached as Schedule 1B to this annual information form. As well, the position description of the committee Chairs is detailed in the corresponding committee charter. At each regularly scheduled board meeting, each committee of the board of directors, through the committee Chair, provides a report to the board on its activities.

Audit Committee

The purpose of the Audit Committee is to assist the board in its 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 auditor
- the performance of both the external and internal auditors
- BCE Inc.'s management's responsibility for reporting on internal controls and risk management.

Members' Financial Literacy, Expertise and Simultaneous Service

Under the *Sarbanes-Oxley Act* and related United States Securities and Exchange Commission rules and New York Stock Exchange governance rules, BCE Inc. is required to disclose whether its Audit Committee members include at least one "audit committee financial expert," as defined by these rules. In addition, Multilateral Instrument 52-110 – *Audit Committees* and the New York Stock Exchange governance rules require that all audit committee members be financially literate.

The board has determined that all the members of the Audit Committee are financially literate and 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 an "audit committee financial expert." The table below indicates the relevant education and experience of all the Audit Committee members.

Relevant Education and Experience

T.C. O'Neill – Chair	Mr. O'Neill has been a director on the BCE Inc. board since January 2003. He is also Chair of the Audit Committee. He was Chairman and Chief Executive Officer of Price Waterhouse Canada from 1996 to 1998. He was Chief Executive Officer of PricewaterhouseCoopers LLP in Canada from 1998 to 2001 and was Chief Operating Officer of PricewaterhouseCoopers LLP Global Organization from 2000 until January 2002. He also served as Chief Executive Officer of PricewaterhouseCoopers Consulting from January 2002 to May 2002 and then as Chairman of the Board until October 2002. A graduate of Queen's University, Mr. O'Neill received his CA designation in 1970 and was awarded the FCA designation in 1988.
A. Bérard	Mr. Bérard has been a director on the BCE Inc. board since January 2003. He previously served as Chief Executive Officer of the National Bank of Canada from September 1990 to March 2002. He also served as Chairman of the Board at the National Bank of Canada from September 1990 to March 2004. Mr. Bérard holds a Fellow's Diploma from the Institute of Canadian Bankers and was Chairman of the Executive Council of the Canadian Bankers' Association from 1986 to 1988.
A.S. Fell	Mr. Fell has been a director on the BCE Inc. board since January 2002. He was Chairman of the Board at RBC Dominion Securities Limited from December 1999 until December 2007. Mr. Fell was also previously the Chairman of the Board and Chief Executive Officer of RBC Dominion Securities Limited from 1992 to December 1999. He is also a director and Chair of the Board of Munich Reinsurance Corporation of Canada. He was also, until June 2005, Chairman of the University Health Network Trustees.
J. Maxwell	Ms. Maxwell has been a director on the BCE Inc. board since January 2000. She is currently a research fellow of the Canadian Policy Research Networks Inc. since January 2006 and served as President from 1995 until January 2006. Prior to this appointment, she was Associate Director of the School of Political Studies at Queen's University. She acted as Chair of the Economic Council of Canada from 1985 to 1992. Prior to 1985, Ms. Maxwell worked as a consultant and as Director of Policy Studies at the C.D. Howe Institute.
V.L. Young	Mr. Young has been a director on the BCE Inc. board since May 1995. He was Chairman and Chief Executive Officer of Fishery Products International Limited from 1984 until May 2001, earning the distinction of CEO of the Year from the Financial Times in 1994. He also served as Deputy Minister of the Treasury Board and special advisor to the Premier of Newfoundland and Labrador, as well as Chief Executive Officer of Newfoundland Hydro. Mr. Young holds an MBA from the University of Western Ontario.

The New York Stock Exchange governance rules require that if an audit committee member serves simultaneously on the audit committee of more than three public companies, the board of directors must determine and disclose that this simultaneous service does not impair the ability

of the member to effectively serve on the audit committee. In addition to serving on BCE Inc.'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 Inc.'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 corporations' boards of directors and audit committees
- each has extensive accounting and financial knowledge and experience, which serves the best interests of BCE Inc.
- each makes valuable contributions to BCE Inc.'s Audit Committee.

External Auditor's Fees

The table below shows the fees that Deloitte & Touche LLP billed to BCE Inc. and its subsidiaries for various services for each year in the past two fiscal years.

	2007 (in $ millions)	**2006 (in $ millions)**
Audit fees (1)	16.2	13.6
Audit-related fees (2)	3.8	5.2
Tax fees (3)	0.8	0.9
Other fees (4)	—	—
Total	20.8(5)	19.7(5)

(1) These fees include professional services provided by the external auditors for the review of the interim financial statements, statutory audits of the annual financial statements, the audit of the effectiveness of internal control over financial reporting, the review of prospectuses, the review of financial accounting and reporting matters, other regulatory audits and filings and translation services.

(2) These fees relate to non-statutory audits, due diligence, pension plan audits and the review of financial accounting and reporting matters.

(3) These fees include professional services for tax compliance, tax advice and assistance with tax audits and appeals.

(4) These fees include any other fees for permitted services not included in any of the above-stated categories. No such services were provided in the last two fiscal years.

(5) The amounts of $20.8 million for 2007 and $19.7 million for 2006 reflect fees billed in those fiscal years without taking into account the year to which those services relate. However, total fees for services provided for each fiscal year amounted to $13.5 million in 2007 and $26.7 million in 2006.

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to assist the board in:

- developing and implementing BCE Inc.'s corporate governance 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.

Directors' Compensation

The Privatization will affect the compensation of our directors in a manner that may differ from the following discussion. See *Interest of Management and Others in Material Transactions* for a discussion of the treatment of deferred share units and compensation of the members of the Strategic Oversight Committee in connection with the Privatization.

In designing a compensation program for non-management directors, the objective is to ensure that BCE Inc. attracts and retains highly qualified, committed and talented members of the board, with an extensive and relevant breadth of experience, as well as to align the interests of directors with those of its shareholders.

The board sets the compensation of non-management directors based on the Corporate Governance Committee's recommendations. The

Corporate Governance Committee regularly reviews the compensation of non-management directors and recommends to the board such adjustments as it considers appropriate and necessary to recognize the workload, time commitment and responsibility of the board and committee members and to remain competitive with director compensation trends in North America. Any director who is also an employee of BCE Inc. or any of its subsidiaries does not receive any compensation as a director.

The Corporate Governance Committee adopted parameters for the setting of non-management director remuneration which are based on a comparator group which is substantially the same as the applicable publicly traded companies included in the peer group of comparator companies (Canadian and U.S.) that is used by the Management Resources and Compensation Committee 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 *Executive Compensation — Total Compensation*).

Annual Compensation

Directors receive an annual flat fee and do not receive additional retainers or attendance fees. The annual fee for each position is paid on a quarterly basis. The annual fees established for 2007 are set out below. During 2007, directors were entitled to elect to receive their annual 2007 fees in cash or in the form of deferred share units (see *Directors' Share Unit Plan*).

Position		Annual Fee
•	Non-management directors who live in 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	$225,000

Directors' Share Unit Plan

During 2007 directors were entitled to elect to receive their annual 2007 fees in the form of deferred share units under the Share Unit Plan for Non-Employee Directors (1997). Considering the Privatization, the board determined that effective January 1, 2008, all directors' annual 2008 fees are payable solely in cash.

Each director has an account where deferred share units are credited and held until the director leaves the board. The number of deferred share units credited to each director's account is calculated by dividing the amount of the quarterly fee payment by the common share price on the day the credit is made.

Holders of deferred share units are credited additional units that are equal to the dividends declared on BCE Inc.'s common shares. Additional deferred share units are credited to each non-management director's account on each dividend payment date. The number of deferred share units is calculated using the same rate as the dividends paid on the common shares.

When a director retires from the board, BCE Inc. will buy the same number of common shares on the open market as the number of deferred share units the director holds in the Share Unit Plan for Non-Employee Directors (1997), after deducting appropriate taxes. These shares are then delivered to the former director.

Compensation of Directors of Subsidiary Boards of Directors

The directors' annual flat fee also compensates non-management directors for their services as directors of subsidiaries whose common shares or units are not publicly traded, including Bell Canada. BCE Inc. directors who sit on boards of directors of subsidiaries whose common shares or units are publicly traded may also receive compensation from such publicly traded subsidiaries.

Minimum Share Ownership Requirement

The board has established a minimum share ownership requirement for non-management directors under which each such director must own at least 10,000 shares or deferred share units. They must meet this requirement within five years of first being elected to the board or November 26, 2002 (when this requirement was adopted), whichever is later. As of the date of this annual information form, all non-management directors had previously met this minimum share ownership requirement.

Management Resources and Compensation Committee

The purpose of the Management Resources and Compensation Committee is:

- to assist the board in its oversight responsibilities concerning compensation, nomination, evaluation, and succession of officers and other management personnel
- to oversee BCE Inc.'s health and safety policies and practices.

Composition of the Management Resources and Compensation Committee

The Management Resources and Compensation Committee is currently made up of five independent directors: Mr. R.J. Currie (Chair), Mr. R.A. Brenneman, Mr. A.S. Fell, Mr. J.H. McArthur and Mr. R.C. Pozen.

The members of the Management Resources and Compensation Committee have certain interests in connection with the Privatization. For more information, see *Interest of Management and Others in Material Transactions*.

Compensation Advice

In 2007, BCE Inc. and Bell Canada retained the firms of Towers Perrin and Hewitt Associates to provide expertise and advice in connection with the compensation market review for our executive positions. Towers Perrin also provided expertise and advice on the design of executive compensation programs and policies. BCE Inc. and Bell Canada paid a total of $36,000 to Towers Perrin and $79,479 to Hewitt

Associates for services rendered. Towers Perrin was also used to provide advice on specific compensation issues for other management personnel. BCE Inc. and Bell Canada also retained the services of Exequity, LLP to provide expertise and advice on various human resources matters mainly in connection with the Privatization, such as the design of a retention policy and a change in control severance policy. BCE Inc. and Bell Canada paid a total of US$61,745 to Exequity, LLP for services rendered in 2007.

Compensation of Officers

Please see *Officers' Compensation* for information on the compensation of BCE Inc.'s President and Chief Executive Officer, BCE Inc.'s Chief Financial Officer and other officers, and on details of the process by which the board determines the compensation of officers based on the recommendations of the Management Resources and Compensation Committee.

Pension Fund Committee

The purpose of the Pension Fund Committee is to assist the board in its oversight responsibilities related to:

- the administration, funding and investment of BCE Inc.'s pension plans and fund
- the unitized pooled fund sponsored by BCE Inc. for the collective investment of the fund and the participant subsidiaries' pension funds.

CHIEF EXECUTIVE OFFICER

BCE Inc.'s Chief Executive Officer has primary responsibility for the management of the business and affairs of BCE Inc. As such, the Chief Executive Officer, subject to the board's approval, develops BCE Inc.'s strategic and operational orientation. In so doing, the Chief Executive Officer provides leadership and vision for the effective overall management, profitability and growth of BCE Inc., 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 Inc.'s activities. The board approved a written position description for the Chief Executive Officer, a copy of which is attached at Schedule 1C to this annual information form and is also available in the governance section of BCE Inc.'s website at www.bce.ca.

ETHICAL BUSINESS CONDUCT

We have an Ethics and Policy Management Group which provides regular reports to the Corporate Governance Committee and the Audit Committee. This group was formed to strengthen our governance practices, our ethics program and our oversight of corporate policies across BCE.

The Ethics and Policy Management Group has responsibility, among others, for:

- the oversight of BCE's ethics program, including the Code of Business Conduct and ethics training
- our anonymous 24/7 Employee Help Line that assists employees with any ethical issues
- our complaint tool allowing for anonymous reporting of issues relating to questionable accounting, internal controls, auditing matters or corporate fraud
- the oversight of BCE's corporate policy management framework designed to improve employee awareness and access to some of the core corporate policies and business unit-specific practices, processes and procedures.

Corporate Policies

The most significant corporate-wide policies with respect to business ethics are the Code of Business 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 Inc.'s website at www.bce.ca.

Code of Business Conduct

Our Code of Business Conduct provides various rules and guidelines for ethical behaviour based on BCE's values, applicable laws and

regulations and corporate policies. The Code of Business Conduct applies to all employees, officers and directors. In recognition of the important role of the directors and senior management personnel in demonstrating their commitment to and support of BCE's ethics program, as embodied in the values and rules set out in the Code of Business Conduct, the board requires all directors, officers and vice-presidents to certify annually their compliance with the Code of Business 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 Business Conduct. In addition, all new employees are required to complete an online training course on the Code of Business 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 Ethics and Policy Management Group. The Ethics and Policy Management Group is responsible for managing 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 Business Conduct applicable to employees, all officers and vice-presidents are required to disclose to the Ethics and Policy Management Group any potential or actual conflicts of interest. Any actual or potential conflict of interest is resolved by the Ethics and Policy Management Group or the Chief Legal Officer.

BCE Inc. considers it vital that employees have the most effective tools to pose questions or raise issues concerning any ethical dilemma. Our Employee Help Line can be accessed either by telephone or online on a completely anonymous and confidential 24/7 basis, to pose questions or report concerns relating to issues under the Code of Business 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 online, responds to requests for additional information (when required) and provides BCE with an auditable record of issues raised.

Complaint Procedures for Accounting and Auditing Matters

The Audit Committee established procedures for receiving, filing and handling complaints that BCE Inc. 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 Inc. or any of its subsidiaries, if such activity is deemed material by the Chief Legal Officer.

The Audit Committee also established "whistleblowing" procedures for confidentially and anonymously submitting concerns from employees about questionable accounting or auditing matters. To this end, BCE developed an internal online 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 an Employee Help Line which can be accessed either by telephone or online on a completely anonymous and confidential 24/7 basis.

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. The disclosure policy was adopted to govern our

communications to the investment community, the media and the general public. This policy was 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. All officers and vice-presidents are required to certify annually their compliance with the disclosure policy.

Auditor Independence Policy

BCE Inc.'s Auditor Independence Policy is a comprehensive policy governing all aspects of BCE Inc.'s relationship with its external auditors, including:

- establishing a process for determining whether various audit and other services provided by the external auditors affect their independence
- identifying the services that the external auditors may and may not provide to BCE.
- pre-approving all services to be provided by the external auditors of BCE.
- establishing a process outlining procedures when hiring current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained.

Oversight and Reports

The board is responsible for ensuring that BCE's 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 Corporate Governance Committee and the Audit Committee support the board in its oversight of BCE's ethics program. The Corporate Governance Committee 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 Ethics and Policy Management Group on the number, nature and scope of issues raised under the Code of Business 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 Ethics and Policy Management Group 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 Business Conduct.

The Chair of the Audit Committee is notified by either the Chief Legal Officer or internal audit 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.

SCHEDULE 1A — BOARD MANDATE

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.

SCHEDULE 1B — AUDIT COMMITTEE CHARTER

I. PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in its oversight of:

A. the integrity of the Corporation's financial statements and related information;

B. the Corporation's compliance with applicable legal and regulatory requirements;

C. the independence, qualifications and appointment of the shareholders' auditor;

D. the performance of the Corporation's shareholders' auditor and internal audit; and

E. management responsibility for reporting on internal controls and risk management.

II. DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board of Directors. In particular, the Audit Committee shall have the following duties and responsibilities:

A. FINANCIAL REPORTING AND CONTROL

1. On a periodic basis, review and discuss with management and the shareholders' auditor the following:

   a. major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;

   b. analyses prepared by management and/or the shareholders' auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements when such alternatives have been selected in the current reporting period;

   c. the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;

   d. the type and presentation of information to be included in earnings press releases (including any use of pro-forma or adjusted non-generally accepted accounting principles, information).

2. Meet to review and discuss with management and the shareholders' auditor, report and, where appropriate, provide recommendations to the Board of Directors on the following prior to its public disclosure:

   a. the annual and interim consolidated financial statements, the Corporation's disclosure under "Management Discussion and Analysis", Annual Information Form, earnings press releases, financial information and earnings guidance provided to analysts and rating agencies and the integrity of the financial reporting of the Corporation;

      — In addition to the role of the Audit Committee to make recommendations to the Board of Directors, where the members of the Audit Committee consider that it is appropriate and in the best interest of the Corporation, the interim consolidated financial statements, the interim Corporation's disclosure under "Management Discussion and Analysis" for interim period and interim earnings press releases and earnings guidance, may also be approved on behalf of the Board of Directors by the Audit Committee, provided that such approval is subsequently reported to the Board of Directors at its next meeting;

   b. any audit problems or difficulties and management's response thereto, including any restrictions on the scope of the activities of the shareholders' auditor or access to requested information and any significant disagreements with management.

3. Review and discuss reports from the shareholders' auditor on:

a. all critical accounting policies and practices used by the Corporation;

b. all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternate treatments and disclosures and the treatment preferred by the shareholders' auditor; and

c. other material written communications between the shareholders' auditor and management, and discuss such report with the shareholders' auditor.

B. OVERSIGHT OF THE SHAREHOLDERS' AUDITORS

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the shareholders' auditor and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required and review, report and where appropriate, provide recommendations to the Board of Directors on the appointment, terms and review of engagement, removal, independence and proposed fees of the shareholders' auditor.

2. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the shareholders' auditor to the Corporation and any consolidated subsidiary and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required.

3. Pre-approve all engagements for permitted non-audit services provided by the shareholders' auditor to the Corporation and any consolidated subsidiary and to this effect may establish policies and procedures for the engagement of the shareholders' auditor to provide to the Corporation and any consolidated subsidiary permitted non-audit services, which shall include approval in advance by the Audit Committee of all audit/review and permitted non-audit services to be provided by the shareholders' auditor to the Corporation and any consolidated subsidiary.

4. Delegate, if deemed appropriate, authority to one or more members of the Audit Committee to grant pre-approvals of audit/review/attest and permitted non-audit services, provided that any such approvals shall be presented to the Audit Committee at its next scheduled meeting.

5. Establish policies for the hiring of partners, employees and former partners and employees of the shareholders' auditor.

6. At least annually, consider, assess, and report to the Board of Directors on:

   a. the independence of the shareholders' auditor, including whether the shareholders' auditor's performance of permitted non-audit services is compatible with the shareholders' auditor's independence;

   b. obtaining from the shareholders' auditor a written statement (i) delineating all relationships between the shareholders' auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the shareholders' auditor; and

   c. the evaluation of the lead audit partner, taking into account the opinions of management and internal audit.

7. At least annually, obtain and review a report by the shareholders' auditor describing:

   a. the shareholders' auditor's internal quality-control procedures;

   b. any material issues raised by the most recent internal quality-control review, or peer review of the shareholders' auditor firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the shareholders' auditor firm, and any steps taken to deal with any such issues.

8. Resolve any disagreement between management and the shareholders' auditor regarding financial reporting.

9. Review audit plan with the shareholders' auditor.

10. Meet periodically with the shareholders' auditor in the absence of management and internal audit.

C. OVERSIGHT OF INTERNAL AUDIT

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board of Directors on the following:

   a. the appointment and mandate of internal audit, including the responsibilities, budget and staffing of the Corporation's internal audit;

   b. discuss with the head of internal audit the scope and performance of the internal audit, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on internal audit;

c. obtain periodic reports from the head of internal audit regarding internal audit findings, including the Corporation's internal controls, and the Corporation's progress in remedying any material control deficiencies.

2. Meet periodically with the head of internal audit in the absence of management and the shareholders' auditor.

D. OVERSIGHT OF THE CORPORATION'S INTERNAL CONTROL SYSTEM

1. Review and discuss with management, the shareholders' auditor and internal audit, monitor, report and, when appropriate, provide recommendations to the Board of Directors on the following:

   a. the Corporation's internal control system;

   b. compliance with the policies and practices of the Corporation relating to business ethics;

   c. compliance by Directors, Officers and other management personnel with the Corporation's Disclosure Policy; and

   d. the relationship of the Audit Committee with other committees of the Board of Directors, management and the Corporation's consolidated subsidiaries' audit committees.

2. Review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the process for the certifications to be provided in the Corporation's public disclosure documents.

3. Review, monitor, report and where appropriate, provide recommendations to the Board of Directors on the Corporation's disclosure controls and procedures.

4. Establish procedures, for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submission by employees regarding questionable accounting or auditing matters.

5. Meet periodically with management in the absence of the shareholders' auditor and internal audit.

E. OVERSIGHT OF THE CORPORATION'S RISK MANAGEMENT

1. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the following:

   a. the Corporation's processes for identifying, assessing and managing risk; and

   b. the Corporation's major financial risk exposures and the steps the Corporation has taken to monitor and control such exposures.

F. OVERSIGHT OF THE CORPORATION'S ENVIRONMENTAL RISKS

1. Review, monitor, report, and where appropriate, provide recommendations to the Board of Directors on the Corporation's environmental policy, and environmental management systems.

2. When appropriate, ensure that the Corporation's subsidiaries establish an environmental policy, and environmental management systems and review and report thereon to the Board of Directors of the Corporation.

G. COMPLIANCE WITH LEGAL REQUIREMENTS

1. Review and discuss with management, the shareholders' auditor and internal audit, monitor, report and, when appropriate, provide recommendation to the Board of Directors on the adequacy of the Corporation's process for complying with laws and regulations.

2. Receive, on a periodic basis, reports from the Corporation's Chief Legal Officer, with respect to legal issues.

III. EVALUATION OF THE AUDIT COMMITTEE AND REPORT TO BOARD OF DIRECTORS

A. The Audit Committee shall evaluate and review with the Corporate Governance Committee of the Board of Directors, on an annual basis, the performance of the Audit Committee.

B. The Audit Committee shall review and discuss with the Corporate Governance Committee of the Board of Directors, on an annual basis, the adequacy of the Audit Committee charter.

C. The Audit Committee shall report to the Board of Directors periodically on the Audit Committee's activities.

IV. OUTSIDE ADVISORS

The Audit Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Audit Committee in the performance of its functions. The Corporation shall provide appropriate funding for such advisors as determined by the Audit Committee.

V. MEMBERSHIP

The Audit Committee shall consist of such number of directors, in no event to be less than three, as the Board of Directors may from time to time by resolution determine. The members of the Audit Committee shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board of Directors.

VI. AUDIT COMMITTEE CHAIR

The Chair of the Audit Committee shall be appointed by the Board of Directors. The Chair of the Audit Committee leads the Audit Committee in all aspects of its work and is responsible to effectively manage the affairs of the Audit Committee and ensure that it is properly organized and functions efficiently. More specifically, the Chair of the Audit Committee shall:

A. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this charter and as otherwise may be appropriate;

B. In consultation with the Board Chair and the Chief Executive Officer, ensure that there is an effective relationship between management and the members of the Audit Committee;

C. Chair meetings of the Audit Committee;

D. In consultation with the Chief Executive Officer, the Corporate Secretary's Office and the Board Chair, determine the frequency, dates and locations of meetings of the Audit Committee;

E. In consultation with the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary's Office and, as required, other Officers, review the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;

F. Ensure, in consultation with the Board Chair, that all items requiring the Audit Committee's approval are appropriately tabled;

G. Ensure the proper flow of information to the Audit Committee and review, with the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary's Office and, as required, other Officers, the adequacy and timing of materials in support of management's proposals;

H. Report to the Board of Directors on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board of Directors following any meeting of the Audit Committee; and

I. Carry out any special assignments or any functions as requested by the Board of Directors.

VII. TERM

The members of the Audit Committee shall be appointed or changed by resolution of the Board of Directors to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are so appointed.

VIII. PROCEDURES FOR MEETINGS

The Audit Committee shall fix its own procedure at meetings and for the calling of meetings. The Audit Committee shall meet separately in executive session in the absence of management, internal audit and the shareholders' auditor, at each regularly scheduled meeting.

IX. QUORUM AND VOTING

Unless otherwise determined from time to time by resolution of the Board of Directors, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

X. SECRETARY

Unless otherwise determined by resolution of the Board of Directors, the Corporate Secretary of the Corporation or his/her delegate shall be the Secretary of the Audit Committee.

XI. VACANCIES

Vacancies at any time occurring shall be filled by resolution of the Board of Directors.

XII. RECORDS

The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board of Directors as appropriate.

SCHEDULE 1C – 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 & 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 & 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.

SCHEDULE 2 – STATEMENT OF EXECUTIVE 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 Inc.'s corporate objectives and to build a company that can capture growth opportunities in our rapidly changing markets and 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.

A substantial portion of every executive officer's cash compensation each year is based on meeting annual corporate performance objectives. In addition, we have 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 Inc. by allowing them to participate in the appreciation of share value.

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."

The Privatization of BCE Inc. will affect the compensation of our senior executives in a manner that may differ from the following discussion of the 2007 compensation of our senior executives and related compensation elements. Please refer to the section *Interest of Management and Others in Material Transactions* for a discussion of the treatment of deferred share units, restricted share units, stock options and other compensation elements in connection with such Privatization and related compensation disclosure.

TOTAL COMPENSATION

In 2007, total compensation consisted of:

- base salary
- annual short-term incentive awards
- mid-term incentive awards

- long-term incentives
- 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 we compare ourselves against (comparator group). Paying at the 60th percentile of the comparator group means that 40% of the companies in the comparator group pay more, and 60% pay less, for similar positions. We believe this allows us to attract and retain high-performing executives.

Since 2006, base salaries and mid-points have been maintained at their 2005 levels. Base salaries can however be adjusted, as required, to reflect an increase in responsibilities or job scope. In conjunction with the above and in order to preserve our current competitive positioning to the North American market, short-term incentive targets (measured as a percentage of base salary) were increased in 2006 by

up to 10% for all executives except for the President and Chief Executive Officer and for the Chief Operating Officer whose targets remained at the same level.

The base salary and the annual short-term incentive are positioned at the 50th percentile (median) and the 75th percentile, respectively. The other components of total compensation are used to bring overall compensation of the 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 and in light of the introduction of grants of restricted share units made under a mid-term incentive plan, there is less emphasis on the use of long-term incentive plans under which stock options are granted. 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 2007 consisted of 46 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.

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 the scope and responsibilities of the position as well as individual performance. 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 Bell Canada's success. In 2007, the following components of Bell Canada's performance were used for setting short-term incentive awards:

- EBITDA[1] (40%)
- Revenue (25%)
- Working capital[2] (5%)
- Customer experience[3] (30%).

1 EBITDA is intended to be the measure of the amount of cash generated by Bell Canada's operations and leaves out the costs of financing and impact of taxes (income). In other words, EBITDA is the calculation of our revenues minus expenses related to operations.

2 Represents the measure of both Bell Canada's efficiency and its short-term financial health. The working capital for purposes of the annual short-term incentive is calculated as the movement of the accounts receivables and inventory balances from one point in time to another (December 31, 2006 to December 31, 2007).

3 The customer experience measure consists of a short-term component and an operational component that measure a certain number of unique / customized indicators for each Business Unit via transactional customer surveys or operational measures. Indicators were selected because they have an impact on customer loyalty and employees can directly influence them.

The weight of these various metrics is customized based on the 2007 Business Unit business strategy.

This resulted in a Bell Canada corporate performance factor of 61% of the target award which was computed based on total results for Bell Canada.

We determine the annual short-term incentive awards by taking both the corporate performance and the executive officer's individual contribution into consideration.

In 2007, the individual contribution was evaluated based on the achievement of objectives (results) and the demonstration of leadership behaviour required to drive corporate success (leadership attributes). The individual performance factor may vary between 0 and 200%.

Each year, we set target values for the awards. In 2007, target awards ranged from 50% 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 80% 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. Awards granted for a year are paid at the beginning of the following year.

Executive officers may participate in the share unit plan for senior executives and other key employees (1997) (Deferred Share Unit Plan) by electing to receive up to 100% of their annual short-term incentive award in deferred share units instead of cash. Considering the upcoming Privatization, we decided that no deferred share units should be granted in early 2008 as payment of 2007 short-term incentive awards. All awards were therefore paid in cash. Please see *Deferred Share Unit Plan* for more information.

Awards in the form of deferred share units 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 executive officers and other key employees, and those of certain subsidiaries, restricted share units. The Restricted Share Unit Plan is designed to more closely link the compensation of the executives with the achievement of specific financial and operating objectives that are key in supporting the overall business strategy.

Restricted share units are granted for a given performance period based on position and level of contribution.

At any time, the value of one restricted share unit is equal to the value of one BCE Inc. common share. Restricted share units vest according to the vesting schedule relating to the performance period for the award. Under the vesting schedule, restricted share units vest at the end of the performance period subject to meeting pre-set financial and operating objectives directly aligned to specific goals. Restricted share units that are granted during a given performance period are all subject to the same vesting rules and objectives attached to the performance period.

Dividend equivalents in the form of additional restricted share units are credited to the participant's account on each dividend payment date and are equal in value to the dividend paid on BCE Inc. common shares. These additional restricted share units are subject to the same vesting schedule that applied to the original grant of restricted share units.

At the end of the performance period, we assess the actual performance against the pre-set objectives to determine the percentage of restricted share units that will become vested. Restricted share units become vested on the date the board confirms the percentage of restricted share units that will become vested. All unvested restricted share units as of that date are forfeited. If an employee participating in the plan is terminated prior to the end of the performance period, he must have participated in at least half of the performance period to be entitled to receive his vested restricted share units.

Participants may choose to receive their payment of restricted share units in cash, in BCE Inc. common shares, or a combination of both. We may, however, determine that all or a portion of a participant's restricted share units is to be paid out in BCE Inc. common shares if he has not met the minimum share ownership requirements described under *Share Ownership Requirements*. Payment in cash is calculated based on the number of vested restricted share units in the participant's account times the percentage chosen for payment in cash times the market value of a BCE Inc. common share on the day before the board confirms the vesting percentage (after withholding taxes and any other deductions). For payment in shares, BCE Inc. will buy a number of BCE Inc. common shares on the open market equal to the number of vested restricted share units chosen to be taken in shares (less withholding taxes and any other deductions). Such purchase will occur within 45 days from the day the board confirms the vesting percentage.

In 2006, executives were granted restricted share units for the performance period ending December 31, 2007 (2006-2007 restricted share units). However, upon announcement of the Privatization on June 30, 2007, the executives became eligible for a retention payment in lieu of their 2006-2007 restricted share units. These restricted share units were therefore cancelled in 2007. Mr. Sabia, President and Chief Executive Officer of BCE Inc., declined any payments under the retention policy and as a result retained his restricted share units. For more information on Mr. Sabia's 2006-2007 restricted share units, see *Interest of Management and Others in Material Transactions*.

Executives will be eligible to the retention payment if employed by BCE Inc. or its subsidiaries on June 30, 2008, with 25% becoming payable upon the close of the Privatization if earlier. A detailed description of the retention policy is available under *Interest of Management and Others in Material Transactions*.

LONG-TERM INCENTIVES

Stock Options

We may grant to executive officers and other key employees, as well as those of certain subsidiaries, options to buy BCE Inc. 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 Inc. common shares covered by options under the plan may be granted to insiders 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.

In 2007, executives were awarded a grant of stock options for a two-year cycle ending December 31, 2008. These stock options are called the 2007-2008 Multi-year options.

The exercise price is the price at which a common share may be purchased when an option is exercised. Effective June 6, 2007, shareholders approved that the exercise price[5] be the higher of the volume weighted average of the trading price per BCE Inc. common share of a board lot of BCE Inc. common shares traded on the Toronto stock exchange: (i) on the trading day prior to the day the grant becomes

4 Two stock option plans are in place: the BCE Inc. Long-Term Incentive (Stock Option) Program (1999) and the BCE Inc. Replacement Stock Option Plan (Plan of Arrangement 2000). Both plans are substantially similar in their terms and, unless specifically noted where material differences exist, this section refers to the terms of the BCE Inc. Long-Term Incentive (Stock Option) Program (1999). The BCE Inc. Long-Term Incentive (Stock Option) Program (1985) was terminated on March 7, 2007. There were no outstanding options under such 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 plan of arrangement in connection with the spin-off of Nortel Networks Inc. by BCE Inc. in 2000.

effective or, if at least one board lot of BCE Inc. common shares has not been traded on such day, then the closing price for the next preceding day for which at least one board lot was so traded; and (ii) for the five consecutive trading days ending on the trading day prior to the day the grant becomes effective. The exercise price of the 2007-2008 Multi-year options which were granted prior to June 2007 is equal to the market value of a BCE Inc. common share on the day before the grant became effective. The grant became effective on the third business day following the board's confirmation of the grant unless there is undisclosed material information or unless regulatory requirements dictate otherwise, in which cases the grant will become effective at a later date.

Under the terms of our stock option plans, the right to exercise an option accrues or "vests" by 25% per year for four years from the effective date of the grant, unless we determine otherwise.

The stock option plans provide that the term of any option may not exceed 10 years from the effective date of grant. The term of the Multi-year options is six years. If the option holder retires, leaves BCE, dies, or the company he works for is no longer part of BCE, 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 BCE. This includes using our confidential information for the benefit of another employer. In addition, the option holder must reimburse 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. Special compensation payments 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. Special compensation payments, if any, are attached to options and are triggered when the options are exercised.

Effective January 1, 2003, we adopted the fair value method of accounting for stock option compensation on a prospective basis.

Change of Control

If there is a change of control of BCE Inc. 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 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.

In 1999, we introduced special vesting provisions in the event of a change of control. A change of control occurs when:

- another party acquires 50% or more of the outstanding securities of a class of voting or equity securities of BCE Inc.
- the composition of a majority of the BCE Inc.'s board changes for a reason such as a dissident proxy solicitation
- BCE Inc.'s shareholders approve plans or agreements for disposing of all or substantially all of BCE Inc.'s assets, liquidating or dissolving BCE Inc., or in certain cases, merging, consolidating or amalgamating BCE Inc., or
- we determine that an event is a change of control.

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 our business units, such as Bell Canada or another subsidiary that we identify as a "designated business unit," will become exercisable if:

- BCE Inc.'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 our 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 Inc. 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.

Amendments

Under the discretionary authority granted to the Management Resources and Compensation Committee under 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. In 2007, shareholders approved amendments to the Stock Option Program (1999) to specify which future amendments to the program will require shareholder approval and to implement other ancillary modifications with respect to restriction on the number of shares issued and issuable to insiders.

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 may be awarded to certain executive officers and other key employees and those of certain subsidiaries.

Deferred share units have the same value as BCE Inc. common shares. The number and terms of outstanding deferred share units are not taken into account when determining if deferred share units will

6 See footnote 4 on page 81.

be awarded and how many deferred share units will be awarded under the plan. Deferred share units vest immediately.

Dividend equivalents in the form of additional deferred share units are credited to the participant's account on each dividend payment date and are equal in value to dividends paid on BCE Inc. common shares.

Executive officers can choose to have up to 100% of their annual short-term incentive award paid in deferred share units instead of cash. The award is converted into deferred share units based on the market value of a BCE Inc. common share on the day before the award becomes effective. Deferred share units count towards the minimum share ownership requirements, which are described under *Share Ownership Requirements*.

We may also grant special awards of deferred share units to recognize outstanding achievements or for reaching certain corporate objectives.

Considering the upcoming Privatization, no deferred share units were granted as payment of 2007 short-term incentive awards.

Holders of deferred share units may not redeem their deferred share units while they are employed by a company within the BCE group of companies. Once they leave the BCE group, BCE Inc. will buy a number of BCE Inc. common shares on the open market equal to the number of deferred share units a participant holds in the plan, after withholding taxes and any other deductions. These shares are then delivered to the former employee or to the estate in case of death.

SHARE OWNERSHIP REQUIREMENTS

We believe in the importance of substantial share ownership and our compensation programs are 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%
- Heads of major lines of businesses, and Chief Financial Officer — 300%
- other officers — 200%.

Officers must meet their target within five years (5-year target) of their hire or promotion date with the objective that 50% of their target will be reached within 3 years of such date (3-year target). The 5-year target had to be reached by April 2006 for officers hired or promoted before the implementation of share ownership requirements in April 2001. Share ownership requirements also apply to all Vice-Presidents with a target of 100% of annual base salary.

Direct and indirect holdings of BCE Inc. common shares including shares or deferred share units 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 6
- shares acquired and held by exercising stock options granted under our 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 deferred share units, the payment of restricted share units in shares and, when BCE Inc. stock options are exercised, the requirement to hold BCE Inc. common shares having a market value equal to a portion of

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the after-tax 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. In 2005, Mr. Sabia's base salary was set at $1.25 million, the adjusted (90%) mid-point for the comparator group. We did not make any changes to Mr. Sabia's salary and short-term incentive target in 2007.

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.

This year, BCE's continued focus on execution strengthened its operational foundations and contributed to its improved financial performance, delivering in 2007 an increase in revenues, EBITDA and free cash flow and setting the stage for the $51.7 billion Privatization of BCE Inc. announced mid-2007. The transaction value crystallized the progress made by BCE towards improving cost structure and competitive capabilities, investing in growth platforms and strengthening its brand.

In the area of customer service, steady progress was made this year in driving a higher overall level of customer satisfaction and strengthening the customer relationship.

With respect to talent management, BCE has continued to strengthen the executive team through continuing efforts to improve the company's execution capabilities through a wide range of executive development and culture change initiatives.

In light of Mr. Sabia's substantial contribution in all of these areas, we recommended and the board awarded him a short-term incentive award in the amount of $1,906,300 for the year 2007 which was computed based on an individual performance factor of 200%.

As President and Chief Executive Officer, Mr. Sabia received in 2006 a grant of 148,755 2006-2007 restricted share units, which covered the performance period ending December 31, 2007. According to his employment agreement, his restricted share units will vest upon completion of the Privatization. For more information on Mr. Sabia's 2006-2007 restricted share units, see *Interest of Management and Others in Material Transactions*.

Mr. Sabia received in 2007 a grant of 450,000 2007-2008 Multi-year options which covers the performance period ending December 31, 2008.

We did not make any changes to Mr. Sabia's pension arrangements in 2007.

COMPENSATION POLICY OF SUBSIDIARIES

Bell Canada's compensation policy is the same as BCE Inc.'s.

CONCLUSION

In our view, the total compensation of the named executive officers for 2007, including changes made in June 2007 in the context of the Privatization, was appropriate in supporting the business strategy and very competitive in the marketplace.

Overall, we are confident that our approach to compensation has allowed BCE Inc. 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 March 5, 2008 by:

R.J. CURRIE, CHAIR
R.A. BRENNEMAN
A.S. FELL
J.H. MCARTHUR
R.C. POZEN

The Privatization of BCE Inc. will affect the compensation of our senior executives in a manner that may differ from the following discussion of the 2007 compensation of our senior executives and related compensation elements. Please refer to the section *Interest of Management and Others in Material Transactions* for a discussion of the treatment of deferred share units, restricted share units, stock options and other compensation elements in connection with such Privatization and related compensation disclosure.

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 2007, 2006 and 2005 for the President and Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers other than the President and Chief Executive Officer and the Chief Financial Officer (our named executive officers) in 2007 is presented in the following table.

Summary Compensation Table

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
NAME AND PRINCIPAL POSITION	YEAR	SALARY [$]	BONUS [$]	OTHER ANNUAL COMPEN-SATION [$]	SECURITIES UNDER OPTIONS OR STOCK APPRECIATION RIGHTS GRANTED [#]	SHARES OF UNITS SUBJECT TO RESALE RESTRIC-TIONS [#]	LONG-TERM INCENTIVE PLAN [LTIP] PAYOUTS [$]	ALL OTHER COMPEN-SATION [#]
[1]				[2]	[3]	[4]	[5]	[6]
Michael J. Sabia	2007	1,250,000	1,906,300	131,911	450,000	–	–	472,000
President and Chief Executive Officer, BCE Inc. Chief Executive Officer, Bell Canada	2006	1,250,000	–	114,614	–	91,145 deferred share units based on $2,800,000	–	310,467
	2005	1,250,000	–	34,700	–	77,205 deferred share units based on $2,200,000	3,005,053	218,073
Siim A. Vanaselja	2007	526,667	391,700	3,762	110,000	–	–	64,359
Chief Financial Officer, BCE Inc. and Bell Canada	2006	485,000	–	1,613	–	16,512 deferred share units based on $500,000	–	47,199

	2005	482,500	318,300	315,190	–	–	1,202,033	42,142
George A. Cope	2007	900,000	823,500	2,869	250,000	–	–	161,159
President and Chief Operating Officer, Bell Canada	2006	856,154	1,300,000	1,263	443,000	167,349 share units based on $4,500,000	–	4,070,483
	2005	–	–	–	–	–	–	–

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
NAME AND PRINCIPAL POSITION	**YEAR**	**SALARY [$]**	**BONUS [$]**	**OTHER ANNUAL COMPEN-SATION [$]**	**SECURITIES UNDER OPTIONS OR STOCK APPRECIATION RIGHTS GRANTED [#]**	**SHARES OF UNITS SUBJECT TO RESALE RESTRICTIONS [#]**	**LONG-TERM INCENTIVE PLAN [LTIP] PAYOUTS [$]**	**ALL OTHER COMPEN-SATION [#]**
[1]				**[2]**	**[3]**	**[4]**	**[5]**	**[6]**
Patrick Pichette	2007	712,500	636,900	3,125	190,000	–	–	89,841
President — Operations, Bell Canada	2006	650,000	351,000	815	–	11,591 deferred share units based on $351,000	–	63,031
	2005	633,333	–	–	–	17,785 deferred share units based on $477,800	1,302,187	45,168
Stéphane Boisvert	2007	650,000	634,400	3,651	130,000	–	–	87,073
President — Enterprise, Bell Canada	2006	270,833	520,000	1,046	50,000	–	–	572,644
	2005	–	–	–	–	–	–	–

1 MR. SABIA was appointed Executive Vice-President of BCE Inc. and Vice-Chairman of Bell Canada on July 3, 2000. On December 1, 2000, he was appointed President of BCE Inc. while maintaining his responsibilities at Bell Canada. On March 1, 2002, he became President and Chief Operating Officer of BCE Inc. and Chief Operating Officer of Bell Canada. He became President and Chief Executive Officer of BCE Inc. on April 24, 2002 and Chief Executive Officer of Bell Canada on May 2, 2002.

MR. VANASELJA was appointed Chief Financial Officer of BCE Inc. on January 15, 2001 and also Chief Financial Officer of Bell Canada on December 13, 2003.

MR. COPE was appointed President and Chief Operating Officer of Bell Canada on January 19, 2006. MR. COPE has been participating in certain stock option and benefit programs since November 18, 2005, being the day his benefits were withdrawn by his former employer.

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 of Bell Canada.

MR. BOISVERT was appointed President – Enterprise of Bell Canada on August 1, 2006.

The main terms of their employment with us are described under *Pension Arrangements* and *Termination and Other Employment Arrangements*.

Annual salary increases are generally effective as of March 1 of any given year.

2 This column does not include an amount for perquisites and other personal benefits if the aggregate amount of these 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.

For MR. SABIA, perquisites in the amount of $92,393 and $77,559 are included in 2007 and 2006, respectively. These consist mainly of a perquisite allowance in the amount of $90,000 and $59,190 in 2007 and 2006, respectively. Other types of annual compensation are disclosed in this column, as described below. For MR. SABIA, this includes an amount of $18,362 for payment of taxes on an additional life insurance policy of $10 million in his name for 2007, 2006 and 2005.

For MR. VANASELJA, this consists of a special compensation payment of $315,190 in 2005. Please see *Long-Term Incentives* for details.

3 All options granted in 2007 are 2007-2008 Multi-year options granted under the BCE Inc. Long-Term Incentive (Stock Option) Program (1999). Please see *Report on Executive Compensation—Long-Term Incentives* for details and the tables under *Stock Options*.

For 2006, this column includes 443,000 options granted to MR. COPE on November 18, 2005, being the day his benefits were withdrawn by his former employer, to replace non-performance-based options granted by his former employer. These options will vest at 100% on the 3rd anniversary of the grant and expire after 6 years. This column also includes

50,000 2004-2006 Front-loaded options granted to MR. BOISVERT at the time of his hire in 2006. None of the 2004-2006 Front-loaded options vested and MR. BOISVERT's options were forfeited in early 2007.

We do not grant freestanding stock appreciation rights under our stock option plans.

4 For all the named executive officers except MR. COPE and MR. BOISVERT this column includes deferred share units. Deferred share units have the same value as BCE Inc. common shares. The number of deferred share units awarded was calculated using the closing price of BCE Inc. common shares on the Toronto Stock Exchange on the day preceding the effective date (third 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 deferred share units on the day the award was effective. This column includes deferred share units granted as payment of the annual short-term incentive award.

Additional deferred share units are credited to each named executive officer's account on each BCE Inc. common share on the dividend payment date. The number of deferred share units is calculated using the same rate as the dividends paid on our common shares. Please see *Report on Executive Compensation — Deferred Share Unit Plan* for details. The table below shows the total number of deferred share units that each named executive officer held and their value at December 31, 2007, based on a BCE Inc. common share price of $39.65 at year-end.

NAME	AT DECEMBER 31, 2007 TOTAL NUMBER OF DEFERRED SHARE UNITS HELD	TOTAL VALUE $
Michael J. Sabia	316,470	12,548,044
Siim A. Vanaselja	39,454	1,564,383
George A. Cope	–	–
Patrick Pichette	52,565	2,084,220
Stéphane Boisvert	–	–

No additional deferred share units were credited into MR.SABIA's account since December 31, 2007 except for deferred share units in lieu of dividends on January 15, 2008, for a total number of deferred share units currently held of 319,506, as shown on page 33.

For MR. COPE, this column includes share units granted to him in 2006 outside of the Restricted Share Unit Plan. These share units vested on December 31, 2007. They were not subject to performance vesting as they were granted in replacement of non-performance-based share units from his former employer. They were all paid in cash on January 31, 2008. The terms of the Restricted Share Unit Plan, other than the vesting provisions, applied to the share units granted to MR. COPE.

Restricted share units granted under the Restricted Share Unit Plan are not included in this column as they have performance vesting criteria and qualify as a mid-term incentive. See footnote 5 for cancellation of restricted share units.

5 Executive officers became eligible for a retention payment in lieu of their 2006-2007 restricted share units. These restricted share units were therefore cancelled in 2007. MR. SABIA declined any payments under the retention policy and as a result retained his restricted share units. See *Interest of Management and Others in Material Transactions* for further details on the retention policy and on MR.SABIA's restricted share units.

For 2005, this consists of amounts payable under the Restricted Share Unit Plan related to the restricted share units granted in February 2004 for a 2-year performance period ending December 31, 2005 (2004-2005 restricted share units). The vesting of the 2004-2005 grant of restricted share units was based on reaching pre-set operating objectives. The 2004-2005 restricted share units became fully vested on January 31, 2006 when the board confirmed the achievement of all specific operating objectives. The value was determined on the day the restricted share units became vested i.e., January 31, 2006, based on a BCE Inc. share price of $27.38 (the day preceding the vesting date).

MR. SABIA elected to use all of the after-tax proceeds (about $1.5 million) from his 2004-2005 restricted share units to purchase BCE Inc. common shares which he also elected to retain throughout his tenure as President and Chief Executive Officer.

6 For all the named executive officers, amounts in this column include company contributions under the *Employees' Savings Plan*.

Under the Employees' Savings Plan, when employees, including executive officers, elect to contribute up to 6% of their eligible earnings to buy BCE Inc. common shares, BCE Inc. 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 2007, 2006 and 2005 for an additional life insurance policy of $10 million in his name.

For MR. COPE, it includes an amount of $132,000 and $225,000 for employer contributions to MR. COPE's defined contribution account in 2007 and 2006, respectively. See *Pension Arrangements* for further details. Bell Canada required MR. COPE to exercise all vested stock options and dispose of all shares of his former employer prior to his appointment in January 2006. As a result, Bell Canada agreed to compensate him on an after-tax basis for the decrease in share price of his former employer following the announcement of his departure which negatively impacted the gain on the exercise of his stock options and the value of shares he sold for a total amount of $1,717,678 paid in 2006. For 2006, it also includes a hiring incentive of $2,100,000 paid to MR. COPE in 2005. Prior to his appointment, as stipulated in his employment agreement, MR. COPE had met his minimum share ownership target of 4 times annual salary and has agreed to keep the shares while employed by Bell Canada. See *Report on Executive Compensation — Share Ownership Requirements* for further details.

For MR. BOISVERT, it includes an amount of $69,658 in 2007 for employer contributions to MR. BOISVERT's defined contribution account. For 2006, it includes a hiring incentive of $400,000 as well as a relocation allowance of $109,350.

In 2007, 2006 and 2005, this also includes the value of additional deferred share units credited in lieu of dividends on BCE Inc. common shares, except for MR. COPE and MR. BOISVERT who do not participate in the Deferred Share Unit Plan. For 2007, 2006 and 2005 respectively, this represents an amount of $410,931, $247,651 and $159,321 for MR. SABIA, $49,551, $27,497 and $25,634 for MR. VANASELJA and $69,413, $44,000 and $22,290 for MR. PICHETTE.

STOCK OPTIONS

The table below shows grants of stock options made to each of the named executive officers under our stock option program for the financial year ended December 31, 2007.

Option/Stock appreciation rights grants during the most recently completed financial year

NAME	SECURITIES UNDER OPTIONS/STOCK APPRECIATION RIGHTS GRANTED [#] [1] [2]	% OF TOTAL OPTIONS/ STOCK APPRECIATION RIGHTS GRANTED TO EMPLOYEES IN FINANCIAL YEAR [2]	EXERCISE OR BASE PRICE [$/SECURITY] [3]	MARKET VALUE OF SECURITIES UNDERLYING OPTIONS/STOCK APPRECIATION RIGHTS ON THE DATE OF THE GRANT [$/SECURITY] [3]	EXPIRATION DATE
Michael J. Sabia	450,000	7.8%	$30.72	$30.72	March 11, 2013
Siim A. Vanaselja	110,000	1.9%	$30.72	$30.72	March 11, 2013
George A. Cope	250,000	4.4%	$30.72	$30.72	March 11, 2013
Patrick Pichette	190,000	3.3%	$30.72	$30.72	March 11, 2013
Stéphane Boisvert	130,000	2.3%	$30.72	$30.72	March 11, 2013

1 In March 2007, all of the executive officers received a grant of 2007-2008 Multi-year options for a two-year period ending December 31, 2008. These options will vest at a rate of 25% per year over a 4-year period as per standard plan provisions. The option period is 6 years.

Each option granted under our stock option plans covers one BCE Inc. common share. No rights to special compensation payments were attached to options granted in 2007. Please see *Report on Executive Compensation— Long-Term Incentives* for details.

2 These numbers represent stock options. The percentage represents the options granted over the total options granted to employees in 2007. No freestanding stock appreciation rights were granted.

3 The exercise price of the stock options in this table is equal to the closing price of the BCE Inc. common shares on the Toronto Stock Exchange on the day before the grant was effective.

The table below is a summary of all of the stock options that each of the named executive officers exercised under BCE Inc.'s stock option plans in the financial year ended December 31, 2007. It also shows their unexercised options at December 31, 2007.

Aggregated option/stock appreciation rights exercises during the most recently completed financial year and financial year-end option/stock appreciation rights values

NAME	SECURITIES ACQUIRED ON EXERCISE [#]	AGGREGATE VALUE REALIZED [$]	OPTIONS/STOCK APPRECIATION RIGHTS AT DECEMBER 31, 2007 [#] [1]		OPTIONS/STOCK APPRECIATION RIGHTS AT DECEMBER 31, 2007 [$] [1] [2]	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Michael J. Sabia	–	–	1,163,343	450,000	9,433,295	4,018,500
Siim A. Vanaselja	–	–	308,288	110,000	2,095,884	982,300
George A. Cope [3]	–	–	–	693,000	–	7,836,450
Patrick Pichette	–	–	401,400	190,000	2,309,524	1,696,700
Stéphane Boisvert	–	–	–	130,000	–	1,160,900

1 These numbers relate only to stock options. No freestanding stock appreciation rights are granted.

2 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 the options 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 Inc. on the Toronto Stock Exchange on December 31, 2007, i.e. $39.65 less the exercise price of those options.

3 For MR. COPE, this includes a grant of 443,000 time vesting options he received on November 18, 2005, being the day his benefits were withdrawn by his former employer, to replace non-performance based options granted by his former employer. These options will vest at 100% on November 18, 2008.

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	161,261	17	–[2]
Equity compensation plans not approved			

by securityholders[1]	17,536,119	33	39,395,278[3]
Total	17,697,380	33	39,395,278

1 The material features of the BCE Inc. Long-Term Incentive (Stock Option) Program (1999) are provided in the section *Report on Executive Compensation— Stock Options* and the material features of the BCE Inc. Employees' Savings Plans (1970) and (2000) are provided in the section *Employees' Savings Plans*.

2 The BCE Inc. Long-Term Incentive (Stock Option) Program (1985) was cancelled by the board on March 7, 2007.

3 This number includes 13,513,812 BCE Inc. common shares issuable pursuant to employee subscriptions under the BCE Inc. Employees' Savings Plans (1970) and (2000).

The following table sets out the number of securities issued and issuable under each of BCE's security-based compensation arrangements and the number of BCE Inc. common shares underlying outstanding options and percentages represented by each calculated over the number of BCE Inc. common shares outstanding as at December 31, 2007.

	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 (1999)[3]	43,417,585[4]	5.4%	6,276,320	0.8%	17,536,119[5]	2.2%
BCE Inc. Replacement Stock Option Plan (Plan of Arrangement 2000)	161,261	–	3,532,830	0.4%	161,261	–
Teleglobe Stock Options[6]	–	–	4,530,294	0.6%	–	–
Employees' Savings Plans (1970) and (2000)	13,513,812[7]	1.7%	16,574,937	2.1%	n/a	n/a

1 This number excludes BCE Inc. common shares issued to date and represents the aggregate of BCE Inc. common shares underlying outstanding options and BCE Inc. common shares remaining available for future grants of options and subscriptions under the Employees' Savings Plans.

2 Outstanding BCE Inc. common shares as at December 31, 2007 = 805,264,816 .

3 As at the date of this annual information form, there were 49,693,905 common shares issued and issuable under the Stock Option Program (1999), which represented 6.2% of the then outstanding common shares.

4 Out of a maximum number of issuable BCE Inc. common shares of 50,000,000 under the Stock Option Program (1999) after deduction of 306,095 common shares transferred to and issued or issuable under the BCE Inc. Replacement Stock Option Plan (Plan of Arrangement 2000).

5 As at the date of this annual information form, there were 17,411,964 common shares underlying outstanding options, which represented 2.2% of the then outstanding common shares.

6 All outstanding Teleglobe stock options were exercised or forfeited during 2007.

7 Out of an aggregate maximum number of issuable BCE Inc. common shares of 20,000,000 under the Employees' Savings Plans (1970) and (2000).

EMPLOYEES' SAVINGS PLANS[7]

Employees' Savings Plans are designed to encourage our employees and those of our participating subsidiaries to own shares of BCE Inc. In most instances, each year, employees who have completed at least 6 months of service and who do not control directly or indirectly 5% or more of the outstanding common shares of BCE Inc. are eligible to participate in the plans and can choose to have up to a certain percentage of their annual eligible earnings withheld through regular payroll deductions to buy BCE Inc. common shares. In some cases, the employer may also contribute up to a maximum percentage of the employee's annual eligible earnings to the plan. The number of shares which may be issued under the Employees' Savings Plans to insiders of a participating company, within any one-year period, under all security-based compensation arrangements of BCE Inc. may not exceed 10% of all issued and outstanding BCE Inc. common shares. Each participating company decides on its maximum contribution percentage. Employees can contribute up to 12% of their annual earnings. BCE Inc. or Bell Canada contributes up to 2%. The trustee of the Employees' Savings Plans buys BCE Inc. common shares for the participants on the open market, by private purchase or from BCE Inc. (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 Inc. is equal to the

7 Two Employees' Savings Plans are in place: the BCE Inc. Employees' Savings Plan (1970) and the BCE Inc. Employees' Savings Plan (2000). The Employees' Savings Plan (2000), which is intended for employees whose principal employment is in the United States, 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.

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 Inc. 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 2007, but we may issue shares from treasury from time to time to fill employee subscriptions. Upon termination of employment, participation in the Employees' Savings Plans 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 Employees' Savings Plans is not assignable.

In 2007, shareholders approved amendments to the BCE Inc. Employees' Savings Plans (1970) and (2000) to specify which future amendments to the plans would require shareholder approval and to implement another ancillary modification with respect to restriction on the number of shares issued and issuable to insiders.

PENSION ARRANGEMENTS

All of the named executive officers participate in the Bell Canada Pension Plan (Bell Plan). All named executive officers except Mr. Cope and Mr. Boisvert are covered under the defined benefit arrangement of the Bell Plan and they have all entered into supplementary agreements (Defined Benefit Supplementary Executive Retirement Plans). Mr. Cope and Mr. Boisvert are covered under the defined contribution arrangement of the Bell Plan and have also entered into supplementary agreements (Defined Contribution Supplementary Executive Retirement Plans).

Defined Benefit Supplementary Executive Retirement Plans

Under the Defined Benefit Supplementary Executive Retirement Plans, named executive officers receive 1.5 years of pensionable service for every year they serve as an officer. 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 Supplementary Executive Retirement Plan benefits when he reaches one of the following:

- 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 base salary and short-term incentive awards, up to the target value, whether they are paid in cash or deferred share units. The one-year average of the named executive officer's best consecutive 36 months of pensionable earnings is used to calculate his pension.

A named executive officer may receive up to 70% of his average pensionable earnings as total pension benefits under the Bell Plan and Defined Benefit Supplementary Executive Retirement Plans. 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.

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 Bell Plan and Defined Benefit Supplementary Executive Retirement Plans, assuming that a named executive officer retired on December 31, 2007 at age 65.

These benefits are not subject to any deductions for government benefits or other off set 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 SERVICE		
PENSIONABLE EARNINGS [$]	20 YEARS	30 YEARS	40 YEARS
500,000	163,900	245,800	319,400
900,000	299,900	449,800	584,600
1,300,000	435,900	653,800	849,800
1,700,000	571,900	857,800	1,115,000
2,100,000	707,900	1,061,800	1,380,200
2,500,000	843,900	1,265,800	1,645,400
2,900,000	979,900	1,469,800	1,910,600
3,300,000	1,115,900	1,673,800	2,175,800
3,700,000	1,251,900	1,877,800	2,441,000

Defined Contribution Supplementary Executive Retirement Plans

Named executive officers hired on or after January 1, 2005 are eligible to benefits under the Defined Contribution Supplementary Executive Retirement Plan after having served as an officer for at least 5 years. These supplemental arrangements consist in the application of a multiplier to employer's contributions accumulated in their account under the defined contribution arrangement of the Bell Plan while serving as an officer.

The defined contribution arrangement of the Bell Plan is the sum of:

- **Employee contributions**: Employee may contribute up to a maximum of 4% of pensionable earnings, subject to the *Income Tax Act* limit.
- **Employer contributions**: Employer contributes 4% of pensionable earnings and matches the first 2% of employee contributions, for a maximum of 6%. Any contribution in excess of the *Income Tax Act* limit is notionally deposited into the account.

Once a named executive officer becomes eligible for benefits under the Defined Contribution Supplementary Executive Retirement Plan, a multiplier varying from 1.25 upon reaching 45 points (age and years of service) to 3.0 with 80 points will apply. A named executive officer may therefore accumulate while an officer (through employer contributions and the related multiplier) up to 18% of his pensionable earnings plus credited investment returns. The board may credit additional years of service, additional Corporation contributions or both, through a special arrangement.

Pensionable earnings include base salary and short-term incentive awards, whether they are paid in cash or deferred share units.

Benefits under the Defined Contribution Supplementary Executive Retirement Plan in excess of the *Income Tax Act* limit are payable in a lump sum at termination, death or retirement.

Pension Benefits for Named Executive Officers

The number of years of service for calculating total pension benefits at December 31, 2007 was 27.5 years for Mr. Sabia (age 54), 20.3 years for Mr. Vanaselja (age 51) and 10.4 years for Mr. Pichette (age 45).

Mr. Sabia is eligible for Defined Benefit Supplementary Executive Retirement Plan 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 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 any reasons other than for cause) or in the event of a change of control, his pension from age 55 will be calculated as if he was age 55 when he left BCE Inc. Mr. Sabia entered into a

written employment agreement with BCE Inc. at the time he was appointed President and Chief Executive Officer in April 2002. Please see *Termination and Other Employment Arrangements* for more information.

Mr. Vanaselja is eligible for Defined Benefit Supplementary Executive Retirement Plan benefits if he retires on or after age 60. If Mr. Vanaselja's employment is severed for any reasons other than cause on or after age 51 but before age 55, he will be eligible to a deferred pension at age 55 of at least $325,000. If Mr. Vanaselja's employment terminates or is severed for any reasons other than cause on or after age 55 but before age 60, his pension will be equal to a percentage of pensionable earnings corresponding to 35% at age 55 plus 3.5% per additional year of age.

Mr. Pichette can retire at age 55 under his Defined Benefit Supplementary Executive Retirement Plan. 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 Bell Plan with deemed service being credited until age 55 including benefits in excess of the maximum pension prescribed by the *Income Tax Act*.

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:

		ESTIMATED
	AGE AT EARLIEST	ANNUAL BENEFIT
EXECUTIVE	ELIGIBILITY DATE	$
Michael J. Sabia	55	935,000
Siim A. Vanaselja	55	325,000
Patrick Pichette	55	355,100

In conjunction with his appointment as President and Chief Operating Officer, Mr. Cope was credited 5 years of service and $180,000 of notional employer contributions, through a special arrangement under his Defined Contribution Supplementary Executive Retirement Plan. The total employer contributions to Mr. Cope's account accumulated as of December 31, 2007 were $389,863 excluding the impact of the multiplier. At year end, his multiplier was 1.65 based on 53 points (age 46.4, and 7.1 years of service).

Mr. Boisvert is eligible for a Defined Contribution Supplementary Executive Retirement Plan benefits. The total employer contributions to Mr. Boisvert's account accumulated as of December 31, 2007 were $73,447 excluding the impact of the multiplier. At year end, Mr. Boisvert Defined Contribution Supplementary Executive Retirement Plan benefits were not vested, his multiplier was 1.00 based on 46 points (age 44.9 and 1.4 years of service).

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 Inc. (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 $33^{1/3}$% of BCE Inc.'s voting shares or at least $33^{1/3}$% 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 Inc. stock options as well as awards granted under any replacement plans will vest, whether his employment is terminated or not.

Mr. Sabia's employment agreement also covers compensation and treatment of immediate vesting of stock options and awards granted under any replacement plans which he shall be entitled to exercise within 120 days of a termination caused by an illness, disability, retirement or death.

Mr. Cope's employment agreement dated October 18, 2005 with Bell Canada provides for the following terms:

- 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 for a period of 24 months subject to the non-competition provisions of his employment agreement. The award will be based on the average of his awards for the two years preceding his termination
- a commitment from Mr. Cope to meet his share ownership target prior to his appointment in January 2006 (which he has already met) through the purchase of $3,900,000 worth of BCE Inc. shares which he has agreed to keep while employed by Bell Canada.

Mr. Pichette will receive the following severance payment 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.

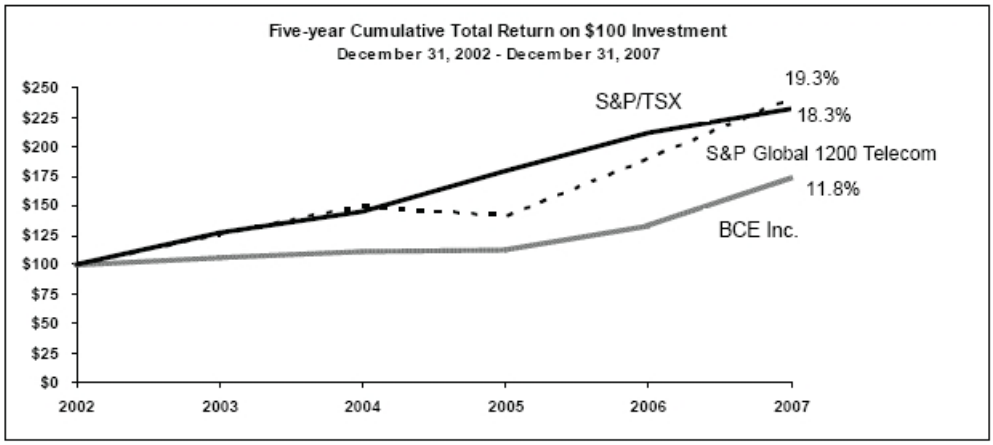
Mr. Boisvert's employment agreement dated May 23, 2006 provides for the following severance payment if his employment is terminated for any reasons other than cause:

- a severance indemnity equal to his base salary and annual short-term incentive award at target for a period of 18 months.

PERFORMANCE GRAPH

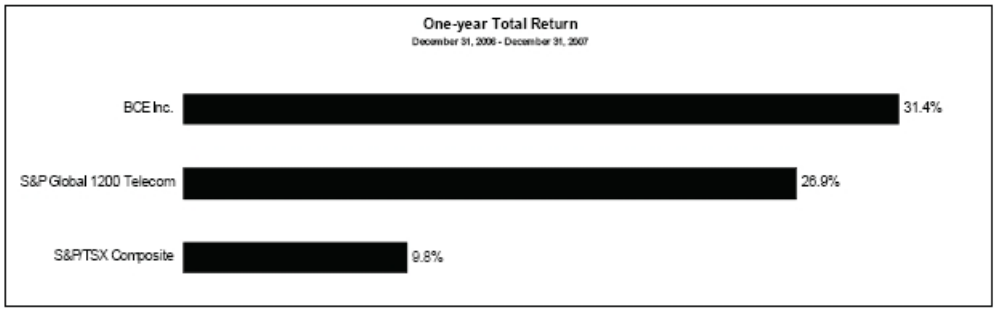
Shareholder Return Performance Graph

The graphs below compare the cumulative annual total return of BCE Inc.'s common shares against the cumulative annual total return of the S&P/TSX Composite Index and the S&P Global 1200 Telecommunications 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.



	2002	2003	2004	2005	2006	2007
S&P/TSX Composite	100	127	145	180	211	232
S&P Global 1200 Telecom	100	126	150	142	190	241
BCE Inc.	100	106	111	113	133	175

The graph below compares the one-year total return of BCE Inc.'s common shares against the one-year total return of the S&P/TSX Composite Index and the S&P Global 1200 Telecommunications Services Index, assuming reinvestment of dividends.



BCE Inc.

BCE Inc.'s total return is based on BCE Inc.'s share price on the Toronto Stock Exchange and assumes the reinvestments of dividends.

S&P/TSX Composite Index

With approximately 95% coverage of the Canadian equities market, the S&P/TSX Composite Index is the primary gauge for Canadian-based, Toronto Stock Exchange-listed companies. Such companies include amongst others: BCE Inc., Royal Bank of Canada, Manulife Financial Corporation, EnCana Corporation and Research In Motion Limited.

The S&P/TSX total return data was obtained from Thomson Financial.

S&P Global 1200 Telecommunications Services Index

The S&P Global 1200 Telecommunications Services Index consists of 43 companies worldwide including amongst others: BCE Inc., TELUS Corp., Rogers Communications Inc., the U.S. Regional Bell Operating Companies (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 (Century Telephone, Citizens Communications) and wireless companies (Sprint Nextel Corp., Vodafone Group PLC, China Mobile Ltd., NTT DoCoMo Inc.).

The S&P Global 1200 Telecommunication Services Index's total return data was obtained from Standard & Poor's.

SCHEDULE 3 – GLOSSARY

Certain capitalized words and terms used throughout this annual information form are defined below:

Aliant Telecom means Aliant Telecom Inc.;

Arrangement means the plan of arrangement of BCE Inc. under section 192 of the *Canada Business Corporations Act* giving effect to the Privatization;

BCE 2007 Financial Statements means the BCE Inc. 2007 financial statements on pages 68 to 71 of the Bell Canada Enterprises 2007 Annual Report;

BCE 2007 MD&A means BCE Inc.'s 2007 management's discussion and analysis on pages 2 to 65 of the Bell Canada Enterprises 2007 Annual Report;

BCE Special Meeting Proxy Circular means the Notice of Special Shareholder Meeting and Management Proxy Circular of BCE Inc. dated August 7, 2007 in respect of the special meeting of shareholders held on September 21, 2007;

Bell Aliant Income Fund means Bell Aliant Regional Communications Income Fund;

Bell Aliant LP means Bell Aliant Regional Communications, Limited Partnership;

Bell Distribution means Bell Distribution Inc.;

Bell ExpressVu means Bell ExpressVu Limited Partnership;

Bell ICT means Bell Information and Communications Technology Outsourcing Solutions Inc.;

Bell Mobility means Bell Mobility Inc.;

CEP means the Communications, Energy and Paperworkers Union of Canada;

CEPACC means CEP Atlantic Communications Council;

CGI means CGI Group Inc.;

CIBC Mellon means CIBC Mellon Trust Company;

CLEC means competitive local exchange carrier;

Computershare means Computershare Trust Company of Canada;

Connexim means Connexim Inc.;

CTEA means the Canadian Telecommunications Employees' Association;

DBRS means DBRS Limited;

EBITDA means earnings before interest, taxes, depreciation and amortization of intangible assets;

Expertech means Expertech Network Installation Inc.;

Fitch means Fitch Ratings Ltd.;

ICT means information and communications technology;

IP means Internet Protocol;

IT means information technology;

MNVO means mobile virtual network operator;

Moody's means Moody's Investors Service, Inc.;

NorthernTel means NorthernTel, Limited Partnership;

Northwestel means Northwestel Inc.;

Privatization means the acquisition of all of the outstanding common and preferred equity of BCE Inc. by the Purchaser;

Purchaser means 6796508 Canada Inc., an entity controlled by an investor group led by Teachers' Private Capital, the private investment arm of the Ontario Teachers' Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC;

S&P means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.;

SMB means small and medium-sized business;

Strategic Oversight Committee means the strategic oversight committee of the board of directors of BCE Inc., comprised of André Bérard, Thomas C. O'Neill, James A. Pattison and Donna Soble Kaufman (Chair);

Télébec means Télébec, Limited Partnership;

Teleglobe means Teleglobe Inc. and Teleglobe Holdings (U.S.) Corporation;

Telesat means Telesat Canada; and

VarTec means VarTec Telecom, Inc. and VarTec Holding Company.

Bell Canada Enterprises

2007 Annual Report

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Management's Discussion and Analysis

In this management's discussion and analysis of financial condition and results of operations (MD&A), we, us, our *and* BCE *mean BCE Inc., its subsidiaries and joint ventures. Bell Canada is, unless otherwise indicated, referred to herein as Bell, and is comprised of our Bell Wireline and Bell Wireless segments. References to Bell Aliant include matters relating to, and actions taken by, both Aliant Inc. and its affiliated entities prior to July 7, 2006, and Bell Aliant Regional Communications Income Fund and its affiliated entities on and after such date.*

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to our glossary on pages 112–113 for a list of defined terms.

Please refer to BCE Inc.'s audited consolidated financial statements for the year ended December 31, 2007 when reading this MD&A. In preparing this MD&A, we have taken into account information available to us up to March 5, 2008, the date of this MD&A, unless otherwise stated.

You will find more information about us, including BCE Inc.'s audited consolidated financial statements for the year ended December 31, 2007 and BCE Inc.'s annual information form for the year ended December 31, 2007 dated March 5, 2008 (BCE 2007 AIF) and recent financial reports, on BCE Inc.'s website at www.bce.ca, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

This MD&A comments on our operations, performance and financial condition for the years ended December 31, 2007, 2006 and 2005.

About Forward-Looking Statements

BCE's 2007 annual report, including this MD&A and in particular the sections of this MD&A entitled *Strategic Priorities* and *Business Outlook and Assumptions*, contain forward-looking statements concerning, among others, BCE's objectives, plans, strategies, financial condition, results of operations and business outlooks. 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 *aim*, *anticipate*, *assumption*, *believe*, *could*, *expect*, *goal*, *guidance*, *intend*, *may*, *objective*, *outlook*, *plan*, *seek*, *should*, *strategy*, *strive*, *target* 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 Private Securities Litigation Reform Act of 1995* .

Unless otherwise indicated by us, forward-looking statements in BCE's 2007 annual report, including this MD&A, describe our expectations at March 5, 2008. Except as may be required by Canadian securities laws, we do not undertake to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from our expectations expressed in or implied by such forward-looking statements and that our objectives, strategic priorities and business outlooks may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize. Forward-looking statements are provided in this document for the purpose of allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in BCE's 2007 annual report, including in this MD&A, are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. Refer, in particular, to the sections of this MD&A entitled *Strategic Priorities* and *Business Outlook and Assumptions* for a discussion of certain assumptions we have made in making forward-looking statements.

Factors that could cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements include: general economic conditions; failure to achieve our business objectives; the intensity of competitive activity and the increase in wireless competitive activity that could result from Industry Canada's decision to license additional wireless spectrum; our ability to respond to technological changes and rapidly offer new products and services; events affecting the functionality of, and our ability to protect, maintain and replace, our networks, information technology (IT) systems and softwares; labour disruptions; the potential adverse effects on our Internet business of the significant increase in broadband demand; competitive risks related to potential changes in foreign ownership restrictions; events affecting the operations of our service providers operating outside Canada; our ability to raise the capital we need to implement our business plan; the consummation of the Privatization (as defined immediately following this section under *Privatization of BCE Inc.*) is still subject to a number of terms and conditions including the receipt of regulatory approval, resolution of any appeal filed by the debenture holders which affects the approval of the

Arrangement (as defined immediately following this section under Privatization of BCE Inc.), and contractual termination rights; our ability to discontinue certain traditional services as necessary to improve capital and operating efficiencies; regulatory initiatives or proceedings, litigation and changes in laws or regulations; increased regulations banning the use of wireless devices while driving; launch and in-orbit risks of satellites used by Bell ExpressVu Limited Partnership (Bell ExpressVu); increased pension fund contributions; and health concerns about radio frequency emissions from wireless devices. These and other risk factors that could cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements are discussed throughout this MD&A and, in particular, under *Our Competitive Environment, Our Regulatory Environment* and *Risks that Could Affect Our Business and Results* .

We caution readers that the risks described above are not the only ones that could impact 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 business, financial condition or results of operations.

Except as otherwise indicated by us, 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. More specifically, such statements do not, unless otherwise specified by us, 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.

Pursuant to the provisions of *National Instrument 51-102* adopted by the Canadian securities regulatory authorities, reference is hereby made to BCE Inc.'s press release dated November 6, 2007, available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov as well as on BCE Inc.'s website at www.bce.ca, announcing BCE Inc.'s intention to cease updating, as of November 6, 2007, its 2007 financial guidance as well as to cease providing financial guidance.

Privatization of BCE Inc.

On June 30, 2007, BCE Inc. announced that it entered into a definitive agreement (Definitive Agreement) relating to its privatization through the

proposed acquisition by a corporation (the Purchaser) owned by an investor group led by Teachers' Private Capital, the private investment arm of the Ontario Teachers' Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC (collectively, the Investor Group) of all of BCE Inc.'s outstanding common and preferred shares (the Privatization). The all-cash transaction is valued at $51.7 billion, including $16.9 billion of debt, preferred equity and non-controlling interest. The transaction is to be completed through a plan of arrangement (the Arrangement). Under the terms of the Privatization, the Purchaser would acquire all of the common shares of BCE Inc. for an offer price of $42.75 per common share and all preferred shares (at various prices provided for in the Definitive Agreement). The closing of the Privatization remains subject to a number of terms and conditions, including Canadian Radio-television and Telecommunications Commission (CRTC) approval for the transfer of our broadcasting licences and Industry Canada approval with respect to the transfer of spectrum licences. On March 7, 2008, the Québec Superior Court approved the Arrangement and dismissed all claims made by or on behalf of certain institutional holders of Bell Canada debentures in connection with the Arrangement. Any appeal of the Court's decisions must be filed by the debenture holders with the Québec Court of Appeal by March 17, 2008.

Under the terms of the Definitive Agreement, BCE Inc. has agreed that prior to the consummation of the Privatization, it will conduct its business, and cause its subsidiaries to conduct their business, in the ordinary course consistent with past practice. In connection with this general covenant, BCE Inc. has also agreed to certain specific covenants, which, among other things, restrict certain of its activities, including the entering into of certain transactions such as mergers, asset dispositions and acquisitions, capital contributions and the incurrence of debt (subject to certain thresholds and exceptions). Subject to any appeal by the debenture holders and the timing and terms of such an appeal, BCE Inc. anticipates that the Privatization will be consummated in the first part of the second quarter of 2008. However, there can be no assurances that the Privatization will be consummated at that time or at all. For more information, refer to BCE Inc.'s management proxy circular dated August 7, 2007 filed with the Canadian securities commissions

(available on SEDAR at www.sedar.com) and with the U.S. Securities and Exchange Commission (SEC) (available on EDGAR at www.sec.gov), and to *Risks that Could Affect Our Business and Results – The consummation of the Privatization is still subject to a number of terms and conditions including the receipt of various approvals and contractual termination rights*.

Since the announcement, significant progress has been made towards completing the Privatization and a number of key developments have taken place:

- By August 2, 2007, applications were made for necessary regulatory approvals, including applications with Industry Canada, the CRTC, the Canadian Competition Bureau, the United States Federal Trade Commission and the United States Federal Communications Commission. We have since received anti-trust clearance from the United States Federal Trade Commission on August 14, 2007 and from the Canadian Competition Bureau on September 21, 2007. The United States Federal Communications Commission also granted approval of the Privatization on December 20, 2007. Furthermore, on February 25 and 26, 2008, the CRTC held a public hearing to review the change in control of BCE's broadcasting licences to the Investor Group. The public hearing is scheduled to resume on March 11, 2008 and a decision is expected by March 31, 2008.
- On September 21, 2007, BCE Inc.'s shareholders approved the Arrangement by more than 97% of the votes cast by holders of common and preferred shares, voting as a single class, exceeding the required 66 $^{2}/_{3}$ % approval. Of the total outstanding common and preferred shares, 62.5% were voted at the meeting either in person or by proxy.
- An order approving the Arrangement sought by BCE Inc. was granted by the Québec Superior Court on March 7, 2008. The granting of the order was contested by certain holders of Bell Canada debentures who asserted that they hold debentures issued under the Bell Canada trust indenture dated July 1, 1976 (1976 Indenture), the Bell Canada trust indenture dated April 17, 1996 (1996 Indenture), and under the Bell Canada trust indenture dated November 28, 1997 (1997 Indenture). The trustees under the 1976 Indenture and the 1996 Indenture also asked the Court for guidance in the context of the Privatization. The contesting parties alleged, among other things, that the Arrangement was unfair, oppressive, unfairly prejudicial to and/or unfairly disregarded the interests of such debenture holders and asked the court to refuse to approve and ratify the Arrangement or alternatively to order that a meeting of the holders of debentures be convened to vote as a class on the Arrangement. The contesting parties that are debenture holders under the 1976 Indenture and 1996 Indenture also alleged that the Arrangement constituted a "reorganization or reconstruction" of Bell Canada and therefore that the Arrangement required the approval of the trustees under such indentures. In addition to the foregoing contestations, the contesting debenture holders filed separate proceedings for an oppression remedy under section 241 of the *Canada Business Corporations Act* and the trustees under the 1976 Indenture and the 1996 Indenture filed motions for declaratory judgement in which they raised similar issues and sought similar relief. On March 7, 2008, the Court granted an order approving the Arrangement and dismissed all claims asserted by the contesting parties. Among other things, the Court declared that (i) the Arrangement did not constitute a "reorganization or reconstruction" of Bell Canada; (ii) the Arrangement conforms with the requirements of the *Canada Business Corporations Act* and is fair and reasonable; and (iii) the Arrangement is not oppressive or unfairly prejudicial to the interests of the debenture holders. In the event the contesting parties decide to appeal the Court's judgments, they have agreed the appeal must be filed with the Québec Court of Appeal by March 17, 2008.

About Our Business

BCE is Canada's largest communications company. Bell, which encompasses our core business operation, is the nation's leading provider of wireline and wireless communications services, Internet access, data services and video services to residential, business and wholesale customers. At the beginning of 2007, our management structure changed and, as a result, our results of operations now are reported in four segments: Bell Wireline, Bell Wireless, Bell Aliant and Telesat Canada (Telesat).

On October 31, 2007, we sold Telesat, which represents our entire Telesat segment. We have maintained continuing commercial arrangements between Telesat and Bell ExpressVu that provide Bell ExpressVu continued access to current and expanded satellite capacity. As a result of these arrangements, we have not accounted for Telesat as a discontinued operation.

We have restated prior periods to reflect these new segments. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance. We discuss our consolidated operating results in this MD&A, as well as the operating results of each segment. See Note 3 to the consolidated financial statements for additional information about our segments. We also discuss our results by product line to provide further insight into these results.

BELL WIRELINE SEGMENT

Our Bell Wireline segment provides local telephone, long distance, data (including Internet access and information and communications technology solutions (ICT)), video and other services to Bell's residential, small and medium-sized business (SMB) and large enterprise customers primarily in the urban areas of Ontario and Québec. Video services are provided nationwide. Also included in this segment is our wholesale business which provides local telephone, long distance, data and other services to resellers and other carriers, the results of our Bell West unit, which offers competitive local exchange carrier (CLEC) services to business customers in Alberta and British Columbia, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services to less populated areas of Canada's northern territories. At December 31, 2007, we owned 100% of Northwestel.

Local telephone and long distance services are sold under the Bell brand, Internet access under the Sympatico brand and video services through Bell ExpressVu with Internet protocol television (IPTV) services through Bell.

BELL WIRELESS SEGMENT

Our Bell Wireless segment provides wireless voice and data communications products and services to Bell's residential, SMB and large enterprise customers across Canada. Bell Wireless includes the results of operation for Bell Mobility Inc. (Bell Mobility), Virgin Mobile Canada (Virgin) and the wireless operations of Northwestel. Virgin is a mobile virtual network operator (MVNO) providing mobile service nationwide. At December 31, 2007, we owned 50% of Virgin.

BELL ALIANT SEGMANT

The Bell Aliant segment provides local telephone, long distance, Internet, data, wireless and other ICT services to residential and business customers in the Atlantic provinces, and in rural Ontario and Québec. Bell Aliant provides IT services in Canada and the United States through its IT division, xwave. Formed on July 7, 2006, Bell Aliant is one of the largest regional telecommunications service providers in North America. At December 31, 2007, BCE owned approximately 44% of Bell Aliant. The remaining 56% was publicly held.

TELESAT SEGMENT

We sold our investment in Telesat on October 31, 2007 to a company formed by Canada's Public Sector Pension Investment Board (PSP Investments) and Loral Space & Communications Inc. (Loral). Telesat provided satellite communications and systems management and also provided consulting services in establishing, operating and upgrading satellite systems worldwide. BCE Inc. realized net cash proceeds of approximately $3.1 billion. In conjunction with the sale, a set of commercial arrangements between Telesat and Bell ExpressVu were put into place that provide Bell ExpressVu access to current and expanded satellite capacity. Telesat is not accounted for as discontinued operations as a result of these ongoing commercial arrangements. With the sale of Telesat, BCE's financial and operating results subsequent to October 31, 2007 no longer reflect Telesat's contribution.

BELL PRODUCTS AND SERVICES

The following table shows selected data on Bell's operations from 2005 to 2007.

BELL WIRELINE	**2007**	2006	2005
Wireline			
Local network access services (NAS) net losses (1) (2)	**(511)**	(463)	(297)
Local NAS (thousands) (1) (2)	**8,176**	8,745	9,208
Long distance conversation minutes (millions)	**12,500**	13,256	13,103
Long distance average revenue per minute (cents)	**9.1**	9.2	10.5
Data			
High-speed Internet net activations (thousands) (3) (4)	**124**	154	254
High-speed Internet subscribers (thousands) (3) (4)	**2,004**	1,877	1,723
BELL WIRELESS			
Wireless			
Net activations (thousands) (5) (6)	**408**	513	580
Subscribers (thousands) (5) (6)	**6,216**	5,954	5,441
Average revenue per unit ($/month) (7)	**54**	51	49

Churn (%) (average per month) (7)	**1.7**%	1.5%	1.6%
Cost of acquisition ($/subscriber) (7)	**404**	420	405
Video			
Video net activations (thousands)	**2**	93	224
Video subscribers (thousands)	**1,822**	1,820	1,727
Average revenue per subscriber ($/month)	**60**	54	50
Churn (%) (average per month)	**1.2**%	1.0%	0.9%

(1) In the fourth quarter of 2007, we received formal notification from a major wholesale customer that it will migrate substantially all of its subscribers onto its own network. This resulted in a decrease of 58,000 lines from our business NAS customer base in 2007. The migration is expected to be substantially completed in the first quarter of 2008, at which time we will adjust our opening business NAS customer base to write off the remaining 273,000 lines.
(2) In 2007, our business NAS subscriber base was decreased by 58,000 lines to reflect an adjustment in the calculation of local interconnections. This adjustment did not impact net losses for 2007.
(3) In 2007, we reduced total net activations for 2007 by 11,000 and for 2006 by 3,000 to correct for customer churn adjustments in 2007 and 2006.
(4) In 2007, our high-speed Internet subscriber base was increased by 18,000 to adjust for prior-year deactivations related to a major upgrade of our order management system. In addition, our high-speed Internet subscriber base was decreased by 15,000 to adjust for the removal of customers who had no network usage in 2007.
(5) In 2007, our wireless subscriber base was decreased by 146,000 as a result of a change to our prepaid deactivation policy.
(6) Total wireless net activations and end-of-period subscribers include all of Virgin's subscribers as wholesale subscribers.
(7) Wireless average revenue per unit (ARPU), churn and cost of acquisition (COA) reflect the 50% portion of Virgin's results that are consolidated.

Bell is our primary focus and the largest component of our business. Bell's operations are reflected in our Bell Wireline and Bell Wireless segments. Revenues at Bell are generated from six major lines of business:

- local and access services
- long distance services
- data services
- video services
- equipment and other
- wireless services.

Legacy services, as referred to in this document, are those services, such as long distance and local telephone services, voice private lines and dedicated digital private line services, that we offer over our traditional circuit-switched voice and data networks and which our customers are currently migrating from.

Growth services, as referred to in this document, are made up of our wireless, video, high-speed Internet and other next-generation services such as ICT solutions.

Local and Access Services

Bell operates an extensive local access network that provides local telephone services to residential and business customers. The 8.2 million local telephone lines, or NAS, we provide to our customers are key in establishing customer relationships and are the foundation for the other products and services we offer. Local telephone service is the main source of local and access revenues. Other sources of local and access revenues include:

- value-added services (VAS), such as call display, call waiting and voicemail
- services provided to competitors accessing our local network
- connections to and from our local telephone service customers for competing long distance service providers
- subsidies from the National Contribution Fund to support local service in high-cost areas.

The local telephone services market remained competitive in 2007, due to further cable telephony footprint expansion in our regions and ongoing aggressive pricing of cable telephony services.

The CRTC regulates rates for services in our incumbent territories that are subject to regulation. On April 4, 2007, the Minister of Industry issued a variance of Telecom Decision 2006-15 which has improved the ability of incumbent telephone companies to compete effectively by eliminating the winback and promotional restrictions for local exchange services in regulated and deregulated areas. The variance order also streamlined the criteria and process to obtain forbearance in local service markets. In August and September 2007, the CRTC approved Bell's local residential service forbearance applications in 193 geographic areas, representing approximately 90% of Bell's residential access lines in Ontario and Québec. On September 13, 2007, the CRTC approved Bell's local business forbearance applications, excluding Centrex and Enhanced Exchange Wide Dial (EEWD) services, in 59 geographic areas, representing approximately 40% of Bell's business access lines in Ontario and Québec. Since July 2007, the CRTC has granted Bell Aliant forbearance of residential local telephone service in 77 geographic areas in New Brunswick, Nova Scotia and Prince Edward Island, and in 45 geographic areas in Ontario and Québec. The CRTC has also approved Bell Aliant's local business service forbearance applications, excluding Centrex and EEWD services, in 19 geographic areas in New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island, and 15 geographic areas in Ontario and Québec. These decisions remove local telephone access services from regulation in those areas, with the exception of a price ceiling which continues to apply to stand-alone local residential telephone access services. On January 31, 2008, the CRTC issued Telecom Decision CRTC 2008-10 where it determined that it is appropriate to consider Centrex and EEWD services part of the business local exchange services market for the purposes of local business forbearance determinations. The decision also granted immediate forbearance for Centrex and EEWD services in the exchanges where it had previously granted local business forbearance, increasing to 80% the proportion of Bell's total business access lines that are no

longer subject to price regulation. These forbearance decisions give Bell and Bell Aliant the flexibility to offer more value to their customers and compete more effectively with local service competitors.

On April 30, 2007, the CRTC issued Telecom Decision 2007-27 where it established the rules that will govern the prices Bell and other incumbent telephone companies charge for residential and business local services that remain subject to regulation, granting them more pricing flexibility in order to meet individual customer needs. For instance, Bell gained the ability to lower a rate for tariff services for certain residential customers without lowering the rate for all residential customers within the same rate band. This price flexibility is known as "rate de-averaging". On November 9, 2007, the CRTC removed the prohibition on rate de-averaging for pay telephone and business services offered by the incumbent telephone companies.

Long Distance Services

We supply long distance voice services to residential and business customers. We also receive settlement payments from other carriers for completing their customers' long distance calls in our territory.

Prices for long distance services have been declining since this market was opened to competition. In 2007, our long distance services continued to face intense competitive pressure given the expanded presence of cable telephony and the continuing impact from non-traditional suppliers, including prepaid card suppliers, dial-around services and voice over Internet protocol (VoIP) providers.

Data Services

We provide high-speed Internet access service through digital subscriber line (DSL) technology for residential and business customers. At the end of 2007, we provided high-speed Internet access to over two million customers, whether through DSL, fibre-optic or wireless broadband service. During 2007, we enhanced our Internet products by introducing Sympatico Total Internet, which combines Internet access with security, support and wireless networking. We currently offer three simple packages for the light to heavy user, including Essential, Performance and Max, which provide speeds of up to 500 kilobits per second (Kbps), 7 megabits per second (Mbps) and 16 Mbps, respectively.

In addition, we offer Sympatico WiMAX, a nationwide portable wireless broadband service which delivers wireless Internet access with speeds of up to 3 Mbps. This service is enabled through the network provider Inukshuk Wireless Inc. (Inukshuk), a joint venture between Bell Canada and Rogers Communications Inc. (Rogers). Inukshuk was launched in 2003 to provide wireless high-speed Internet access across Canada using spectrum in the 2.5 GHz range. As at December 31, 2007, Inukshuk's wireless broadband network covered over 5 million households, representing more than 40% of the population in 20 urban centres across Canada. We also collaborate with Microsoft Corporation to offer Canadians the Sympatico.MSN.ca portal, one of Canada's most popular Internet destinations.

Our high-speed Internet access footprint in Ontario and Québec reached more than 87% of homes and 92% of business lines passed at the end of 2007. In Bell Aliant's territory, comprised of Atlantic Canada and rural Ontario and Québec, DSL high-speed Internet was available to approximately 72% of homes at the end of 2007.

Furthermore, we offer a full range of data services to business customers, including Internet access, Internet protocol (IP) based services, ICT solutions and equipment sales. While we still offer legacy data services, we no longer sell legacy data services other than to current customers.

Video Services

We are Canada's largest digital television provider, nationally broadcasting more than 500 all-digital video and audio channels and a wide range of domestic and international programming. We also offer hardware, including personal video recorders (PVRs), interactive television (iTV) services and the most high-definition (HD) channels in Canada. We currently distribute our video services to more than 1.8 million customers in one of four ways:

- *direct-to-home (DTH) satellite* – we have been offering DTH video services nationally since 1997 and currently use four satellites: Nimiq 1, Nimiq 2, Nimiq 3 and Nimiq 4iR. Telesat, our former subsidiary operates or directs the operation of these satellites.
- *very high bit rate DSL (VDSL)* – this allows us to expand our reach to the multiple-dwelling unit (MDU) market
- *hybrid fibre co-axial cable* – we sell residential analog and digital TV through Cable VDN Inc. (Cable VDN), a Montréal-based cable company that we acquired in August 2005
- *IPTV* – we are offering IPTV services on a limited basis, which will enable us to get valuable operational and marketing insights.

Equipment and Other

This category includes revenues from a number of other sources, including:

- renting, selling and maintaining business terminal equipment
- video set-top box (STB) sales
- network installation and maintenance services for third parties
- IT services provided by Bell Aliant.

Wireless Services

We offer a broad range of wireless voice and data communications products and services to residential and business customers across Canada.

We also provide an array of VAS such as call display and voicemail, e-mail and video streaming, music downloads, ring tones and games, as well as roaming services with other wireless service providers. Customers can choose to pay for their services through a monthly rate plan (postpaid) or in advance (prepaid). At the end of 2007, we had over 6.2 million wireless customers.

Bell Mobility provides wireless communications services nationwide under the Bell Mobility and Solo Mobile brands. In addition, we have a joint venture with Virgin to offer wireless services under the Virgin brand across Canada.

Our wireless network provides voice services and data services delivered over our existing single-carrier radio transmission technology (1xRTT) network. At the end of 2007, our wireless network covered:

- 95% of the population of Ontario and Québec
- approximately 90% of the population of Atlantic Canada
- the major cities in the provinces of Alberta and British Columbia.

In 2007, we continued to deploy our Evolution, Data Optimized (EVDO) wireless data network nationwide. EVDO is a wireless radio broadband protocol that delivers higher data download rates suitable for high-bandwidth download applications such as enterprise virtual private network (VPN) computing, music transfers and video streaming. In addition, during 2007, we began deploying technology that enables EVDO revision A (EVDO Rev A) services. EVDO Rev A is the next generation of EVDO technology that further increases peak data transmission download speeds. EVDO Rev A also enables higher system capacity and improved quality of service support for data applications. As at December 31, 2007, our EVDO Rev A network footprint covered approximately 75% of the Canadian population.

EMPLOYEES

At December 31, 2007, BCE had 54,034 employees, compared with 54,372 at the end of 2006. The small decrease was due to decreased headcount at Bell Aliant offset largely by a higher number of employees at Bell, where we continued to rebalance our workforce more towards the growth areas of our business. In total, 1,259 positions were added at Bell in 2007, mostly in our wireless unit, to support revenue growth and service quality initiatives. This was offset by 756 employee departures that took place during the year. As a result, the net increase in employees at Bell in 2007 was 503, bringing the total number of Bell employees at the end of 2007 to 44,292.

The collective agreement between the Communications, Energy and Paperworkers Union of Canada (CEP) and Bell Canada, covering 5,122 craft and services employees, expired on November 30, 2007. Negotiations between the CEP and Bell Canada started on October 29, 2007. On December 11, 2007, Bell Canada asked the federal Minister of Labour to appoint a conciliator to help move forward negotiations with the CEP. A conciliator was appointed on December 13, 2007. The conciliator met both parties in December 2007 and January 2008. On January 31, 2008, Bell Canada offered the craft and services employees covered by this collective agreement a new long-term contract that includes wage increases in each year, while providing Bell Canada with additional flexibility. The CEP will put the offer to a vote and is expected to communicate the results to Bell Canada on March 17, 2008.

2007 Operating Highlights

Our financial performance in 2007 was driven by a focus on operational execution that resulted in slower rates of revenue erosion in our legacy wireline voice and data businesses, continuing revenue increases from our growth services, tight cost control, and further productivity improvements.

Revenues at Bell improved by 1.4% this year, reflecting the improved revenue performance of our growth services, which increased by 7.8% and accounted for 59%

of total revenues at the end of 2007. The growth in revenues was fuelled by higher wireless and video ARPU. Lower year-over-year video and high-speed Internet net activations, largely as a result of sustained competitive intensity and a focus on disciplined subscriber growth moderated the overall increase. However, we experienced improved wireless market traction at Bell Mobility, owing to the positive customer response to our promotions, the introduction of new handsets and expanded market presence, which allowed our wireless unit to capture a higher market share of industry gross activations this year. In our traditional voice services market, we took advantage of local telephone deregulation to enhance our competitive position with new product offerings, which enabled us to face the challenges of cable telephony more effectively. Residential local line losses at Bell in 2007 decreased year over year, despite cable operators' aggressive pricing and expanded local telephone footprints in our markets. This was the direct result of significantly higher customer winbacks and the positive impact of new marketing initiatives.

Our focus on profitable and disciplined subscriber growth, in combination with a reduced emphasis on low-margin business customer contracts and equipment sales, continued productivity improvements and lower net benefit plan costs, enabled both EBITDA[(1)] growth of 4.1% and a one percentage-point expansion in margins at Bell, despite continued erosion of our legacy wireline business. In addition, operational management and cost tracking tools were in place during the year to ensure that expenses would not grow if revenues did not increase as planned.

Higher EBITDA, coupled with reduced pension funding, lower cash taxes, sound working capital management and control over capital spending, contributed to higher free cash flow[(2)] in 2007.

In the area of customer service, progress was made this year in driving a higher overall level of customer satisfaction by improving first call resolution in our call centres, reducing both the number of missed appointments and time required for wireline installations and repairs, as well as by continuing to invest in wireless and broadband networks, particularly in urban markets, in order to expand the reach and power of Bell's growth services. We also continued to strengthen the customer relationship in 2007 by expanding Bell's points of presence, offering a broader wireless handset line-up,
and introducing new service packages such as the Bell Bundle and Home Phone packages.

Some of our segments' revenues vary slightly by season. Wireline segment revenues tend to be higher in the fourth quarter because of higher levels of voice and data equipment sales. Our operating income can also vary by season. Wireless segment operating income tends to be lower in the fourth quarter due to higher subscriber acquisition costs associated with a higher number of new subscriber activations during the holiday season.

STRATEGIC PRIORITIES

The strategic priorities disclosed in this section represent management's expectations as of the date of this MD&A, but could change following completion of the Privatization.

We made further operational progress in 2007, improving service delivery, increasing customer satisfaction, shifting our revenue mix more towards growth services, enhancing network performance, and resetting our cost structure. This continued focus on execution further strengthened our operational foundations and contributed to our improved financial performance this year, setting the stage for the Privatization in 2008.

Our overall business objective is to maximize subscribers, revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as one of Canada's foremost providers of comprehensive and innovative communication services to residential and business customers. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders.

We are committed to improving the customer experience. This will continue to be critical in 2008. It is how we will differentiate our business from the competition to build customer loyalty as we drive the profitable expansion of our growth services and slow the decline of our traditional voice and data businesses. However, service alone will not make us competitive. We must also continue to deliver products, services and solutions that make a difference for customers. As a result, we intend to continue bringing to market compelling new products and enhancing the networks on which they run.

(1) EBITDA (earnings before interest, taxes, depreciation and amortization of intangible assets) is a non-GAAP financial measure. See Non-GAAP Financial Measures – EBITDA *in this MD&A for more details, including a reconciliation to the most comparable GAAP financial measure.*
(2) Free cash flow is a non-GAAP financial measure. See Non-GAAP Financial Measures – Free cash flow *in this MD&A for more details, including a reconciliation to the most comparable GAAP financial measure.*

Our five strategic imperatives for 2008 are grounded in delivering consistent, reliable, high-quality communications services to customers efficiently and cost effectively, proactively managing legacy revenue erosion, and growing subscribers profitably.

Wireless growth – A key driver of growth and financial performance, our wireless business will be supported by an expanded array of handsets, increased market presence, new products and features, growth in data, ongoing enhancements to broadband EVDO and overall network quality. We are focused on maximizing ARPU and data usage while targeting high-value subscribers and acquiring our competitive share of industry gross activations. The key elements of our wireless strategy are as follows:

- focusing on voice and data services that are attractive to both residential and business customers
- delivering on customer expectations by offering a wide range of high-functioning handsets, maintaining the most technologically advanced, high-quality and pervasive wireless network possible, and improving customer service while reducing customer churn
- expanding sales distribution channels to increase points of presence and retail traffic
- leveraging the high degree of brand awareness for Bell to provide bundled product and service offerings at attractive prices.

Improve customer experience – We are determined to consistently meet or exceed customer expectations and enhance their overall experience with Bell. We believe that this focus on improving the total customer experience by delivering the service basics in terms of call centre efficiency, meeting commitments for provisioning, timely repair, superior network quality, and process improvements to simplify customer transactions will help differentiate us from our competitors and gain long-term customer loyalty to the Bell brand and its products.

Re-align cost structure and capital spending – A core element of financial performance, cost containment remains a centrepiece of our strategy. In addition, productivity improvements have enabled us to increase our competitiveness in the marketplace. Our objective is to offset margin pressures, from both the expected continued decline in legacy revenues and a further shift in product mix towards growth services, with tight cost control, ongoing operational efficiency improvements and productivity gains. Disciplined expense management and tracking are in place to help minimize costs if
associated revenues do not materialize. We are also focused on improving capital efficiency through carefully managing capital expenditures in order to maximize cash flows. As a result, we anticipate that the majority of our capital spending in 2008 will be focused on improving customer delivery, enhancing our wireless operations and further developing our residential broadband network.

Stabilize wireline revenues – Overall NAS erosion is expected to continue in 2008 as a result of ongoing cable telephony competition and the migration of subscribers by wholesale customers onto their own networks. However, as a direct result of local telephone deregulation, our competitive market position has been strengthened through our ability to adjust pricing and bundle services. We believe that this added flexibility, which enables us to introduce new service packages in the market quicker and to better address customer retention, supports our objective of reducing the rate of local line losses. Our video and Internet services remain critical components of our multi-product household strategy and we intend to continue leveraging these products to drive further subscriber acquisition and retention, as well as to enhance the overall profitability of our subscriber base. We also intend to proactively manage the pace of revenue erosion through strategic product pricing increases, careful control over business customer migration to IP, and targeted marketing of existing wire-line voice and data services.

Grow Broadband – We will continue to invest in advanced network enhancements, such as the continued deployment of fibre-to-the-node (FTTN) technology, in order to meet increased usage demands in a multi-media rich environment and to improve DSL network performance. FTTN will enable speeds of up to 26 Mbps. In the future, as consumer demand for bandwidth-intensive applications increases, we believe that FTTN bandwidth speeds can be increased to more than 40 Mbps through techniques such as shortening VDSL loop lengths and bonding twisted-pair copper telephone lines. Our objective is to migrate high-speed Internet customers to FTTN based on demand and willingness to pay for more speed. We also aim to develop and launch targeted marketing initiatives to further grow IP connectivity sales among business customers and to more aggressively monetize usage of our broadband networks. At year-end, Bell had deployed 4,828 neighbourhood nodes through its FTTN program.

We intend to execute these five strategic priorities on the basis of disciplined market leadership behaviour and a balance between profitable growth and enhanced market share. With an increasingly cost-efficient structure, we believe that we are well positioned to leverage our network capabilities as well as our product and brand assets.

This section on *Strategic Priorities* contains forward-looking statements and related assumptions. For a description of additional assumptions underlying certain of such forward-looking statements, refer to *Business Outlook and Assumptions*. For a description of certain risk factors that could cause actual results to differ materially from our expectations expressed in or implied by such forward-looking statements and related assumptions, refer in particular to *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*.

Business Outlook and Assumptions

BELL WIRELINE

In 2008, we expect a sustained level of competition, particularly in the residential market, as cable operators maintain the intensity of their marketing efforts and continue to expand the footprint for their low-priced cable telephony offerings in our regions. Although we will continue to incur local line losses primarily as a result of ongoing cable telephony competition, we are targeting a reduction in the rate of NAS erosion in 2008 due mainly to a more favourable regulatory environment for local services and the impact of our marketing initiatives. Local telephone deregulation provides us with the ability to market in new ways. The quality and value of our Internet and video services, coupled with the strength of our multi-product offering, is expected to support our ability to compete effectively against cable competitors across all products and services. We intend to leverage this position to drive subscriber acquisition and retention of Internet and video customers while enhancing the overall profitability of our subscriber bases.

We will seek to minimize the decline in revenues from legacy voice and data services through strategic pricing actions, proactive management of the pace of customer migration to IP-based networks, targeted marketing of existing services, and leveraging the strength of our core connectivity services portfolio.

Other areas of focus for 2008 include driving improvements in customer experience and introducing new products and services to the market more quickly that balance innovation with profitability. We plan to expand our residential broadband services to help customers manage information needs in their homes by investing in FTTN to enhance performance, adding VAS, and offering programs to provide a better customer experience. In our Video unit, we intend to continue investing in new growth areas, such as HD programming, to further our goal of becoming the leader in “on-demand” television. Our Enterprise unit will continue to deliver network-centric ICT solutions to large enterprise and public sector clients that increase the value of IP services, while our SMB unit will continue to leverage its Virtual Chief Information Officer (VCIO) strategy by further expanding value-added service offerings, such as hosting, to augment and enhance its traditional connectivity business.

BELL WIRELESS

The wireless market in Canada is expected to grow for several more years as a result of increasing wireless penetration. The Canadian wireless industry’s current market penetration is approximately 61% of the population, compared with 57% and 52% at the end of 2006 and 2005, respectively. The CRTC’s implementation of Wireless Number Portability, as well as the potential for increased competition as a result of the AWS spectrum auction in 2008, will result in customer satisfaction and retention becoming even more critical over time. In addition, wireless operators are continuing to invest in high-speed data networks to enable a wider suite of wireless data products and services in the market.

We expect that our Wireless unit will continue to be a key contributor to Bell’s revenue and EBITDA results in 2008. The financial performance of Bell Mobility will depend on its continued ability to focus on profitable growth and the sound execution of its market strategies. We expect our wireless revenues to be driven by higher ARPU from new services, careful price management and continued disciplined expansion of our subscriber base. We plan to achieve higher ARPU through ongoing technological improvements in our handset and device portfolio from our manufacturers and our faster data speeds that are allowing our clients to make fuller use of our services. We are also aiming to achieve data growth, driven by higher demand for data services and increasing usage from wireless services such as text and picture messaging, web browsing, music and video downloads and community portals such as Facebook and YouTube.

We intend to continue introducing new products and services that balance innovation with profitability and that are brought to market in a timely manner. The ongoing development of wireless data transmission technologies has led to the development of more sophisticated wireless devices with increasingly advanced capabilities, including access to e-mail and other corporate IT platforms, news, sports, financial information and services, photos, music and streaming video clips, mobile television and other functions. We believe that the introduction of such new applications will drive the growth for data transmission services. As a result, we aim to introduce additional high-speed enabled data applications and other services to our wireless customers in order to deliver increasing value to them. In order to facilitate this objective, we will likely continue to upgrade our wireless network to be able to offer the data transmission capabilities required by these new applications.

BELL ALIANT

In 2008, Bell Aliant plans to execute on two key strategic priorities to address growing competitive pressures in its marketplace. Firstly, it intends to provide a superior customer experience by further improving customer service, providing value through leading products and services, as well as by strong community involvement. Secondly, it intends to drive operational efficiency by disciplined management of its cost structure to grow distributable cash and deliver value to unitholders. In addition, Bell Aliant’s scale, access to leading-edge technology and ongoing collaboration with Bell are expected to contribute to improving operational effectiveness and reducing costs. Bell Aliant also expects to continue exploring opportunities for further consolidation via acquisitions of other regional and rural operations.

This section on *Business Outlook and Assumptions* contains forward-looking statements and related assumptions. For a description of certain risk factors that could cause actual results to differ materially from our expectations expressed in or implied by such forward-looking statements and related assumptions, refer in particular to *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*.

Management's Discussion and Analysis

Selected Annual and Quarterly Information

ANNUAL FINANCIAL INFORMATION

The following tables show selected consolidated financial data of BCE, prepared in accordance with Canadian generally accepted accounting principles (GAAP) for each year from 2003 to 2007. We discuss the factors that caused our results to vary over the past three years throughout this MD&A.

	2007	2006	2005	2004	2003
Operations					
Operating revenues	**17,866**	17,656	17,551	16,961	16,707
Cost of revenue, exclusive of depreciation and amortization	**(4,170)**	(4,020)	(4,048)	(3,835)	(3,925)
Selling, general and administrative expenses	**(6,722)**	(6,854)	(6,659)	(6,283)	(5,929)
EBITDA	**6,974**	6,782	6,844	6,843	6,853
Depreciation	**(2,550)**	(2,505)	(2,511)	(2,499)	(2,458)
Amortization of intangible assets	**(649)**	(623)	(550)	(501)	(543)
Restructuring and other	**(336)**	(355)	(55)	(1,219)	(14)
Operating income	**3,439**	3,299	3,728	2,624	3,838
Other income (expense)	**2,395**	(188)	12	420	190
Interest expense	**(859)**	(940)	(934)	(942)	(1,040)
Pre-tax earnings from continuing operations	**4,975**	2,171	2,806	2,102	2,988
Income taxes	**(725)**	(74)	(792)	(594)	(1,069)
Non-controlling interest	**(332)**	(217)	(191)	(123)	(158)
Earnings from continuing operations	**3,918**	1,880	1,823	1,385	1,761
Discontinued operations	**139**	127	138	139	54
Net earnings before extraordinary gain	**4,057**	2,007	1,961	1,524	1,815
Extraordinary gain	**–**	–	–	69	–
Net earnings	**4,057**	2,007	1,961	1,593	1,815
Dividends on preferred shares	**(131)**	(70)	(70)	(70)	(64)
Premium on redemption of preferred shares	**–**	–	–	–	(7)
Net earnings applicable to common shares	**3,926**	1,937	1,891	1,523	1,744
Included in net earnings					
Net gains on investments					
Continuing operations	**2,115**	419	33	410	(81)
Discontinued operations	**137**	106	(6)	11	83
Restructuring and other	**(210)**	(222)	(37)	(770)	3
Cost incurred to form Bell Aliant	**–**	(42)	–	–	–
Net earnings per common share					
Continuing operations – basic	**4.71**	2.10	1.89	1.42	1.83
Continuing operations – diluted	**4.70**	2.10	1.89	1.42	1.82
Net earnings – basic	**4.88**	2.25	2.04	1.65	1.90
Net earnings – diluted	**4.87**	2.25	2.04	1.65	1.89
Ratios					
EBITDA margin (%)	**39.0**%	38.4%	39.0%	40.3%	41.0%
EBITDA to interest ratio (times)	**8.12**	7.21	7.33	7.26	6.59
Operating margin (%)	**19.2**%	18.7%	21.2%	15.5%	23.0%
Return on equity (%)	**30.0**%	15.7%	14.9%	12.6%	15.2%

	2007	2006	2005	2004	2003
Balance Sheet					

Total assets	**37,797**	37,171	40,567	39,055	39,756
Long-term debt (including current portion)	**11,084**	12,731	12,853	12,234	13,503
Net debt	**8,680**	12,198	12,600	12,103	13,027
Total capitalization	**27,015**	27,745	30,219	29,035	29,988
Preferred shares	**2,770**	1,670	1,670	1,670	1,670
Common shareholders' equity	**14,462**	11,697	13,051	12,354	11,895
Ratios					
Net debt to total capitalization (%)	**32.1**%	44.0%	41.7%	41.7%	43.4%
Net debt to EBITDA (times)	**1.24**	1.80	1.84	1.77	1.90
Total debt to total assets (times)	**0.30**	0.34	0.32	0.32	0.34
Long-term debt to equity (times)	**0.64**	0.95	0.87	0.87	1.00
Cash flows					
Cash flows from operating activities	**5,704**	5,366	5,319	5,252	5,701
Cash flows used in investing activities	**(69)**	(3,701)	(3,762)	(3,551)	(2,797)
Capital expenditures	**(3,151)**	(3,133)	(3,357)	(3,272)	(3,052)
Business acquisitions	**(163)**	(71)	(228)	(1,118)	(54)
Business dispositions	**3,123**	–	–	2	10
Bell Aliant	**(7)**	(255)	–	–	–
Other investing activities	**13**	(2)	39	183	167
Cash flows used in financing activities	**(3,914)**	(3,639)	(1,613)	(2,571)	(2,704)
Repurchase of common shares	**(227)**	(1,241)	–	–	–
Net issuance of equity instruments	**153**	29	25	32	172
Net repayment of debt instruments	**(1,766)**	(432)	(47)	(1,140)	(1,541)
Financing activities of subsidiaries with third parties	**(333)**	(292)	(77)	(17)	(29)
Cash dividends paid on common shares	**(1,147)**	(1,169)	(1,195)	(1,108)	(1,029)
Cash dividends paid on preferred shares	**(124)**	(84)	(86)	(85)	(61)
Cash dividends/distributions paid by subsidiaries to non-controlling interest	**(404)**	(293)	(169)	(179)	(172)
Cash provided by discontinued operations	**356**	2,110	121	528	216
Ratios					
Free cash flow	**891**	685	551	791	1,554
Capital intensity (%)	**17.6**%	17.7%	19.1%	19.3%	18.3%
Share Information					
Average number of common shares (millions)	**804.8**	861.4	926.8	924.6	920.3
Common shares outstanding at end of year (millions)	**805.3**	807.6	927.3	925.9	924.0
Market capitalization	**31,930**	25,359	25,844	26,777	26,704
Dividends declared per common share (dollars)	**1.46**	1.32	1.32	1.20	1.20
Book value per share (dollars)	**17.96**	14.48	14.07	13.34	12.87
Total dividends declared on common shares	**(1,172)**	(1,132)	(1,222)	(1,110)	(1,105)
Total dividends declared on preferred shares	**(131)**	(70)	(70)	(70)	(64)
Market price per common share (dollars)					
High	**41.74**	32.92	32.95	30.00	32.35
Low	**29.13**	25.56	26.60	25.75	26.60
Close	**39.65**	31.40	27.87	28.92	28.90
Ratios					
Common dividend yield (%)	**3.6**%	4.6%	4.6%	4.1%	3.9%
Common dividend payout ratio (%)	**29.2**%	60.4%	63.2%	72.8%	59.0%
Price to earnings ratio (times)	**8.13**	13.96	13.66	17.53	15.21
Price to book ratio (times)	**2.21**	2.17	1.98	2.17	2.25
Price to cash flow ratio (times)	**12.51**	12.12	13.15	13.51	10.03
Other data					
Number of employees (thousands) **(1)**	**54**	54	56	51	54

(1) The number of employees for 2004 excludes virtually all employees who left under the voluntary departure program of 2004.

QUARTERLY FINANCIAL INFORMATION

The following table shows selected consolidated financial data by quarter for 2007 and 2006. 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.

	2007				2006			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Operating revenues	**4,549**	**4,494**	**4,438**	**4,385**	4,532	4,407	4,374	4,343
EBITDA	**1,668**	**1,789**	**1,777**	**1,740**	1,639	1,712	1,733	1,698
Depreciation	**(618)**	**(649)**	**(651)**	**(632)**	(641)	(626)	(629)	(609)
Amortization of intangible assets	**(173)**	**(165)**	**(156)**	**(155)**	(155)	(161)	(160)	(147)
Restructuring and other	**(150)**	**(78)**	**(72)**	**(36)**	(91)	(126)	(50)	(88)
Operating income	**727**	**897**	**898**	**917**	752	799	894	854
Earnings from continuing operations	**2,388**	**442**	**562**	**526**	714	322	441	403
Discontinued operations	**–**	**(2)**	**138**	**3**	3	(20)	53	91
Net earnings	**2,388**	**440**	**700**	**529**	717	302	494	494
Net earnings applicable to common shares	**2,354**	**406**	**667**	**499**	699	285	476	477
Included in net earnings								
Net gains on investments								
Continuing operations	**1,873**	**7**	**132**	**103**	410	8	–	1
Discontinued operations	**–**	**–**	**136**	**1**	2	(11)	35	80
Restructuring and other	**(96)**	**(43)**	**(46)**	**(25)**	(66)	(71)	(27)	(58)
Costs incurred to form Bell Aliant	**–**	**–**	**–**	**–**	–	(28)	(14)	–
Net earnings per common share								
Continuing operations – basic	**2.93**	**0.51**	**0.65**	**0.62**	0.83	0.38	0.47	0.42
Continuing operations – diluted	**2.92**	**0.51**	**0.65**	**0.62**	0.83	0.38	0.47	0.42
Net earnings – basic	**2.93**	**0.50**	**0.83**	**0.62**	0.84	0.36	0.53	0.52
Net earnings – diluted	**2.92**	**0.50**	**0.83**	**0.62**	0.84	0.36	0.53	0.52
Average number of common shares outstanding – basic (millions)	**805.2**	**804.9**	**803.2**	**806.0**	811.6	818.8	896.4	920.5

Fourth Quarter Highlights

BCE's operating revenue was $4,549 million in the fourth quarter of 2007, or 0.4% higher compared to the same period in 2006.

Operating revenues at Bell increased 1.7% to $3,815 million in the fourth quarter of 2007 compared to the same period in 2006 as increases in revenue from wireless, video and data more than offset declines in local and access and long distance revenues.

Bell's higher revenue, increased productivity savings and success in our Enterprise unit all contributed significantly to our overall improvement in EBITDA.

Restructuring and other of $150 million in the fourth quarter of 2007 increased by $59 million from $91 million for the same period in 2006. The $59 million increase included:

- an increase of $36 million related to workforce reduction initiatives, and charges for relocating employees and closing real estate facilities that are no longer needed because of the reduction in the workforce between 2004 to 2007
- an increase in other charges of $23 million related primarily to transaction costs associated with our review of the strategic alternatives, employee retention costs and a charge of $37 million for uneconomic broadband expansion approved by the CRTC.

Earnings from continuing operations of $2,388 million in the fourth quarter of 2007 includes the gain on sale of $1,893 million, net of taxes of $407 million, in conjunction with the sale of Telesat.

Financial Results Analysis

This section provides detailed information and analysis about our performance in 2007 compared with 2006 and 2006 compared with 2005. It focuses on our consolidated operating results and provides financial information for each of our operating segments.

CONSOLIDATED ANALYSIS

				% CHANGE	
	2007	2006	2005	**2007 vs. 2006**	2006 vs. 2005
Operating revenues	**17,866**	17,656	17,551	**1.2%**	0.6%
Cost of revenue, exclusive of depreciation and amortization	**(4,170)**	(4,020)	(3,933)	**(3.7%)**	(2.2%)
Selling, general and administrative expenses	**(6,722)**	(6,854)	(6,774)	**1.9%**	(1.2%)
EBITDA	**6,974**	6,782	6,844	**2.8%**	(0.9%)

Depreciation	**(2,550)**	(2,505)	(2,511)	**(1.8%)**	0.2%
Amortization of intangible assets	**(649)**	(623)	(550)	**(4.2%)**	(13.3%)
Restructuring and other	**(336)**	(355)	(55)	**5.4%**	n.m.
Operating income	**3,439**	3,299	3,728	**4.2%**	(11.5%)
Other income (expense)	**2,395**	(188)	12	**n.m.**	n.m.
Interest expense	**(859)**	(940)	(934)	**8.6%**	(0.6%)
Pre-tax earnings from continuing operations	**4,975**	2,171	2,806	**n.m.**	(22.6%)
Income taxes	**(725)**	(74)	(792)	**n.m.**	90.7%
Non-controlling interest	**(332)**	(217)	(191)	**(53.0%)**	(13.6%)
Earnings from continuing operations	**3,918**	1,880	1,823	**n.m.**	3.1%
Discontinued operations	**139**	127	138	**9.4%**	(8.0%)
Net earnings	**4,057**	2,007	1,961	**n.m.**	2.3%
Dividends on preferred shares	**(131)**	(70)	(70)	**(87.1%)**	0.0%
Net earnings applicable to common shares	**3,926**	1,937	1,891	**n.m.**	2.4%
Earnings per share (EPS)	**4.88**	2.25	2.04	**n.m.**	10.3%

n.m.: not meaningful

Operating Revenues

2007 Compared to 2006

Total operating revenues at BCE increased to $17,866 million in 2007, or 1.2% over revenues of $17,656 million in 2006. The year-over-year improvement was primarily the result of higher revenues at Bell and at Bell Aliant where growth in Internet and IT services more than offset declining revenues from local wireline and long distance services. This was partly offset by lower revenues at Telesat, reflecting the inclusion of only ten months of revenue in 2007 due to its sale, compared with a full twelve months in 2006.

Revenues at Bell improved 1.4% in 2007 to $14,743 million from $14,541 million last year. The year-over-year increase was fuelled by revenue growth at our Bell Wireless segment, offset partly by lower revenues at our Bell Wireline segment. Revenues at Bell Wireless grew 7.9% in 2007, due primarily to a significant improvement in ARPU and an increased number of subscribers.

The 1.0% decrease in Bell Wireline segment revenues this year was caused by further erosion of legacy voice and data revenues, resulting from ongoing residential local line losses and continued business customer migration to IP-based services, as well as by continuing competitive pressures in our wholesale business. However, we continued to manage the pace of revenue erosion in our traditional wireline services through residential customer retention initiatives, strategic product pricing increases, and careful control over IP migration. Continued solid growth in video, Internet, and IP broadband connectivity revenues in 2007 also moderated the year-over-year decrease in Bell Wireline revenues.

Revenues from our growth services portfolio, comprised of wireless, video, high-speed Internet, and other next-generation services such as ICT solutions, grew by 7.8% this year and accounted for 59% of Bell's revenues at the end of 2007, compared with 55% at the end of 2006.

See *Segmented Analysis* for a discussion of operating revenues on a segmented basis.

2006 Compared to 2005

Total operating revenues at BCE increased to $17,656 million in 2006, 0.6% higher than 2005, reflecting higher revenues across all segments.

Revenues at Bell improved 0.5%, year over year, to $14,541 million. This was driven primarily by increased revenues at Bell Wireless, offset by lower revenues within our Bell Wireline segment. Bell Wireless revenue growth of 11.6% was fuelled by higher ARPU and an increased number of wireless customers, while the 2.9% decrease in Bell Wireline revenues was caused by the continued erosion of legacy services revenue due to residential local line losses and business customer migration to IP, competitive pricing pressures in our business and wholesale market segments, and the impact of various regulatory decisions. In addition, our results for 2005 included revenues from a number of non-recurring sales which negatively affected revenue growth in 2006. These items included the sale of customer contracts in our Enterprise unit related to legacy point-of-sale systems, fibre and access capacity sales in our Wholesale unit, the sale of U.S. conferencing solutions contracts in our SMB unit, the early termination of a cross-border facilities contract and the recognition of deferred revenues related to unused prepaid minutes. Higher revenues in our video and Internet units, as well as solid ICT growth in our Enterprise and SMB units moderated the year-over-year decrease in Bell wireline revenues.

Revenues from growth services, which grew by 10.2% in 2006, accounted for 55% of total revenues at the end of the year compared with 52% at the end of 2005.

Revenues at Bell Aliant also improved in 2006, due primarily to higher revenues from increased sales of Internet, data and IT services, which more than offset revenue declines from Bell Aliant's legacy services.

See *Segmented Analysis* for a discussion of operating revenues on a segmented basis.

Operating Expenses

2007 Compared to 2006

Total operating expenses at BCE increased 0.2% in 2007 to $10,892 million from $10,874 million in 2006. The marginal year-over-year increase reflected higher cost of revenue, offset largely by reduced selling, general and administrative expenses.

Cost of revenue was up 3.7% in 2007 to $4,170 million, compared with $4,020 million last year. The year-over-year increase was driven by:

- higher overall revenues at Bell and Bell Aliant
- higher wireless network operating expenses, due primarily to higher roaming volumes combined with increased minutes of airtime usage and increased transmission expenses to support a larger subscriber base, a greater number of cell sites, third-party data content providers and improved network quality and coverage
- higher product cost of sales consistent with increased wireless and high-speed Internet gross subscriber activations, increased wireless customer retention activity, increased business equipment sales in our Bell West unit and increased product sales at Bell Aliant.

These cost pressures were moderated by the positive impact of:

- decreased payments to other carriers, reflecting both lower rates and volume of minutes
- a favourable judicial decision with respect to CRTC video broadcast licence fees
- lower network termination costs from reduced southbound call traffic to the United States
- other cost containment and productivity initiatives.

Selling, general and administrative expenses include salaries, wages and benefits not directly attributable to a service or product, net benefit plans cost, bad debt charges, taxes other than income, marketing, advertising and sales commission costs, customer billing, call centre and IT costs, professional service fees, and rent. Selling, general and administrative expenses decreased 1.9% in 2007 to $6,722 million from $6,854 million in 2006. The year-over-year decline resulted primarily from:

- lower marketing and sales expenses, reflecting reduced handset subsidies at Bell Mobility and decreased advertising costs
- lower labour costs at Bell driven by decreased use of consultants
- decreased real estate costs driven by workforce reduction initiatives and lower rents
- lower net benefit plans cost, due mainly to a higher return on plan assets and the phase-out in 2006 of other post-employment benefits for future retirees.

These lower costs were partly offset by a number of cost increases during the year, including higher call centre outsourcing costs to handle greater call volumes and improve customer service, increased customer retention costs stemming from a higher number of handset upgrades in our wireless unit and greater customer winback activity in our Wireline segment, and higher bad debt expense from an increased focus on accounts receivable management. Higher total labour costs at Bell Aliant, increased IT service contract labour and greater outsourcing activity further offset the overall improvement in selling, general and administrative expenses in 2007.

2006 Compared to 2005

Operating expenses were $10,874 million in 2006, compared with $10,707 million in 2005, representing a 1.6% year-over-year increase. Higher selling, general and administrative expenses were partly offset by lower cost of revenue.

Cost of revenue declined 0.7% in 2006 to $4,020 million from $4,048 million in 2005. The year-over-year improvement can be attributed to:

- decreased payments to other carriers as a result of reduced traffic and lower rates
- the non-recurrence of costs associated with restoring service levels in 2005 following resolution of a labour dispute with technicians in Ontario
- costs associated with one-time sales in our Enterprise and Wholesale units in 2005 related to customer contracts for legacy point-of-sales systems, the early termination of a cross-border facilities contract, and fibre and access capacity sales, which did not recur in 2006
- the impact of cost savings initiatives such as One Bill and reducing missed customer appointments for wireline installations and repairs.

These factors were largely offset by:

- higher wireless network costs resulting from increased network usage relating to both voice and data services, as well as increased roaming
- increased wireless equipment costs consistent with an increase in wireless devices sold from higher gross activations and handset upgrades
- increased volume of connection and service requests
- higher hardware costs, particularly at Bell ExpressVu
- higher cost of product sales, due to growth in product and IT fulfillment sales at Bell Aliant.

Selling, general and administrative expenses were $6,854 million in 2006, compared with $6,659 million in 2005. The 2.9% year-over-year increase was due mainly to higher wireless and video subscriber acquisition costs, higher wireless customer retention costs, increased IT expenses, higher advertising costs, and increased net benefit plans cost. Lower labour costs, resulting mainly from employee workforce reductions and increased out-sourcing of call centre functions, as well as lower real estate expenses partly offset higher selling, general and administrative expenses in 2006.

Operating Income

2007 Compared to 2006

Operating income in 2007 at BCE was $3,439 million compared with $3,299 million in 2006, representing an increase of 4.2% year over year. Similarly, Bell's operating income improved 4.7% this year to $2,609 million from $2,492 million in 2006. The year-over-year increases were due mainly to higher operating revenues from our Bell Wireless segment and from Bell Aliant, offset partly by higher operating expenses as described above, increased amortization expense, and higher restructuring and other charges related mainly to workforce reduction initiatives and costs associated with the Privatization. Ongoing productivity improvements also contributed to the improvement in operating income this year.

See *Segmented Analysis* for a discussion of operating income on a segmented basis.

2006 Compared to 2005

Operating income for BCE was $3,299 million in 2006, down 11.5% from $3,728 million in 2005. Similarly, Bell's operating income decreased 13.7% in 2006 to $2,492 million from $2,886 million in the previous year. The year-over-year decreases experienced in 2006 can be attributed in large part to restructuring and other charges associated with employee departures at Bell, the relocation of employees and closing of real estate facilities related to a reduced workforce, and transaction costs related to the formation of Bell Aliant. Higher operating expenses as explained above also contributed to lower operating income in 2006. This was partly offset by higher overall operating revenues and increased cost savings from various supply chain and process improvement initiatives.

See *Segmented Analysis* for a discussion of operating income on a segmented basis.

EBITDA

2007 Compared to 2006

EBITDA at BCE increased 2.8% in 2007 to $6,974 million from $6,782 million in 2006, reflecting improved performance at Bell. This was offset partly by lower EBITDA at Bell Aliant in 2007 where higher labour costs, higher expenses related to growth in IT sales, and increased net benefit plans cost due to a pension valuation allowance adjustment more than offset higher revenues, as well as by lower EBITDA at Telesat due to the recognition of only ten months of results in 2007 compared with a full twelve months in 2006 due to its sale on October 31, 2007. The combined impact of higher operating revenues and higher EBITDA in 2007 contributed to a 0.6 percentage point improvement in BCE's EBITDA margin, which increased to 39.0% this year from 38.4% in 2006.

Bell's EBITDA increased 4.1% in 2007 to $5,496 million, compared with $5,280 million in the previous year. This corresponds to an EBITDA margin of 37.3%, representing a 1.0 percentage point improvement over 2006. The year-over-year increase in EBITDA mainly reflected the growth in contribution from our Bell Wireless

segment, where higher revenues and lower marketing and sales expenses drove improved financial performance. Despite continued erosion of our high-margin legacy voice and data revenues and higher bad debt expense, EBITDA for our Bell Wireline segment increased slightly, year over year, due to lower labour costs, careful control over cost of revenue, and decreased sales and marketing expenses.

Lower net benefit plans cost also positively impacted BCE and Bell EBITDA in 2007, decreasing by 19.8% in 2007 to $410 million from $511 million in 2006. The reduction was due mainly to a plan amendment related to the phase-out over the next 10 years of other post-employment benefits for future retirees and an improvement in the market-related value of the pension plan assets mainly as a result of favourable actual market returns in the pension funds in 2007.

2006 Compared to 2005

EBITDA for BCE decreased 0.9% in 2006 to $6,782 million from $6,844 million in 2005, reflecting lower EBITDA at Bell, Bell Aliant and Telesat. Accordingly, BCE's EBITDA margin decreased to 38.4%, compared with 39.0% in 2005.

EBITDA at Bell was $5,280 million, down 0.7% compared with $5,319 million in 2005. This corresponded to a 0.5 percentage point reduction in EBITDA margins to 36.3% in 2006 from 36.8% in the prior year. The year-over-year decrease was largely the result of higher net benefit plans cost. The continued loss of legacy voice and data revenues due to increased cable telephony competition and the continued migration of business customers to IP-based services, as well as higher wireless customer acquisition and retention costs, also had a negative impact on Bell's EBITDA in 2006. These cost and margin pressures were partly offset by higher wireless revenues, reduced labour costs achieved through workforce reductions and other productivity initiatives such as the outsourcing of call centre functions, the resolution of residual service issues related to a labour dispute with our technicians in Ontario in 2005, and lower video and Internet subscriber acquisition costs.

EBITDA at Bell Aliant decreased, year over year, as higher IT revenues were offset by a consequent increase in associated expenses, as well as by higher labour costs.

The year-over-year decrease in EBITDA at Telesat was due primarily to special compensation costs related to executive management changes and non-recurring revenues generated in 2005 from the sale of network services.

Net benefit plans cost negatively impacted BCE and Bell EBITDA in 2006. Net benefit plans cost of $511 million represented an increase of $152 million, or 42%, compared with $359 million in 2005. The increase was due mainly to a reduction in the discount rate from 6.2% in 2005 to an average of 5.4% in 2006, which increased the cost of our pension plan liabilities.

Depreciation and Amortization of Intangible Assets

The amount of our depreciation and amortization of intangible assets in any year is affected by:

- *how much we invested in new capital assets in previous years*
- *how many assets we retired during the year*
- *changes in accounting rules and estimates.*

Depreciation and amortization expense increased $71 million, or 2.3%, in 2007 and $67 million, or 2.2%, in 2006. Both were the result of an increase in our capital asset base from higher investment in the growth areas of the business, as well as capital spending that continues to be higher than asset retirements. In 2007, the increase was partly offset by the sale of Telesat on October 31, 2007 and a slight increase in the average life of capital assets.

Restructuring and Other

This category includes various income and expenses that are not directly related to the operating revenues generated during the year.

2007

We recorded restructuring and other charges of $336 million in 2007. These included:

- charges of $42 million related to workforce reduction initiatives for the involuntary departure of approximately 650 employees
- charges of $26 million related to a voluntary early retirement plan accepted by approximately 250 employees. The program is complete.
- charges of $77 million for relocating employees and closing real estate facilities that are no longer needed because of the reduction in the workforce between 2004 to 2007. Included in this charge is $16 million related to our plan to relocate employees to campus environments in Calgary, Toronto and Montreal, which will be complete by 2009.
- charges of $27 million at Bell Aliant related mainly to workforce reduction costs

- charges of $164 million related primarily to transaction costs associated with our review of strategic alternatives, employee retention costs and a charge of $37 million for uneconomic broadband expansion approved by the CRTC. The transaction costs were for financial advisory, professional and consulting fees. We expect to incur additional costs to complete the Privatization through to closing.

2006

We recorded restructuring and other charges of $355 million in 2006. These included:

- charges of $82 million related to workforce reduction initiatives for the involuntary departure of approximately 1,810 employees
- charges of $72 million for relocating employees and closing real estate facilities that were no longer needed because of the reduction in the workforce
- charges of $11 million at Bell Aliant related to work-force reduction costs
- other charges of $190 million related primarily to transaction costs associated with the formation of Bell Aliant. These transactions costs consisted of financial advisory, professional and consulting fees.

2005

We recorded restructuring and other charges of $55 million in 2005. These included:

- charges of $51 million related to workforce reduction initiatives for the involuntary departure of approximately 950 employees
- charges of $49 million for relocating employees and closing real estate facilities that were no longer needed because of the reduction in the workforce resulting from the 2004 employee departure program.

These charges were partly offset by reversals of restructuring provisions of $45 million relating to the 2004 employee departure program that were no longer necessary since actual payments were lower than estimated.

Other Income (Expense)

Other income (expense) includes income (expense) that we receive (incur) from activities that are not part of our main business operations, such as:

- *net gains on investments, including gains or losses when we dispose of, write down or reduce our ownership in investments*
- *foreign currency gains (losses)*
- *interest income on cash and cash equivalents*
- *other miscellaneous income or expense.*

2007

Other income of $2,395 million in 2007 included a $2,300 million gain on sale of Telesat, our satellite services subsidiary, on October 31, 2007 and a $92 million dilution gain resulting from an issuance of units by Bell Aliant, in conjunction with its privatization of the Bell Nordiq Income Fund, in which we did not participate, partly offset by an increase in foreign exchange losses.

2006

Other expense of $188 million in 2006 included a $148 million charge for premium costs on early redemption of Bell Aliant debt, $122 million of which was recorded as a result of the formation of Bell Aliant, and a $36 million loss as a result of our decision to exit a line of business. This was partly offset by a $9 million gain on the acquisition of Nortel Networks Corporation (Nortel) shares by the Bell Canada pension fund.

2005

Other income of $12 million in 2005 included a $39 million dilution gain related to our interest in TerreStar Networks Inc., a mobile satellite services company partly offset by a charge of $33 million related to the tax loss monetization program between Bell Canada and Bell Canada International Inc. (BCI).

Interest Expense

Interest expense decreased $81 million, or 8.6%, to $859 million in 2007 as a result of both lower average debt balances and the refinancing of debt at lower rates.

Interest expense of $940 million in 2006 increased by $6 million, or 0.6%, compared to $934 million in 2005. This was a result of higher average debt balances, partly offset by lower average interest expense from the refinancing of debt at lower rates.

Income Taxes

2007 Compared to 2006

Income taxes of $725 million in 2007 increased by $651 million compared to $74 million in 2006. We recognized $407 million of tax expense in 2007 related to the $2,300 million gain on sale of Telesat. In 2006, we recognized a future tax asset of $434 million in respect of approximately $2,341 million of previously unrecognized capital loss carryforwards as a result of the pending sale of Telesat.

The increase was partly offset by the non-taxable portion of Bell Aliant's income in the first half of 2007, the reduction in federal income tax rates applicable to future years and the settlements with tax authorities in 2007 of uncertain tax positions related to the sale of an investment in a prior year and other audit issues. In 2006, we realized tax savings from income tax adjustments resulting from the decrease in federal income tax rates, the elimination of the large corporation tax stemming from the 2006 federal budget and favourable audit settlements.

As a result, the effective tax rate increased to 14.6% in 2007 compared to 3.4% in 2006.

2006 Compared to 2005

Income taxes of $74 million in 2006 decreased by $718 million, or 91%, compared to $792 million in 2005. This was due mainly to:

- the recognition of a future tax asset totalling $434 million
- lower pre-tax earnings
- the impact of the non-taxable portion of Bell Aliant's income.

This decrease was partly offset by $99 million of tax savings in 2005 resulting from the tax loss monetization program between Bell Canada and BCI.

As a result, the effective tax rate decreased to 3.4% in 2006 compared to 28.2% in 2005.

Non-Controlling Interest

The non-controlling interest in the statement of operations reflects the percentage ownership of a subsidiary owned by others multiplied by the amount of the subsidiary's after-tax earnings.

2007 Compared to 2006

Non-controlling interest of $332 million in 2007 increased $115 million or 53% compared to $217 million in 2006. The increase reflects Bell Aliant's higher net earnings in 2007, the debt redemption and transaction costs incurred by Bell Aliant in 2006 and our decreased ownership interest upon the formation of Bell Aliant in the third quarter of 2006. The increase was partly offset by the decrease in dividends paid to non-controlling interest as a result of the exchange of the Bell Canada preferred shares for a corresponding series of First Preferred Shares of BCE Inc.

2006 Compared to 2005

Non-controlling interest of $217 million in 2006 increased by $26 million, or 13.6%, compared to $191 million in 2005. This was mainly due to our decreased ownership interest upon the formation of Bell Aliant, partly offset by the non-controlling interest in the premium costs incurred by Bell Aliant on the early redemption of long-term debt and by transaction costs associated with Bell Aliant.

Discontinued Operations

2007

The net gain from discontinued operations of $139 million in 2007 relates mainly to Bell Aliant's gain on sale of its directory business, Aliant Directory Services (ADS), of $110 million in 2007.

2006

On August 30, 2006, we reduced our interest in CTVglobemedia Inc. (CTVglobemedia) to 20% from 68.5%. In September 2006, CTVglobemedia completed its takeover bid for CHUM Limited. As a result of the transaction, our interest in CTVglobemedia was reduced to 15%. Our remaining investment in CTVglobemedia is accounted for using the cost method and is presented as a discontinued operation.

The net gain from discontinued operations of $127 million in 2006 represents the gain on disposition of CGI Group Inc. (CGI) of $79 million, a gain of $52 million realized on the return of capital from BCI, a $7 million gain on acquisition of our remaining CGI shares by the Bell Canada pension fund, and operating income at CTVglobemedia, partly offset by a write-down of $17 million on our remaining investment in CGI.

2005

The net gain from discontinued operations of $138 million in 2005 relates mainly to our share of both CGI and CTVglobemedia's operating income.

Dividends on Preferred Shares

Dividends on preferred shares of $131 million in 2007 increased by $61 million, or 87%, compared to $70 million in 2006. This increase resulted from the new series of preferred shares created further to the Bell Canada plan of arrangement whereby all of the issued and outstanding series of preferred shares of Bell Canada, the dividends on which were previously classified as non-controlling interest at BCE, were exchanged for a corresponding series of First Preferred Shares of BCE Inc. The Bell Canada plan of arrangement was effective on January 31, 2007.

Net Earnings and EPS

2007 Compared to 2006

Net earnings applicable to common shares for 2007 were $3,926 million, or $4.88 per common share, which represents an increase over 2006 net earnings of $1,937 million, or $2.25 per common share. Included in 2007 net earnings was a charge of $210 million for restructuring and other and net gains on investments of $2,252 million. Net gains on investments included:

- a net gain on disposition of $1,893 million on the sale of Telesat
- the reversal of a tax liability due to the settlement of an uncertain tax position in connection with the sale of an investment in a prior year
- a net gain from discontinued operations of $110 million on Bell Aliant's sale of ADS
- a $92 million dilution gain as a result of the issuance of Bell Aliant units in conjunction with the privatization of the Bell Nordiq Income Fund.

In 2006, earnings were impacted by a net charge of $222 million for restructuring and other, net gains on investments of $525 million and costs incurred to form Bell Aliant of $42 million. Net gains on investments in 2006 included the recognition of a future tax asset of $434 million in respect of approximately $2,341 million of previously unrecognized capital loss carryforwards which were recognized as a result of the pending sale of Telesat. Excluding the impact of these items, net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant[(1)] increased by $208 million in 2007.

The increase of $208 million in 2007 can be attributed to higher EBITDA, lower interest expense and lower income taxes due mainly to the favourable resolution of uncertain tax positions and the reduction in future income tax rates. The impact of these items more than offset the increase in non-controlling interest and depreciation and amortization expense. Consequently, on an EPS basis, net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant increased by $0.39 per common share, year over year, to $2.34.

2006 Compared to 2005

Net earnings applicable to common shares were $1,937 million, or $2.25 per common share, which represents an increase of 2.4% compared with net earnings of $1,891 million, or $2.04 per common share, in 2005. Included in net earnings in 2005 was a charge of $37 million from restructuring and other and net gains on investments of $27 million. As a result, 2006 net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant of $1,676 million, were down $225 million.

The $225 million decrease was a result of higher depreciation and amortization expenses, higher net benefit plans cost and discontinued operations, partly offset by improved EBITDA performance and lower income taxes. Consequently, on an EPS basis, net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant decreased by $0.10 per common share, year over year, to $1.95.

SEGMENTED ANALYSIS

At the beginning of 2007, our management structure changed and, as a result, our results of operations now are reported in four segments: Bell Wireline, Bell Wireless, Bell Aliant and Telesat. We have restated prior periods to reflect these new segments. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance.

(1) Net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant is a non-GAAP financial measure. See Non-GAAP Financial Measures – Net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant *in this MD&A for more details, including a reconciliation to the most comparable GAAP financial measure.*

OPERATING REVENUES	2007	2006	2005	% CHANGE 2007 vs. 2006	% CHANGE 2006 vs. 2005
Bell Wireline	**10,660**	10,763	11,084	**(1.0%)**	(2.9%)
Bell Wireless	**4,131**	3,827	3,428	**7.9%**	11.6%
Inter-segment eliminations	**(48)**	(49)	(50)	**(2.0%)**	2.0%
Bell	**14,743**	14,541	14,462	**1.4%**	0.5%
Bell Aliant	**3,373**	3,301	3,267	**2.2%**	1.0%
Telesat	**458**	479	475	**(4.4%)**	0.8%
Inter-segment eliminations	**(708)**	(665)	(653)	**6.5%**	(1.8%)
Total operating revenues	**17,866**	17,656	17,551	**1.2%**	0.6%

OPERATING INCOME	2007	2006	2005	% CHANGE 2007 vs. 2006	% CHANGE 2006 vs. 2005
Bell Wireline	**1,397**	1,494	2,074	**(6.5%)**	(28.0%)
Bell Wireless	**1,212**	998	812	**21.4%**	22.9%
Bell	**2,609**	2,492	2,886	**4.7%**	(13.7%)
Bell Aliant	**718**	699	734	**2.7%**	(4.8%)
Telesat	**157**	142	157	**10.6%**	(9.6%)
Inter-segment eliminations	**(45)**	(34)	(49)	**(32.4%)**	30.6%
Total operating income	**3,439**	3,299	3,728	**4.2%**	(11.5%)

Bell Wireline Segment

Bell Wireline Revenue

BELL WIRELINE REVENUE	2007	2006	2005	% CHANGE 2007 vs. 2006	% CHANGE 2006 vs. 2005
Local and access	**3,586**	3,757	4,000	**(4.6%)**	(6.1%)
Long distance	**1,219**	1,327	1,547	**(8.1%)**	(14.2%)
Data	**3,641**	3,599	3,581	**1.2%**	0.5%
Video	**1,317**	1,150	976	**14.5%**	17.8%
Equipment and other	**722**	754	796	**(4.2%)**	(5.3%)
Total external revenues	**10,485**	10,587	10,900	**(1.0%)**	(2.9%)
Inter-segment revenues	**175**	176	184	**(0.6%)**	(4.3%)
Total Bell Wireline revenue	**10,660**	10,763	11,084	**(1.0%)**	(2.9%)

2007 Compared to 2006

Bell Wireline revenues totalled $10,660 million in 2007, down 1.0% from $10,763 million in the previous year. The positive contribution to our top-line results from year-over-year revenue increases in video and data of $167 million and $42 million, respectively, were more than offset by decreases of $171 million in local and access services, $108 million in long distance, and $32 million in equipment sales and other revenues.

Local and Access

Local and access revenues of $3,586 million in 2007, represented a decrease of 4.6% compared with $3,757 million in 2006. The year-over-year revenue decline was due mainly to continued residential NAS erosion and the related loss of optional enhanced features revenue, as well as to discounts related to marketing initiatives focused on our new Home Phone service packages and residential customer winback activities. Local and access revenues were also negatively impacted in 2007 by a CRTC decision associated with the price caps deferral account that took effect June 1, 2006, which mandated a reduction in local rates. The positive revenue impact from rate increases in September 2006 to our business and wholesale access services portfolios and the application of price increases in the past year on certain other basic voice products moderated the year-over-year decrease in local and access revenues.

Total NAS declined by 511,000 in 2007, compared with a decline of 463,000 in 2006, to reach 8,176,000 lines as at December 31, 2007. The higher total number of local line losses, year over year, reflected the loss of 58,000 business lines, stemming from a major wholesale

customer's anticipated decision in the fourth quarter of 2007 to move substantially all of its subscribers onto its own network. There will be an opening balance adjustment to our business NAS at the beginning of 2008 to recognize the further migration of this wholesale customer's remaining 273,000 lines. The migration of these wholesale lines does not have a material revenue impact. In addition, at the beginning of the third quarter of 2007, our business NAS customer base was decreased by 58,000 to reflect an adjustment in the calculation of local interconnections. Our decline in total NAS this year was also the result of ongoing aggressive competition from major cable television operators for local telephone service, continuing losses to non-related CLECs, and wireline to wireless substitution. As a result of these impacts, the annual rate of NAS erosion for 2007 was 6.5% compared with 5.0% for 2006. Although the rate of residential NAS erosion increased to 9.9% this year from 9.4% in 2006, due to cable telephony footprint expansion in our regions and increased disconnection of non-paying customers, the total absolute number of residential lines lost in 2007 decreased 4.5% year over year. This improvement reflected increased residential customer winbacks and the effectiveness of our customer retention strategies. At the end of 2007, we had 4,650,000 residential lines and 3,526,000 business lines, compared with 5,161,000 and 3,584,000 lines, respectively, one year earlier.

Long Distance

Long distance revenues totalled $1,219 million in 2007, reflecting a year-over-year decrease of 8.1%, compared with revenues of $1,327 million in 2006. The annual percentage decrease in 2007 is the lowest since 2004, although long distance revenues continued to be negatively affected by ongoing NAS erosion, technological substitution to wireless and Internet, losses to toll competitors, pricing pressures across our business and wholesale markets, lower rates on cross-border exchange traffic, and a reduction in total minute volumes. Price increases applied during the first quarter of 2007 on the majority of our residential long distance plans and the positive impact from an increase in the monthly network charge on August 1, 2007 to residential customers from $4.50 to $5.95 moderated the rate of decline in long distance revenues. Consistent with NAS erosion and industry-wide trends, total minute volumes decreased 5.7% in 2007 to 12,500 million conversation minutes from 13,256 million in 2006, reflecting lower domestic and overseas minute volumes in both our consumer and business sectors, as well as competitive pressures in wholesale. As a result, average revenue per minute (ARPM) decreased by $0.001 this year to $0.091 from $0.092 in 2006.

Data

Data revenues increased 1.2% to $3,641 million in 2007, up from $3,599 million in 2006. Data revenue growth was driven mainly by higher Internet revenues, resulting from an increase in the total number of access service connections, increased sales of PC Fusion, and price increases at both Sympatico and our SMB unit. Higher IP and broadband connectivity services revenue in our Enterprise, SMB and Wholesale units also contributed to the year-over-year improvement in data revenues. The impact of adverse regulatory rulings on data revenues was approximately $10 million lower this year compared with 2006. Competitive pricing pressures, the continued migration of business customers' voice and data traffic to our IP-based systems, decreased sales of ICT solutions to our business customers, and the ongoing transfer of services by wholesale customers onto their own network facilities moderated the increase in data revenues in 2007. Although revenues from legacy products and services decreased year over year, the rate of decline slowed due largely to price increases in legacy services, expansion of our product suites and effective management of IP customer migration in our Enterprise unit.

The number of high-speed Internet subscribers increased by 124,000 in 2007, compared with 154,000 new net subscriber activations in 2006. In the fourth quarter, we reduced total net activations for 2007 by 11,000 to correct for customer churn adjustments in the first three quarters of this year. Lower net activations in 2007 can be attributed to intense competition, particularly in our consumer markets where aggressive price discounting on competitors' multi-product bundle offers was prevalent, and to our lack of customer retention offers featuring unlimited usage plans. Stronger overall market demand and the positive impact of a limited-time targeted marketing campaign featuring special promotional rates in our Québec market also contributed to the relatively higher number of net activations in 2006. These factors were partly offset by increased sales of Sympatico's WiMAX service and higher wholesale demand for access service connections this year. As at December 31, 2007, we had 2,004,000 high-speed Internet subscribers, representing a 6.8% increase over the past year. This figure included a subscriber base adjustment of 3,000 customers, reflecting the net impact of an 18,000 increase at the beginning of the first quarter of 2007 to adjust for prior-year deactivations related to a major upgrade of our order management system and the aggregate removal at the beginning of the first two quarters of this year of 15,000 customers who had no network usage in 2007. These adjustments were not taken into account to determine net activations for 2007.

Video

Video revenues grew by 14.5% in 2007 to $1,317 million from $1,150 million in 2006, due mainly to higher ARPU. Video ARPU improved significantly, increasing $6 to $60 per month in 2007 from $54 per month last year. The improvement resulted primarily from price increases implemented over the past year, customer upgrades to higher-priced programming packages, and higher rental fee revenue from increased STB rentals.

Our video churn rate was 1.2% in 2007, compared with 1.0% in the previous year. This result was due largely to a higher number of customers coming off contracts and the application of various price increases over the past year, which resulted in higher voluntary customer deactivations in 2007. Churn was also impacted negatively this year as we accelerated the processing of accounts in collection, resulting in higher deactivations of non-paying customers. As a result of higher churn and weaker sales in our independent retail channels, net activations amounted to 2,000 in 2007, compared with net activations of 93,000 last year. As at December 31, 2007, our video subscriber base totalled 1,822,000.

Equipment Sales and Other

Equipment sales and other revenues decreased 4.2% in 2007 to $722 million, compared with $754 million in 2006. The year-over-year decline was due primarily to decreased sales and maintenance contracts for legacy voice equipment to business customers, which reflects our strategic decision not to pursue low-margin business, as well as to a one-time revenue contribution in the first quarter of 2006 from a network infrastructure installations contract to help restore telecommunications service to the areas in the United States affected by Hurricane Katrina. This year-over-year revenue decrease was partly offset by higher demand for Sympatico's computer purchase program and higher equipment sales at our Bell West unit.

2006 Compared to 2005

Bell Wireline revenues declined 2.9% in 2006 to $10,763 million from $11,084 million in the prior year. Decreases of $243 million, $220 million and $42 million in local and access, long distance, and equipment and other revenues, respectively, were moderated by revenue increases of $174 million in video and $18 million in data.

Local and Access

Local and access revenues decreased by 6.1% in 2006 to $3,757 million, compared with $4,000 million in 2005. The year-over-year decline was due primarily to ongoing competitive losses of residential NAS and related VAS revenues, as well as to lower revenue from wireline maintenance plans. Local and access revenues were also negatively impacted in 2006 by a number of CRTC decisions, including a mandated reduction in local access rates associated with the price caps deferral account that took effect on June 1, 2006 and a mandated reduction in rates we charge for switching and aggregation services to long distance service providers. These regulatory rulings reduced local and access revenues by approximately $46 million in 2006. The positive impact of price increases to a number of our business and wholesale access services, as well as the stabilization in the rate of erosion of legacy connectivity services, helped to partly offset the year-over-year decrease in local and access revenues.

Total NAS declined by 463,000 in 2006 compared with local line losses of 297,000 in 2005, primarily as a result of increased competition from cable operators for local telephone service, continuing losses to non-related CLECs and wireline to wireless substitution. This was partly offset by higher wholesale demand for local access lines in Western Canada and an increase in customer winbacks following the CRTC's decision in April 2006 to reduce the waiting time before we can contact lost customers. The annual rate of NAS erosion in 2006 increased to 5.0% from 3.1% in the prior year, reflecting a higher number of local line losses as the major cable operators in our incumbent territories maintained their intensive marketing efforts and further expanded the footprint of their low-priced local telephony offerings across most of our Ontario and Québec markets. As at December 31, 2006, we had 5,161,000 residential lines and 3,584,000 business lines, compared with 5,696,000 and 3,512,000 lines, respectively, at the end of 2005.

Long Distance

Long distance revenues were $1,327 million in 2006, reflecting a year-over-year decrease of 14.2% compared with $1,547 million in 2005. Lower long distance revenues were due mainly to the impact of continued NAS erosion, escalating wireless substitution, aggressive price competition in our business and wholesale markets, and lower rates on cross-border exchange traffic. The year-over-year decrease was offset partly by an increased network charge to residential and SMB customers implemented on April 15, 2006, as well as by higher

overseas and calling card per-minute rates. Total minute volumes increased 1.2% in 2006 to 13,256 million conversation minutes from 13,103 million in 2005, reflecting higher domestic and overseas minute volumes. Despite higher minutes, ARPM decreased by $0.013 during 2006 to $0.092, reflecting the impact of rate pressures across all our markets.

Data

Data revenues increased 0.5% to $3,599 million in 2006, compared with $3,581 million in 2005. The slight year-over-year improvement was primarily the result of higher Internet revenues, increased sales of IP-based connectivity and ICT solutions in our Enterprise and SMB units, and increased revenues from the SuperNet (a next-generation broadband access network in Alberta). Aggressive price competition in our enterprise and SMB markets, customer migration towards IP-based systems, and the transfer by wholesale customers of circuit networks onto their own facilities moderated the increase in data revenues for 2006. In addition, the positive impact on revenues in 2005 from a number of non-recurring items, which included the sale of customer contracts within our Enterprise unit related to legacy point-of-sale systems, fibre and access capacity sales in our Wholesale unit, and the early termination of a wholesale cross-border facilities contract affected overall data revenue growth in 2006 when similar sales did not occur.

The number of high-speed Internet subscribers increased by 154,000 in 2006, compared with 254,000 in 2005, bringing the total subscriber count as at December 31, 2006 to 1,877,000. Our primary focus in 2006 was to up-sell customers to higher-speed products in order to increase ARPU, drive subscriber growth through expanded use of hardware offers and reduce customer churn. Sympatico's subscriber growth in 2006 was adversely affected by the impact of ongoing aggressive price discounting on multi-product bundle offers from the major cable operators in our markets. Moreover, the significantly higher number of net additions in 2005 was driven by the introduction of our Basic Lite service offering in the Ontario market and by substantial footprint expansion. A major upgrade to the Sympatico order management system during the fourth quarter of 2006 also negatively impacted the sales process within our retail channels and at our contact centres.

Video

Our Video unit reported solid financial performance in 2006, growing its revenues by 17.8% to $1,150 million compared to $976 million in 2005. Contributing to video revenue growth in 2006 was an increased number of subscribers and significantly higher ARPU.

Video ARPU increased to $54 per month in 2006 from $50 per month in the prior year. The $4 annual improvement resulted primarily from customers upgrading to higher-priced programming packages, higher pay-per-view revenues, and price increases implemented during 2006.

Our video subscriber base grew by 5.4% in 2006 to reach 1,820,000 as at December 31, 2006. We added 93,000 new net video subscribers in 2006, compared with higher-than-average net additions of 224,000 in 2005. The year-over-year decrease can be attributed mainly to our increased focus on profitable growth, aggressive analog to digital conversions by cable operators, and the acquisition of Cable VDN in 2005, which added 12,500 new customers to our subscriber base at that time.

Our video churn rate increased slightly to 1.0% in 2006 from 0.9% in the previous year, reflecting heavily discounted bundled service packages and hardware offers from our cable competitors.

Equipment Sales and Other

Equipment sales and other revenues decreased 5.3% to $754 million in 2006 from $796 million in 2005. The year-over-year decline reflected reduced sales of legacy voice equipment to Enterprise and SMB customers, the negative impact of a CRTC ruling related to the fees we charge to competitive local service providers for co-location in Bell Canada's switching centres, and lower video STB sales at Bell ExpressVu. The one-time contribution to revenues in 2005 from the sale of U.S. conferencing solutions contracts in our SMB unit and a contract to help restore telecommunications service to the areas in the United States affected by Hurricane Katrina also had an adverse effect on revenue growth in 2006.

Bell Wireline Operating Income

2007 Compared to 2006

Operating income for our Bell Wireline segment was $1,397 million this year, down 6.5% when compared with $1,494 million in 2006. The following factors had a negative impact on wireline operating income in 2007:

- erosion of our residential NAS customer base
- loss of higher-margin legacy voice and data business due to competition and customer migration towards IP-based networks
- greater marketing and sales expenses associated with residential customer winback and retention activities
- higher bad debt expense resulting from an ongoing focus on accounts receivable management

- increased call centre costs to enhance service quality
- higher amortization expense
- higher restructuring and other costs.

These operating income pressures were partly offset by:

- higher video revenues
- lower cost of goods sold due to reduced domestic and international long distance traffic and lower international rates, as well as decreased product sales
- lower labour costs from decreased use of consultants and a reduced workforce
- a favourable judicial decision with respect to CRTC licence fees
- ongoing productivity improvements
- lower net benefit plans cost.

2006 Compared to 2005

Our Bell Wireline segment reported operating income of $1,494 million in 2006, compared with $2,074 million in the previous year. A significant portion of the annual decrease was attributable to restructuring and other costs associated with employee departures at Bell, the relocation of employees and closing of real estate facilities related to a reduced workforce, and transaction costs related to the formation of Bell Aliant. The decrease in Bell Wireline's operating income can also be attributed to the following factors:

- higher rate of decline in our high-margin residential NAS customer base
- loss of higher-margin legacy wireline voice and data business both to IP substitution and competition
- lower wholesale revenues
- higher amortization expense
- increased net benefit plans cost.

These negative factors were partly mitigated by:

- higher video and Internet revenues
- lower video subscriber acquisition costs
- lower call centre costs as a result of outsourcing and efficiency improvements
- shift away from less profitable hardware equipment contracts in our Enterprise unit
- cost savings from headcount reductions and productivity initiatives, such as One Bill and reducing missed customer appointments for wireline installations and repairs.

The recovery from a labour dispute with technicians in Ontario, which negatively impacted operating expenses in 2005, also contributed to improving Bell Wireline operating income in 2006.

Bell Wireless Segment

Bell Wireless Revenue

BELL WIRELESS REVENUE	2007	2006	2005	% CHANGE 2007 vs. 2006	% CHANGE 2006 vs. 2005
Network	**3,754**	3,453	3,054	**8.7%**	13.1%
Equipment	**332**	333	336	**(0.3%)**	(0.9%)
Total external revenues	**4,086**	3,786	3,390	**7.9%**	11.7%
Inter-segment revenues	**45**	41	38	**9.8%**	7.9%
Total Bell Wireless revenue	**4,131**	3,827	3,428	**7.9%**	11.6%

2007 Compared to 2006

Bell Wireless operating revenues (comprised of network and equipment revenues) increased 7.9% to $4,131 million in 2007, compared with $3,827 million in 2006. Wireless network revenues grew 8.7%, or $301 million, this year to $3,754 million, reflecting the combined impact of higher ARPU and a larger subscriber base. Equipment revenues remained relatively stable at $332 million, compared with $333 million in 2006. The slight year-over-year decrease in equipment revenues for 2007 can be explained mainly by higher promotional discounts in partial response to the heavy emphasis on zero-dollar handsets in the market, offset almost entirely by increased handset sales resulting from a higher number of gross activations and customer upgrades.

Postpaid ARPU increased by $2 year over year to reach $66 per month in 2007. The significant improvements were driven mainly by price increases for a number of services and features over the past year, including a $2 increase in our monthly system access fee for Bell Mobility's postpaid customers, continued growth in data usage, and increased roaming revenues.

Prepaid ARPU of $17 per month in 2007 represented an improvement of $3 over the previous year. This increase was attributable to higher minutes of usage, increased data usage and the introduction of a $3.95 system access fee in October 2006 for all new prepaid activations.

As a result of higher postpaid and prepaid ARPU, blended ARPU increased by $3 in 2007 to $54 per month, compared with $51 per month in the previous year.

We achieved a record number of gross wireless activations in 2007, which increased 7.1% to 1,640,000 from 1,531,000 in 2006 due to higher year-over-year prepaid gross activations. Although postpaid gross activations remained virtually unchanged compared with 2006, there was progressive quarterly improvement in postpaid subscriber acquisition during 2007, reflecting the positive customer response to our offers, the introduction of new handsets and an expanded market presence.

Our blended churn rate in 2007 was 1.7% compared with 1.5% last year, reflecting both higher postpaid and prepaid churn. Postpaid churn increased 0.2 points year over year to 1.3%, mainly as a result of sustained competitive intensity stemming from subscriber acquisition offers that featured zero-dollar handsets and discounted rate-plan promotions. The industry-wide implementation of Wireless Number Portability and the loss of a public sector wireless contract in the first quarter of 2007 also contributed to higher churn this year. At the beginning of 2007, we implemented a change to our prepaid deactivation policy which precipitated the removal of 146,000 non-revenue-generating customers from our prepaid subscriber base at the beginning of 2007. As this was a retroactive adjustment, it was not reflected in our prepaid churn rate for 2007. As a result of this change in policy, we deactivated a higher number of inactive customer accounts which contributed to the increase in prepaid churn of 2.8% in 2007 compared with 2.6% in the previous year.

Mainly as a result of higher customer deactivations, our total wireless net activations decreased to 408,000 in 2007 from 513,000 in 2006. Postpaid subscribers accounted for just over half or 206,000 of the net activations achieved this year, compared with 57% or 293,000 in 2006. As at December 31, 2007, we had 6,216,000 wireless subscribers, representing a 4.4% increase over the past year. Postpaid rate plans represented 72% of our total subscriber base at the end of 2007, compared with 71% one year earlier.

2006 Compared to 2005

Total operating revenues grew 11.6%, or $399 million, to $3,827 million in 2006, compared with $3,428 million in 2005. Network revenues increased 13.1%, fuelled by higher ARPU and an increased number of customers in our subscriber base. Equipment revenues decreased slightly to $333 million, compared with $336 million in the prior year, primarily as a result of reduced handset sales.

Postpaid ARPU increased by $3 year over year to reach $64 per month. The significant improvement was achieved primarily as a result of a shift in our subscriber acquisition mix toward higher-priced rate plans, the positive impact of a $2 price increase for Bell Mobility's system access fee, and strong growth in data usage. Higher data usage reflected the continued growth of text and multimedia messaging services, wireless Internet access, downloadable ring tones, music and games, and the positive customer response to our data bundle packages.

Prepaid ARPU remained unchanged year over year at $14 per month. The positive impact from an increased number of higher-than-average ARPU Solo and Virgin customers in our subscriber base and higher data usage was offset by a higher number of inactive prepaid customers and the favourable impact on revenues in 2005 from the recognition of deferred revenues related to unused prepaid minutes.

As a result of higher postpaid ARPU, blended ARPU increased by $2 in 2006 to $51 per month, compared with $49 in the previous year.

Gross wireless activations totalled 1,531,000 in 2006, up slightly from 1,525,000 in the prior year. The year-over-year increase was due to higher prepaid gross activations driven by the positive customer response, particularly in the youth segment of the market, to Solo and Virgin.

Our blended churn rate decreased to 1.5% in 2006 from 1.6% in 2005 as a result of lower postpaid churn. Postpaid churn improved, year over year, to 1.1% from 1.4% in 2005, reflecting the success of our retention activities despite competitive market pressures and tighter policies on the granting of customer discounts and hardware upgrades. Our postpaid churn rate in 2005 was adversely affected by the cancellation of non-paying customer accounts stemming from the residual impacts associated with our billing system conversion. Prepaid churn in 2006 increased to 2.6% from 1.9% in the previous year, due mainly to the deactivation of a higher number of inactive Bell Mobility customer accounts and the impact of certain pricing actions taken in 2005.

Mainly as a result of higher prepaid churn, our total wireless net activations decreased to 513,000 in 2006 from 580,000 in 2005. In 2006, 57% of our total new net activations subscribed to postpaid rate plans, compared with 49% in the prior year. As at December 31, 2006, we had 5,954,000 wireless subscribers, representing a 9.4% increase over 2005. Postpaid rate plans represented 71% of our total subscriber base at the end of 2006, compared with 73% at the end of 2005.

Bell Wireless Operating Income

2007 Compared to 2006

Our Bell Wireless segment reported operating income of $1,212 million in 2007, representing an increase of 21%, or $214 million, over the previous year. The year-over-year

improvement was driven mainly by higher revenues and lower bad debt expense. Higher customer retention and handset upgrade costs moderated the increase in Bell Wireless operating income in 2007. Subscriber acquisition costs, which are comprised mainly of handset subsidies, sales commissions and marketing expenses, remained unchanged year over year.

Wireless COA decreased 3.8% to $404 per gross activation in 2007 from $420 per gross activation in 2006, primarily as a result of lower handset subsidies in combination with higher gross activations.

2006 Compared to 2005

Operating income for Bell Wireless increased 23% in 2006 to $998 million from $812 million in the previous year, driven primarily by double-digit revenue growth and reduced call centre costs. Call centre costs were higher in 2005, particularly in the first three months of that year, as a result of customer service issues related to our wireless billing system conversion. The year-over-year improvement in wireless operating income was partly offset by increased customer retention and handset upgrade costs, higher subscriber acquisition costs and the recognition in 2005 of deferred revenues related to unused prepaid minutes.

Wireless COA increased 3.7% to $420 per gross activation in 2006 from $405 per gross activation in 2005. Higher COA was due primarily to increased marketing and sales expenses partly offset by decreased handset subsidies.

Bell Aliant Segment

Bell Aliant Revenue

				% CHANGE	
BELL ALIANT REVENUE	**2007**	2006	2005	**2007 vs. 2006**	2006 vs. 2005
Local and access	**1,426**	1,455	1,467	**(2.0%)**	(0.8%)
Long distance	**445**	471	507	**(5.5%)**	(7.1%)
Data	**522**	488	431	**7.0%**	13.2%
Wireless	**53**	47	42	**12.8%**	11.9%
Equipment and other	**530**	479	471	**10.6%**	1.7%
Total external revenues	**2,976**	2,940	2,918	**1.2%**	0.8%
Inter-segment revenues	**397**	361	349	**10.0%**	3.4%
Total Bell Aliant revenue	**3,373**	3,301	3,267	**2.2%**	1.0%

2007 Compared to 2006

Bell Aliant segment revenues increased 2.2% in 2007 to $3,373 million, compared with $3,301 million in 2006, as growth in data (including Internet), wireless, product sales and IT services more than offset declining revenues from local and access services and long distance.

Local and access revenues decreased 2.0% in 2007 to $1,426 million from $1,455 million last year. This resulted mainly from a 3.2% decline in the overall NAS customer base, reflecting competitive losses and the reduction in primary lines as customers adopt wireless and VoIP technologies. The impact of price increases in certain areas of Bell Aliant's territory and increased penetration of value-added features and service bundles moderated the year-over-year decrease in local and access revenues. At the end of 2007, Bell Aliant had 3,202,000 NAS in service, compared with 3,309,000 one year earlier.

Long distance revenues in 2007 were $445 million, down 5.5% compared with revenues of $471 million in the previous year. This was due

primarily to a decline of 6.1% in long distance minutes as a result of NAS losses to competition, technology substitution to wireless calling and IP-based services, and dial-around erosion. Overall ARPM increased slightly this year as the decline in minutes was more than offset by the impact of price increases and changes to plans offered to customers.

Data revenues, including Internet, increased 7.0% this year to $522 million from $488 million in 2006, mainly as a result of higher Internet revenues driven by a 17.2% increase in the number of high-speed subscribers. Growth in new IP connectivity broadband services also contributed to the year-over-year improvement in data revenues. This was partly offset by the impact of promotional pricing required to respond to competitive market pressures. As at December 31, 2007, Bell Aliant had 689,000 high-speed Internet subscribers, compared with 588,000 one year earlier.

Wireless revenues grew 12.8% in 2007 to $53 million from $47 million last year. The year-to-date increase was due to a higher average number of subscribers in the customer base, offset slightly by lower ARPU resulting from an increased number of customers adopting prepaid service. At the end of 2007, Bell Aliant had 94,925 wireless customers, representing an 8.2% increase in the past year.

Equipment sales and other revenues were $530 million in 2007, up 10.6% compared with revenues of $479 million in 2006. The year-over-year increase can be attributed mainly to higher data product sales and growth in IT service revenues from managed services and IT project activity within the healthcare, defence and aerospace industries. Higher fulfillment revenues driven by growth in sales to government and related agencies also contributed to the increase. IT services and fulfillment revenue is earned primarily by Bell Aliant's xwave division through systems integration, software engineering, business consulting and infrastructure services such as data centre, help desk, security and technical support services.

2006 Compared to 2005

Bell Aliant segment revenues were $3,301 million in 2006, reflecting an increase of $34 million or 1.0% compared with 2005 as growth in data (including Internet), wireless and IT services more than offset declining revenues from local and access services and long distance.

Local and access revenues decreased 0.8% year over year in 2006. This was due primarily to a 2.0% decline in the NAS customer base resulting from competitive losses, business customer migration from hosted voice services to customer-owned phone systems, the reduction of second lines as dial-up Internet customers continued to migrate to high-speed services, and the reduction in primary lines as customers adopted wireless and VoIP technologies.

Long distance revenues declined 7.1% in 2006, mainly as a result of lower per-minute toll prices and a decrease in overall minutes of usage due to competitive pressures and technology substitution.

Data revenue growth of 13.2% in 2006 was attributable mainly to a significant increase in Internet revenues driven by high-speed subscriber growth of 24% year over year. Service area expansion, reduced promotional pricing in the residential market and increased adoption of enhanced services contributed to higher Internet revenues in 2006.

Wireless revenue grew by 11.9% in 2006, fuelled by a 28% increase in the subscriber base, partly offset by lower ARPU resulting from a higher number of customers adopting prepaid service.

Equipment sales and other revenues improved 1.7% over 2005, due mainly to growth in IT service revenues stemming from new contracts for systems integration, application services and managed outsourcing, as well as expansion of existing contracts resulting from Bell Aliant's focus on key industry verticals in the enterprise market. Also contributing to growth for 2006 were higher personal computer (PC) sales, as Bell Aliant's PC Purchase program commenced in Atlantic Canada in mid-2005.

Bell Aliant Operating Income

2007 Compared to 2006

Operating income at Bell Aliant increased 2.7% in 2007 to $718 million from $699 million in the previous year. Higher revenues and productivity cost savings were partly offset by higher labour costs, higher cost of revenues associated with growth in product and IT fulfillment sales, and increased net benefit plans cost. Higher restructuring and other costs in 2006, due to transaction expenses related to the formation of Bell Aliant, also had a favourable year-over-year impact on operating income in 2007.

2006 Compared to 2005

Operating income at Bell Aliant decreased 4.8% to $699 million in 2006 from $734 million in 2005. This was due mainly to higher costs incurred for consulting and professional fees, higher capital taxes and other expenses related to the formation of Bell Aliant. Lower depreciation and amortization expense, as well as the positive impact of various expense management and productivity initiatives, partly offset the year-over-year decline in operating income.

Telesat Segment

Telesat Revenue

2007 Compared to 2006

Revenues for Telesat in 2007 only reflect results up to the time of its sale on October 31, 2007. Accordingly, Telesat's revenues were $458 million this year, compared with $479 million in 2006. Telesat was not accounted for as discontinued operations because of its ongoing commercial arrangements with Bell ExpressVu.

2006 Compared to 2005

Telesat revenues increased 0.8% to $479 million in 2006 from $475 million in 2005, due primarily to higher broadcast revenues, increased sales of its two-way broadband service using the Ka-band of the Anik F2 satellite, and the improved performance of its Infosat subsidiary. Non-

recurring revenue from a sale in 2005 related to the installation and maintenance of an interactive distance learning network and reduced business activity in South America largely offset the increase in revenues in 2006.

Telesat Operating Income

2007 Compared to 2006

Telesat's operating income in 2007 increased only 10.6% to $157 million from $142 million in 2006, mainly as a result of the recognition of operating expenses and amortization only up to October 31, 2007.

2006 Compared to 2005

Telesat's operating income in 2006 was $142 million, representing a 9.6% decline when compared with operating income of $157 million in 2005. The year-over-year decrease reflected special compensation costs related to senior executive changes made in September 2006 and higher amortization expense. Higher revenues and lower cost of network equipment sales partly offset the decrease in operating income in 2006.

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.

CAPITAL STRUCTURE

Our capital structure shows how much of our net assets are financed by debt and equity.

	2007	2006
Debt due within one year [(1)]	**717**	972
Long-term debt	**10,621**	11,795
Less: Cash and cash equivalents	**(2,658)**	(569)
Total net debt	**8,680**	12,198
Non-controlling interest	**1,103**	2,180
Total shareholders' equity	**17,232**	13,367
Total capitalization	**27,015**	27,745
Net debt to capitalization	**32.1**%	44.0%
Outstanding share data (in millions)		
Common shares	**805.3**	807.6
Stock options	**17.7**	24.2

(1) Includes bank advances and notes payable

Our net debt to capitalization ratio was 32.1% at the end of 2007, compared to 44.0% at the end of 2006. This reflects a decrease in net debt and an increase in total shareholders' equity, partly offset by a decrease in non-controlling interest.

Net debt decreased $3,518 million to $8,680 million in 2007 mainly due to:

- net cash proceeds of $3,123 million realized on the sale of Telesat
- free cash flow of $891 million
- cash provided from discontinued operations of $356 million mainly relating to $327 million of net proceeds from Bell Aliant's sale of ADS
- the issuance of common shares under the employee stock option plan amounting to $153 million

These decreases were partly offset by:

- the repurchase of $330 million of equity securities from non-controlling interest due to Bell Aliant's normal course issuer bid (NCIB) program
- obligations of $251 million for additional capital leases
- BCE Inc.'s repurchase and cancellation of 7.4 million of its outstanding common shares for $227 million under its NCIB
- business acquisitions of $163 million mainly due to the privatization of the Bell Nordiq Income Fund by Bell Aliant.

Non-controlling interest decreased by $1,077 million in 2007 due mainly to the exchange of Bell's issued and outstanding series of preferred shares of $1,100 million, which was previously classified as non-controlling interest at BCE, for corresponding series of First Preferred Shares of

BCE Inc. A further decrease was realized as Bell Aliant repurchased $330 million of equity securities from non-controlling interest as part of its NCIB program. These items were partly offset by an increase as a result of the non-controlling interest in the gain on sale of ADS and our decreased ownership in Bell Aliant as a result of the issuance of Bell Aliant units in conjunction with the privatization of the Bell Nordiq Income Fund, in which we did not participate.

Total shareholders' equity increased $3,865 million to $17,232 million in 2007. This was mainly due to net earnings of $2,754 million in excess of dividends declared, the exchange of Bell's issued and outstanding series of preferred shares of $1,100 million for corresponding series of First Preferred Shares of BCE Inc., the issuance of common shares under the employee stock option plan and an unrealized gain of $70 million recorded in accumulated other comprehensive income due mainly from our available-for-sale financial assets. This was partly offset by the repurchase of 7.4 million of BCE Inc.'s outstanding common shares for cancellation through an NCIB for $227 million.

OUTSTANDING SHARE DATA

We had 805.3 million common shares outstanding at the end of 2007, a decrease of 2.3 million over 2006 resulting from BCE Inc.'s repurchase of 7.4 million of its outstanding common shares for cancellation through an NCIB offset by stock options that were exercised in 2007.

The number of stock options outstanding at the end of 2007 was 17.7 million, a decrease of 6.5 million from 2006. The weighted average exercise price of the stock options outstanding at December 31, 2007 was $33. Of the total outstanding stock options at December 31, 2007, 11.5 million were exercisable at a weighted average exercise price of $35. In 2007:

- 5.7 million stock options were granted
- 5.0 million of previously granted options were exercised
- 7.3 million of previously granted options expired or were forfeited.

CASH FLOWS

The following table is a summary of our cash inflows and outflows.

	2007	2006	2005
Cash flows from operating activities	**5,704**	5,366	5,319
Capital expenditures	**(3,151)**	(3,133)	(3,357)
Other investing activities	**13**	(2)	39
Cash dividends paid on common shares	**(1,147)**	(1,169)	(1,195)
Cash dividends paid on preferred shares	**(124)**	(84)	(86)
Cash dividends/distributions paid by subsidiaries to non-controlling interest	**(404)**	(293)	(169)
Free cash flow	**891**	685	551
Business acquisitions	**(163)**	(71)	(228)
Business dispositions	**3,123**	–	–
Bell Aliant	**(7)**	(255)	–
Going-private costs	**(49)**	–	–
Increase in investments	**(27)**	(304)	(233)
Decrease in investments	**192**	64	17
Issue of common shares	**153**	29	25
Repurchase of common shares	**(227)**	(1,241)	–
Net repayment of debt instruments	**(1,766)**	(432)	(47)
Financing activities of subsidiaries with third parties	**(333)**	(292)	(77)
Other financing activities	**(66)**	(157)	(64)
Cash provided by discontinued operations	**356**	2,110	121
Net increase in cash and cash equivalents	**2,077**	136	65

Cash Flows from Operating Activities

2007 Compared to 2006

Cash from operating activities was $5,704 million in 2007, an increase of $338 million, or 6.3%, compared to $5,366 million in 2006. Cash from operating activities was impacted positively by:

- improvements in cash earnings from higher EBITDA, exclusive of net benefit plans cost
- a decrease in income taxes paid mainly from the formation of the Bell Aliant income trust in July 2006 and higher tax refunds
- a decrease of $107 million in restructuring and other payments mainly due to payments of $66 million in 2006 pursuant to a pay equity settlement
- compensation payments of $67 million made to executives and other key employees in 2006 under our restricted share unit (RSU) plan
- a $60 million decrease in interest paid as a result of both lower average debt balances and the lower interest rates.

These increases were partly offset by an increase of $93 million in pension payments and a decrease in working capital.

2006 Compared to 2005

Cash from operating activities was $5,366 million in 2006, an increase of $47 million, or 0.9%, compared to $5,319 million in 2005. Cash from operating activities was impacted positively by:

- improvements in cash earnings resulting from higher EBITDA, exclusive of net benefit plans cost
- a decrease in pension and other benefit plan payments
- a decrease of $25 million in interest payments
- an improvement in working capital.

These improvements were partly offset by:

- a decrease of $245 million in proceeds from the sale of accounts receivable
- compensation payments of $67 million made to executives and other key employees
- payments of $66 million pursuant to a pay equity settlement.

Free Cash Flow

Free cash flow was $891 million in 2007, an increase of $206 million or 30% compared to free cash flow of $685 million in 2006. This reflects an increase in cash from operating activities of $338 million and a decrease of $22 million in common dividends paid. This was partly offset by an increase of $111 million in dividends paid to the non-controlling interest of Bell Aliant.

Free cash flow was $685 million in 2006, an improvement of $134 million, or 24%, over free cash flow of $551 million in 2005. The $47 million increase in cash from operating activities combined with a decrease of $224 million in capital expenditures was partly offset by an increase of $124 million in dividends paid to the non-controlling interest of Bell Aliant.

Capital Expenditures

2007 Compared to 2006

In 2007, we continued to make investments to expand and update our networks, enhance broadband access and capabilities and meet customer demand for our services. Capital expenditures for BCE were $3,151 million this year, compared with $3,133 million in 2006. Capital spending at Bell was slightly higher in 2007, increasing 0.4% to $2,420 million from $2,411 million in 2006. The majority of capital spending at Bell in 2007 was focused on strategic priorities within the growth areas of our business. The difference in capital expenditures between BCE and Bell was due to spending at Bell Aliant to sustain legacy wireline infrastructure and enhance broadband access and spending on satellite builds at Telesat. The year-over-year increase in capital expenditures was due mainly to higher spending on wireless capacity expansion, investment in high-speed EVDO wireless technology, our FTTN roll-out to deliver higher-speed broadband access, billing system improvements, new product and services development, as well as higher spending at Bell Aliant due to an acceleration of its FTTN expansion program. These factors were largely offset by reduced spending on legacy network infrastructure, new DSL footprint expansion, IT infrastructure and systems to support productivity initiatives and the non-recurrence of spending in 2007 related to preparations for the industry-wide implementation of Wireless Number Portability in March 2007.

As a percentage of revenues, capital expenditures for BCE decreased to 17.6% in 2007 from 17.7% . Bell's capital intensity declined slightly, decreasing to 16.4% from 16.6% in 2006.

2006 Compared to 2005

Capital expenditures for BCE were $3,133 million in 2006, down 6.7% compared with capital expenditures of $3,357 million in 2005. At Bell, capital expenditures decreased 6.3% year over year to $2,411 million in 2006.

As a percentage of revenues, total capital expenditures for BCE decreased to 17.7% in 2006 from 19.1% in 2005, while capital intensity for Bell Canada declined 1.2 percentage points year over year to reach 16.6%. Capital spending in 2006 reflected reduced spending in the legacy areas of our business as we focused increasingly on key strategic priorities within our growth services, including FTTN footprint expansion and further deployment of our EVDO wireless high-speed mobile data network. In addition, capital expenditures were lower in 2006 compared with 2005 as a result of reduced spending on IT infrastructure and systems to support various cost reduction and productivity initiatives, the completion in 2005 of the SuperNet and lower spending at Bell Aliant.

Cash Dividends Paid on Common Shares

In 2007, we paid a dividend of $1.425 per common share, an increase compared to the dividend paid in 2006 of $1.32 per common share. The total cash dividends paid decreased by $22 million as the increase in the dividend rate was more than offset by the decrease in the number of BCE Inc. common shares outstanding as a result of BCE Inc.'s NCIBs and the reduction in the number of outstanding BCE Inc. common shares made in conjunction with a distribution of Bell Aliant trust units, by way of return of capital, to holders of BCE Inc. common shares in the third quarter of 2006.

In 2006, we paid a dividend of $1.32 per common share, which was equal to the dividend paid in 2005. The $26 million decrease in total cash dividends paid in 2006 is a result of a decrease in the number of BCE Inc. common shares issued and outstanding.

Cash Dividends/Distributions Paid by Subsidiaries to Non-Controlling Interest

Dividends and/or distributions paid by subsidiaries to non-controlling interest of $404 million in 2007, $293 million in 2006 and $169 million in 2005 increased by $111 million and $124 million in 2007 and 2006 respectively. This was mainly due to our decreased ownership interest in Bell Aliant starting in the second half of 2006 as a result of the formation of the trust.

Business Acquisitions

We invested $163 million in 2007, mainly due to the privatization of the Bell Nordiq Income Fund by Bell Aliant, compared to $71 million in 2006 for various business acquisitions. We invested $228 million for business acquisitions in 2005. This consisted mainly of:

- Bell Canada's acquisition of Nexxlink Technologies Inc. for $74 million
- Bell Canada's acquisition of NR Communications for $60 million
- other business acquisitions, mainly at Bell Canada, totalling $94 million.

Business Dispositions

On October 31, 2007, we sold Telesat, our satellite services subsidiary, which represents our Telesat segment. We realized net cash proceeds of $3,123 million.

Bell Aliant

Cash used for the payment of costs for the formation of Bell Aliant was $255 million in 2006. This included $133 million for transaction costs, which related mainly to investment banking, professional and consulting fees, and $122 million for premium costs paid on the redemption, prior to maturity, of Bell Aliant debt.

Increase in Investments

Cash flows used for investments in 2007 of $27 million decreased $277 million, or 91%, from $304 million in 2006. The 2006 activity included an additional investment of US$84 million in Clearwire Corporation (Clearwire), which offers advanced IP-based wireless broadband communications services, in order to maintain our 12% interest in the company, and Telesat's increase in short-term investments of $15 million in 2006.

In 2005, cash flows used for investments of $233 million included our initial investment of US$100 million to acquire an approximate 12% interest in Clearwire as well as Telesat's increase in short-term investments of $63 million.

Decrease in Investments

The cash provided by the decrease in investments of $192 million in 2007 relates mainly to the sale of various portfolio investments. Cash provided by investments of $64 million in 2006 is mainly due to the sale of short-term investments at Telesat.

Repurchase of Common Shares

In the first quarter of 2007, BCE Inc. repurchased and cancelled 7.4 million of its outstanding common shares for a total cash outlay of $227 million under the NCIB program which began in February 2007. No common shares were repurchased for cancellation under the NCIB during the remainder of 2007 as the program was suspended pending completion of the company's review of strategic alternatives and subsequent to the announcement of the Privatization. The 2007 NCIB program ended on February 8, 2008.

In 2006, BCE Inc. repurchased for cancellation 45 million common shares, or approximately 5% of the company's outstanding common shares, for a total cost of $1,241 million under the 2006 NCIB program.

Debt Instruments

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of bank facilities and notes payable under commercial paper programs. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt.

We repaid $1,766 million of debt, net of issuances, in 2007. The repayments included $1,175 million of debentures at Bell, $1,135 million of credit facilities at Bell Aliant and other repayments that included capital leases. This was partly offset by Bell Aliant's net issuances of $900 million of medium-term notes and increased borrowings in notes payable and bank advances.

In 2006, we repaid $432 million of debt, net of issuances, including the following:

- BCE Inc. repaid $1,350 million of debt
- Bell Canada repaid $463 million of debt
- Bell Aliant redeemed $785 million of debentures and bonds
- Telesat repaid $150 million in notes payable
- we made other repayments that included capital leases.

This was partly offset by Bell Aliant's drawdown of $1,235 million of its credit facilities and the issuance of $1,250 million of debt.

In 2005, we repaid $47 million of debt, net of issuances. The repayments included $750 million in debentures at Bell Canada and other repayments that included capital leases. The issuances included $900 million in debentures at Bell Canada.

Financing Activities of Subsidiaries with Third Parties

Financing activities of subsidiaries with third parties of $333 million in 2007 increased $41 million, or 14.0%, from $292 million in 2006. In 2007, Bell Aliant repurchased 10.6 million units under its NCIB program for a total cash outlay of $330 million, while in 2006 Bell Aliant, Bell Nordiq Group Inc. and Telesat incurred costs on the redemption of preferred shares of $175 million, $60 million and $50 million, respectively.

Cash Relating to Discontinued Operations

Cash provided by discontinued operations was $356 million in 2007. Of the total, $327 million of net proceeds came from Bell Aliant's sale of ADS.

In 2006, cash provided by discontinued operations was $2,110 million. This consisted mainly of:

- $665 million net proceeds from the sale of our investment in CTVglobemedia offset by the deconsolidation of CTVglobemedia's cash on hand of $35 million

- CTVglobemedia's return of capital of $607 million as part of the recapitalization of CTVglobemedia
- $849 million net proceeds from the sale of CGI, partly offset by the deconsolidation of CGI's cash on hand of $81 million and $21 million incurred for the exercise of CGI warrants
- BCI's return of capital of $156 million net of BCE's contribution to BCI of $61 million in satisfaction of its obligation arising from the 2005 tax loss monetization
- $23 million of cash generated from CTVglobemedia's operations.

In 2005, cash provided by discontinued operations was $121 million and was mainly related to cash generated from CTVglobemedia and CGI's operations.

CREDIT RATINGS

As of March 5, 2008, the BCE Inc. and Bell Canada ratings are currently under review or on credit watch with negative implications from Standard & Poor's, a division of The McGraw-Hill Companies Inc. (S&P), DBRS Limited (DBRS), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings Ltd. (Fitch).

On July 3, 2007, Fitch downgraded BCE Inc.'s and Bell Canada's senior unsecured debt to BB- from BBB+ and Bell Canada's subordinated debt to B+ from BBB. The ratings were also placed on Rating Watch Negative. On October 11, 2007, Fitch issued a credit analysis stating that "The Rating Watch Negative reflects that a further downward rating action could occur and is dependent on the final amount of leverage and final financing structure."

On September 24, 2007, following the approval of the Arrangement by BCE Inc.'s shareholders, S&P issued a Commentary Report stating, in part, that:

"On Sept. 24, 2007, Standard & Poor's Ratings Services lowered its long-term corporate credit ratings on Montreal, Que.-based holding company BCE Inc. and wholly owned subsidiary Bell Canada to 'BB-' from 'A-'. The ratings on both companies remain on CreditWatch with negative implications where they were placed April 17, 2007. The downgrade, an interim step, follows BCE's Sept. 21, 2007, announcement that its shareholders have approved the company's C$52 billion leveraged buyout (LBO). Once Standard & Poor's has the opportunity to review the proposed capital structure, and the financial and operating strategies of the new owners, we could affirm or lower the ratings further. The ratings on C$2.8 billion in existing senior unsecured debt of BCE (C$650 million), Bell Canada (C$2.0 billion), and Bell Mobility Cellular Inc. (C$150 million) are unchanged, reflecting the sponsor's stated intention that it currently anticipates requiring BCE, Bell Canada, and Bell Mobility to redeem redeemable debentures outstanding (maturing up to August 2010), upon close of the LBO. We are also withdrawing our 'A-1 (Low)' Canadian scale and 'A-2' global scale CP ratings on both BCE and Bell Canada; the companies have no CP outstanding at this time. In addition, the ratings on about C$4.9 billion of Bell Canada senior unsecured debentures outstanding (which we do not expect will be redeemed) were lowered to 'BB+' from 'A-', reflecting what we think is the best possible outcome based on publicly available information on the LBO. We lowered the rating on Bell Canada's subordinated debt to 'B' from 'BBB+', reflecting its most junior position in the post-LBO debt capital structure."

On October 3, 2007, Moody's published an Analysis stating, in part, that:

"With book debt expected to increase by more than 300%, the company's risk profile will be profoundly affected by the proposed transaction, and its rating could be adjusted by several notches. Per Moody's event risk policy, until both a full fact set is available and there is certainty of an event occurring, a definitive ratings assessment cannot be concluded. Accordingly, Moody's review is ongoing and will be completed in due course. In the interim, the available information does facilitate a preliminary and highly conditional assessment that can be used to illustrate key issues that will be considered. Given disclosure to date, and assuming there are no dramatic changes to the company's business and asset portfolio, it appears that potential outcomes for BCE's successor company's (BCE Amalco) corporate family rating (CFR) range from B2 to Ba3. It also appears that legal entity and debt structure considerations could cause Moody's to rate individual debt instruments as low as Caa1 and as high as Baa3."

On November 27, 2007, DBRS maintained its ratings of BCE Inc. and Bell Canada Under Review with Negative Implications. Its press release stated that "DBRS expects to continue its review until further information allows it to make a ratings pronouncement concurrent with the completion of the planned privatization of the Company."

In addition, it stated "DBRS expects to base its final ratings on two focal points. Firstly, DBRS expects to formulate an Issuer Rating on BCE and Bell Canada and, secondly, given the various security and guarantee pledges to BCE and Bell Canada, DBRS expects to determine the recovery prospects for the specific debt issues at these entities. The final ratings will also consider the rank of each debt security with varying levels expected at both BCE and Bell Canada."

The table below lists BCE Inc.'s and Bell Canada's key credit ratings at March 5, 2008.

BCE INC.

	S&P	DBRS	MOODY'S	FITCH(1)
OUTLOOK (2)	CREDITWATCH WITH NEGATIVE IMPLICATIONS	UNDER REVIEW WITH NEGATIVE IMPLICATIONS	UNDER REVIEW FOR POSSIBLE DOWNGRADE	RATING WATCH NEGATIVE
Commercial paper	–	R-1 (low)	P-2	–
Extendible commercial notes	–	R-2 (high)	–	–
Long-term debt	BBB+	A (low)	Baa2	BB-
Preferred shares	P-2	Pfd-2 (low)	–	–

BELL CANADA

	S&P	DBRS	MOODY'S	FITCH
Commercial paper	–	R-1 (low)	P-2	–
Extendible commercial notes	–	R-1 (low)	–	–
Long-term debt	BB+	A	Baa1	BB-
Subordinated long-term debt	B	BBB (high)	Baa2	B+

(1) Fitch's ratings are based solely on public information and are unsolicited by BCE Inc. and Bell Canada.

(2) Outlook applies to both BCE Inc. and Bell Canada .

LIQUIDITY

We expect to generate enough cash in 2008 from our operating activities to pay for capital expenditures and dividends and increase free cash flow for the year.

Furthermore, we expect to repay contractual obligations maturing in 2008, including repayment of maturing debt obligations, from cash on hand, cash generated from our operations, and possibly by issuing new debt and by selling non-core assets. However, prior to the consummation of the Privatization, the Definitive Agreement restricts our ability to raise debt and dispose of assets without the consent of the Investor Group.

Cash Requirements

In 2008, excluding the impact of the consummation of the Privatization, we expect that we will need cash mainly for capital expenditures, the payment of contractual obligations and outstanding debt, pension funding, dividend payments, ongoing operations and other cash requirements.

Capital Expenditures

In 2008, as part of our strategic priorities, we intend to continue making investments in the growth areas of our business including in advanced network enhancements, such as the continued deployment of FTTN technology, in order to meet increased usage demand and to improve the performance of our high-speed Internet network, and the continued deployment of our EVDO wireless data network nationwide. We also expect to continue making capital expenditures to maintain our legacy network infrastructure.

Pension Funding

We expect to contribute approximately $195 million to all of our defined benefit pension plans in 2008, including subsidiary and supplemental plans, subject to actuarial valuations being completed. We also expect, in 2008, to pay approximately $105 million to beneficiaries under other employee benefit plans and to contribute approximately $40 million to the defined contribution pension plans.

Contractual Obligations

The following table is a summary of our contractual obligations at December 31, 2007 that are due in each of the next five years and thereafter.

	2008	2009	2010	2011	2012	THERE-AFTER	TOTAL
Long-term debt (excluding capital leases)	71	1,616	929	1,006	510	5,572	9,704
Notes payable and bank advances	254	–	–	–	–	–	254
Capital leases	474	235	149	162	81	747	1,848
Operating leases	216	210	164	142	115	733	1,580
Commitments for capital expenditures	169	80	116	85	89	1,535	2,074
Purchase obligations	1,474	579	435	390	180	401	3,459

Other long-term liabilities (including current portion)	38	41	43	46	–	–	168
Total	2,696	2,761	1,836	1,831	975	8,988	19,087

Long-term debt, notes payable and bank advances include $340 million drawn under our committed credit facilities. They do not include $523 million in letters of credit issued under our committed credit facilities relating primarily to certain pension and performance obligations. The total amount available under these committed credit facilities, which also support our commercial paper programs, including the amount of $863 million currently drawn, is $2.8 billion. Current commercial paper credit lines expire in August 2009 and Bell Aliant's current commercial paper credit lines expire in July 2011.

Imputed interest included in capital leases is $486 million.

Rental expense relating to operating leases was $263 million in 2007, $275 million in 2006, and $312 million in 2005.

Purchase obligations consist mainly of contractual obligations under service contracts. Our commitments for capital expenditures include investments to expand and update our networks, and to meet customer demand.

Other long-term liabilities included in the table relate to Bell Canada's future payments over the remaining life of its contract with Amdocs Canadian Managed Services, Inc. for the development of Bell Canada's billing system. The total amount of this long-term liability was $168 million at December 31, 2007.

At December 31, 2007, we had other long-term liabilities that were not included in the table, including an accrued employee benefit liability, future income tax liabilities, deferred revenue and gains on assets and various other long-term liabilities.

The accrued employee benefit liability and future income tax liabilities are excluded as we cannot accurately determine the timing and cash requirements as:

- future contributions to the pension plans depend largely on how well they are funded. This varies based on the results of actuarial valuations that are performed periodically and on the investment performance of the pension fund assets.
- future payments of income taxes depend on the amount of taxable earnings and on whether there are tax loss carryforwards available to reduce income tax liabilities.

Deferred revenue and gains on assets are excluded as they do not represent future cash payments.

Other Cash Requirements

Our cash requirements may also be affected by the liquidity risks related to our contingencies, off-balance sheet arrangements and derivative instruments. We may not be able to quantify all of these risks for the reasons described as follows.

Off-Balance Sheet Arrangements

Guarantees

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.

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. 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 these indemnifications in the past. See Note 26 to the consolidated financial statements for more information.

Securitization of Accounts Receivable

Bell Canada and Bell Aliant have sale of receivable agreements in place that provide them with what we believe is an attractive form of financing compared to debt financing.

Under the agreements, Bell Canada and Bell Aliant sold interests in pools of accounts receivable to securitization trusts for a total of $1,332 million.

The accounts receivable that were sold must meet minimum performance targets. These are based on specific delinquency, default and receivable turnover ratio calculations, as well as minimum credit ratings. If these accounts receivable fail to meet these performance targets, Bell Canada and Bell Aliant would no longer be able to sell their receivables and would need to find an alternate source of financing.

These securitization agreements are an important part of our capital structure and liquidity. If we did not have them, we would have had to issue $1,332 million of additional debt and/or equity to replace the financing they provided at year end. See Note 10 to the consolidated financial statements for more information.

In the context of the Privatization, we intend to restructure Bell Canada's securitization program in order to retain it as an important source of alternative financing. However, there is no assurance that such a restructuring will be successfully completed. The Investor Group has obtained bank financing commitments, as part of the overall financing arrangements relating to the Privatization, to refinance Bell Canada's existing accounts receivable program, to the extent that such a restructuring is not successfully completed.

Commitment Under the CRTC Deferral Account Mechanism

Please refer to *Commitment Under the CRTC Deferral Account Mechanism* within the section *Our Regulatory Environment* for further analysis.

Derivative Instruments

We use derivative instruments to manage our exposure to interest rate risk, foreign currency risk and changes in the price of BCE Inc. common shares that may be issued under our special compensation payments (SCPs) and deferred share units (DSUs). We do not use derivative instruments for speculative purposes. Since we do not trade actively in derivative instruments, we are not exposed to any significant liquidity risks relating to them.

The carrying value of the outstanding derivative instruments was a net liability of $70 million at December 31, 2007. Their fair values amounted to a net liability of $70 million. See Note 20 to the consolidated financial statements for more information.

Litigation

We become involved in various claims and litigation as a part of our business. While we cannot predict the final outcome of claims and litigation that were pending at December 31, 2007, based on information currently available and management's assessment of the merits of such claims and litigation, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

You will find a more detailed description of the material claims and litigation pending at December 31, 2007 in the BCE 2007 AIF, and in Note 25 to the consolidated financial statements.

Sources of Liquidity

Should our cash requirements exceed cash generated from our operations, and excluding the impact of the consummation of the Privatization, we expect to cover such shortfall through current cash balances, the committed and uncommitted financing facilities we currently have in place or through new facilities, to the extent available.

These cash balances and financing facilities should give us flexibility in carrying out our plans for future growth. If necessary, we could supplement our liquidity sources by issuing additional debt or equity, or by selling non-core assets. We might do this to help finance business acquisitions or for contingencies. However, prior to the consummation of the Privatization, the Definitive Agreement restricts our ability to issue debt and equity and dispose of assets without the consent of the Investor Group.

The table below is a summary of our outstanding committed lines of credit, bank facilities and commercial paper credit lines at December 31, 2007.

	COMMITTED
Commercial paper credit lines [1]	1,678
Other credit facilities [2]	1,130
Total	2,808
Drawn [2]	863
Undrawn	1,945

(1) BCE Inc.'s and Bell Canada's current commercial paper credit lines expire in August 2009 and Bell Aliant's current commercial paper credit lines expire in July 2011.
(2) Includes $523 million in letters of credit under our committed credit facilities.

BCE Inc., Bell Canada and Bell Aliant also have non-committed credit facilities in the aggregate amount of $2,681 million that may be drawn. As at December 31, 2007, the full amount of $2,681 million remained undrawn.

BCE Inc., Bell Canada and Bell Aliant may issue notes under their commercial paper programs up to the amount of their supporting committed lines of credit. The total amount of these supporting committed lines of credit available (net of letters of credit) was $1.7 billion at

December 31, 2007. These supporting committed lines of credit are available and may be drawn at any time. BCE Inc., Bell Canada and Bell Aliant had no commercial paper outstanding at December 31, 2007. Bell Aliant has drawn $210 million under its revolving bank credit facility due to the disruption in the commercial paper market and Bell Aliant's resulting temporary inability to issue commercial paper on reasonable terms.

Commitments Under the Definitive Agreement and Potential Impact on Liquidity Prior to the Privatization

Pursuant to the terms of the Definitive Agreement, BCE Inc. has agreed, prior to the consummation of the Privatization, to conduct its business, and cause its subsidiaries to conduct their business, in the ordinary course consistent with past practice. In this regard, certain matters require the prior consent of the Investor Group, which could potentially affect the liquidity of BCE Inc. and its subsidiaries. Among others, customary threshold restrictions exist as to the ability of BCE Inc. and its subsidiaries to:

- sell, lease or otherwise transfer assets
- prepay existing debt, create or incur new debt (other than refinancing of existing debt) or provide guarantees
- issue equity, options, warrants, or instruments convertible into equity
- settle or compromise claims
- set aside or pay any dividend (other than BCE Inc.'s regular dividends on its common and preferred shares) or distribution, or change the payment frequency of such dividend or distribution.

However, we do not expect the restrictions contained in the Definitive Agreement to prevent BCE Inc. and its subsidiaries from carrying on business in the normal course consistent with past practice, particularly in light of substantial existing cash balances on-hand and available financing facilities.

Financing Considerations Related to the Privatization

In connection with the Privatization, the Investor Group has entered into equity financing commitments with the Purchaser in the aggregate amount of approximately $7.75 billion as a source of funds required to consummate the Privatization. The Purchaser has also entered into committed arrangements to borrow or to permit us to borrow and guarantee a significant amount of debt in connection with the Privatization. Aggregate maximum commitments under all of the expected credit facilities total approximately $34.35 billion (of which up to approximately $2.35 billion is available to us for ongoing liquidity requirements), a significant portion of which is expected to be secured by liens on substantially all of BCE Inc.'s assets (including those of certain of BCE Inc.'s wholly-owned subsidiaries), and a significant portion of which is expected to be guaranteed by certain of BCE Inc.'s wholly-owned subsidiaries. The actual terms of such indebtedness may vary in aggregate amount, structure and specific terms. A portion of Bell Canada's existing public debt will, following consummation of the Privatization, remain outstanding, and certain of such outstanding debt is expected to be secured, as per the terms of the debt instruments governing such public debt.

Following the consummation of the Privatization, we expect to have sufficient liquidity under the new financing arrangements and excess cash flows from operations to support our business strategy and to fund working capital and capital expenditures. In addition, we do not expect any material debt maturities over the next several years, as it is anticipated that outstanding redeemable debentures maturing prior to August 2010 would be redeemed or repurchased at the time of and subject to the consummation of the Privatization. The debt instruments that would govern us following the consummation of the Privatization are expected to contain various restrictions and covenants that are customary in the case of leveraged transactions such as the Privatization.

Our Competitive Environment

We face intense competition not only from traditional competitors, but also from non-traditional players, such as cable companies, that have entered our markets. The rapid development of new technologies, services and products has eliminated the traditional lines between telecommunications, Internet and broadcasting services and brought new competitors to our markets. Technology substitution, and VoIP in particular, have reduced barriers to entry in the industry. Certain VoIP technology implementations do not require service providers to own or rent physical networks, which gives other competitors increased access to this market. This has allowed competitors to launch new products and services and gain market share with far lesser investments in financial, marketing, personnel and technological resources than have historically been required. We expect this trend to continue in the future, which could adversely affect our growth and our financial performance. In addition, as discussed in more detail below, we could face increasing wireless competitive activity as a result of Industry Canada's decision to license additional wireless spectrum.

Competition affects our pricing strategies and could reduce our revenues and lower our profitability. It could also affect our ability to retain existing customers and attract new ones. We are under constant pressure to keep our prices and service offerings competitive. Changes in our pricing strategies that result in price increases for certain services or products, or changes in pricing strategies by our competitors, could affect our ability to gain new customers and retain existing ones. We need to be able to anticipate and respond quickly to the constant changes in our businesses and markets. The CRTC regulates the prices we can charge for basic access services in areas where it determines there is not enough competition to protect the interests of users. Since August 2007, the CRTC has determined that competition was sufficient to grant forbearance from price regulation for approximately 90% of Bell Canada's residential local telephone service lines and 80% of Bell Canada's business local telephone service lines in Ontario and Québec. See *Our Regulatory Environment* for more information.

We already have several domestic and foreign competitors. In recent years, the Government of Canada has reviewed the foreign ownership restrictions that apply to telecommunications carriers and to broadcast distribution undertakings. Removing or easing the limits on foreign ownership could result in more foreign companies entering the Canadian market by making acquisitions or investments. This could result in greater access to capital for our competitors or the arrival of new competitors with global scale, which would increase competitive pressure. We cannot predict what action, if any, the Government of Canada will take as a result of these reviews and how it may affect us.

WIRELINE

Our main competitors in local and access services are: Allstream (a division of MTS Allstream Inc.); Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco), in Ontario and Québec; Bragg Communications Inc. operating under the Eastlink trade name (Eastlink), in the Maritime provinces; Maskatel Inc., in Québec; Primus Telecommunications Canada Inc. (Primus); Rogers Cable Inc. (Rogers Cable); Shaw Communications Inc. (Shaw), in Western Canada; TELUS Communications Inc. (TELUS); Vidéotron ltée (Vidéotron), in Québec; and Vonage Canada (a division of Vonage Holdings Corp.).

Our major competitors in long distance services are: Allstream; Cogeco, in Ontario and Québec; dial-around providers, such as Yak and Looney Call, which are divisions of YAK Communications (Canada) Inc. which has been acquired by Globalive Communications Corporation; Eastlink, in the Maritime provinces; prepaid long distance providers, such as Group of Goldline; Primus; Rogers Cable; TELUS; Vidéotron, in Québec; and Vonage Canada.

We face increasing cross-platform competition as customers replace traditional services with new technologies. For example our wireline business competes with VoIP, wireless and Internet services, including chat services, instant messaging and e-mail.

We are facing significant competitive pressure from cable companies as a result of them offering voice services over their networks. Cable telephony in particular is being driven by its inclusion in discounted bundles and is now offered by cable operators in numerous markets including Toronto, Montréal, Québec City, Ottawa-Gatineau, Hamilton, London and Kitchener-Waterloo, as well as other smaller centres. We expect further expansion throughout 2008. The roll-out of the cable companies' footprints continues to put downward pressure on our market share, especially in the residential market.

Although we expect a reduction in 2008 in the rate of our NAS losses, there is a risk that adverse changes in certain factors, including, in particular, competitive actions by cable providers, may result in acceleration beyond our current expectations in our rate of NAS erosion, particularly in our residential NAS. Additional competitive pressure is also emerging from other competitors such as electrical utilities. These alternative technologies, products and services are making significant inroads into our legacy services, which typically represent our higher

margin business.

We experience significant competition in the provision of long distance service from dial-around providers, prepaid card providers, VoIP service providers, cable companies and others, as well as from traditional competitors such as inter-exchange carriers and resellers. We have also started experiencing competition from telecommunications providers such as Skype Technologies (a division of eBay) that provide equivalent long distance service at low prices using PCs and broadband connections.

Competition for contracts to supply long distance services to large business customers is very intense. Customers may choose to switch to competitors that offer lower prices to gain market share. Such competitors may be less concerned about the quality of service or impact on their margins than we are. Competitors are also offering IP-based telephony to business customers at attractive prices.

In Bell Aliant's residential markets, competition for most product lines is well established. Competition for local telephone service is most established in Nova Scotia and Prince Edward Island, where it was introduced in the residential market in 1999. In 2007, the competitive local service market expanded with the introduction

of local service competition in Newfoundland and further expansion of the competitive footprint in Ontario and Québec. In the business customer base, Bell Aliant operates in an increasingly competitive marketplace, with competition emerging from VoIP providers, cable TV operators and system integrators.

The current competitive environment suggests that the number of our legacy wireline customers and the volume of our long distance traffic will continue to decline in the future. Continued decline will lead to reduced economies of scale in those businesses and, in turn, lower margins. Our strategy is to mitigate these declines through cost reductions and by building the business for newer growth services, but the margins on newer services are generally less than the margins on legacy services and we cannot provide any assurance that our efforts will be successful. If legacy services margins decline faster than the rate of growth in margins for our newer growth services, our financial performance could be adversely affected. In addition, if a large portion of the customers who stop using our voice services also cease using our other services, our financial performance could be adversely affected. Bringing to market new growth products and services is expensive and inherently risky as it requires capital and other investments at a time when the demand for the products or services is uncertain. It may also require us to compete in areas outside our core connectivity business against highly capable competitors. The launch of new products or services could be delayed or cancelled due to reductions in the amount of available capital to be invested. Any such delay or cancellation could have an adverse effect on our business, cash flows and results of operations.

WIRELESS

Competition for subscribers to wireless services is based on price, products, services and enhancements, technical quality of the cellular and personal communications service (PCS) system, customer service, distribution, coverage and capacity. The Canadian wireless telecommunications industry is highly competitive. We compete for cellular and PCS customers, dealers and retail distribution outlets directly with the following wireless service providers: Rogers Wireless Inc. (including its subsidiary Fido Inc.) (Rogers Wireless) and TELUS Mobility (a business unit of TELUS), and with a multitude of resellers known as MVNOs, that aggressively introduce, price and market their products and services. We expect competition to intensify as new technologies, products and services are developed which could adversely affect our ability to achieve our subscriber net additions and ARPU growth targets. For example, mobile handsets that connect to wireless Internet access networks are now available from a number of manufacturers and service providers. If these products significantly penetrate the marketplace, usage of our wireless network may decline which would adversely affect our wireless revenues.

Competition could also increase as a result of Industry Canada's decision to license, through a competitive spectrum auction, the bidding stage of which is scheduled to commence in May 2008, additional wireless spectrum, a significant part of which has been set aside for new entrants only. Industry Canada's policies relating to the auction and to the licensing of additional wireless spectrum favour the entry of new competitors into the Canadian wireless market and could pose a risk to our financial performance. In addition, there is a risk that we will not be successful in securing, through the auction, all or part of the additional wireless spectrum that we need to provide enhanced wireless services and that our competitors will do so to our detriment. Refer to *Our Regulatory Environment – Radiocommunication Act – Additional Mobile Spectrum*, for more details on this subject.

INTERNET ACCESS

We compete with cable companies and Internet service providers to provide high-speed and dial-up Internet access and related services. In particular, cable companies have focused on increased bandwidth and discounted pricing on bundles to compete against us which could directly affect our ability to maintain ARPU performance and could adversely affect our results of operations.

Regional electrical utilities continue to develop and market services that compete directly with Bell Canada's Internet access services. Developments in wireless broadband services may also lead to increased competition in certain geographic areas. This could have an adverse effect on the financial performance of our Internet access services business.

With the rapid growth in video and other bandwidth-intensive applications on the Internet, we may need to incur significant capital expenditures to provide additional capacity on our Internet network. We may not be able to recover these costs from customers due to competitors' short term pricing of comparable Internet services. There is also a risk that our efforts to optimize network performance, as a result of significantly increasing broadband demand, through paced FTTN roll-out, traffic management and rate plan changes, could be unsuccessful and result in an increase in our Internet subscriber churn rate beyond our current expectations thereby adversely affecting achievement of our expected number of Internet subscribers in 2008. This could have an adverse effect on our results of operations.

In the high-speed Internet access services market, we compete with large cable companies, such as: Cogeco, in Ontario and Québec; Eastlink, in the Maritime provinces; Persona Communications Corp., which was recently acquired by Eastlink, in all provinces except New

Brunswick, Nova Scotia and Prince Edward Island; Rogers Cable, in Ontario and the Maritime provinces; and Vidéotron, in Québec.

In the dial-up market, we compete with America Online, Inc., Primus and approximately 400 Internet service providers.

VIDEO

Competition for subscribers is based on the number and kinds of channels offered, quality of the signal, STB features, availability of service in the region, price and customer service. Bell ExpressVu and Bell Canada compete directly with Star Choice Television Network Inc., another DTH satellite television provider, and with cable companies across Canada. Most of these cable companies continue to upgrade their networks, operational systems and services, which will improve their competitiveness. This could negatively affect our financial performance.

Bell Canada holds broadcasting distribution licences for major centres in Ontario and Québec to offer video services on a wireline basis. Bell Canada offers video services through DTH satellite, VDSL and hybrid fibre co-axial cable. Bell Canada is also currently offering IPTV services on a limited basis.

Bell ExpressVu continues to face competition from unregulated U.S. DTH satellite television services that are sold illegally in Canada. In response, we are participating in legal actions that are challenging the sale of U.S. DTH satellite television equipment in Canada. This competition and the outcome of the related legal actions could have an adverse effect on the business and results of operations of Bell ExpressVu. Bell ExpressVu's and Bell Canada's competitors also include Canadian cable companies, such as: Cogeco, in Ontario and Québec; Eastlink, in the Maritime provinces; Persona Communications Corp., in all provinces except New Brunswick, Nova Scotia and Prince Edward Island; Rogers Cable, in Ontario, New Brunswick and Newfoundland; Shaw, in western Canada and northwestern Ontario; and Vidéotron, in Québec. In addition to these traditional video competitors, certain traditional telephone companies have recently launched or are contemplating the launch of IPTV services that would compete with Bell ExpressVu in certain markets.

In addition to the licensed broadcast distribution undertakings noted above, new unregulated video services and offerings available over high-speed Internet connections are beginning to compete with traditional television services. The continued growth of these services could negatively affect the financial performance of Bell ExpressVu and Bell Canada.

WHOLESALE

The main competitors in our wholesale business include both traditional carriers and emerging carriers. Traditional competitors include Allstream and TELUS, both of which may wholesale some or all of the same products and services as Bell Canada. Non-traditional competitors include electrical utility-based telecommunications providers, cable operators and U.S.-based carriers for certain services.

Despite intense competitive pressure, our new products and unregulated services markets continue to grow. However, growth of end-user technologies such as VoIP is continuing to increase pressure on some legacy product lines.

Our Regulatory Environment

This section describes the legislation that governs our businesses, and provides highlights of recent regulatory initiatives and proceedings and government consultations that affect us.

Bell Canada, Bell Aliant and several of Bell Canada's direct and indirect subsidiaries and significantly influenced companies, including NorthernTel, Télébec, Northwestel, Bell Mobility and Bell ExpressVu, are governed under the *Telecommunications Act*, the *Broadcasting Act*, the *Radiocommunication Act* and the *Bell Canada Act*.

Our business is affected by decisions made by various regulatory agencies, including the CRTC. The CRTC, an independent agency of the Government of Canada, is responsible for regulating Canada's telecommunications and broadcasting industries. Other aspects of the businesses of these companies are regulated in various ways by federal government departments, in particular Industry Canada.

TELECOMMUNICATIONS ACT

The *Telecommunications Act* governs telecommunications in Canada. It defines the broad objectives of Canada's telecommunications policy and gives the Government of Canada the power to give general direction to the CRTC on any of these objectives. It applies to several of the Bell Canada companies and partnerships, including Bell Canada, Bell Mobility, Bell Aliant, NorthernTel, Northwestel and Télébec.

Under the *Telecommunications Act*, all telecommunications common carriers must seek regulatory approval for all proposed tariffs for telecommunications services, unless the services are exempt from regulation or are not regulated. 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.

The *Telecommunications Act* includes the following ownership requirements for companies, such as Bell Canada, Bell Aliant and Bell Mobility, that operate as telecommunications common carriers:

- they must be eligible to operate as Canadian carriers
- they must be Canadian owned and controlled corporations. Direct ownership must be at least 80% Canadian and indirect ownership, such as indirect ownership through BCE Inc., must be at least 66 $^{2}/_{3}$% Canadian
- they must not otherwise be controlled by non-Canadians
- at least 80% of the members of their board of directors must be Canadian.

BCE Inc. monitors and periodically reports on the level of non-Canadian ownership of its common shares.

Changes to Government's Approach to Regulation

Pursuant to the *Telecommunications Act*, telecommunications services are regulated unless the CRTC decides to forbear or abstain from regulation. The CRTC may decide not to regulate all or part of certain services or classes of telecommunications services if it determines there is enough competition to protect the interests of users. In the first few years following the inception of the *Telecommunications Act*, the majority of

Bell Canada's revenues were for services subject to regulatory approval. With the introduction of competition in Canadian telecommunications markets, rules and regulations for the incumbent telephone companies were introduced in order to facilitate the progression of competition. In recent years, competition intensified while these detailed and prescriptive rules and regulations continued to affect our ability to compete.

However, there have recently been a number of actions and decisions by the Government of Canada and the CRTC under the *Telecommunications Act* which are more reflective of the significant changes taking place in the industry and which acknowledge the vibrant state of competition in these markets.

In March 2006, the Telecommunication Policy Review Panel, comprised of experts appointed by the Minister of Industry, released a comprehensive report which called for significant changes to Canada's telecommunications policies and regulations. The report noted that the state of competition in Canada has progressed to the point where the CRTC should remove most of its existing economic regulations and instead rely on market forces. In December 2006, the federal Cabinet adopted one of the Telecommunication Policy Review Panel's recommendations and issued to the CRTC a policy direction (Policy Direction) which called on the CRTC to "rely on market forces to the maximum extent feasible" and to design regulations that "interfere with the operation of competitive market forces to the minimum extent necessary." The Policy Direction also required the CRTC to conduct a review of the regulations which require incumbent telephone companies to provide competitors with wholesale access to certain telecommunication services "with a view to increasing incentives for innovation and investment in and construction of competing telecommunications network facilities".

On April 4, 2007, consistent with the Policy Direction and with the intention of enhancing competitive rivalry, the federal Cabinet varied CRTC Telecom Decision 2006-15, which had established a framework for the deregulation of local services offered by the incumbent telephone companies in their territories. The variance streamlined the criteria and process to obtain forbearance in local service markets and has improved the ability of incumbent telephone companies to compete effectively by eliminating the winback and promotional restrictions for local exchange services in regulated and deregulated areas. Since August 2007, the CRTC has granted Bell Canada local residential service forbearance in 193 geographic areas and local business service forbearance in 59 geographic areas, representing approximately 90% and 80% of Bell Canada's residential and business access lines, respectively, in Ontario and Québec. Since July 2007, the CRTC has granted Bell Aliant local residential service forbearance in 122 geographic areas and local business service forbearance in 34 geographic areas in its territory.

These forbearance decisions remove local telephone access services from regulation in those areas, with the exception of a price ceiling which continues to apply to stand-alone local residential telephone access services. On October 5, 2007, the CRTC rescinded the winback rule which prevented the incumbent telephone companies from attempting to winback retail high-speed Internet customers who changed their service to competitors who use Bell Canada's underlying wholesale high-speed services. These decisions give Bell Canada and Bell Aliant the flexibility to offer more value to their customers and compete more effectively with local service competitors.

On April 30, 2007, the CRTC issued Telecom Decision 2007-27, in which it established the rules that will govern the prices Bell Canada and other incumbent telephone companies charge for residential and business local services that remain subject to regulation, granting them more pricing flexibility in order to meet individual customer needs. On May 25, 2007, Bell Canada was granted forbearance for its High-Speed Metro service in Montréal, Ottawa and Toronto and for its high-speed digital NAS in 31 wire centres, allowing for greater flexibility with respect to the terms and conditions under which these business services are offered.

On July 11, 2007, the CRTC issued Telecom Decision 2007-51, in which the CRTC prioritized the order, over a three-year plan ending March 31, 2010, in which existing regulations should be reviewed for compliance with the Policy Direction. Among the priority measures to be reviewed by March 31, 2008 is a decision that is pending concerning the rules that apply when we wish to destandardize or withdraw tariff services. With respect to priority measures already reviewed, the CRTC accepted Bell Canada's proposal to exempt from the bundling rules and associated tariff requirements all bundles involving both tariffed and non-tariffed services so long as a given bundle's total revenue is higher than the price of its tariffed components. The CRTC also removed the tariff requirement for services provided on a market trial basis by the incumbent telephone companies. On January 22, 2008, the CRTC issued Telecom Public Notice 2008-1, in which it seeks to identify and prioritize the review of various social and other non-economic regulatory measures in light of the Policy Direction. The CRTC intends to issue its review plan for the measures identified by April 30, 2008. In the coming years, the CRTC will be reviewing, among others, the following existing regulations for compliance with the Policy Direction: (i) the processes for tariff and agreement filings; (ii) the data reporting obligations; (iii) the rules for basic international telecommunications services licensing; (iv) the building access and municipal rights-of-way regulations; and (v) the Telecommunications Rules of Procedure.

Although recent regulatory developments have given Bell Canada and Bell Aliant more flexibility to compete, there is a risk that future CRTC decisions relating to regulated services, in particular the terms under which competitors obtain access to incumbent telephone companies' facilities, may have a negative effect on our financial results.

Key Telecommunications Issues

This section describes key regulatory issues which are being addressed, or have been addressed in past years, that influence or have influenced our business and may continue to affect our flexibility to compete in the marketplace.

Price Cap Framework Review

On April 30, 2007, the CRTC issued Telecom Decision 2007-27, in which it established the new rules that will govern the prices Bell Canada and other incumbent telephone companies charge for residential and business local services that remain subject to regulation. The new regime will continue indefinitely and provides the incumbent telephone companies with more pricing flexibility to meet individual customer needs. As we are forborne from regulation of local services across our territory, fewer services and revenues will be subject to price cap rules.

Key elements of the new price cap regime include: (i) basic residential service prices in urban areas still subject to regulation cannot increase beyond current levels; (ii) basic residential service prices in high-cost areas can increase by the lesser of the rate of inflation or 5% per year; (iii) the upper limit on prices for local options and features and bundles is removed; (iv) increased flexibility to charge different prices to different customers for residential services, including options and features; (v) business local service prices can rise by the rate of inflation overall, with individual element price increases capped at 10%; (vi) prices for local calls from payphones can increase from 25 to 50 cents for cash calls and from 50 cents to a dollar for non-cash calls; (vii) prices for 911 and other public safety/social services are frozen at current levels; and (viii) there is no deferral account in connection with the new regime.

On July 30, 2007, the Public Interest Advocacy Centre and other consumer groups filed a petition to Cabinet asking that Telecom Decision 2007-27 be referred back

to the CRTC for reconsideration of that portion of the decision dealing with payphone rates. The impact of the request in this appeal would be to force rate reductions to the rate which existed prior to the price increases implemented by Bell Canada and Bell Aliant (in Ontario and Québec) on June 2, 2007. On October 1, 2007, Bell Canada and Bell Aliant filed their response to this petition, arguing that the determinations made by the CRTC in Telecom Decision 2007-27 with respect to payphone rates were correct and were made in accordance with due process.

On June 22, 2007, a member of Parliament, on behalf of herself and a number of local signatories (collectively referred to as the Petitioner), filed a petition with the Governor in Council requesting the Governor in Council to rescind Decision 2007-27 because it establishes different pricing rules for basic residential local service in high-cost serving areas (HCSAs) relative to non-high-cost serving areas (non-HCSAs). The Petitioner specifically objects to the CRTC's determination that incumbent telephone companies are permitted to increase basic local residential service rates in HCSAs by the rate of inflation each year, but they are not permitted to increase such rates in non-HCSAs. On October 1, 2007, Bell Canada and Bell Aliant filed their response to this petition, arguing that the determinations made by the CRTC in Decision 2007-27 were correct, and are in fact consistent with the guidance provided by the Government of Canada in its Policy Direction of December 14, 2006, wherein it instructs the CRTC to rely on market forces to the maximum extent possible.

Commitment Under the CRTC Deferral Account Mechanism

Bell Canada's accumulated deferral account commitment as at December 31, 2006 was estimated at $479 million, which was increased to $488 million as a result of further CRTC decisions during 2007. The clearing of the deferral account is subject to CRTC approval.

On February 16, 2006, the CRTC issued Telecom Decision 2006-9, in which it determined the ways in which incumbent telephone companies should clear the accumulated balances in their deferral accounts. On September 1, 2006, Bell Canada and Bell Aliant filed their proposals for clearing the accumulated balances in their deferral accounts, proposing to improve access to communications for persons with disabilities (5% of the estimated balance) and to extend broadband access to some 220,000 potential customers in 264 communities across Ontario and Québec where it would not otherwise be made available on a commercial basis.

On December 28, 2007 the CRTC approved the use of $37 million of deferral account funds to expand broadband service to 16 of 264 communities proposed by Bell Canada that otherwise would not receive broadband service because it is uneconomic. Since the assets are impaired, we have accrued $37 million in restructuring and other to reflect the cost of this expansion.

Bell Canada's accumulated deferral account commitment at December 31, 2007 was estimated to be $451 million, with an estimated future annualized commitment of $1.4 million. On March 3, 2008, Bell Canada and Bell Aliant filed proposed reductions to rates for stand-alone local residential telephone access services in regulated exchanges within the non-HCSA portions of their Ontario and Québec serving areas which, if approved, would eliminate Bell Canada's future annualized commitment. As of December 31, 2007, Bell Aliant does not have an accumulated deferral account balance or an estimated future annualized commitment.

On January 17, 2008, the CRTC issued Telecom Decision 2008-1, in which it approved the use of deferral account funds to extend broadband service to an additional 85 communities in Ontario and Québec. Together with the 16 communities already approved, a total of 101 communities would benefit from broadband deployment using funds from the deferral account. The CRTC has directed Bell Canada to file a proposed roll-out plan and updated costs by March 17, 2008. We expect to record a charge in restructuring and other in the first quarter of 2008 for this uneconomic expansion. The CRTC also indicated that 22 additional communities are still subject to further review. In the same decision, the CRTC also approved Bell Canada's proposed initiatives to improve access to telecommunications services for persons with disabilities, amounting to $24 million. Finally, the CRTC directed Bell Canada to rebate any balance remaining in its deferral account to residential subscribers in urban, non-HCSAs within the Ontario and Québec portions of the serving areas of Bell Canada and Bell Aliant, and to file, by March 25, 2008, proposals to rebate such funds. The rebate proposals should outline how rebates could be made most effectively, both in terms of benefit to customers and minimal disruption to Bell Canada.

The issues of rebates and broadband expansion using deferral account funds, however, were before the Federal Court of Appeal in connection with two separate appeals launched by Bell Canada and by certain consumer groups. Bell Canada had appealed the legality of the CRTC's jurisdiction to order retroactive rebates while the consumer groups had appealed the decision to permit the use of deferral account funds to expand the availability of broadband services. These appeals were heard in January 2008 by the Federal Court of Appeal.

In an order dated January 25, 2008, the Federal Court of Appeal issued a stay of Telecom Decision 2006-9, thus effectively suspending the disposition of funds in the deferral accounts except for the improvement of accessibility to communications services for persons with disabilities. In that order, the Federal Court of Appeal noted that the stay will expire on the Federal Court of Appeal's determination of the appeals, or upon determination of any leave to appeal application to the Supreme Court of Canada, if such leave to appeal is sought within the statutory time limit. On February 11, 2008, Bell Canada filed a notice of motion with the Federal Court of Appeal for leave to appeal Telecom Decision 2008-1 and to stay that decision, except as it relates to initiatives for the improvement of accessibility to communications services for persons with disabilities. Bell Canada and Bell Aliant also filed a letter with the CRTC, dated February 15, 2008, seeking to defer the filing of follow-up information pertaining to broadband expansion and rebates which the CRTC directed them to file in Telecom Decision 2008-1, until such time as the stay is denied or, if the stay is granted, until the substance of the appeals is addressed by the Federal Court of Appeal and the stay is lifted. On February 22, 2008, the CRTC approved this request.

In an order dated March 7, 2008, the Federal Court of Appeal dismissed both Bell Canada's and the consumer groups' appeals. However, Bell Canada intends to file an application seeking leave from the Supreme Court of Canada to appeal the Federal Court of Appeal's decision. Based on the January 25, 2008 order of the Federal Court of Appeal, the stay of Telecom Decision 2006-9, effectively suspending the disposition of deferral account funds except for the improvement of accessibility to communications services for persons with disabilities, will remain in effect until the Supreme Court of Canada issues its determination on Bell Canada's leave to appeal application.

On April 30, 2007, the CRTC issued Telecom Decision 2007-27 in which it set out the parameters of the new price cap regime that came into effect on June 1, 2007. In that decision, the CRTC eliminated the deferral account mechanism. Consequently, there are no new incremental deferral account obligations from June 1, 2007 onwards.

Due to the nature and number of uncertainties which remain concerning the disposition of funds remaining in Bell Canada's deferral account,

we are unable to estimate the impact of Telecom Decision 2008-1 and outstanding proceedings on our financial results at this time.

Review of Regulatory Framework for Wholesale Services

As required by the federal Cabinet's Policy Direction, on November 9, 2006, the CRTC released Telecom Public Notice 2006-14, in which it initiated a comprehensive review of the regulatory framework which requires incumbent telephone companies to provide wholesale access to certain telecommunication services to competitors. As part of this review, the CRTC examined the appropriate definition of essential services and the pricing principles for such services. In addition, the regulatory treatment for non-essential services was also examined.

On March 3, 2008, the CRTC issued Telecom Decision 2008-17, in which it redefined essential services, assigned individual wholesale services to six separate categories, set out the pricing rules for each and established transition periods leading to forbearance for some. While the balance of Bell Canada's wholesale services remain subject to regulation, competitor digital network and ethernet services which provide fibre access and transport, as well as certain other services such as wholesale operator services, will ultimately be forborne from regulation in three to five years, depending on the specific nature of the service. We are currently evaluating the decision but are unable to estimate its impact on our business at this time.

Commissioner for Complaints for Telecommunications Services (CCTS)

In conjunction with the announcement, on April 4, 2007, of the new framework for deregulation of local service in communities across Canada where competition exists, the Government of Canada asked telecommunications service providers to work together to create an independent, industry-funded agency to handle complaints from consumers and small businesses which have been unable to resolve their complaints through direct communication with their service provider.

On July 23, 2007, the CCTS was launched. On the same date, Bell Aliant, Bell Canada and other telecommunications service providers filed with the CRTC a joint proposal for the structure and mandate of the CCTS. The CCTS does not replace telecommunications service providers' normal complaint resolution processes, but is intended to assist when those processes do not resolve concerns. CCTS membership is open to all of Canada's telecommunications service providers.

On August 22, 2007, the CRTC issued Telecom Public Notice 2007-16 in order to approve the organization and mandate of the CCTS. A public consultation was held in November 2007 and on December 20, 2007 the CRTC issued Telecom Decision 2007-130. The decision included certain amendments to the proposed mandate and structure of the CCTS.

On February 4, 2008, the members of the CCTS filed with the CRTC draft revised constating documents intended to reflect the directions in Decision 2007-130. On the same day, Bell Aliant, Bell Canada, Northwestel and Télébec filed an application with the CRTC seeking a review and variance of Telecom Decision 2007-130 with respect to the CRTC's direction that the CCTS should not be constrained by contractual limitations of liability when making binding decisions. Another group of CCTS members filed a second review and vary application addressing a broader range of issues. Several consumer advocacy groups have requested that the CRTC hold a formal proceeding on the adequacy of the draft revised constating documents.

BROADCASTING ACT

The *Broadcasting Act* 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
- encourage the development of Canadian expression.

Most broadcasting activities require a broadcasting licence or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if the CRTC is satisfied that complying with those requirements will not materially affect the implementation of Canadian broadcasting policy. A corporation must meet the following ownership requirements to obtain a broadcasting or a broadcasting distribution licence:

- it must be Canadian owned and controlled. At least 80% of all outstanding and issued voting shares and at least 80% of the votes must be beneficially owned directly by Canadians
- it must not otherwise be controlled by non-Canadians
- at least 80% of the board of directors, as well as the chief executive officer, must be Canadian
- at least 66 $^{2}/_{3}$% of all outstanding and issued voting shares, and at least 66 $^{2}/_{3}$% of the votes of the parent corporation, must be beneficially owned and controlled, directly or indirectly, by Canadian interests.

If the parent corporation of a broadcasting licensee has fewer than 80% Canadian directors on its board of directors, a non-Canadian chief executive officer or less than 80% Canadian ownership, the parent corporation must demonstrate to the CRTC that it or its directors do not have control or influence over any of the broadcasting licensee's programming decisions.

Corporations must have the CRTC's approval before they can transfer effective control of a broadcasting licensee. The CRTC may impose certain requirements, including the payment of certain benefits, as a condition of the transfer.

Bell Canada holds broadcasting distribution licences, for major centres in Ontario and Québec, to offer video on a wireline basis. In addition, Bell ExpressVu, Bell Aliant, Northwestel and Cablevision du Nord du Québec Inc., a Télébec subsidiary, have broadcasting distribution licences that allow them to offer services. Bell ExpressVu is permitted to offer services nationally. Bell Aliant is permitted to offer services in Newfoundland and Labrador, Nova Scotia and New Brunswick. Télébec is permitted to offer services in specific areas of Ontario and Québec. Northwestel is permitted to offer services in specific areas of the Northwest Territories.

Bell ExpressVu

In July 2007, the CRTC initiated a public process intended to review the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services. This comprehensive re-examination of the Broadcasting Distribution Regulations will impact Bell ExpressVu's DTH satellite television service and Bell Canada's terrestrial IPTV cable service. The proposed elimination of regulation could benefit Bell Canada's broadcasting initiatives by freeing us to compete more effectively and to exercise much greater control over our operations. The CRTC has determined that the possibility of requiring cable and satellite operators to pay over-the-air broadcasters for the right to carry their signals, including distant or out-of-market signals, is under consideration in this proceeding. Comments were filed on January 25, 2008 and a public hearing is scheduled to commence on April 7, 2008. The CRTC's determinations in this matter are anticipated in the third quarter of 2008. A decision from the CRTC requiring cable and satellite operators to pay over-the-air broadcasters could have a negative effect on our business and financial results.

In December 2006, the Federal Court of Canada ruled that Part II Licence Fees, levied by the CRTC under the *Broadcasting Act* to recover Industry Canada costs associated with broadcasting spectrum management and paid by broadcasters and broadcast distributors, are an illegal tax, but declined to order the reimbursement of the fees paid to date by the plaintiff broadcasters. The decision of the Federal Court of Canada is being appealed by the Government of Canada, which is contesting the declaration that Part II Licence Fees are an illegal tax, and by the Canadian Association of Broadcasters, which is

challenging the finding that their members are not entitled to recovery of fees paid to date. In June 2007, Bell ExpressVu, together with Rogers Cable and Cogeco, were granted leave to intervene in these appeals. Arguments were heard in December 2007, with judgment being reserved. On November 29, 2007, Bell ExpressVu initiated a civil action against the Government of Canada, claiming reimbursement of Part II Licence Fees paid over the last six years (the maximum period recoverable under applicable limitation periods). This suit is unlikely to proceed pending a decision of the Federal Court of Appeal on the appeals heard in December. The fees in question represent 1.365% of Bell ExpressVu's annual revenue for each of the last six years.

RADIOCOMMUNICATION ACT

Industry Canada regulates the use of radio spectrum by Bell Canada, Bell Mobility and other wireless service providers under the *Radiocommunication Act*. Under the *Radiocommunication Act*, Industry Canada ensures that:

- radio communication in Canada is developed and operated efficiently
- radio stations are established in an orderly manner, as well as any changes thereto.

The Minister of Industry has the discretion to:

- issue and amend radio licences
- set technical standards for radio equipment
- establish licensing conditions
- decide how radio spectrum is allocated and used.

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 corporations under the *Telecommunications Act*.

The *Radiocommunication Act* contains provisions which make it a criminal offence to manufacture, offer for sale or sell any device used to decode an encrypted subscription signal in connection with unauthorized reception of satellite signals. Bell ExpressVu, Bell Canada, the Canadian Association of Broadcasters, and members of Canada's broadcasting production community continue to encourage the Government of Canada to strengthen the *Radiocommunication Act* in order to combat the black market in signal theft.

Spectrum Licences

Companies must have a spectrum licence to operate cellular, PCS and other radio-telecommunications systems in Canada. The Minister of Industry awards spectrum licences, through a variety of methods, at his or her discretion under the *Radiocommunication Act*. While we anticipate that the licences under which we provide cellular and PCS services will be renewed at term, there is no assurance that this will happen. In Industry Canada's November 28, 2007 decision regarding the licensing and auction policy for the auctioning of AWS spectrum, Industry Canada indicated that an upcoming consultation regarding the renewal process may affect the renewal of both existing and AWS spectrum licences. Industry Canada can revoke a company's licence at any time if the company does not comply with the licence's conditions. Moreover, in its AWS decision, Industry Canada indicated that even with full compliance with the conditions of a licence, Industry Canada could withdraw a licence based on circumstances in existence at the time of renewal. While we believe that we comply with the conditions of our licences, there is no assurance that Industry Canada will agree. Should there be a disagreement, this could have a negative effect on our business.

As a result of an Industry Canada decision, the cellular and PCS licences under which we provide service, which would have expired on March 31, 2006, will now expire in 2011. The PCS licences that were awarded in the 2001 PCS auction will expire on November 29, 2011. As a result, our cellular and PCS licences are now classified as "spectrum licences", that is licences issued on a geographic basis rather than on a radio-site-by-radio-site basis, with a standard 10-year licence term.

Wireless and Radio Towers

In February 2005, Industry Canada released a report concerning its procedures for approving and placing wireless and radio towers in Canada, including the role of municipal authorities in the approval process. Among other things, the report recommends that the authority to regulate the siting of antennae and supporting structures remain exclusively with the Government of Canada. In June 2007, Industry Canada released its revised antenna siting and approval policy. The new policy maintains exclusive federal jurisdiction over the authority to regulate the siting of

antennae and related supporting structures in Canada. The new policy, which came into

effect in January 2008, requires additional public notification in order to erect new tower sites which may require additional community consultation. The revised policy also includes dispute resolution guidelines and timelines which may facilitate new tower placement in some instances.

In its November 28, 2007 AWS decision, Industry Canada adopted a new policy which mandates the sharing of wireless towers and cell sites at commercial rates, where technically feasible, and prohibits exclusive rooftop arrangements with landlords. Industry Canada also initiated a public consultation to consider specific implementation issues and changes to the conditions of existing and AWS spectrum licences, necessitated by its new tower sharing policy. On February 29, 2008, Industry Canada issued its conditions of licence for mandated roaming and antenna tower and site sharing and to prohibit exclusive site arrangements. As noted by Industry Canada, the revised conditions of licence are intended to facilitate competitive entry into the Canadian wireless market and, taken collectively, are intended to result in increased competition. Due to the nature and number of uncertainties that remain concerning mandated tower sharing, we are unable to estimate the potential impact of the revised conditions of licence on our business at this time.

Additional Mobile Spectrum

As mentioned above, on November 28, 2007, Industry Canada released its decision concerning the policy and rules governing the licensing of additional mobile spectrum for AWS in the 1.7 and 2.1 GHz bands. The licensing process also makes an additional 10 MHz of PCS spectrum available in the 1.9 GHz band and 5 MHz in the 1.6 GHz band. In total 105 MHz of spectrum, 90 MHz of which is AWS spectrum, is available to be licensed through a competitive spectrum auction, the bidding stage of which is scheduled to commence on May 27, 2008. Industry Canada's AWS decision sets aside 40 MHz of the available 90 MHz of AWS spectrum for which only new entrants may bid. The remaining 50 MHz of AWS is open to bidding by any party including incumbent carriers and new entrants. Industry Canada has defined a new entrant as any party, including its affiliates, whose wireless market share constitutes less than 10% of national wireless revenue.

The decision may result in the entry of new national and regional wireless carriers. Industry Canada has not adopted an auction spectrum cap, for either new entrant or incumbent AWS spectrum blocks, which raises the possibility of one bidder acquiring a substantial portion, or potentially all, of the available new entrant or incumbent spectrum. Industry Canada's decision also mandates digital roaming on all current Canadian mobile band allocations (i.e., cellular, PCS and AWS), both within a regional entrant's licensed territory as well as outside its territory, for up to 10 years for carriers licensed as a result of the AWS auction. As previously discussed, on February 29, 2008, Industry Canada released revised conditions of licence governing mandated roaming. Among other things, Industry Canada clarified that resale of wireless services is not required and that any new entrant resulting from the AWS auction must build its own AWS wireless network before it will be eligible for mandated roaming. Industry Canada also clarified that new entrants are not entitled to roaming within their built-out licensed area. The above auction and licensing policies favour the entry of new competitors into the wireless market and could pose a risk to our financial performance.

BELL CANADA ACT

Under the *Bell Canada Act*, the CRTC must approve any sale or other disposal of Bell Canada voting shares that are held by BCE Inc., unless the sale or disposal would result in BCE Inc. retaining at least 80% of all of the issued and outstanding voting shares of Bell Canada. Except in the ordinary course of its business, the CRTC must also approve the sale or other disposal of facilities integral to Bell Canada's telecommunications activities.

Risks that Could Affect Our Business and Results

This section describes the principal risks that could have a material and adverse effect on our financial condition, results of operations, cash flows or business, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements, in addition to the risks previously described under the sections *Our Competitive Environment* and *Our Regulatory Environment* or those described elsewhere in this MD&A.

A risk is the possibility that an event might happen in the future that could have a negative effect on our financial condition, results of operations, cash flows or business. Part of managing our business is to understand what these potential risks could be and to mitigate them where we can (for more details refer to the section *Risk Management Practices* immediately following this section).

The actual effect of any event on our financial condition, results of operations, cash flows or business could be materially different from what we currently anticipate. The risks described below 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 condition, results of operations, cash flows or business.

As a result of BCE Inc.'s strategy of concentrating on Bell Canada's communications business and the completion of the disposition of most of BCE Inc.'s non-core assets, BCE Inc.'s financial performance now depends on how well Bell Canada performs financially. Accordingly, the risk factors described below mainly relate to the operations and businesses of Bell Canada and its subsidiaries and joint ventures.

A decline in economic growth and in retail and commercial activity could decrease demand for our products and services, potentially reducing profitability and threatening the ability of our customers to pay their expenses.

Our business is affected by general economic conditions, consumer confidence and spending, and the demand for, and prices of, our products and services. If there is a decline in economic growth and in retail and commercial activity, there could be a lower demand for our products and

services. During these periods, customers may delay buying our products and services, reduce purchases or discontinue using them.

Weak economic conditions could lower our profitability and reduce cash flows from operations. They also could negatively affect the financial condition and creditworthiness of our customers, which could increase uncertainty about our ability to collect receivables and potentially increase our bad debt expenses, which could adversely affect our results of operations.

Failure to achieve our business objectives could have an adverse impact on our financial performance and growth prospects.

We continue to implement our strategy of delivering advanced communications services and a superior customer experience to our customers across Canada. Our strategic direction requires us to continue to transform the way in which we serve customers in the context of our previously described competitive and regulatory environment. This means we will need to continue to respond by adapting to these changes, making necessary shifts in employee skills and investing capital to implement our strategies and operating priorities. If our management, processes or employees are not able to adapt to these changes or if required capital is not available on favourable terms, we may fail to achieve our business objectives which could have an adverse effect on our business, financial performance and growth prospects.

Our strategies also require us to continue to transform our cost structure. Accordingly, we are continuing to implement several productivity improvements to reduce costs while containing our capital expenditures. Our objectives for cost reduction continue to be aggressive, and there is no assurance that we will be successful in reducing costs. Improved customer service and an enhanced perception of Bell Canada's service offerings by existing and potential customers are critical to increasing customer retention and ARPU and attracting new customers. It may, however, be difficult to achieve these objectives while significantly reducing costs. In addition, there is a risk that customer service improvements that we may achieve will not necessarily translate into an enhanced public perception of Bell Canada's service offerings or the achievement of customer retention objectives. If we are unable to achieve any or all of these objectives, our business and results of operations could be adversely affected.

Furthermore, the current competitive environment suggests that the number of our legacy wireline customers and the volume of our long distance traffic will continue to decline in the future. Continued decline will lead to reduced economies of scale in those businesses and, in turn, lower margins. If legacy services margins decline faster than the rate of growth in margins of our newer growth services, our financial performance could be adversely affected. In addition, if a large portion of the customers who stop using our voice services also cease using our other services, our financial performance could be adversely affected.

Although we expect a reduction in 2008 in the rate of our NAS losses, there is a risk that adverse changes in certain factors, including, in particular, competitive actions by cable providers, may result in acceleration beyond our current expectations in our rate of NAS erosion, particularly in our residential NAS. This could have an adverse effect on our results of operations.

We face significant competition that may reduce our market share and revenues and lower our profitability.

We face intense competition not only from traditional competitors, but also from non-traditional players, such as cable companies, that have entered our markets. The rapid development of new technologies, services and products has eliminated the traditional lines between telecommunications, Internet and broadcasting services and brought new competitors to our markets. Technology substitution and VoIP, in particular, have reduced barriers to entry in our industry. This has allowed competitors to launch new products and services and gain market share with far lesser investments in financial, marketing, personnel and technological resources than have historically been required. We expect this trend to continue in the future, which could adversely affect our growth and our financial performance.

We are facing significant competitive pressure from cable companies as a result of them offering voice services over their networks. Cable telephony in particular is being driven by its inclusion in discounted bundles and is now offered by cable operations in numerous Canadian markets. We expect further expansion throughout 2008. The roll-out of the cable companies' footprints continues to put downward pressure on our market share, especially in the residential market. This could continue to have an adverse effect on our business and results of operations.

Competition affects our pricing strategies and could reduce our revenues and lower our profitability. It could also affect our ability to retain existing customers and attract new ones. We need to be able to anticipate and respond quickly to the constant changes in our businesses and markets. If we fail to do so, our business and market position could be adversely affected. Refer to *Our Competitive Environment* for more details on our competitors and our competitive environment in general.

We could face increasing wireless competitive activity resulting from new technologies and from Industry Canada's decision to license additional wireless spectrum.

We expect competition in the Canadian wireless market to intensify as new technologies, products and services are developed. In addition, competition could also increase as a result of Industry Canada's decision to license, through a competitive spectrum auction, the bidding stage of which is scheduled to commence in May 2008, additional wireless spectrum, a significant part of which has been set aside for new entrants only. Industry Canada's policies relating to the auction and to the licensing of additional wireless spectrum favour the entry of new competitors into the Canadian wireless market and could pose a risk to our financial performance. In addition, there is a risk that we will not be successful in securing, through the auction, all or part of the additional wireless spectrum that we need to provide enhanced wireless services and that our competitors will do so at our detriment. This could have an adverse effect on our business. Refer to *Our Competitive Environment – Wireless* for more details on our wireless competitors and our wireless competitive environment.

We need to anticipate technological change and invest in or develop new technologies, products and services. If we are unable to launch new technologies, products and services on a timely basis or if regulation expands to delay newer technologies, our business and results of operations may be adversely affected.

We operate in markets that are affected by constant technological change, evolving industry standards, changing client needs, frequent introductions of new products and services and short product life cycles. Investment in new technologies, products and services and the ability to launch, on a timely basis, such technologies, products and services are critical to increasing the number of our subscribers and achieving our financial performance objectives.

We may face additional risks as we develop new products, services and technologies, and update our networks to stay competitive. Newer technologies, for example, may quickly become obsolete or may need more capital than expected. Development could be delayed for reasons beyond our control. Substantial investments usually need to be made before new technologies prove to be commercially viable. There is also a

risk that current regulation could be expanded to apply to newer technologies which could delay our launch of new services.

There is no assurance that we will be successful in developing, implementing and marketing new technologies, products, services or enhancements in a reasonable time, or that they will gain market acceptance. New products or services that use new or evolving technologies could reduce demand for our existing offerings or cause prices for those services to decline. Our failure to successfully develop, implement and market new technologies, products, services or enhancements in a reasonable time could have an adverse effect on our business and results of operations.

Our operations depend on how well we protect, maintain and replace our networks, equipment, IT systems and softwares.

Our operations depend on how well we protect our networks, equipment, IT systems and softwares, and the information stored in our data centres, against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism, vandalism and other events. Our operations also depend on the timely replacement, maintenance and upgrade of our networks, equipment, IT systems and softwares. Any of these and other events could result in network failures, billing errors and delays in customer service. Our operations also depend on our ability to protect the information stored in our data centres against theft. The theft of such information could adversely affect our customer relationships and expose us to claims in damages by customers.

Our networks are connected with the networks of other telecommunications carriers, and we rely on them to deliver some of our services. Any of the events mentioned in the previous paragraph, as well as strikes or other work disruptions, bankruptcies, technical difficulties or other events affecting the networks of these other carriers, could also harm our business and our customer relationships.

Renegotiating collective agreements with employees could result in higher labour costs and work disruptions.

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 and work disruptions, including work stoppages or work slowdowns. There can be no assurance that should a strike or work disruption occur, it would not adversely affect service to our customers. In addition, work disruptions at our service providers, including work slowdowns and work stoppages due to strikes, could harm our business, including our customer relationships and results of operations.

The collective agreement between the CEP and Bell Canada covering 5,122 craft and services employees expired on November 30, 2007. Negotiations between the CEP and Bell Canada started on October 29, 2007. On December 11, 2007, Bell Canada asked the federal Minister of Labour to appoint a conciliator to help move forward negotiations with the CEP. A conciliator was appointed on December 13, 2007. The conciliator met both parties in December 2007 and January 2008. On January 31, 2008, Bell Canada offered the craft and services employees covered by this collective agreement a new long-term contract that includes wage increases in each year, while providing Bell Canada additional flexibility. The CEP will put the offer to a vote and is expected to communicate the results to Bell Canada on March 17, 2008.

In addition, the following significant collective agreements will expire in 2008:

- the collective agreement between the CEP and Bell Canada covering approximately 200 operators will expire on November 24, 2008
- the collective agreement between the CEP and Bell Canada covering approximately 700 communications sales employees will expire on December 31, 2008.

The significant increase in broadband demand could have an adverse effect on our business and financial results.

With the rapid growth in video, and other bandwidth-intensive applications on the Internet, we may need to incur significant capital expenditures to provide additional capacity on our Internet network. We may not be able to recover these costs from customers due to competitors' short-term pricing of comparable Internet services. There is also a risk that our efforts to optimize network performance, as a result of significantly increasing broadband demand, through paced FTTN roll-out, traffic management and rate plan changes could be unsuccessful and result in an increase in our Internet subscriber churn rate beyond our current expectations. This could have an adverse effect on our results of operations.

Changes in foreign ownership restrictions could increase competition in the future.

We already have several domestic and foreign competitors. In recent years, the Government of Canada has reviewed the foreign ownership restrictions that apply to telecommunications carriers and to broadcast distribution undertakings. Removing or easing the limits on foreign ownership could result in more foreign companies entering the Canadian market by making acquisitions or investments. This could result in greater access to capital for our competitors or the arrival of new competitors with global scale, which would increase competitive pressure. We cannot predict what action, if any, the Government of Canada will take as a result of these reviews and how it may affect us.

Events affecting the operations of our service providers that operate outside Canada could have an adverse effect on our service levels.

We have outsourced certain services to providers that operate outside Canada. Although we have redundancy and network monitoring systems in place, a major natural disaster that affects the region in which our service providers operate, or other events adversely affecting the business or operations of such service providers, or our inability to access their services, could adversely affect our service levels and our business.

If we are unable to raise the capital we need, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets.

We need significant amounts of cash to implement our business plan. This includes cash for capital expenditures, for payment of contractual obligations and servicing and repayment of outstanding debt, which would significantly increase following the consummation of the Privatization,

for pension funding and, until consummation of the Privatization, for payment of dividends to BCE Inc.'s common and preferred shareholders. Our cash requirements may be adversely affected by the risks associated with our contingencies, off-balance sheet arrangements, derivative instruments and assumptions built into our business plan. Our ability to meet our financial obligations and provide for planned growth depends on our having access to adequate sources of capital and on our ability to generate cash flows from operations which is subject to general economic, market, competitive, regulatory and other risk factors described in this MD&A, many of which are not within our control.

In general, we finance our capital needs from cash generated by our operations or investments, by borrowing from commercial banks, through debt and equity offerings in the capital markets, or by selling or otherwise disposing of assets (including accounts receivable). The amount of working capital available to operate our business and our ability to achieve our working capital objectives could be adversely impacted by our level of success in collecting outstanding accounts receivable balances through the use of our employees, systems and technology.

Financing through equity offerings would dilute the holdings of equity investors. An increased level of debt financing could result in lower credit ratings, increase our borrowing costs and reduce the amount of funding available to us. Business acquisitions could also adversely affect our credit ratings and have similar adverse consequences.

Our ability to raise financing depends on our ability to access the public debt capital market and bank credit market. The cost and amount of funding depend largely on market conditions, and the outlook for our business and credit ratings at the time capital is raised. In addition, participants in the public debt capital and bank credit markets have internal policies limiting their ability to invest in, or extend credit to, any single borrower or group of borrowers or to a particular industry. Furthermore, prior to the consummation of the Privatization, the Definitive Agreement restricts our ability to raise debt and dispose of assets without the consent of the Investor Group.

Our ability to access the public debt capital and bank credit markets at this time may be negatively affected by BCE Inc.'s announcement of its proposed Privatization and by adverse conditions currently prevailing in such markets. Additional credit rating downgrades could further adversely affect our ability to access the public debt capital and the bank credit markets both prior to and following the consummation of the Privatization. In addition to having a possibly reduced ability to access such markets, funding from these sources would likely be made available on less favourable terms and conditions (including more restrictive covenants) and would likely significantly increase our cost of borrowing compared to terms that have been available to us historically.

If we cannot raise the capital we need to implement our business plan upon acceptable terms, we may have to limit our ongoing capital expenditures, limit 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.

The consummation of the Privatization is still subject to a number of terms and conditions including the receipt of various approvals and contractual termination rights.

The consummation of the Privatization is still subject to a number of terms and conditions, including, without limitation: (i) approval of the CRTC and Industry Canada; (ii) resolution of any appeal filed by the debenture holders which affects the approval of the Arrangement; and (iii) certain termination rights available to the parties under

the Definitive Agreement. There can be no assurance that these approvals will be obtained, the other conditions to the Privatization will be satisfied in accordance with their terms, and/or the parties to the Definitive Agreement will not exercise their termination rights. In such cases, the Privatization could be modified, restructured or terminated, as applicable. Failure to consummate the Privatization could have a material adverse impact on the market price of BCE Inc.'s shares. Depending on the circumstances in which the Privatization is not completed, BCE Inc. could have to pay to the Investor Group significant break-up fees and costs, in addition to its own costs incurred in connection with the Privatization.

On March 7, 2008, the Québec Superior Court approved the Arrangement and dismissed all claims made by or on behalf of certain holders of Bell Canada's debentures who had instituted legal proceedings seeking in particular to prevent the Privatization from becoming effective. Any appeal of the Court's decisions must be filed by the debenture holders with the Québec Court of Appeal by March 17, 2008. See *Legal Proceedings – Lawsuits Related to BCE Inc. – Privatization Transaction Lawsuit* contained in the BCE 2007 AIF for more information concerning such legal proceedings.

We may not be able to discontinue certain services as necessary to improve capital and operating efficiencies.

We are in the process of moving traffic on our core circuit-based infrastructure to IP technology. As part of this move, we are in the process of discontinuing certain services that are based on circuit-based infrastructure. This is a necessary component of improving capital and operating efficiencies. In some cases, this could be delayed or prevented by customers or regulatory actions. If we cannot discontinue these services as planned, we will not be able to achieve the efficiencies as expected.

Regulatory initiatives or proceedings, pending or future litigation or changes in laws or regulations could have an adverse effect on our business and results of operations.

Our business is affected by decisions made by various regulatory agencies, including the CRTC. Decisions of the CRTC may have an adverse effect on our business and results of operations. In addition, we become involved in various claims and litigation as part of our business. Pending or future litigation, including an increase in class action claims, could also have an adverse effect on our business and results of operations.

Changes in laws or regulations or in how they are interpreted, and the adoption of new laws or regulations, could negatively affect us. These include changes in tax laws or the adoption of new tax laws that result in higher tax rates or new taxes. They also include recent amendments to Canadian securities laws which introduced statutory civil liability for misrepresentations in continuous disclosure.

Bell ExpressVu is subject to programming and carriage requirements under CRTC regulations. Changes to the regulations that govern broadcasting could negatively affect Bell ExpressVu's competitive position or the cost of providing its services. Bell ExpressVu's DTH satellite television distribution undertaking licence was renewed in March 2004 and expires on August 31, 2010. While we expect this licence will be renewed at term, there is no assurance that this will happen. Refer to *Our Regulatory Environment – Broadcasting Act – Bell ExpressVu* for a discussion of the public process initiated by the CRTC to review the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services, including the review by the CRTC of the possibility of requiring cable and satellite operators to pay over-the-air broadcasters for the right to carry their signals.

For a description of the principal regulatory initiatives and proceedings affecting us, please see the section *Our Regulatory Environment*.

For a description of the principal legal proceedings involving us, please see the section *Legal Proceedings* contained in the BCE 2007 AIF.

Increased regulations or legislation banning the use of cellular phones while driving may result in an overall decline in cellular phone use that could have a negative effect on our wireless business.

Some studies suggest that irresponsible use of cellular phones while driving may result in motor vehicle collisions. It is possible that this could lead to new regulations or legislation banning the use of handheld cellular phones and other wireless devices while driving, as it has in Newfoundland and Labrador and in several U.S. states, or other restrictions on in-vehicle use of wireless devices. The Québec provincial government introduced legislation in December of 2007 banning the use of handheld cell

phones while driving. The Québec provincial government further indicated that it is going to study the use of hands-free devices and may introduce additional legislation if the study shows that the use of hands-free devices by drivers contributes to vehicle accidents. As well, legislation was introduced in Nova Scotia in the fall of 2007 prohibiting the use of handheld cell phones while driving. These measures may result in an overall decline in cellular phone use and could have an adverse impact on our wireless business.

Satellites used by Bell ExpressVu are subject to significant operational risks and satellites that are not yet built are subject to construction and launch delays that could have an adverse effect on Bell ExpressVu's business and financial results.

Bell ExpressVu currently uses four satellites – Nimiq 1, Nimiq 2, Nimiq 3 and Nimiq 4iR – for its video services. Telesat, a former subsidiary of BCE Inc., operates or directs the operation of these satellites. Bell ExpressVu has also entered into agreements with Telesat for further satellite capacity.

Satellites utilize highly complex technology and operate in the harsh environment of space and therefore are subject to significant operational risks while in orbit. The risks include in-orbit equipment failures, malfunctions and other kinds of problems commonly referred to as anomalies that could reduce the commercial usefulness of a satellite used by Bell ExpressVu. Acts of war or terrorism, magnetic, electrostatic or solar storms, and space debris or micrometeoroids could also damage the satellites used by Bell ExpressVu. Any loss, failure, manufacturing defects, damage or destruction of these satellites, of Bell ExpressVu's terrestrial broadcasting infrastructure, or of Telesat's tracking, telemetry and control facilities to operate the satellites, could have an adverse effect on Bell ExpressVu's business and results of operations and could result in many customers terminating their subscription to Bell ExpressVu's DTH satellite television service.

In addition, there are certain risks related to the construction and launch of new satellites. Launch delays can result from delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures. If satellite construction schedules are not met, a launch opportunity may not be available at the time the satellite is ready to be launched. Launch vehicles may fail resulting in significant delays in the deployment of satellites because of the need to construct replacement satellites, which typically takes up to 30 months or longer, and to obtain another launch vehicle. Such significant delays could adversely affect Bell ExpressVu's ability to launch new services and reduce the competitiveness of its television services.

Competition from unregulated U.S. DTH satellite television services that are sold illegally in Canada and the theft of our satellite television services could have an adverse effect on Bell ExpressVu's business and results of operations.

We continue to face competition from unregulated U.S. DTH satellite television services that are sold illegally in Canada. In response, we are participating in legal actions that are challenging the sale of U.S. DTH satellite television equipment in Canada.

In addition, Bell ExpressVu faces a loss of revenue resulting from the theft of its services. Bell ExpressVu introduced a smart card swap for its authorized digital receivers that is designed to block unauthorized reception of Bell ExpressVu's signals. However, as with any technology-based security system, it is not possible to prevent with absolute certainty a compromise of that security system. As is the case for all other pay television providers, Bell ExpressVu has experienced, and continues to experience, ongoing efforts to steal its services by way of compromise of Bell ExpressVu's signal security systems. The competition from unregulated U.S. DTH satellite television services that are sold illegally in Canada, and the outcome of the related legal actions, and the theft of Bell ExpressVu's services, could have an adverse effect on Bell ExpressVu's business and results of operations.

We may be required to increase contributions to our defined benefit pension plans in the future, depending on future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a negative effect on our liquidity and results of operations.

The funding status of our pension plans resulting from future valuations of our pension plan assets and liabilities depends on a number of factors, including actual returns on pension plan assets, long-term interest rates and changes in pension regulations. These factors could require us to increase contributions to our defined benefit pension plans in the future and, therefore, could have a negative effect on our liquidity and results of operations.

BCE Inc. is dependent on the ability of its subsidiaries to pay dividends or otherwise make distributions to it.

BCE Inc. has no material sources of income or assets of its own, other than the interests that it has in its subsidiaries, joint ventures and significantly influenced companies, including its ownership of all of the outstanding common shares of Bell Canada. BCE Inc.'s cash flow and, consequently, its ability to service its indebtedness and, until consummation of the Privatization, pay dividends to its common and preferred shareholders, is therefore dependent upon the ability of its subsidiaries, joint ventures and significantly influenced companies to pay dividends or otherwise make distributions to it.

BCE Inc.'s subsidiaries, joint ventures and significantly influenced companies are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any dividends or make any other distributions to BCE Inc. In addition, any right of BCE Inc. to receive assets of its

subsidiaries, joint ventures and significantly influenced companies upon their liquidation or reorganization will be structurally subordinated to the prior claims of creditors of such subsidiaries, joint ventures and significantly influenced companies.

We may not receive distributions from Bell Aliant due to the uncertainty of Bell Aliant's performance or changes to the tax treatment of trusts.

Although Bell Aliant intends to make cash distributions to its unitholders, including us, there can be no guarantee regarding the amounts of these cash distributions, which may fluctuate with Bell Aliant's performance. Bell Aliant also has the discretion to establish cash reserves for the proper conduct of its business which would reduce the amount of cash available for distributions in the year. Accordingly, we cannot provide any assurance regarding the actual levels of distributions by Bell Aliant.

The Government of Canada's changes to the tax treatment of income trusts announced on October 31, 2006 received royal assent and were enacted into law on June 22, 2007 (the SIFT Rules). Effective in 2011, income trusts that were publicly traded before November 2006, like Bell Aliant, will be subject to taxation at corporate tax rates and certain distributions to unitholders will be taxed like dividends received from a corporation. All else being equal, the taxation of income trusts at corporate tax rates is likely to result in less cash being available to pay distributions by Bell Aliant. The Government of Canada specified that while there was no intention to prevent existing income trusts from normal growth during the transitional period, any undue expansion of an existing income trust before 2011 would make the new rules effective immediately.

To qualify for the delay in applying the SIFT Rules, Bell Aliant must comply with the government's normal growth guidelines regarding equity capital that were issued on December 15, 2006, as amended from time to time. The normal growth guidelines are intended to ensure that any growth by a trust is reasonable and within the government's policy objectives. To qualify for the delay in applying the SIFT Rules, the equity of Bell Aliant is only permitted to grow by a prescribed annual amount up to and including the 2010 calendar year. The normal growth guidelines also indicate that the merger of two or more income trusts, each of which was publicly traded on October 31, 2006, or a reorganization of such an income trust, would not be considered growth to the extent that there was no net addition to equity as a result of the merger or reorganization.

Because there is still uncertainty as to the interpretation of these guidelines and what constitutes growth in certain situations, there can be no assurance that Bell Aliant will be able to retain the benefit of the deferral of the SIFT Rules. A reduction in distributions from Bell Aliant could have an adverse effect on our cash flows and results of operations.

Health concerns about radio frequency emissions from wireless devices, as well as epidemics and other health risks, could have an adverse effect on our business.

It has been suggested that some radio frequency emissions from cellular phones may be linked to certain medical conditions. Interest groups have also requested investigations into claims that digital transmissions from handsets used with digital wireless technologies pose health concerns and cause interference with hearing aids and other medical devices. This could lead to additional government regulation, which could have a negative effect on our business. In addition, actual or perceived health risks of wireless communications devices could result in fewer new network subscribers, lower network usage per subscriber, higher churn rates, product liability lawsuits or less outside financing being available to the wireless communications industry. Epidemics, pandemics and other health risks could also occur which could adversely affect our ability to maintain our networks operational and provide services to our customers. Any of these events could have an adverse effect on our business and results of operations.

RISK MANAGEMENT PRACTICES

BCE Inc.'s audit committee (Audit Committee) is responsible for the oversight of our risk management processes. Such processes are designed to manage, rather than eliminate, certain risks affecting us and achievement of our business objectives. The Audit Committee also takes into account significant social, environmental and ethical matters that relate to our business and reviews annually our corporate social responsibility program.

We have enterprise-wide risk assessment processes which incorporate the internal control and enterprise risk management frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Risk assessment and evaluation is an important part of the annual business planning cycle. In developing their annual plans, BCE's business units identify and assess significant risks to the achievement of their business objectives and where necessary develop mitigation plans. The risk information generated is reviewed with senior management and BCE Inc.'s board of directors in evaluating the business plans for each of the business units and the company as a whole. The Internal Audit group plans its annual activities employing a risk-based review of internal control processes in the company. Throughout the year the Internal Audit group carries out continuing assessments of the quality of controls. On a quarterly basis, the Internal Audit group reports to the Audit Committee on the status of adherence to our internal control policies and on areas identified for specific improvement. The Internal Audit group also promotes effective risk management in our lines of business.

The Audit Committee considers the effectiveness of the operation of our internal control procedures, reviewing reports from the Internal Audit group and BCE Inc.'s external auditors. The Audit Committee reports its conclusions to BCE Inc.'s board of directors.

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 according to Canadian GAAP. 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. Estimates related to revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, inventory reserves, employee compensation plans, evaluation of minimum lease terms for operating leases, and business combinations require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. There were no significant changes to the estimates we made in the past three years. See Note 1 to the consolidated financial statements for more information about the accounting principles we used to prepare our financial statements.

CRITICAL ACCOUNTING ESTIMATES

As required under Canadian GAAP, we make estimates when we account for and report assets, liabilities, revenues and expenses, and disclose contingent assets and liabilities in our financial statements. We are also required to regularly evaluate the estimates that we make.

We base our estimates on a number of factors, including historical experience, current events and actions that we may undertake in the future, and other assumptions that we believe are reasonable based on information available at the time they are made. Given the inherent uncertainty involved in making estimates, actual results reported in future periods could differ from these estimates.

We consider the estimates described in this section to be an important part of understanding our financial statements because they require management to make assumptions about matters that are highly uncertain at the time the estimate was made and changes to these estimates could have a material impact on our financial statements.

Our senior management has discussed the development and selection of the critical accounting estimates described in this section with the Audit Committee of our board of directors. The Audit Committee has reviewed these critical accounting estimates.

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.

Employee Benefit Plans

We maintain defined benefit plans that provide pension and other post-employment benefits for most of our employees. The amounts reported in the financial statements relating to these benefits are determined using actuarial calculations that are based on several assumptions.

We perform a valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. The valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, 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 employee benefit obligations and future net benefit plans costs.

We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the estimated average working lives of the employees who benefit from the plans.

The two most significant assumptions used to calculate the net employee benefit plans cost are the discount rate and the expected long-term rate of return on plan assets. Each of our operating segments is affected by these assumptions.

Discount Rate

The discount rate is the interest rate used to determine the present value of the future cash flows that we expect will be needed to settle employee benefit obligations. It is based on the yield on long-term high-quality corporate fixed income investments, with maturities matching the estimated cash flows from the plan.

We determine the appropriate discount rate at the end of every year. Our discount rate was 5.6% at December 31, 2007, an increase from 5.3% at December 31, 2006. The following table shows the impact of a 0.5% increase and a 0.5% decrease in the discount rate on the net benefit plans cost for 2008 and the accrued benefit asset at December 31, 2008.

	IMPACT ON NET BENEFIT PLANS COST FOR 2008 *INCREASE/ (DECREASE)*	IMPACT ON ACCRUED BENEFIT ASSET AT DECEMBER 31, 2008 *INCREASE/ (DECREASE)*
Discount rate increased to 6.1%		
Bell Wireline	(26)	26
Bell Wireless	(2)	2
Bell Aliant	(17)	17
Total	(45)	45
Discount rate decreased to 5.1%		
Bell Wireline	87	(87)
Bell Wireless	3	(3)
Bell Aliant	17	(17)
Total	107	(107)

Although there is no immediate impact on our balance sheet, a lower discount rate results in a higher accrued benefit obligation and a lower pension surplus. This means that we may have to increase cash contributions to the pension fund.

Expected Long-Term Rate of Return

The expected long-term rate of return is a weighted average rate of our forward-looking view of long-term returns on each of the major plan asset categories in our funds.

We determine the appropriate expected long-term rate of return at the end of every year. We assumed an expected long-term rate of return on plan assets of 7.5% in 2007, which is the same as it was in 2006. The following table shows the impact of a 0.5% increase and a 0.5% decrease in the expected rate of return on plan assets on the net benefit plans cost for 2008 and the accrued benefit asset as at December 31, 2008.

	IMPACT ON NET BENEFIT PLANS COST FOR 2008 *INCREASE/ (DECREASE)*	IMPACT ON ACCRUED BENEFIT ASSET AT DECEMBER 31, 2008 *INCREASE/ (DECREASE)*
Expected rate of return increased to 8.0%		
Bell Wireline	(59)	59
Bell Wireless	(1)	1
Bell Aliant	(13)	13
Total	(73)	73
Expected rate of return decreased to 7.0%		
Bell Wireline	59	(59)
Bell Wireless	1	(1)
Bell Aliant	13	(13)
Total	73	(73)

Although there is no immediate impact on our balance sheet, poor fund performance results in a lower fair value of plan assets and a lower pension surplus. This means that we may have to increase cash contributions to the pension fund.

Useful Lives of Property, Plant and Equipment

We review estimates of the useful lives of property, plant and equipment on a periodic basis and adjust them on a prospective basis,if necessary.

A significant proportion of our total assets consist of property, plant and equipment. Changes in technology or in 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.

We perform internal studies to assess the appropriateness of depreciable lives of property, plant and equipment. These studies use models, which take into account actual and expected future usage, physical wear and tear, replacement history, and assumptions about technology evolution, to calculate the remaining life of our assets. When these factors indicate that assets' useful lives are different from the original assessment, we depreciate the remaining carrying values prospectively over the adjusted estimated useful lives.

Goodwill Impairment

We assess goodwill impairment of individual reporting units in the fourth quarter of every year and when events or changes in circumstances indicate that goodwill might be impaired.

We assess goodwill impairment in two steps:

- we identify any potential impairment by comparing the fair value of a reporting unit to its carrying value. Fair value is based on estimates of discounted future cash flows or other valuation methods. When the fair value of a reporting unit is less than its carrying value, fair values are determined for all of its identifiable assets and liabilities. The excess of the fair value of the reporting unit over the total of the amounts assigned to its assets and liabilities is the fair value of goodwill.
- an impairment charge is deducted from earnings for any excess of the carrying value of goodwill over its fair value.

We make a number of significant estimates when calculating fair value using discounted future cash flows or other valuation methods. These estimates include the assumed growth rates for future cash flows, the numbers of years used in the cash flow model, the discount rate and others.

We believe that all of our estimates are reasonable. They are consistent with our internal planning and reflect our best estimates, but they have inherent uncertainties that management may not be able to control.

Any changes in each of the estimates used could have a material impact on the calculation of the fair value 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.

There were no impairment charges recorded in 2007, 2006 or 2005.

Contingencies

We become involved in various litigation and regulatory matters as a part of our business. Each of our operating segments may be affected. Pending litigation, regulatory initiatives or regulatory proceedings represent potential financial loss to our business.

We accrue a potential loss if we believe the loss is probable and it can be reasonably estimated. We base our decision on information that is available at the time. We estimate the amount of the loss by consulting with the outside legal counsel that is handling our defence. This involves analyzing potential outcomes and assuming various litigation and settlement strategies.

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 effect on our results of operations, cash flows and financial position in the period in which the judgment or settlement occurs. Any accrual would be charged to operating income and included in *Accounts payable and accrued liabilities* or *Other long-term liabilities*. Any cash settlement would be deducted from cash from operating activities.

None of our operating segments had any significant provisions relating to pending litigation, regulatory initiatives or regulatory proceedings at December 31, 2007. We have not made any significant changes to our estimates in the past two years.

Income Taxes

Management believes that it has sufficient amounts accrued for outstanding income tax matters based on all of the information that is currently available. In addition, the calculation of income tax expense requires significant judgment in interpreting tax rules and regulations, which are changing constantly. Each of our operating segments may be affected.

Our tax filings are also subject to audits, the outcome of which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or a credit to income tax expense. Any cash payment or receipt would be included in cash from operating activities.

There were no significant changes to the estimates we made in the past two years.

RECENT CHANGES TO ACCOUNTING STANDARDS

Accounting Changes

The CICA issued section 1506 of the CICA Handbook, *Accounting Changes*, which establishes criteria for changing accounting policies and describes how to apply changes in accounting policies, accounting estimates, and changes resulting from the correction of errors. These changes, including the related disclosure requirements, came into effect as of January 1, 2007 and did not impact our financial statements.

Comprehensive Income

The CICA issued section 1530 of the CICA Handbook, *Comprehensive Income*, which describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in our net assets that results from transactions, events and circumstances from sources other than shareholders. It includes items that would not normally be included in net earnings, such as:

- changes in the currency translation adjustment relating to self-sustaining foreign operations
- unrealized gains or losses on available-for-sale investments
- gains and losses on cash flow hedges.

The CICA also made related changes to section 3250 of the CICA Handbook, *Surplus* (reissued as section 3251, *Equity*) and section 1650 of the CICA Handbook, *Foreign Currency Translation* (reissued as section 1651, *Foreign Currency Translation*).

Effective January 1, 2007, we report accumulated other comprehensive income and its components in the consolidated financial statements. Details of the transition adjustments are presented in Note 23, *Accumulated Other Comprehensive Income (Loss)*.

Financial Instruments and Hedges

The CICA issued section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement*, which describes the standards for recognizing and measuring financial assets, financial liabilities and derivatives. This section requires that:

- all financial assets be measured at fair value, with some exceptions for loans and receivables and investments that are classified as held-to-maturity
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their amortized cost.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, *Financial Instruments – Disclosure and Presentation*, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The CICA issued section 3865 of the CICA Handbook, *Hedges*, which describes how and when hedge accounting can be used.

Hedging is an activity used to change an exposure to one or more risks by creating an offset between:

- changes in the fair value of a hedged item and a hedging item, or
- changes in the cash flows attributable to a hedged item and a hedging item, or
- changes resulting from a risk exposure related to a hedged item and a hedging item.

Under hedge accounting, all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

Details of the transition adjustments are presented in the statement of deficit and in Note 23, *Accumulated Other Comprehensive Income (Loss)*.

FUTURE CHANGES TO ACCOUNTING STANDARDS

General Standards of Financial Presentation

The CICA amended section 1400 of the CICA Handbook, *General Standards of Financial Statement Presentation*, to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. These changes came into effect on January 1, 2008.

Capital Disclosures

The CICA issued section 1535 of the CICA Handbook, *Capital Disclosures*, which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed to enable users to evaluate the objectives, policies and processes for managing capital. These changes came into effect on January 1, 2008.

Inventory

The CICA issued section 3031 of the CICA Handbook, *Inventories*, which establishes guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. These changes came into effect on January 1, 2008 and the effect of adopting this section was not significant.

Goodwill and Intangible Assets

The CICA issued section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of intangible assets. Standards relating to goodwill are unchanged from those included in section 3062. This section comes into effect on January 1, 2009, replacing section 3062, *Goodwill and Other Intangible Assets* and section 3450, *Research and Development Costs*. We are currently evaluating the effect of adopting this section on our consolidated financial statements.

Financial Instruments

The CICA issued section 3862, *Financial Instruments –Disclosures* and 3863, *Financial Instruments – Presentation*, of the CICA Handbook.

Section 3862 establishes disclosure requirements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

These two sections came into effect on January 1, 2008 replacing section 3861, *Financial Instruments – Disclosures and Presentation*.

Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian and U.S. securities laws and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including BCE Inc.'s President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

As of December 31, 2007, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the *U.S. Securities Exchange Act of 1934* and under *Multilateral Instrument 52-109*, was carried out by our management under the supervision, and with the participation, of the President and CEO and the CFO. Based on that evaluation, the President and CEO and the CFO concluded that

the design and operation of our disclosure controls and procedures were effective as at December 31, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the *U.S. Securities Exchange Act of 1934* and under *Multilateral Instrument 52-109*. 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 GAAP. Management evaluated the design and operation of our internal control over financial reporting as of December 31, 2007, based on the framework and criteria established in *Internal Control – Integrated Framework* issued by the COSO, and has concluded that our internal control over financial reporting is effective. There are no material weaknesses that have been identified by management.

No changes were made in our internal control over financial reporting during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Non-GAAP Financial Measures

This section describes the non-GAAP financial measures we use in the MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable Canadian GAAP financial measures.

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization of intangible assets) does not have any standardized meaning according to GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We define EBITDA as operating revenues less cost of revenue and selling, general and administrative expenses, meaning it represents operating income before depreciation, amortization of intangible assets and restructuring and other.

We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of depreciation, amortization of intangible assets and restructuring and other. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. We exclude depreciation and amortization of intangible assets because it largely depends on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of capital assets. Excluding restructuring and other does not imply they are non-recurring.

EBITDA allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use 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.

The most comparable Canadian GAAP financial measure is operating income. The following tables are reconciliations of operating income to EBITDA on a consolidated basis for BCE and Bell Canada.

BCE	**2007**	2006	2005
Operating income	**3,439**	3,299	3,728
Depreciation and amortization of intangible assets	**3,199**	3,128	3,061
Restructuring and other	**336**	355	55
EBITDA	**6,974**	6,782	6,844

BELL	**2007**	2006	2005
Operating income	**2,609**	2,492	2,886
Depreciation and amortization of intangible assets	**2,574**	2,488	2,375
Restructuring and other	**313**	300	58
EBITDA	**5,496**	5,280	5,319

OPERATING INCOME BEFORE RESTRUCTURING AND OTHER

The term operating income before restructuring and other does not have any standardized meaning according to Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We use operating income before restructuring and other, among other measures, to assess the operating performance of our ongoing businesses without the effects of restructuring and other. 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 restructuring and other does not imply they are non-recurring.

The most comparable Canadian GAAP financial measure is operating income. The following tables are reconciliations of operating income to operating income before restructuring and other on a consolidated basis for BCE and Bell Canada.

BCE	**2007**	2006	2005

Operating income	**3,439**	3,299	3,728
Restructuring and other	**336**	355	55
Operating income before restructuring and other	**3,775**	3,654	3,783

BELL	**2007**	2006	2005
Operating income	**2,609**	2,492	2,886
Restructuring and other	**313**	300	58
Operating income before restructuring and other	**2,922**	2,792	2,944

NET EARNINGS BEFORE RESTRUCTURING AND OTHER, NET GAINS ON INVESTMENTS, AND COSTS INCURRED TO FORM BELL ALIANT

The term net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant does not have any standardized meaning according to Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We use net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant, among other measures, to assess the operating performance of our ongoing businesses without the effects of after-tax restructuring and other, net gains on investments, and costs incurred to form Bell Aliant. 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 Canadian GAAP financial measure is net earnings applicable to common shares.

The following table is a reconciliation of net earnings applicable to common shares to net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant on a consolidated basis and per BCE Inc. common share.

	2007		2006		2005	
	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE
Net earnings applicable to common shares	**3,926**	**4.88**	1,937	2.25	1,891	2.04
Restructuring and other (1)	**210**	**0.26**	222	0.26	37	0.04
Net gains on investments (2)	**(2,252)**	**(2.80)**	(525)	(0.61)	(27)	(0.03)
Other costs incurred to form Bell Aliant (3)	**–**	**–**	42	0.05	–	–
Net earnings before restructuring and other, net gains on investments, and costs incurred to form Bell Aliant	**1,884**	**2.34**	1,676	1.95	1,901	2.05

(1) Includes transaction costs associated with the formation of Bell Aliant. These costs relate mainly to financial advisory, professional and consulting fees. In 2006, we incurred $138 million ($77 million after tax and non-controlling interest).
(2) Amounts for 2006 include the recognition of a future tax asset of $434 million, representing the tax-effected amount of approximately $2,341 million of previously unrecognized capital loss carryforwards.
(3) Premium cost incurred by Bell Aliant on early redemption of long-term debt as a result of the formation of Bell Aliant. In 2006, we incurred $122 million ($42 million after tax and non-controlling interest).

FREE CASH FLOW

We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities.

The term free cash flow does not have any standardized meaning according to Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We consider free cash flow to be an important indicator of the financial strength and performance of our business because it shows how much cash is available to repay debt and reinvest in our company. We present free cash flow consistently from period to period, which allows us to compare our financial performance on a consistent basis.

We believe that certain investors and analysts use free cash flow to value a business and its underlying assets.

The most comparable Canadian GAAP financial measure is cash from operating activities. The following table is a reconciliation of cash from operating activities to free cash flow on a consolidated basis.

	2007	2006	2005
Cash flows from operating activities	**5,704**	5,366	5,319
Capital expenditures	**(3,151)**	(3,133)	(3,357)
Total dividends paid	**(1,675)**	(1,546)	(1,450)
Other investing activities	**13**	(2)	39

Free cash flow	**891**	685	551

Reports on Internal Control

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of BCE Inc. (BCE) is responsible for establishing and maintaining adequate internal control over financial reporting under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. 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 generally accepted accounting principles.

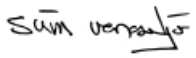
Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the design and operation of BCE's internal control over financial reporting as of December 31, 2007, based on the framework and criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and has concluded that such internal control over financial reporting is effective. There are no material weaknesses that have been identified by management.

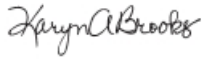
BCE's internal control over financial reporting as of December 31, 2007 has been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants, who also audited BCE's consolidated financial statements for the year ended December 31, 2007. Deloitte & Touche issued an unqualified opinion on the effectiveness of BCE's internal control over financial reporting.



Michael J. Sabia
President and Chief Executive Officer



Siim A.Vanaselja
Chief Financial Officer



Karyn A. Brooks
Senior Vice-President and Controller

March 5, 2008

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of BCE Inc.

We have audited the internal control over financial reporting of BCE Inc. and subsidiaries (the "Company") as at December 31, 2007, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 generally accepted accounting principles, 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2007, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2007 of the Company and our report dated March 5, 2008 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP
Independent Registered Chartered Accountants

Montréal, Canada
March 5, 2008

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. 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 & Touche LLP, Independent Registered Chartered Accountants, have audited the financial statements.

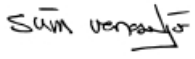
Management has prepared the financial statements according to generally accepted accounting principles. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present 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 114 of this annual report. The internal auditors and the shareholders' auditors have free and independent access to the Audit Committee.



Michael J. Sabia
President and Chief Executive Officer



Siim A.Vanaselja
Chief Financial Officer



Karyn A. Brooks
Senior Vice-President and Controller

March 5, 2008

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of BCE Inc.

We have audited the accompanying consolidated balance sheets of BCE Inc. and subsidiaries (the "Company") as at December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, deficit and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for the years ended December 31, 2007 and 2006, we conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). With respect to the consolidated financial statements for the year ended December 31, 2005, we conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BCE Inc. and subsidiaries as at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP
Independent Registered Chartered Accountants

Montréal, Canada
March 5, 2008

Consolidated Statements of Operations

FOR THE YEAR ENDED DECEMBER 31 *(in $ millions, except share amounts)*	NOTE	**2007**	2006	2005
Operating revenues		**17,866**	17,656	17,551
Cost of revenue, exclusive of depreciation and amortization		**(4,170)**	(4,020)	(4,048)
Selling, general and administrative expenses		**(6,722)**	(6,854)	(6,659)
Depreciation	12	**(2,550)**	(2,505)	(2,511)
Amortization of intangible assets		**(649)**	(623)	(550)
Restructuring and other	4	**(336)**	(355)	(55)
Total operating expenses		**(14,427)**	(14,357)	(13,823)
Operating income		**3,439**	3,299	3,728
Other income (expense)	5	**2,395**	(188)	12
Interest expense	6	**(859)**	(940)	(934)
Pre-tax earnings from continuing operations		**4,975**	2,171	2,806
Income taxes	7	**(725)**	(74)	(792)
Non-controlling interest		**(332)**	(217)	(191)
Earnings from continuing operations		**3,918**	1,880	1,823
Discontinued operations	8	**139**	127	138
Net earnings		**4,057**	2,007	1,961
Dividends on preferred shares		**(131)**	(70)	(70)
Net earnings applicable to common shares		**3,926**	1,937	1,891
Net earnings per common share – basic	9			
Continuing operations		**4.71**	2.10	1.89
Discontinued operations		**0.17**	0.15	0.15
Net earnings		**4.88**	2.25	2.04

Net earnings per common share – diluted	9			
Continuing operations		**4.70**	2.10	1.89
Discontinued operations		**0.17**	0.15	0.15
Net earnings		**4.87**	2.25	2.04
Dividends per common share		**1.46**	1.32	1.32
Average number of common shares outstanding – basic (millions)		**804.8**	861.4	926.8

Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31 *(in $ millions)*	NOTE	**2007**	2006	2005
Net earnings		**4,057**	2,007	1,961
Other comprehensive (loss) income – net of income taxes and non-controlling interest				
Net change in unrealized gains on available-for-sale financial assets	1, 23	**49**	–	–
Net change in gains on derivatives designated as cash flow hedges	1, 23	**16**	–	–
Net change in unrealized gains on currency translation adjustment (CTA)	1, 23	**(2)**	71	(17)
Other comprehensive income (loss)		**63**	71	(17)
Comprehensive income		**4,120**	2,078	1,944

Consolidated Statements of Deficit

FOR THE YEAR ENDED DECEMBER 31 *(in $ millions)*	NOTE	**2007**	2006	2005
Balance at beginning of year		**(4,343)**	(4,763)	(5,432)
Adjustment to deficit upon adoption of new financial instruments accounting standards on January 1, 2007	1	**4**	–	–
Net earnings		**4,057**	2,007	1,961
Dividends declared on preferred shares		**(131)**	(70)	(70)
Dividends declared on common shares		**(1,172)**	(1,132)	(1,222)
Excess of purchase price over stated capital of common shares cancelled and related contributed surplus	21	**(95)**	(384)	–
Other		**1**	(1)	–
Balance at end of year		**(1,679)**	(4,343)	(4,763)

Consolidated Balance Sheets

AT DECEMBER 31 *(in $ millions)*	NOTE	**2007**	2006
Assets			
Current assets			
Cash and cash equivalents		**2,658**	569
Accounts receivable	10	**1,940**	1,864
Future income taxes	7	**71**	662
Inventory	11	**266**	329
Prepaid expenses		**277**	235
Current assets of discontinued operations	8	**–**	25
Total current assets		**5,212**	3,684
Capital assets			
Property, plant and equipment		**18,600**	19,533
Finite-life intangible assets		**2,491**	2,546
Indefinite-life intangible assets		**2,913**	2,902

Total capital assets	12	**24,004**	24,981
Other long-term assets	13	**2,674**	3,030
Goodwill	14	**5,907**	5,475
Non-current assets of discontinued operations	8	**–**	1
Total assets		**37,797**	37,171
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	**3,293**	3,234
Interest payable		**145**	165
Dividends payable		**337**	315
Debt due within one year	16	**717**	972
Current liabilities of discontinued operations	8	**–**	2
Total current liabilities		**4,492**	4,688
Long-term debt	17	**10,621**	11,795
Other long-term liabilities	18	**4,349**	5,139
Non-current liabilities of discontinued operations	8	**–**	2
Total liabilities		**19,462**	21,624
Non-controlling interest	14, 19, 21	**1,103**	2,180
Commitments and contingencies	25		
Shareholders' Equity			
Preferred shares	21	**2,770**	1,670
Common shareholders' equity			
Common shares	14, 21	**13,536**	13,487
Contributed surplus	14, 21	**2,537**	2,555
Accumulated other comprehensive income (loss)	1, 23	**68**	(2)
Deficit		**(1,679)**	(4,343)
Total common shareholders' equity		**14,462**	11,697
Total shareholders' equity		**17,232**	13,367
Total liabilities and shareholders' equity		**37,797**	37,171

On behalf of the board of directors:

Tom C. O'Neill

Director

Director

Consolidated Statements of Cash Flows

FOR THE YEAR ENDED DECEMBER 31 *(in $ millions)*	NOTE	**2007**	2006	2005
Cash flows from operating activities				
Net earnings		**4,057**	2,007	1,961
Less: Earnings from discontinued operations, net of tax		**139**	127	138
Earnings from continuing operations		**3,918**	1,880	1,823

Adjustments to reconcile earnings from continuing operations to cash flows from operating activities				
Depreciation and amortization of intangible assets	3, 12	**3,199**	3,128	3,061
Net benefit plans cost	24	**410**	511	359
Restructuring and other	3, 4	**336**	355	55
(Gains) losses on investments	5	**(2,405)**	26	(38)
Future income taxes		**403**	(13)	719
Non-controlling interest		**332**	217	191
Contributions to employee pension plans	24	**(265)**	(172)	(206)
Other employee future benefit plan payments	24	**(96)**	(96)	(93)
Payments of restructuring and other		**(118)**	(225)	(171)
Operating assets and liabilities	27	**(10)**	(245)	(381)
Cash flows from operating activities		**5,704**	5,366	5,319
Cash flows used in investing activities				
Capital expenditures	3	**(3,151)**	(3,133)	(3,357)
Business acquisitions	14	**(163)**	(71)	(228)
Business dispositions	14	**3,123**	–	–
Bell Aliant Regional Communications Income Fund (Bell Aliant)		**(7)**	(255)	–
Going-private costs	2	**(49)**	–	–
Increase in investments		**(27)**	(304)	(233)
Decrease in investments		**192**	64	17
Other investing activities		**13**	(2)	39
Cash flows used in investing activities		**(69)**	(3,701)	(3,762)
Cash flows used in financing activities				
Increase (decrease) in notes payable and bank advances		**211**	(57)	(69)
Issue of long-term debt		**1,071**	4,392	1,095
Repayment of long-term debt		**(3,048)**	(4,767)	(1,073)
Issue of common shares	21	**153**	29	25
Repurchase of common shares	21	**(227)**	(1,241)	–
Issue of equity securities by subsidiaries to non-controlling interest		**–**	13	1
Redemption of equity securities by subsidiaries from non-controlling interest		**(333)**	(305)	(78)
Cash dividends paid on common shares		**(1,147)**	(1,169)	(1,195)
Cash dividends paid on preferred shares		**(124)**	(84)	(86)
Cash dividends/distributions paid by subsidiaries to non-controlling interest		**(404)**	(293)	(169)
Other financing activities		**(66)**	(157)	(64)
Cash flows used in financing activities		**(3,914)**	(3,639)	(1,613)
Cash from (used in) continuing operations		**1,721**	(1,974)	(56)
Cash flows from discontinued operations activities		**3**	10	366
Cash flows from (used in) discontinued investing activities		**353**	1,473	(120)
Cash flows from (used in) discontinued financing activities		**–**	627	(125)
Net increase in cash and cash equivalents		**2,077**	136	65
Cash and cash equivalents at beginning of year		**581**	445	380
Cash and cash equivalents at end of year		**2,658**	581	445
Consists of:				
Cash and cash equivalents of continuing operations		**2,658**	569	344
Cash and cash equivalents of discontinued operations	8	**–**	12	101
Total		**2,658**	581	445
Income taxes paid (net of refunds)		**35**	188	195
Interest paid		**881**	941	932

Notes to Consolidated Financial Statements

This section of our annual report contains the audited consolidated financial statements of BCE Inc. and detailed notes with explanations and additional information.

The financial statements contain our results and financial history for the past three years. The notes are an important part of understanding our financial results. They explain how we arrived at the numbers in the financial statements, describe significant events or changes that affect the numbers, and explain certain items in the financial statements. The notes also include details about our results that do not appear in the financial statements.

In these notes to the consolidated financial statements, we, us, our *and* BCE *mean BCE Inc., its subsidiaries and joint ventures. References to Bell Aliant include matters relating to, and actions taken by, both Aliant Inc. and its affiliated entities prior to July 7, 2006, and Bell Aliant Regional Communications Income Fund and its affiliated entities on and after such date.*

All amounts are in millions of Canadian dollars, except where noted.

Note 1: Significant Accounting Policies

BASIS OF PRESENTATION

We have prepared the consolidated financial statements according to Canadian generally accepted accounting principles (GAAP).

BASIS OF CONSOLIDATION

We consolidate the financial statements of all of the companies we control. We proportionately consolidate our share of the financial statements of our joint venture interests. All transactions and balances between these companies have been eliminated on consolidation.

COMPARATIVE FIGURES

We have reclassified some of the amounts for the comparative periods in the consolidated financial statements to make them consistent with the presentation for the current period.

We have restated financial information for previous periods to reflect the sales of our investment in Aliant Directory Services (ADS), most of our investment in CTVglobemedia Inc. (CTVglobemedia) (formerly known as Bell Globemedia Inc.) and CGI Group Inc. (CGI). All of these investments now are shown as discontinued operations.

USING ESTIMATES

When preparing financial statements according to GAAP, management makes estimates and assumptions 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 are subject to measurement uncertainty and actual results could differ. In particular, we use estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, retained interest in securitized receivables, income taxes and goodwill impairment. We also use estimates when recording the fair values of assets acquired and liabilities assumed in a business combination.

RECOGNIZING REVENUE

We recognize revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- our ability to collect is reasonably assured.

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
- advertising fees when advertisements are aired, or printed and distributed
- 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

- rebates and allowances to customers as a reduction of revenue.

Multiple-Element Arrangements

We enter into arrangements that may include the sale of a number of products and services, notably in our wireless and video product lines and in our business portfolio. In all such cases, we separately account for each product or service according to the methods described above when the following three conditions are met:

- the product or service has value to our customer on a stand-alone basis
- there is objective and reliable evidence of the fair value of any undelivered product or service
- if the sale includes a general right of return relating to a delivered product or service, delivery or performance of any undelivered product or service is probable and substantially in our control.

If there is objective and reliable evidence of fair value for all products and services in a sale, the total price to the customer is allocated to each product and service based on its relative fair value. Otherwise, we first allocate a portion of the total price to any undelivered products and services based on their fair value and the remainder to the products and services that have been delivered.

If the conditions to account separately for each product or service are not met, we recognize revenue pro rata over the term of the sale agreement.

Presentation of Revenues

We may enter into arrangements with subcontractors who provide services to our customers. When we act as the principal in these arrangements, we recognize revenue based on the amounts billed to our customers. Otherwise, we recognize the net amount that we retain as revenue. Revenues also exclude sales taxes and other taxes we collect from our customers.

Sales Returns

We accrue an estimated amount for sales returns, based on our past experience, when revenue is recognized.

Deferred Revenues

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 also include amounts billed under multiple-element sales contracts where the conditions to account separately for each product or service sold have not been met. Deferred revenues are presented in *Accounts payable and accrued liabilities* or in *Other long-term liabilities* on the balance sheet.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised mainly of highly liquid investments with original maturities of three months or less from the date of purchase.

SECURITIZATION OF ACCOUNTS RECEIVABLE

We consider a transfer of accounts receivable to be a sale when we give up control of the accounts receivable in exchange for proceeds other than our retained beneficial interest in the accounts receivable.

We determine the fair value of the accounts receivable transferred based on the present value of future expected cash flows, which we project using management's best estimates of discount rates, the weighted average life of accounts receivable, credit loss ratios and other key assumptions. We recognize a loss on the securitization, which we record in *Other income (expense)*. The loss is calculated by reference to the carrying amount of the transferred accounts receivable and is allocated between accounts receivable sold and our retained interest, according to their relative fair values on the day the transfer is made.

We recognize a servicing liability on the day accounts receivable are transferred when we continue to service the accounts receivable after the transfer. We amortize this liability to earnings over the expected life of the transferred accounts receivable.

INVENTORY

We measure inventory at the lower of cost or market value based on replacement cost. 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 and the weighted-average cost formula for all other inventory items. We maintain inventory valuation reserves for inventory that is slow moving or obsolete, calculated using an inventory aging analysis.

CAPITAL ASSETS

We carry capital assets at cost less accumulated amortization. Most of our telecommunications assets are amortized using the group depreciation method. When we retire assets in the ordinary course of business, we charge their original cost to accumulated amortization. In

general, we amortize capital assets on a straight-line basis over their estimated useful lives. We review the estimates of the useful lives of the assets on a periodic basis and adjust them on a prospective basis, if needed.

	ESTIMATED USEFUL LIFE
Telecommunications assets	3 to 50 years
Machinery and equipment	2 to 20 years
Buildings	10 to 40 years
Satellites	2 to 12 years
Finite-life intangible assets	
Software	2 to 7 years
Customer relationships	3 to 25 years

We capitalize construction costs, labour and overhead, and interest when the project cost is significant, related to assets we build or develop.

We capitalize certain costs of developing or buying software for internal use. We expense software maintenance and training costs when they are incurred. The expense is included in *Selling, general and administrative expenses* in the statement of operations.

We initially measure and record asset retirement obligations at fair value using a present value methodology, adjusted subsequently for any changes to the timing or amount of the original estimate of cash flows. We capitalize asset retirement costs as part of the related assets and amortize these into earnings over time. We also increase the recorded asset retirement obligation and record a corresponding amount through earnings to reflect the passage of time.

We assess capital assets for impairment when events or changes in circumstances indicate that we may not be able to recover their carrying value. We calculate impairment by deducting the assets' fair value, based on discounted cash flows expected from their use and disposition, from their carrying value. If the fair value is less than the carrying value, the difference is deducted from earnings.

We account for leases that transfer substantially all of the benefits and risks of ownership of property to us as capital leases. We record an asset when we enter into a capital lease together with a related long-term obligation. Rental payments under operating leases are expensed as incurred.

Indefinite-Life Intangible Assets

Our indefinite-life intangible assets consist mainly of the Bell brand and spectrum licences. We assess these assets for impairment every year and when events or changes in circumstances indicate that an asset might be impaired.

We assess impairment by comparing the assets' fair value, based on estimates of discounted future cash flows or other valuation methods, to their carrying value. If the fair value is less than the carrying value, the difference is deducted from earnings.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

As described in this note under the section *Recent changes to accounting policies and standards*, we generally designate our portfolio investments in securities as available-for-sale. They are classified in our balance sheet as *Other long-term assets*. These securities are initially recorded at their fair value on the date of acquisition, plus related transaction costs. Investments in publicly-traded securities are adjusted to fair value at each balance sheet date. The corresponding unrealized gains and losses are recorded in our statement of comprehensive income and are reclassified to *Other income (expense)* in the statement of operations when realized or when management assesses a decline in fair value to be other than temporary. Investments in our privately-held securities are recorded at cost as their fair value cannot be measured reliably. Other earnings from investments are also recorded in *Other income (expense)* in the statement of operations.

COSTS OF ISSUING DEBT AND EQUITY

As described in this note under the section *Recent changes to accounting policies and standards*, 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, unless the debt is recorded at fair value as part of a hedging relationship. The cost of issuing equity is reflected in the statement of deficit.

GOODWILL

We assess goodwill impairment of individual reporting units in the fourth quarter of every year and when events or changes in circumstances indicate that goodwill might be impaired.

We assess goodwill impairment in two steps:

- we identify any potential impairment by comparing the fair value of a reporting unit to its carrying value. Fair value is based on estimates of discounted future cash flows or other valuation methods. When the fair value of a reporting unit is less than its carrying value, fair values are determined for all of its identifiable assets and liabilities. The excess of the fair value of the reporting unit over the total of the amounts assigned to its assets and liabilities is the fair value of goodwill.
- an impairment charge is deducted from earnings for any excess of the carrying value of goodwill over its fair value.

TRANSLATION OF FOREIGN CURRENCIES

Self-Sustaining Foreign Operations

For self-sustaining foreign operations, we use:

- the exchange rates at the date of the balance sheet for assets and liabilities
- the average exchange rates during the year for revenues and expenses.

Translation gains and losses are reflected as a currency translation adjustment in *Accumulated other comprehensive income (loss)* in shareholders' equity. When we reduce our net investment in a self-sustaining foreign operation, we reclassify a portion of the currency translation adjustment from accumulated other comprehensive income into earnings.

Integrated Foreign Operations and Domestic Transactions in Foreign Currencies

For integrated foreign operations and domestic transactions in foreign currencies, we use:

- the exchange rates at the date of the balance sheet for monetary assets and liabilities, such as cash, accounts receivable and payable, and long-term debt
- the historical exchange rates for non-monetary assets and liabilities, such as capital assets
- the average exchange rates during the year for revenues and expenses.

Translation exchange gains and losses are included in *Other income (expense)* in the statement of operations.

DERIVATIVE FINANCIAL INSTRUMENTS

We do not use derivative financial instruments for speculative or trading purposes. We use derivative financial instruments to manage:

- interest rate risk
- foreign exchange rate risk
- changes in the price of BCE Inc. common shares relating to special compensation payments (SCPs) and deferred share units (DSUs).

We document all relationships between derivatives and the items they hedge and our risk management objective and strategy for using hedges. This process includes linking every derivative to:

- a specific asset or liability, or
- a specific firm commitment, or
- an anticipated transaction.

We assess the effectiveness of a derivative in managing an identified risk when hedge accounting is initially applied, and on an ongoing basis thereafter. If a hedge becomes ineffective, we stop using hedge accounting. Any premiums paid for derivatives used in hedging relationships are deferred and expensed to earnings over the term of the contract. Any forward premiums or discounts on forward foreign exchange contracts that are used to hedge long-term debt denominated in foreign currencies are amortized to interest expense over the term of the forward contract.

Fair Value Hedges

Our fair value hedges primarily consist of interest rate swaps used to manage the effect of changes in interest rates relating to fixed-rate long-term debt. These swaps usually 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 counter-parties in *Accounts receivable* or *Interest payable*. Changes in the fair value of these derivatives and the related long-term debt are recognized in *Other income (expense)* in the statement of operations and offset, except for any ineffective portion of the hedging relationship.

Cash Flow Hedges

Our cash flow hedges are used to mitigate the foreign currency risk on certain long-term debt instruments and purchase commitments. We use cross-currency swaps to hedge firm commitments to pay interest and/or principal amounts in the foreign currency. We use foreign exchange forward contracts to manage the exposure to anticipated transactions denominated in foreign currencies. Changes in the fair value of these derivatives are recognized in our statement of comprehensive income, except for any ineffective portion which is recognized immediately in income. Realized gains and losses in accumulated other comprehensive income are reclassified to the statement of operations in the same periods as the corresponding hedged items are recognized in income. These hedges are included in *Other long-term assets* or *Other long-term liabilities*.

Economic Hedges

Derivatives that are economic hedges but do not qualify for hedge accounting are recognized at fair value. We record changes in the fair value of these derivatives in *Other income (expense)* in the statement of operations.

Equity Forward Contracts

We use forward contracts to manage changes in the price of BCE Inc. common shares relating to SCPs and DSUs. We recognize gains and losses on these contracts on the same basis that we recognize the compensation expense relating to the hedged items. Unrealized gains and losses are included in *Other long-term assets* or *Other long-term liabilities*.

EMPLOYEE BENEFIT PLANS

Defined Benefit Pension and Other Post-Employment Benefit Plans

We maintain defined benefit (DB) plans that provide pension benefits for most of our employees. Benefits are based on the employee's length of service and average rate of pay during the best consecutive five years of service. Most employees are not required to contribute to the plans. The plans provide increasing pension benefits to help protect a portion of 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 and future service.

We also provide other post-employment benefits to some of our employees, including:

- healthcare and life insurance benefits during retirement. The provision of such benefits is being phased out over a ten-year period. We do not fund most of these other post-employment benefit plans.
- other benefits, including various disability plans, 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 employee benefit plans, net of the fair value of plan assets. Pension and other retirement benefit costs are determined using:

- the projected benefit 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 bonds with maturities that match the timing of benefits expected to be paid under the plans
- management's best estimate of the plans' expected investment performance, pay increases, retirement ages of employees and expected healthcare costs.

We value pension plan assets at fair value using current market values. We use a market-related value to calculate the expected return on plan assets. This value is based on a four-year weighted average of the fair value of the pension plan assets.

We amortize past service costs from plan amendments on a straight-line basis over the average remaining service period of employees who were active on the day of the amendment. This represents the period during which we expect to realize economic benefits from the amendments.

Transitional assets and obligations that arose upon implementation of new accounting standards for employee future benefits are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plans.

We use the corridor approach to recognize actuarial gains and losses in earnings. We deduct 10% of the benefit obligation or the market-related value of plan assets, whichever is greater, from the unamortized net actuarial gains or losses on a market-related value basis. Any excess is amortized over the average remaining service period of active employees. At the end of 2007, this period ranged from 9 to 13 years, with a weighted average period of 11 years.

December 31 is the measurement date for our employee benefit plans. Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. An actuarial valuation was last performed on most of our pension plans on December 31, 2006.

When the restructuring of a benefit plan results in both a curtailment and a settlement of obligations, we account for the curtailment before we account for the settlement.

Defined Contribution Plans

We also maintain defined contribution (DC) plans that provide certain employees with pension benefits. Under these plans, we are responsible for contributing a predetermined amount to an employee's retirement savings, based on a percentage of that employee's salary.

We recognize a pension cost for DC plans when the employee provides service to the company, essentially coinciding with our cash contributions.

Starting in 2005, new employees of BCE Inc. and Bell Canada can participate only in the DC pension arrangements.

INCOME TAXES

Current income tax expense is the estimated income taxes payable for the current year after any refunds or the use of losses incurred in previous years.

We use the liability method to account for future income taxes. Future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes

- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

We calculate future income taxes using the rates enacted by tax law and those substantively enacted. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period when the change is substantively enacted.

Investment Tax Credits

We recognize investment tax credits when it is more likely than not that they will be realized, and they are presented as part of *Accounts receivable* and *Other long-term assets* on the balance sheet. We use the cost reduction method to account for them, under which the credits are applied against the expense or asset to which the investment tax credit relates.

SUBSCRIBER ACQUISITION COSTS

We expense all subscriber acquisition costs when the related services are activated.

STOCK-BASED COMPENSATION PLANS

BCE Inc.'s stock-based compensation plans include stock option plans, restricted share unit plans (RSUs), DSUs and the employee savings plan (ESP). Before 2000, the long-term incentive plans often included SCPs.

Stock Options

We use the fair value-based method to account for employee stock options granted on or after January 1, 2002 and the Black-Scholes option pricing model to measure compensation expense relating to options.

We credit contributed surplus for the stock option expense recorded over the vesting period. Upon the exercise of stock options, we credit share capital for the amount paid by the employees as well as the amounts previously credited to contributed surplus.

RSUs

For each RSU granted, we record compensation expense equal to the market value of a BCE Inc. common share at the date of grant, prorated over the vesting period.

Compensation expense is adjusted for subsequent changes in the market value of BCE Inc. common shares and management's estimate of the number of RSUs that are expected to vest. The cumulative effect of any change in value is recognized in the period of the change. Vested RSUs are settled, at the holder's option, either in BCE Inc. common shares purchased on the open market or in cash.

DSUs

For each DSU granted, we record compensation expense equal to the market value of a BCE Inc. common share at the grant date. Compensation expense is adjusted for subsequent changes in the market value of BCE Inc. common shares. DSUs are settled in BCE Inc. common shares purchased on the open market following the cessation of a participant's employment or when a director leaves the board.

ESP and SCPs

We recognize our contributions under the ESP as compensation expense. We also recognize compensation expense or recovery relating to SCPs. The corresponding liabilities are recorded as part of *Accounts payable and accrued liabilities*.

REGULATION OF THE TELECOMMUNICATIONS INDUSTRY

Our business is affected by Canadian Radio-television and Telecommunications Commission (CRTC) decisions over the prices we charge for specific services which remain subject to economic regulation and other operating requirements. Some of our subsidiaries, such as Bell Canada and Bell Aliant, are regulated by the CRTC pursuant to the *Telecommunications Act*.

RECENT CHANGES TO ACCOUNTING POLICIES AND STANDARDS

Accounting Changes

The CICA issued section 1506 of the CICA Handbook, *Accounting Changes*, which establishes criteria for changing accounting policies and describes how to apply changes in accounting policies, accounting estimates, and changes resulting from the correction of errors. These changes, including the related disclosure requirements, came into effect as of January 1, 2007 and did not impact our financial statements.

Comprehensive Income

The CICA issued section 1530 of the CICA Handbook, *Comprehensive Income*, which describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in our net assets that results from transactions, events and circumstances from sources other than shareholders. It includes items that would not normally be included in net earnings, such as:

- changes in the currency translation adjustment relating to self-sustaining foreign operations
- unrealized gains or losses on available-for-sale investments
- gains and losses on cash flow hedges.

The CICA also made related changes to section 3250 of the CICA Handbook, *Surplus* (reissued as section 3251, *Equity*) and section 1650 of the CICA Handbook, *Foreign Currency Translation* (reissued as section 1651, *Foreign Currency Translation*).

Effective January 1, 2007, we report accumulated other comprehensive income and its components in the consolidated financial statements. Details of the transition adjustments are presented in Note 23, *Accumulated Other Comprehensive Income (Loss)*.

Financial Instruments and Hedges

The CICA issued section 3855 of the CICA Handbook, *Financial Instruments – Recognition and Measurement*, which describes the standards for recognizing and measuring financial assets, financial liabilities and derivatives. This section requires that:

- all financial assets be measured at fair value, with some exceptions for loans and receivables and investments that are classified as held-to-maturity
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their amortized cost.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

The CICA has also reissued section 3860 of the CICA Handbook as section 3861, *Financial Instruments – Disclosure and Presentation*, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The CICA issued section 3865 of the CICA Handbook, *Hedges*, which describes how and when hedge accounting can be used.

Hedging is an activity used to change an exposure to one or more risks by creating an offset between:

- changes in the fair value of a hedged item and a hedging item, or
- changes in the cash flows attributable to a hedged item and a hedging item, or
- changes resulting from a risk exposure related to a hedged item and a hedging item.

Under hedge accounting, all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of operations in the same period.

Details of the transition adjustments are presented in the statement of deficit and in Note 23, *Accumulated Other Comprehensive Income (Loss)*.

FUTURE CHANGES TO ACCOUNTING STANDARDS

General Standards of Financial Presentation

The CICA amended section 1400 of the CICA Handbook, *General Standards of Financial Statement Presentation*, to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. These changes came into effect on January 1, 2008.

Capital Disclosures

The CICA issued section 1535 of the CICA Handbook, *Capital Disclosures*, which establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed to enable users to evaluate the objectives, policies and processes for managing capital. These changes came into effect on January 1, 2008.

Inventory

The CICA issued section 3031 of the CICA Handbook, *Inventories*, which establishes guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. These changes came into effect on January 1, 2008 and the effect of adopting this section was not significant.

Goodwill and Intangible Assets

The CICA issued section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of intangible assets. Standards relating to goodwill are unchanged from those included in section 3062. This section comes into effect on January 1, 2009 replacing section 3062, *Goodwill and Other Intangible Assets* and section 3450, *Research and Development Costs*. We are currently evaluating the effect of adopting this section on our consolidated financial statements.

Financial Instruments

The CICA issued section 3862, *Financial Instruments – Disclosures* and section 3863, *Financial Instruments – Presentation* of the CICA Handbook.

Section 3862 establishes disclosure requirements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

These two sections came into effect on January 1, 2008 replacing section 3861, *Financial Instruments – Disclosures and Presentation*.

Note 2: Going-Private Transaction

On June 30, 2007, BCE Inc. entered into a definitive agreement to be acquired by a corporation (the Purchaser) owned by an investor group led by Teachers' Private Capital, the private investment arm of the Ontario Teachers' Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC. The all-cash transaction is valued at $51.7 billion, including $16.9 billion of debt, preferred equity and non-controlling interest. The transaction is to be completed through a plan of arrangement (the Arrangement).

On September 21, 2007, BCE Inc. announced that its shareholders approved the Arrangement, which involves the acquisition by the Purchaser of all outstanding common shares of BCE Inc. at a price of $42.75 per share and all outstanding preferred shares of BCE Inc. at prices ranging from $25.25 to $25.87, depending on the series. Financing for the transaction has been committed to the Purchaser by a syndicate of banks. The closing of the transaction remains subject to a number of terms and conditions including approvals from the CRTC for the transfer of our broadcasting licences and Industry Canada approval with respect to the transfer of our spectrum licences.

Note 3: Segmented Information

The accounting policies used by the segments are the same as those we describe in Note 1, *Significant Accounting Policies*. Segments negotiate sales with each other as if they were unrelated parties.

We measure the profitability of each segment based on its operating income.

Our operations, including most of our revenues, capital assets and goodwill, are located in Canada.

In the first quarter of 2007, our management structure changed and, as a result, our results of operations now are reported in four segments: *Bell Wireline*, *Bell Wireless*, *Bell Aliant* and *Telesat*. We have restated prior periods for the new segments. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance. Accordingly, we operate and manage our reportable segments as strategic business units organized by products and services. Substantially all of our interest expense, other income (expense), income tax and non-controlling interest are managed on a total company basis and are, accordingly, not reflected in segment results. The inter-segment eliminations eliminate any intercompany transactions included in each segment's results.

The Bell Wireline segment provides local telephone, long distance, data (including Internet access), video and other services to Bell Canada's residential, small and medium-sized business and large enterprise customers, primarily in the urban areas of Ontario and Québec. Video services are provided nationwide. Also included in this segment is our wholesale business, which provides local telephone, long distance, data and other services to resellers and other carriers.

The Bell Wireless segment provides wireless telephone and paging services and products to Bell Canada's residential, small and medium-sized business and large enterprise customers across Canada.

The Bell Aliant segment provides local telephone, long distance, Internet, data, wireless and other information and communications technology solutions to residential and business customers in the Atlantic provinces, and in rural Ontario and Québec.

Telesat Canada (Telesat) provides satellite communications and systems management and also provides consulting services in establishing, operating and upgrading satellite systems worldwide.

On October 31, 2007, we sold Telesat, which represents all of our Telesat segment. We have maintained continuing commercial arrangements between Telesat and Bell ExpressVu Limited Partnership (Bell ExpressVu) that provide Bell ExpressVu continued access to current and expanded satellite capacity. As a result of these arrangements, we have not accounted for Telesat as a discontinued operation.

The following tables are a summary of financial information by segment for the last three years.

	BELL WIRELINE	BELL WIRELESS	INTER-SEGMENT ELIMINATIONS	BELL	BELL ALIANT	TELESAT	INTER-SEGMENT ELIMINATIONS	CONSOLIDATED
For the year ended December 31, 2007								
Operating revenues								
External customers	**10,485**	**4,086**	**–**	**14,571**	**2,976**	**319**	**–**	**17,866**
Inter-segment	**175**	**45**	**(48)**	**172**	**397**	**139**	**(708)**	**–**

Total operating revenues	**10,660**	**4,131**	**(48)**	**14,743**	**3,373**	**458**	**(708)**	**17,866**
Operating expenses	**(6,812)**	**(2,483)**	**48**	**(9,247)**	**(2,070)**	**(195)**	**620**	**(10,892)**
Depreciation and amortization of intangible assets	**(2,142)**	**(432)**	**–**	**(2,574)**	**(562)**	**(106)**	**43**	**(3,199)**
Restructuring and other	**(309)**	**(4)**	**–**	**(313)**	**(23)**	**–**	**–**	**(336)**
Operating income	**1,397**	**1,212**	**–**	**2,609**	**718**	**157**	**(45)**	**3,439**
Other income								**2,395**
Interest expense								**(859)**
Income taxes								**(725)**
Non-controlling interest								**(332)**
Earnings from continuing operations								**3,918**
Segment assets	**25,180**	**6,711**	**–**	**31,891**	**6,292**	**–**	**(386)**	**37,797**
Capital expenditures	**(1,970)**	**(450)**	**–**	**(2,420)**	**(543)**	**(188)**	**–**	**(3,151)**

For the year ended December 31, 2006								
Operating revenues								
External customers	10,587	3,786	–	14,373	2,940	343	–	17,656
Inter-segment	176	41	(49)	168	361	136	(665)	–
Total operating revenues	10,763	3,827	(49)	14,541	3,301	479	(665)	17,656
Operating expenses	(6,918)	(2,392)	49	(9,261)	(1,968)	(216)	571	(10,874)
Depreciation and amortization of intangible assets	(2,054)	(434)	–	(2,488)	(579)	(121)	60	(3,128)
Restructuring and other	(297)	(3)	–	(300)	(55)	–	–	(355)
Operating income	1,494	998	–	2,492	699	142	(34)	3,299
Other expense								(188)
Interest expense								(940)
Income taxes								(74)
Non-controlling interest								(217)
Earnings from continuing operations								1,880
Segment assets	23,529	6,271	–	29,800	6,022	1,845	(496)	37,171
Capital expenditures	(1,931)	(480)	–	(2,411)	(517)	(205)	–	(3,133)

	BELL WIRELINE	BELL WIRELESS	INTER-SEGMENT ELIMINA-TIONS	BELL	BELL ALIANT	TELESAT	INTER-SEGMENT ELIMINA-TIONS	CONSOLI-DATED
For the year ended December 31, 2005								
Operating revenues								
External customers	10,900	3,390	–	14,290	2,918	343	–	17,551
Inter-segment	184	38	(50)	172	349	132	(653)	–
Total operating revenues	11,084	3,428	(50)	14,462	3,267	475	(653)	17,551
Operating expenses	(6,982)	(2,211)	50	(9,143)	(1,928)	(207)	571	(10,707)
Depreciation and amortization of intangible assets	(1,977)	(398)	–	(2,375)	(608)	(111)	33	(3,061)
Restructuring and other	(51)	(7)	–	(58)	3	–	–	(55)
Operating income	2,074	812	–	2,886	734	157	(49)	3,728
Other income								

Interest expense								(934)
Income taxes								(792)
Non-controlling interest								(191)
Earnings from continuing operations								1,823
Capital expenditures	(2,180)	(392)	–	(2,572)	(525)	(260)	–	(3,357)

ADDITIONAL FINANCIAL INFORMATION

	2007	2006	2005
Revenues			
Local and access	**3,586**	3,757	4,000
Long distance	**1,219**	1,327	1,547
Data	**3,641**	3,599	3,581
Wireless	**3,754**	3,453	3,054
Video	**1,317**	1,150	976
Equipment and other	**1,054**	1,087	1,132
Total external revenues	**14,571**	14,373	14,290
Inter-segment revenues	**172**	168	172
Bell	**14,743**	14,541	14,462
Bell Aliant	**3,373**	3,301	3,267
Telesat	**458**	479	475
Inter-segment eliminations	**(708)**	(665)	(653)
BCE	**17,866**	17,656	17,551

Note 4: Restructuring and Other

The following table provides a summary of the costs in each of the last three years.

FOR THE YEAR ENDED DECEMBER 31	**2007**	2006	2005
Employee costs			
Bell Canada	**(68)**	(82)	(5)
Bell Aliant	**(23)**	(11)	(1)
Real estate costs			
Bell Canada	**(77)**	(72)	(49)
Bell Aliant	**(4)**	–	–
Total restructuring costs	**(172)**	(165)	(55)
Other charges	**(164)**	(190)	–
Restructuring and other	**(336)**	(355)	(55)

The liability for restructuring costs at December 31, 2007 is as follows:

	BELL CANADA	BELL ALIANT	CONSOLI-DATED
Balance at December 31, 2006	85	4	89
2007 employee costs [1]	39	23	62
Real estate costs	77	4	81
Less: Cash payments	(74)	(8)	(82)
Balance at December 31, 2007 [2]	127	23	150

(1) Excludes amounts related to net benefit plans cost for Bell Canada ($29 million).
(2) All payments related to employee costs are anticipated to be made in 2008 and real estate costs by 2023.

RESTRUCTURING COSTS

Restructuring costs consist mainly of:

- employee termination charges at Bell Canada related to headcount reduction initiatives for the voluntary and involuntary departure of approximately 900 employees in 2007, and the involuntary departure of approximately 1,780 employees in 2006 and 950 employees in 2005.
  – included in the 2007 charge of $68 million at Bell Canada is $26 million relating to a voluntary early retirement plan accepted by approximately 250 employees. Of the 250 employees, 202 receive immediate pension and post-employment benefits, and 190 of those also receive an additional guaranteed pension payable up to 65 years of age. The remaining 48 employees received a special cash allowance. The program is complete.
  – the 2005 charge of $5 million at Bell Canada included reversals of restructuring accruals of $45 million relating to the 2004 employee departure program since actual payments were lower than estimated.
- included in 2007 real estate costs of $77 million are charges of $61 million at Bell Canada for relocating employees and closing real estate facilities that are no longer needed because of the reduction in the workforce since 2004. Our cumulative expense since 2004 is $186 million. We expect to spend approximately $35 million to relocate employees and close additional real estate facilities as a result of these initiatives, which will be expensed as incurred in our Bell Wireline segment.
  – an additional $16 million of real estate costs related to our plan to relocate employees to campus environments in Calgary, Toronto and Montreal. The move is expected to be completed in 2009. We also expect to spend approximately $30 million for relocation costs and $77 million for lease vacancy and lease buyout costs. These costs will be recorded beginning in 2008 and extending to 2024 in our Bell Wireline segment.

OTHER CHARGES

We recorded other charges of $164 million in 2007 related primarily to costs associated with the review of strategic alternatives (see Note 2, *Going-Private Transaction*), employee retention costs (see Note 22, *Stock-Based Compensation Plans*) and a charge for uneconomic broadband expansion approved by the CRTC (see Note 25, *Commitments and Contingencies*). The transaction costs relate mainly to financial advisory, professional and consulting fees. Of the total other charges, $63 million was paid in 2007. We expect to incur additional costs to complete the privatization transaction through to the closing.

We recorded other charges of $190 million in 2006 related primarily to transaction costs associated with the formation of Bell Aliant. These transaction costs relate mainly to financial advisory, professional and consulting fees. Of the total transaction costs, $133 million was paid in 2006, which is reflected as cash flows used in investing activities in the statement of cash flows.

Note 5: Other Income (Expense)

	NOTE	**2007**	2006	2005
Gains (losses) on investments		**2,405**	(26)	38
Interest income		**47**	58	18
Securitization losses	10	**(64)**	(57)	(34)
Premium on redemption of Bell Aliant debt		**–**	(148)	–
Income from available-for-sale publicly-traded and privately-held securities		**7**	3	–
Foreign currency losses		**(31)**	(4)	(3)
Other		**31**	(14)	(7)
Total other income (expense)		**2,395**	(188)	12

GAINS (LOSSES) ON INVESTMENTS

Gains on investments of $2,405 million in 2007 resulted from:

- a $2,300 million gain on the sale of Telesat, our satellite services subsidiary, on October 31, 2007
- a $92 million dilution gain from the privatization of the Bell Nordiq Income Fund in the first quarter of 2007
- other gains on investments of $13 million.

In 2006, losses on investments of $26 million included a loss of $36 million as a result of our decision to exit a line of business, partly offset by a $9 million gain on the acquisition of Nortel Networks Inc. (Nortel) shares by the Bell Canada pension fund.

Gains on investments of $38 million in 2005 were from:

- a $39 million dilution gain on the partial sale of our interest in TerreStar Networks Inc., a mobile satellite services company
- other losses on investments of $1 million.

PREMIUM ON REDEMPTION OF BELL ALIANT DEBT

In 2006, Bell Aliant recorded a $148 million charge for premium costs on early redemption of its debt. Included in the total charge for the year was a premium cost of $122 million as a result of the formation of Bell Aliant:

- $40 million, incurred on June 30, 2006, on the early redemption of all of its outstanding 10.75% First Mortgage Bonds, Series T and, on July 4, 2006, the early redemption of all of its outstanding 11.4% First Mortgage Bonds, Series V
- $82 million, incurred on July 4, 2006, at which date Bell Aliant redeemed all of its outstanding 8.30% Debentures, Series 2; 9.70% Debentures, Series 4; 9.05% Debentures, Series 5; 10.6% First Mortgage Bonds, Series T; 11.15% First Mortgage Bonds, Series U; 9.77% First Mortgage Bonds, Series V; and 8.76% First Mortgage Bonds, Series W.

Note 6: Interest Expense

	NOTE	**2007**	2006	2005
Interest expense on long-term debt		**(812)**	(909)	(907)
Interest expense on other debt		**(56)**	(43)	(42)
Capitalized interest	12	**9**	12	15
Total interest expense		**(859)**	(940)	(934)

Included in interest on long-term debt is $61 million of interest on capital leases for 2007, $54 million for 2006 and $42 million for 2005.

Note 7: Income Taxes

The following table reconciles the amount of reported income tax expense in the statements of operations with income tax expense at Canadian statutory rates of 34.7% in 2007 and 2006 and 34.4% in 2005.

	2007	2006	2005
Income taxes computed at statutory rates	**(1,725)**	(754)	(965)
Non-taxable portion of gains (losses) on investments	**420**	(19)	–
Resolution of uncertain tax positions (1)	**348**	153	6
Non-taxable portion of Bell Aliant's income	**111**	53	16
Effect of changes in future tax rates on temporary differences	**87**	56	–
Recognition of previously unrecognized capital loss carryforwards (2)	**–**	434	–
Large corporations tax	**–**	19	(31)
Savings from Bell Canada International Inc. (BCI) monetization transaction	**–**	–	99
Other	**34**	(16)	83
Total income tax expense	**(725)**	(74)	(792)

(1) Included in this amount for 2007 are settlements with tax authorities on uncertain tax positions in connection with the sale of an investment in a prior year and other audit issues.
(2) In 2006, we recognized a future tax asset of $434 million representing the tax-effected amount of approximately $2,341 million of previously unrecognized capital loss carryforwards as realization of the loss carryforwards was more likely than not due to the anticipated gain on the sale of Telesat.

The following table shows the significant components of income tax expense that related to earnings from continuing operations.

	2007	2006	2005
Current income taxes	**(322)**	(87)	(73)
Future income taxes			
Recognition and utilization of loss carryforwards	**(478)**	244	(234)
Resolution of uncertain tax positions	**348**	153	6
Effect of changes in future tax rates on temporary differences	**87**	56	–
Change in temporary differences and other	**(360)**	(440)	(491)
Total income tax expense	**(725)**	(74)	(792)

The following table shows future income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, as well as tax loss carryforwards.

	NOTE	**2007**	2006

Non-capital loss carryforwards		**276**	297
Capital loss carryforwards		**–**	457
Employee benefit plans		**120**	109
Scientific research and experimental development expenditures		**–**	154
Property, plant and equipment and finite-life intangible assets		**(603)**	(779)
Indefinite-life intangible assets		**(402)**	(437)
Investment tax credits		**(213)**	(155)
Partnership income deferral [1]		**(183)**	(117)
Other		**(702)**	(971)
Total future income taxes		**(1,707)**	(1,442)
Future income taxes are comprised of:			
Future income tax asset – current portion		**71**	662
Future income tax asset – long-term portion	13	**134**	255
Future income tax liability – current portion	15	**(71)**	(9)
Future income tax liability – long-term portion	18	**(1,841)**	(2,350)
Total future income taxes		**(1,707)**	(1,442)

(1) The taxation year end of certain of Bell Aliant's corporate subsidiaries differs from their partnership year ends. This results in a deferral of partnership income for tax purposes.

At December 31, 2007, BCE had $915 million of non-capital loss carryforwards. We:

- recognized a future tax asset of $276 million, of which $204 million related to Bell Aliant, for financial reporting purposes for approximately $822 million of the non-capital loss carryforwards. Of the total, $546 million expires in varying annual amounts until the end of 2017. The balance expires in varying annual amounts from 2018 to 2027.
- did not recognize a future tax asset for financial reporting purposes in respect of approximately $93 million of the non-capital loss carryforwards. Of the total, $11 million expires in varying annual amounts until the end of 2017. The balance expires in varying annual amounts from 2018 to 2027.

At December 31, 2007, BCE had $1,243 million in unrecognized capital loss carryforwards, which can be carried forward indefinitely.

BCI LOSS MONETIZATION TRANSACTION

On April 15, 2005, 3787915 Canada Inc., a wholly-owned subsidiary of Bell Canada, acquired $17 billion in preferred shares from 3787923 Canada Inc., a wholly-owned subsidiary of BCI. 3787923 Canada Inc. used the proceeds to advance $17 billion to BCI through a subordinated interest-free loan. BCI then advanced $17 billion to 3787915 Canada Inc. by way of a subordinated interest-bearing demand loan, the funds being used to repay a daylight loan granted to 3787915 Canada Inc. to make the initial preferred share investment. The dividend rate on the preferred shares was equal to 5.1%, which was essentially the same as the interest rate on the loan.

This transaction was unwound on August 18, 2005, and was part of a tax loss consolidation strategy that followed the transaction steps laid out in an advance tax ruling granted by the Canada Revenue Agency to Bell Canada and BCI. The transaction also received the approval of the Ontario Superior Court of Justice, which is supervising BCI's voluntary plan of arrangement pursuant to which BCI is monetizing its assets and resolving outstanding claims against it, with the ultimate objective of distributing the net proceeds to its shareholders and dissolving the company.

3787915 Canada Inc. had the legal right and intention to offset the demand loan payable to BCI and the investment in preferred shares of 3787923 Canada Inc. As a result, these items and the related interest expense and dividend income were presented on a net basis. The tax savings of $99 million resulting from the interest expense were presented as a reduction of income tax expense.

In June 2006, BCE contributed to BCI an amount of $61 million in partial satisfaction of its obligation with respect to the BCI income tax loss monetization transaction. In early 2007, we satisfied the remaining obligation. See Note 8, *Discontinued Operations*.

Note 8: Discontinued Operations

FOR THE YEAR ENDED DECEMBER 31	**2007**	2006	2005
ADS	**114**	11	11
BCI	**25**	52	–
CTVglobemedia	**2**	7	84
CGI	**–**	63	46
Other	**(2)**	(6)	(3)
Net gain from discontinued operations	**139**	127	138

The following table summarizes the statements of operations for the discontinued operations.

FOR THE YEAR ENDED DECEMBER 31	**2007**	2006	2005
Revenue	**21**	1,046	2,450
Income from discontinued operations	**12**	111	343
Gain (loss) from discontinued operations	**341**	106	(1)
Income tax expense on income	**(5)**	(43)	(129)
Income tax expense on gain	**(56)**	(14)	–
Non-controlling interest	**(153)**	(33)	(75)
Net gain from discontinued operations	**139**	127	138

ALIANT DIRECTORY SERVICES

On February 19, 2007, Yellow Pages Group (YPG), through Yellow Pages Income Fund, and Bell Aliant announced that they had entered into a memorandum of understanding for YPG to acquire the assets of ADS, a partnership held 87.14% by Bell Aliant and the balance by YPG. We have accounted for ADS as a discontinued operation and no longer proportionately consolidate its financial results. ADS was previously included in the Bell Aliant segment.

On April 30, 2007, YPG, through Yellow Pages Income Fund, and Bell Aliant announced that they had completed the transaction in accordance with the terms previously announced on February 19, 2007, and we realized net proceeds of $327 million. The gain on disposition was $110 million.

BCI

In June 2007, we recorded a return of capital of $25 million from BCI, which reflects the final distribution under BCI's plan of arrangement.

In 2006, as part of its liquidation process, BCE received a return of capital from BCI of $156 million on which we recorded a gain of $52 million.

CTVGLOBEMEDIA

On August 30, 2006, we reduced our interest in CTVglobemedia to 20% from 68.5% and received net proceeds of approximately $665 million. The proceeds were offset by the deconsolidation of CTVglobemedia's cash on hand of $35 million. The net loss on disposition was $4 million. Goodwill of $1,920 million was included in the net assets sold. In January 2006, we received $607 million as a return of capital stemming from the recapitalization of CTVglobemedia.

In September 2006, CTVglobemedia completed its takeover bid for CHUM Limited (CHUM). As a result of the transaction our interest in CTVglobemedia was reduced to 15%. Our remaining investment in CTVglobemedia is accounted for using the cost method.

We still retain certain important rights and have entered into a commercial agreement with CTVglobemedia to have access to existing and future content. These rights do not constitute continuing involvement with CTVglobemedia.

CGI

On January 12, 2006, CGI bought 100 million of its Class A shares from us and we realized total net proceeds of $849 million. The proceeds were offset by the deconsolidation of CGI's cash on hand of $81 million. The gain on disposition was $79 million. Goodwill of $674 million was included in the net assets sold.

Upon closing of the transaction, our current information services/technology outsourcing contract with CGI was extended by four years until June 2016.

On April 6, 2006, we exercised our CGI warrants to acquire Class A shares at a cost of $21 million. In addition, we recorded a loss of $17 million in the second quarter of 2006, which represented a write-down of our remaining investment in CGI, which was available for sale, to fair market value based on its stock price at June 30, 2006.

Included in the net gain from discontinued operations in 2006 is a loss of $1 million, which represented a further write-down of our investment in CGI as a result of the Bell Canada pension fund's acquisition of our remaining 31.4 million CGI shares.

Note 9: Earnings Per Share

The following table is a reconciliation of the components used in the calculation of basic and diluted earnings per common share from continuing operations.

	2007	2006	2005
Earnings from continuing operations			
Earnings from continuing operations	**3,918**	1,880	1,823

Dividends on preferred shares	**(131)**	(70)	(70)
Earnings from continuing operations – basic	**3,787**	1,810	1,753
Weighted average number of common shares outstanding (in millions)			
Weighted average number of common shares outstanding – basic	**804.8**	861.4	926.8
Assumed exercise of stock options (1)	**2.1**	0.2	0.3
Weighted average number of common shares outstanding – diluted	**806.9**	861.6	927.1

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It does not include anti-dilutive options, which are options that would not be exercised because their exercise price is higher than the average market value of a BCE Inc. common share. The number of excluded options was 5,278,529 in 2007, 18,479,608 in 2006 and 24,466,767 in 2005.

Note 10: Accounts Receivable

	2007	2006
Trade accounts receivable	**1,448**	1,569
Allowance for doubtful accounts	**(128)**	(106)
Allowance for revenue adjustments	**(91)**	(112)
Income taxes receivable	**124**	97
Investment tax credits	**427**	312
Other accounts receivable	**160**	104
Total accounts receivable	**1,940**	1,864

SECURITIZATION OF ACCOUNTS RECEIVABLE

Bell Canada sold an interest in a pool of accounts receivable to a securitization trust for a total of $1.1 billion in cash at December 31, 2007 ($1.2 billion at December 31, 2006) under a revolving sales agreement that expires on December 31, 2011. Bell Canada had a retained interest of $149 million in the pool of accounts receivable at December 31, 2007 ($136 million at December 31, 2006), which equals the amount of overcollateralization in the receivables sold.

Bell Aliant sold an interest in a pool of accounts receivable to a securitization trust for a total of $220 million in cash at December 31, 2007 ($120 million at December 31, 2006) under a revolving sales agreement that expires on July 7, 2011. Bell Aliant had a retained interest of $61 million in the pool at December 31, 2007 ($49 million at December 31, 2006).

Bell Canada and Bell Aliant continue to service these accounts receivable. The buyers' interest in the collection of these accounts receivable ranks ahead of the interests of Bell Canada and Bell Aliant, which means that Bell Canada and Bell Aliant are exposed to certain risks of default on the amount securitized. They have provided various credit enhancements in the form of overcollateralization and subordination of their retained interests.

The buyers will reinvest the amounts collected by buying additional interests in the Bell Canada and Bell Aliant accounts receivable until the agreements expire. The buyers and their investors have no claim on Bell Canada's and Bell Aliant's other assets if customers do not pay amounts owed.

In 2007, we recognized a loss of $64 million on the revolving sale of accounts receivable for the combined securitizations, compared to losses of $57 million in 2006 and $34 million in 2005.

The following table shows balances for the combined securitizations at December 31, 2007 and the assumptions that were used in the model on the date of transfer and at December 31, 2007. A 10% or 20% adverse change in each of these assumptions would have no significant effect on the current fair value of the retained interest.

	RANGE FOR 2007	**2007**	2006
Securitized interest in accounts receivable		**1,332**	1,338
Retained interest		**210**	185
Servicing liability		**2**	2
Average accounts receivable managed		**2,040**	2,009
Assumptions			
Cost of funds	4.27%–4.74%	**4.74%**	4.20%
Average delinquency ratio	11.71%–12.26%	**12.10%**	11.69%
Average net credit loss ratio	0.81%–1.06%	**1.06%**	0.76%
Weighted average life (days)	36	**36**	36
Servicing fee liability	2.00%	**2.00%**	2.00%

The following table is a summary of certain cash flows received from and paid to the trusts during the year.

	2007	2006	2005
Collections reinvested in revolving sales	**18,579**	18,611	17,724
(Decrease) increase in sale proceeds	**(6)**	(16)	229

Note 11: Inventory

	2007	2006
Inventory		
Work in progress	**68**	66
Finished goods	**219**	295
Provision	**(21)**	(32)
Total inventory	**266**	329

Note 12: Capital Assets

	2007			2006		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Property, plant and equipment						
Telecommunications assets						
Inside plant	**21,087**	**15,172**	**5,915**	20,058	14,252	5,806
Outside plant	**15,492**	**10,306**	**5,186**	15,176	9,931	5,245
Station equipment	**3,077**	**1,570**	**1,507**	2,910	1,455	1,455
Machinery and equipment	**6,093**	**3,857**	**2,236**	5,949	3,587	2,362
Buildings	**3,245**	**1,551**	**1,694**	3,204	1,470	1,734
Plant under construction	**1,305**	**–**	**1,305**	1,579	–	1,579
Satellites	**849**	**482**	**367**	1,553	514	1,039
Land	**76**	**–**	**76**	79	–	79
Other	**393**	**79**	**314**	337	103	234
Total property, plant and equipment	**51,617**	**33,017**	**18,600**	50,845	31,312	19,533
Finite-life intangible assets						
Software	**4,521**	**2,542**	**1,979**	3,960	1,981	1,979
Customer relationships	**631**	**122**	**509**	652	106	546
Other	**12**	**9**	**3**	32	11	21
Total finite-life intangible assets	**5,164**	**2,673**	**2,491**	4,644	2,098	2,546
Indefinite-life intangible assets						
Brand name	**1,986**	**–**	**1,986**	1,986	–	1,986
Spectrum licences	**911**	**–**	**911**	900	–	900
Cable licences	**16**	**–**	**16**	16	–	16
Total indefinite-life intangible assets	**2,913**	**–**	**2,913**	2,902	–	2,902
Total capital assets	**59,694**	**35,690**	**24,004**	58,391	33,410	24,981

The cost of assets under capital leases was $2,238 million at December 31, 2007 and $1,519 million at December 31, 2006. Additions to assets under capital leases were $251 million in 2007 and $252 million in 2006. The net book value of these assets was $1,433 million at December 31, 2007, and $1,022 million at December 31, 2006. The sale of Telesat resulted in the recognition of capital leases on the satellites used by Bell ExpressVu (see Note 14, *Goodwill*).

Amortization of property, plant and equipment was $2,550 million in 2007, $2,505 million in 2006 and $2,511 million in 2005. Amortization of

finite-life intangible assets was $645 million in 2007, $620 million in 2006 and $547 million in 2005. Included in amortization of property, plant and equipment is amortization of capital leases of $157 million in 2007, $134 million in 2006 and $49 million in 2005.

We capitalized interest costs of $9 million in 2007, $12 million in 2006 and $15 million in 2005.

Additions to finite-life intangible assets were $527 million in 2007 and $829 million in 2006. The future annual amortization expense for finite-life intangible assets, calculated based on the asset values as at December 31, 2007, is as follows:

YEARS ENDING DECEMBER 31	
2008	(631)
2009	(530)
2010	(370)
2011	(248)
2012	(151)
Total estimated amortization expense	(1,930)

Note 13: Other Long-Term Assets

	NOTE	2007	2006
Accrued benefit asset	24	**1,240**	1,410
Future income taxes	7	**134**	255
Available-for-sale publicly-traded securities (1)		**366**	356
Available-for-sale privately-held securities		**300**	398
Investment tax credits (2)		**239**	393
Long-term notes and other receivables		**97**	87
Deferred development costs		**–**	3
Other		**298**	128
Total other long-term assets		**2,674**	3,030

(1) 2006 amounts are presented at cost as the requirement to fair value our available-for-sale publicly-traded securities only came into effect on January 1, 2007.
(2) Our investment tax credits expire in varying annual amounts until the end of 2027.

Amortization of deferred charges was $4 million in 2007, $3 million in 2006 and $3 million in 2005.

Note 14: Goodwill

In the first quarter of 2007, as discussed in Note 3, *Segmented Information*, our management structure changed and as a result our operations are now reported in four segments. Accordingly, we have reallocated our goodwill to the new segments using the relative fair value approach.

The consolidated statements of operations include the results of acquired businesses from the date they were purchased. We cease including results of business dispositions on the date they are sold. The following table provides details about the changes in the carrying amounts of goodwill for the years ended December 31, 2007 and 2006.

	BELL WIRELINE	BELL WIRELESS	BELL ALIANT	TELESAT	CONSOLI-DATED
Balance – December 31, 2005	2,479	2,174	1,217	96	5,966
2006 acquisitions	36	–	12	1	49
Purchase price adjustments for 2005 acquisitions	(12)	–	–	–	(12)
Disposition upon formation of Bell Aliant	–	–	(533)	–	(533)
Other	–	1	4	–	5
Balance – December 31, 2006	2,503	2,175	700	97	5,475
2007 acquisitions	18	–	438	–	456
Contingent consideration paid in respect of a prior year's acquisition	2	–	–	–	2
Disposition from issuance of units at Bell Aliant	–	–	(36)	–	(36)
Repurchase of units at Bell Aliant (1)	–	–	107	–	107
Sale of Telesat	–	–	–	(97)	(97)
Balance – December 31, 2007	**2,523**	**2,175**	**1,209**	**–**	**5,907**

(1) As at December 31, 2007, Bell Aliant had repurchased a total of 10.6 million outstanding units for a total cash outlay of $330 million as a result of a normal course issuer bid (NCIB). The

NCIB allows Bell Aliant to repurchase up to 13.7 million of its outstanding units and expired on February 27, 2008.

SALE OF TELESAT

On October 31, 2007, we sold Telesat, our satellite services subsidiary, which represents our Telesat segment. We realized net cash proceeds of $3,123 million and the gain on sale was $1,893 million, net of taxes of $407 million.

BELL NORDIQ INCOME FUND

Goodwill of $438 million arose from the acquisition by Bell Aliant in January 2007 of the remaining 36.7% interest in NorthernTel Limited Partnership (NorthernTel) and Télébec Limited Partnership (Télébec), the operating partnerships of the Bell Nordiq Income Fund, held

through Bell Nordiq Group Inc. (Bell Nordiq) that it did not already own. Goodwill was recognized on the transaction because the value of the net assets was lower than the future earnings potential. None of the goodwill is expected to be deductible for tax purposes.

Immediately prior to the acquisition, Bell Nordiq Income Fund unitholders received a special distribution of $4.00 cash per unit and, on January 30, 2007, received 0.4113 of a Bell Aliant unit for each Bell Nordiq Income Fund unit held. As a result, our non-controlling interest increased by $156 million.

BELL ALIANT

On July 7, 2006, the Plan of Arrangement forming Bell Aliant, an income trust, was completed. Bell Aliant combines Bell Canada's former regional wireline operations in rural Ontario and Québec with Aliant's former wireline operations and includes Bell Canada's former 63.4% interest in NorthernTel and Télébec, the operating partnerships of the Bell Nordiq Income Fund, held through Bell Nordiq. Upon closing of the transaction, BCE held a 73.5% indirect interest in Bell Aliant.

On July 10, 2006, in accordance with the Plan of Arrangement, BCE's ownership of Bell Aliant was reduced to 44.7% through a distribution of trust units by way of a return of capital to holders of BCE Inc. common shares. This distribution had the following impact on our balance sheet:

- goodwill decreased by $533 million
- non-controlling interest increased by $469 million
- common shares decreased by $2,549 million
- contributed surplus increased by $1,547 million.

In 2006, the costs for the formation of Bell Aliant were comprised mainly of:

- transaction costs of $138 million related mainly to investment banking, professional and consulting fees. See Note 4, *Restructuring and Other*.
- premium cost on early redemption of Bell Aliant long-term debt of $122 million. See Note 5, *Other Income (Expense)*.
- of these transaction costs, $255 million were paid in 2006.

In 2007, we incurred minimal costs related to the formation of Bell Aliant. We consolidate Bell Aliant because we have the right to elect the majority of the board of directors.

PURCHASE PRICE ALLOCATIONS

The purchase price allocations for all 2007 acquisitions include certain estimates. The final purchase price allocation for each business acquisition will be complete within 12 months of the acquisition date.

The following tables summarize the fair values assigned to each major asset and liability class as at the dates of acquisition for each of the last three years.

2007 Business Combinations

	BELL NORDIQ	OTHER	TOTAL
Consideration given			
Cash	**135**	**20**	**155**
Acquisition costs	**4**	**–**	**4**
Non-cash	**394**	**2**	**396**
Purchase price	**533**	**22**	**555**
Property, plant and equipment	**–**	**2**	**2**
Non-controlling interest	**95**	**2**	**97**
Fair value of net assets acquired	**95**	**4**	**99**

Goodwill [1]	**438**	**18**	**456**

(1) $11 million is deductible for tax purposes.

2006 Business Combinations

All acquisitions in 2006 were individually insignificant.

	TOTAL
Consideration given [1]	
Cash	78
Acquisition costs	2
Non-cash	1
Purchase price	81
Non-cash working capital	2
Property, plant and equipment	3
Finite-life intangible assets [2]	
Customer relationships	15
Licences	4
Other long-term assets	3
Long-term debt	(2)
Other long-term liabilities	(4)
Non-controlling interest	3
	24
Cash and cash equivalents	8
Fair value of net assets acquired	32
Goodwill [3]	49

(1) Excluding contingent consideration of $4 million that may be paid if certain conditions specified in the purchase agreements are met. If the payments are made, the amounts will be allocated to goodwill.
(2) Each of the customer relationships and licences is being amortized over a weighted average period of six years.
(3) $5 million is deductible for tax purposes.

2005 Business Combinations

We made a number of business acquisitions in 2005, including:

- *NR Communications Ltd. (NR Communications)* – In February and November 2005, Bell Canada acquired 100% of the outstanding shares of NR Communications, which holds a 50% ownership in Inukshuk, a joint venture entered into with Rogers Communications Inc. to provide wireless broadband services.
- *Nexxlink Technologies Inc. (Nexxlink)* – In February 2005, Bell Canada acquired 100% of the outstanding shares of Nexxlink, a provider of integrated IT solutions.

	NR COMMUNICATIONS	NEXXLINK	OTHER	TOTAL
Consideration given [1]				
Cash	69	67	113	249
Acquisition costs	1	4	2	7
Non-cash	–	–	7	7
Purchase price	70	71	122	263
Non-cash working capital	(16)	9	(12)	(19)
Property, plant and equipment	19	9	85	113

Finite-life intangible assets [2]				
Customer relationships	–	15	8	23
Software	–	–	7	7
Indefinite-life intangible assets				
Spectrum licences	57	–	20	77
Other long-term assets	–	–	3	3
Long-term debt	–	–	(61)	(61)
Other long-term liabilities	–	(6)	(15)	(21)
	60	27	35	122
Cash and cash equivalents (bank indebtedness)	10	(3)	13	20
Fair value of net assets acquired	70	24	48	142
Goodwill	–	47	74	121

(1) Excluding contingent consideration of $6 million that may be paid if certain conditions specified in the purchase agreements are met. If the payments are made, the amounts will be allocated to goodwill.
(2) The majority of customer relationships and software acquired are being amortized over a weighted-average period of seven and five years, respectively.

Of the goodwill acquired in 2005:

- $115 million related to Wireline, $7 million related to Telesat and a decrease of $1 million related to Bell Aliant.
- $20 million is deductible for tax purposes.

Note 15: Accounts Payable and Accrued Liabilities

	NOTE	**2007**	2006
Trade accounts payable and accruals		**1,451**	1,616
Compensation payable		**592**	486
Deferred revenues		**520**	471
Taxes payable		**224**	207
Restructuring costs payable		**68**	89
Future income taxes	7	**71**	9
Other current liabilities		**367**	356
Total accounts payable and accrued liabilities		**3,293**	3,234

Note 16: Debt Due Within One Year

	NOTE	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE MATURITY	**2007**	2006
Bank advances		5.17%	N/A	**214**	9
Notes payable		4.28%	30 days	**40**	27
Total bank advances and notes payable				**254**	36
Long-term debt due within one year					
Bell Canada				**401**	824
Bell Aliant				**62**	109
Telesat				**–**	8
				463	941
Unamortized premium				**8**	9
Unamortized debt issuance costs				**(8)**	(14)
Total long-term debt due within one year	17			**463**	936
Total debt due within one year				**717**	972

N/A: Not applicable

RESTRICTIONS

Some of the credit agreements:

- require us to meet specific financial ratios
- require us to maintain a certain level of Bell Canada voting shares.

We are in compliance with all conditions and restrictions.

Note 17: Long-Term Debt

	NOTE	WEIGHTED AVERAGE INTEREST RATE	MATURITY	**2007**	2006
BCE Inc. [a]		7.35%	2009	**650**	650
Bell Canada [b]					
Debentures		6.82%	2008–2035	**5,506**	7,025
Debentures		9.84%	2041–2054	**700**	700
Subordinated debentures		8.21%	2026–2031	**275**	275
Capital leases		7.42%	2008–2047	**1,338**	975
Other				**17**	40
Total – Bell Canada				**7,836**	9,015
Bell Aliant [c]					
Non-revolving term facility		Floating	2009	**100**	1,235
Debentures, notes and bonds		5.30%	2008–2037	**2,447**	1,549
Other				**33**	28
Total – Bell Aliant				**2,580**	2,812
Telesat – Notes and other				**–**	253
Total debt				**11,066**	12,730
Unamortized premium [d]				**72**	87
Unamortized debt issuance costs				**(54)**	(86)
Less: Amount due within one year	16			**(463)**	(936)
Total long-term debt				**10,621**	11,795

RESTRICTIONS

Some of the debt agreements:

- require us to meet specific financial ratios
- impose covenants, maintenance tests and new issue tests
- require us to maintain a certain level of Bell Canada voting shares.

We are in compliance with all conditions and restrictions.

(a) BCE Inc.

All of the debt is unsecured.

(b) Bell Canada

In 2007, Bell Canada redeemed all of its outstanding 6.25% Series M-10 MTN Debentures, with an outstanding principal amount of $700 million, due January 18, 2008, and all of Bell Mobility Inc.'s 6.55% Series F Senior Unsecured Debentures, with an outstanding principal of $150 million, due June 2, 2008.

All debentures are unsecured. They include US$200 million maturing in 2010, which has been swapped into Canadian dollars.

Capital leases include $318 million in 2007 and $336 million in 2006, netted against loans receivable of $220 million in 2007 and $244 million in 2006. These obligations arose from agreements that Bell Canada entered into in 1999 and 2001 to sell and lease back telecommunications equipment for a total of $391 million. Some of the proceeds were invested in interest-bearing loans receivable. The capital lease obligations, net of loans, were originally issued for US$39 million and have been swapped into Canadian dollars.

(c) Bell Aliant

All debentures, notes and bonds are issued under trust indentures and are unsecured with the exception of Télébec's debentures of $150 million, which are secured by a mortgage on a property located in the province of Québec. As at December 31, 2007, the carrying value of this property is $12 million. All notes, bonds and debentures are issued in series and certain series are redeemable at Bell Aliant's option prior to maturity at the prices, times and conditions specified in each series.

(d) Unamortized Premium

This amount represents the unamortized purchase price allocated to long-term debt resulting from BCE's repurchase of SBC Communications Inc.'s 20% interest in Bell Canada Holdings Inc.

Note 18: Other Long-Term Liabilities

	NOTE	**2007**	2006
Future income taxes	7	**1,841**	2,350
Accrued benefit liability	24	**1,748**	1,836
Deferred revenue on long-term contracts		**177**	399
Deferred contract payments		**130**	168
Restructuring costs payable		**82**	3
Other		**371**	383
Total other long-term liabilities		**4,349**	5,139

Note 19: Non-Controlling Interest

	NOTE	**2007**	2006
Non-controlling interest in subsidiaries			
Bell Aliant		**1,102**	1,063
Other		**1**	17
		1,103	1,080
Preferred shares issued by Bell Canada	21	**–**	1,100
Total non-controlling interest		**1,103**	2,180

Note 20: Financial Instruments

DERIVATIVES

We use derivative instruments to manage our exposure to interest rate risk, foreign currency risk and changes in the price of BCE Inc. common shares that may be issued under our compensation plans (SCPs and DSUs). We do not use derivative instruments for speculative purposes. Since we do not trade actively in derivative instruments, we are not exposed to any significant liquidity risks relating to them.

The following derivative instruments were outstanding at December 31, 2007:

- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- cross-currency swaps and foreign exchange forward contracts that hedge foreign currency risk on a portion of our long-term debt
- foreign exchange forward contracts that hedge certain purchase commitments
- forward contracts on BCE Inc. common shares that hedge the fair-value exposure related to SCPs and DSUs.

As at December 31, 2007, the amount of hedge ineffectiveness recorded in *Other income (expense)* in the statement of operations was not material.

CREDIT RISK

We are exposed to credit risk if counterparties to our derivative instruments are unable to meet their obligations. We expect that they will be able to meet their obligations because we deal with institutions that have strong credit ratings and we regularly monitor our credit risk and credit exposure.

There was minimal credit risk relating to derivative instruments at December 31, 2007. We are also exposed to credit risk from our customers, but the concentration of this risk is minimized because we have a large and diverse customer base.

CURRENCY EXPOSURES

We use cross-currency swaps and forward contracts to hedge debt that is denominated in foreign currencies. We also use foreign exchange forward contracts to hedge foreign currency risk on anticipated transactions including certain purchase commitments.

At December 31, 2007, the amounts to be received under currency contracts were US$982 million, for which the amounts to be paid were $1,051 million. At December 31, 2006, the amounts to be received under currency contracts were US$482 million, for which the amounts to be paid were $623 million.

The following table provides further details on our outstanding cross-currency swaps and forward contracts as at December 31, 2007 and 2006.

	BUY CURRENCY	AMOUNTS TO RECEIVE IN USD	SELL CURRENCY	AMOUNTS TO PAY IN CAD	MATURITY	HEDGED ITEM
At December 31, 2007	**USD**	**312**	**CAD**	**295**	**2008**	**Purchase commitments**
	USD	**226**	**CAD**	**212**	**2008**	**Purchase commitments**
	USD	**200**	**CAD**	**269**	**2010**	**Long-term debt**
	USD	**162**	**CAD**	**154**	**2008**	**Purchase commitments**
	USD	**82**	**CAD**	**121**	**2013**	**Long-term debt**
At December 31, 2006	USD	200	CAD	269	2010	Long-term debt
	USD	197	CAD	229	2008	Purchase commitments
	USD	83	CAD	122	2013	Long-term debt
	USD	2	CAD	3	2007	Debt due within one year

INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates on our debt. The following table shows interest rate swaps outstanding as at December 31, 2007 and 2006.

	NOTIONAL AMOUNT	RECEIVE INTEREST RATE	PAY INTEREST RATE	MATURITY	HEDGED ITEM
At December 31, 2007	**700**	**5.00%**	**3-month CDOR [1] + 0.42 %**	**2017**	**Long-term debt**
	100	**3-month CDOR [1]**	**4.9775%**	**2010**	**Debt due within one year**
	100	**3-month CDOR**	**4.9775%**	**2010**	**Debt due within one year**
At December 31, 2006	700	5.00%	3-month CDOR + 0.42 %	2017	Long-term debt
	500	3-month CDOR	4.31%	2012	Long-term debt
	300	3-month CDOR	4.90%	2014	Long-term debt
	200	3-month CDOR	4.85%	2017	Long-term debt
	200	3-month CDOR	5.02%	2037	Long-term debt
	50	3-month CDOR	5.00%	2037	Long-term debt

(1) Canadian dollar offered rate (CDOR)

FAIR VALUE

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity.

These estimates are affected by assumptions we make about the amount and timing of estimated 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 these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were settled.

The carrying value of all financial instruments approximates fair value, except for those noted in the following table.

		2007		2006	
	NOTE	**CARRYING VALUE**	**FAIR VALUE**	CARRYING VALUE	FAIR VALUE
Long-term debt due within one year	16	**463**	**463**	936	942
Long-term debt	17	**10,621**	**10,590**	11,795	13,055
Derivative financial instruments, net asset (liability) position					
Forward contracts – BCE Inc. shares		**20**	**20**	5	7
Currency contracts		**(85)**	**(85)**	(58)	(77)
Interest rate swaps and swaptions		**(5)**	**(5)**	–	(26)

The fair value of our available-for-sale publicly-traded securities as at December 31, 2007 and 2006, which is equal to the carrying value, is disclosed in Note 13, *Other Long-Term Assets*.

Note 21: Share Capital

PREFERRED SHARES

BCE Inc.'s articles of amalgamation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The terms set out in the articles authorize BCE Inc.'s directors to issue the shares in one or more series and to set the number of shares and conditions for each series.

The following table is a summary of the principal terms of BCE Inc.'s First Preferred Shares. There were no Second Preferred Shares issued and outstanding at December 31, 2007. BCE Inc.'s articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

						NUMBER OF SHARES		STATED CAPITAL AT DECEMBER 31		
SERIES	ANNUAL DIVIDEND RATE	CONVERTIBLE INTO	CONVERSION DATE	REDEMPTION DATE	REDEMPTION PRICE	AUTHORIZED	ISSUED AND OUTSTANDING	**2007**	2006	2005
Q	floating	Series R	December 1, 2015	At any time	$25.50	8,000,000	–	**–**	–	–
R	4.54%	Series Q	December 1, 2010	December 1, 2010	$25.00	8,000,000	8,000,000	**200**	200	200
S	floating	Series T	November 1, 2011	At any time	$25.50	8,000,000	2,279,791	**57**	57	200
T	4.502%	Series S	November 1, 2011	November 1, 2011	$25.00	8,000,000	5,720,209	**143**	143	–
Y	floating	Series Z	December 1, 2012	At any time	$25.50	10,000,000	8,126,330	**203**	29	29
Z	4.331%	Series Y	December 1, 2012	December 1, 2012	$25.00	10,000,000	1,873,670	**47**	221	221
AA	4.80%	Series AB	September 1, 2012	September 1, 2012	$25.00	20,000,000	10,081,586	**257**	510	510
AB	floating	Series AA	September 1, 2012	At any time	$25.50	20,000,000	9,918,414	**253**	–	–
AC	5.54%	Series AD	March 1, 2008	March 1, 2008	$25.00	20,000,000	20,000,000	**510**	510	510
AD	floating	Series AC	March 1, 2013	At any time	$25.50	20,000,000	–	**–**	–	–
AE	floating	Series AF	February 1, 2010	At any time	$25.50	24,000,000	1,914,218	**48**	–	–
AF	4.40%	Series AE	February 1, 2010	February 1, 2010	$25.00	24,000,000	14,085,782	**352**	–	–

AG	4.35%	Series AH	May 1, 2011	May 1, 2011	$25.00	22,000,000	10,051,751	**251**	–	–
AH	floating	Series AG	May 1, 2011	At any time	$25.50	22,000,000	3,948,249	**99**	–	–
AI	4.65%	Series AJ	August 1, 2011	August 1, 2011	$25.00	22,000,000	14,000,000	**350**	–	–
AJ	floating	Series AI	August 1, 2016	At any time	$25.50	22,000,000	–	**–**	–	–
								2,770	1,670	1,670

Bell Canada Plan of Arrangement

On January 25, 2007, the articles of amalgamation of BCE Inc. were amended to create six new series of First Preferred Shares. These new series of preferred shares were created further to the Bell Canada plan of arrangement whereby all of the issued and outstanding or authorized Bell Canada Class A Preferred Shares Series 15, 16, 17, 18, 19 and 20, having a stated capital of $1,100 million as at December 31, 2006, were exchanged for the corresponding Series AE, AF, AG, AH, AI and AJ of First Preferred Shares of BCE Inc. The impact on our balance sheet was a reclassification from our non-controlling interest to preferred shares of $1,100 million. The Bell Canada plan of arrangement became effective on January 31, 2007. The characteristics of the preferred shares of BCE Inc. are described below.

Voting Rights

All of the issued and outstanding preferred shares at December 31, 2007 are non-voting, except under special circumstances when the holders are entitled to one vote per share.

Entitlement to Dividends

Holders of Series R, T, Z, AA, AC, AF, AG and AI shares are entitled to fixed cumulative quarterly dividends. The dividend rate on these shares is reset every five years, as set out in BCE Inc.'s articles of amalgamation, as amended.

Holders of Series S, Y, AB, AE and AH 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 Inc.'s articles of amalgamation, as amended.

If Series Q, AD and AJ shares are issued, their holders will be entitled to floating adjustable cumulative monthly dividends.

Conversion Features

All of the issued and outstanding preferred shares at December 31, 2007 are convertible at the holder's option into another associated series of preferred shares on a one-for-one basis according to the terms set out in BCE Inc.'s articles of amalgamation, as amended.

Redemption Features

BCE Inc. may redeem each of Series R, T, Z, AA, AC, AF, AG and AI shares at $25.00 per share on the applicable redemption date and every five years after that date.

BCE Inc. may redeem Series S, Y, AB, AE and AH shares at any time at $25.50 per share.

If Series Q, AD and AJ shares are issued, BCE Inc. may redeem them at any time at $25.50 per share.

Conversion of Preferred Shares

On August 23, 2007, BCE Inc. announced that 9,918,414 of its 20,000,000 Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) were tendered for conversion, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AB (Series AB Preferred Shares). Consequently, BCE Inc. issued 9,918,414 new Series AB Preferred Shares on September 1, 2007. The balance of the Series AA Preferred Shares remains outstanding.

On November 20, 2007, BCE Inc. announced that 6,991,775 of its 8,852,620 Cumulative Redeemable First Preferred Shares, Series Z (Series Z Preferred Shares) were tendered for conversion, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series Y (Series Y Preferred Shares). In addition, 12,825 of its 1,147,380 Series Y Preferred Shares were tendered for conversion, on a one-for-one basis, into Series Z Preferred Shares.

COMMON SHARES AND CLASS B SHARES

BCE Inc.'s articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE Inc. is liquidated, dissolved or wound up, after payments due to the holders of preferred shares.

The following table provides details about the outstanding common shares of BCE Inc. No Class B shares were outstanding at December 31, 2007, 2006 and 2005.

	2007		2006		2005	
	NUMBER	**STATED**	NUMBER	STATED	NUMBER	STATED

	NOTE	OF SHARES	CAPITAL	OF SHARES	CAPITAL	OF SHARES	CAPITAL
Outstanding, beginning of year		**807,643,941**	**13,487**	927,318,916	16,806	925,935,682	16,781
Shares issued under employee stock option plan (1)	22	**4,994,073**	**172**	1,246,932	35	1,383,234	25
Shares repurchased and cancelled		**(7,373,198)**	**(123)**	(45,151,666)	(805)	–	–
Share reduction (2)	14	–	**–**	(75,770,241)	(2,549)	–	–
Outstanding, end of year		**805,264,816**	**13,536**	807,643,941	13,487	927,318,916	16,806

(1) Includes a $19 million reclassification ($6 million in 2006) from contributed surplus relating to the exercise of employees' stock options.
(2) Reduction of BCE Inc. common shares outstanding, in conjunction with a distribution of Bell Aliant trust units, by way of return of capital, to holders of BCE Inc. common shares.

NCIB

In December 2006, BCE Inc. announced its plan to renew its share repurchase program for an additional 12-month period to repurchase 5% of its outstanding common shares through a NCIB. Common share repurchases under the NCIB were suspended in the second quarter of 2007. Prior to the suspension, BCE Inc. repurchased a total of 7.4 million common shares in 2007, representing approximately 18% of the total common shares targeted for repurchase, for a total cash outlay of $227 million.

Of the total cash outlay, $123 million represents stated capital and reduced the total value of common shares and $9 million reduced the contributed surplus attributable to these common shares. The remaining $95 million was charged to the deficit.

As at December 31, 2006, BCE Inc. had repurchased and cancelled a total of 45 million common shares under its previous NCIB. Of the total cash outlay of $1.2 billion, $805 million represented stated capital and reduced the total value of common shares, while $52 million reduced the contributed surplus attributable to these common shares. The remaining $384 million was charged to the deficit.

Dividend Reinvestment Plan

The dividend reinvestment plan allows eligible common shareholders to use their dividends to buy additional common shares. A trustee buys BCE Inc. common shares for the participants on the open market, by private purchase or from treasury. BCE Inc. chooses the method the trustee uses to buy the shares.

A total of 1,823,652 common shares was bought on the open market under this plan for $66 million in 2007. A total of 2,658,255 common shares was bought on the open market under this plan for $76 million in 2006.

CONTRIBUTED SURPLUS

The following table is a reconciliation of the contributed surplus balance during the year.

	NOTE	2007	2006	2005
Balance at December 31, 2006		**2,555**	1,081	1,061
Gain on distribution of Bell Aliant units	14	–	1,547	–
Repurchase of common shares – NCIB		**(9)**	(52)	–
Other		**(9)**	(21)	20
Balance at December 31, 2007		**2,537**	2,555	1,081

Note 22: Stock-Based Compensation Plans

The following stock-based compensation amounts are included in the consolidated statements of operations as selling, general and administrative expenses (1).

	2007	2006	2005
Employee savings plans	**(42)**	(46)	(45)
Stock options	**(10)**	(8)	(17)
Restricted share units (1)	**(95)**	(45)	(39)
Special compensation payments (2)	**–**	3	3
Deferred share units	**–**	(1)	(4)
Deferred unit plan	**(8)**	(3)	–
Total stock-based compensation expense (3)	**(155)**	(100)	(102)
Income tax benefit arising from stock-based compensation	**48**	31	29

	(107)	(69)	(73)

(1) The 2007 expense includes $35 million recorded as restructuring and other.
(2) Includes recoveries of SCP expense as a result of forfeitures.
(3) The operating cash outflows in respect of stock-based compensation plans were $65 million in 2007, $121 million in 2006 and $58 million in 2005.

DESCRIPTION OF THE PLANS

Employee Savings Plan

ESPs are designed to encourage employees of BCE Inc. and its participating subsidiaries to own shares of BCE Inc. Each year, employees can choose to have up to a certain percentage of their annual earnings withheld through regular payroll deductions in order to buy BCE Inc. common shares. In some cases, the employer will also contribute up to a maximum percentage of the employee's annual earnings to the plan.

Each participating company decides on its maximum percentage. For Bell Canada, employees can contribute up to 12% of their annual earnings. Bell Canada contributes up to 2%.

The trustee of the ESPs buys BCE Inc. common shares for the participants on the open market, by private purchase or from treasury. BCE Inc. chooses the method the trustee uses to buy the shares.

There were 30,072 employees participating in the plans at December 31, 2007. The total number of common shares bought for employees was 4,518,245 in 2007 and 6,395,865 in 2006. At December 31, 2007, 13,513,812 common shares were reserved for issuance under the ESPs.

Stock Options

Under BCE Inc.'s long-term incentive plans, BCE Inc. may grant options to key employees to buy BCE Inc. common shares. The subscription price is equal to the market value of the shares on the last trading day before the grant comes into effect. At December 31, 2007, 25,881,466 common shares were authorized for issuance under these plans.

For most options granted from January 1, 2004 until December 31, 2006, the right to exercise options vested after two and three years of continuous employment from the date of grant and if a specific company-wide performance target was met. Options were exercisable when they vested and for a period up to six years from the date of grant. On March 7, 2007, it was confirmed that the target was not met and all of these stock options were forfeited.

For most options granted in March 2007, the vesting method is graded and the right to exercise options generally vests or accrues at 25% a year over four years of continuous employment from the date of grant, unless a special vesting period applies. Options become exercisable when they vest and generally can be exercised for a period of up to six years from the date of grant.

Special vesting provisions may apply if:

- there is a change in control of BCE Inc. and the option holder's employment ends
- the option holder is employed by a designated subsidiary of BCE Inc. and BCE Inc.'s ownership interest in that subsidiary falls below the percentage set out in the plan.

The following table summarizes BCE Inc.'s outstanding stock options as at December 31, 2007.

		NUMBER OF OPTIONS			WEIGHTED AVERAGE GRANT DATE FAIR VALUE ($)		WEIGHTED AVERAGE EXERCISE PRICE ($)		
	NOTE	NON-VESTED	VESTED	TOTAL	NON-VESTED	VESTED	NON-VESTED	VESTED	TOTAL
Outstanding, January 1, 2007		**7,592,896**	**16,648,952**	**24,241,848**	**$5**	**$7**	**$29**	**$35**	**$33**
Granted		**5,739,106**	**–**	**5,739,106**	**$4**	**–**	**$31**	**–**	**$31**
Exercised (1), (2)	21	**–**	**(4,994,073)**	**(4,994,073)**	**–**	**$7**	**–**	**$31**	**$31**
Vested		**(1,640,662)**	**1,640,662**	**–**	**$5**	**$5**	**$28**	**$28**	**$28**
Expired/forfeited		**(5,496,240)**	**(1,793,261)**	**(7,289,501)**	**$5**	**$8**	**$30**	**$39**	**$32**
Outstanding, December 31, 2007 (3)		**6,195,100**	**11,502,280**	**17,697,380**	**$4**	**$7**	**$30**	**$35**	**$33**

(1) We have received $153 million from stock option exercises.
(2) The aggregate intrinsic value of options exercised was $31 million.
(3) The aggregate intrinsic values of non-vested options outstanding were $58 million and $64 million for vested options.

The following table provides additional information about BCE Inc.'s stock option plans at December 31, 2007.

	STOCK OPTIONS EXERCISABLE		STOCK OPTIONS OUTSTANDING	
RANGE OF	WEIGHTED AVERAGE REMAINING	WEIGHTED AVERAGE EXERCISE	WEIGHTED AVERAGE REMAINING	WEIGHTED AVERAGE EXERCISE

EXERCISE PRICES	NUMBER	LIFE	PRICE ($)	NUMBER	LIFE	PRICE ($)
Below $20	**161,261**	**1.4**	**$17**	**161,261**	**1.4**	**$17**
$20–$29	**3,091,245**	**5.2**	**$28**	**3,766,745**	**5.0**	**$27**
$30–$39	**4,020,311**	**3.9**	**$34**	**9,539,911**	**4.7**	**$32**
Over $40	**4,229,463**	**2.7**	**$41**	**4,229,463**	**2.7**	**$41**
	11,502,280	**3.8**	**$35**	**17,697,380**	**4.2**	**$33**

As at December 31, 2007, the unrecognized compensation cost related to non-vested stock options was $9 million to be recorded over a weighted average period of 1.5 years.

As part of the Arrangement, each non-vested option will be deemed to have vested at the time of the change in control, which is the effective date. Each outstanding option will be deemed to be transferred to BCE Inc. in exchange for cash consideration equal to $42.75 less the exercise price of the option, and any applicable special compensation payments. No options will remain outstanding and the stock-based compensation plans will be cancelled. Should the Arrangement not be completed, the options vest as previously described.

The following table summarizes stock options outstanding at December 31, 2006 and 2005.

		2006		2005	
	NOTE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1		27,342,735	$32	28,481,679	$32
Granted		485,372	$27	1,481,924	$28
Exercised [1]	21	(1,246,932)	$23	(1,383,234)	$18
Expired/forfeited		(2,339,327)	$32	(1,237,634)	$34
Outstanding, December 31		24,241,848	$33	27,342,735	$32
Exercisable, December 31		16,648,952	$35	16,505,709	$34

(1) The aggregate intrinsic value of options exercised was $8 million and $16 million in 2006 and 2005 respectively.

Assumptions Used in Stock Option Pricing Model

The following table shows the weighted average assumptions used to determine the stock-based compensation expense using the Black-Scholes option pricing model.

	2007	2006	2005
Weighted average fair value per option granted ($)	**4**	2	3
Dividend yield	**4.4%**	4.4%	4.4%
Expected volatility	**20%**	17%	19%
Risk-free interest rate	**4.0%**	4.1%	3.6%
Expected life (years)	**4.5**	3.9	3.5

Restricted Share Units

The following table is a summary of the outstanding RSUs.

	NUMBER OF RSUS		
	2007[1]	2006	2005
Outstanding, January 1	**2,985,035**	2,520,781	1,996,522
Granted	**56,465**	3,090,144	504,427
Dividends credited	**118,329**	89,773	100,657
Payments	**(141,983)**	(2,542,451)	–
Forfeited	**(97,248)**	(173,212)	(80,825)

Cancelled as part of the going-private transaction	**(2,287,455)**	–	–
Outstanding, December 31	**633,143**	2,985,035	2,520,781

(1) 235,773 RSUs have vested at December 31, 2007.

Since 2004, BCE Inc. has granted RSUs to executives and other key employees. The value of an RSU is equal to the value of one BCE Inc. common share. Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on BCE Inc. common shares. Executives and other key employees are granted a specific number of RSUs for a given performance period based on their position and level of contribution. At the end of a performance period most RSUs vest if performance objectives are met as determined by the board or are forfeited. Vested RSUs are paid in BCE Inc. common shares purchased on the open market, in cash or through a combination of both, as the holder chooses, as long as individual share ownership requirements are met.

As part of the Arrangement, each holder of RSUs will be entitled to receive in exchange from BCE Inc. or Bell Canada, as applicable, a cash amount equal to the aggregate number of RSUs that are recorded for the benefit of the holder at the date of the change in control and vested at this time multiplied by $42.75. Certain participants, however, will be paid their RSUs under the original conditions upon confirmation of the vesting percentage by the board in early 2008, should the confirmation occur while BCE Inc.'s common shares are still being traded on the open market.

As a result of the going-private transaction, the board also has approved the implementation of a retention policy, in lieu of the RSU plan. Upon announcement of the going-private transaction, most executives became eligible for a retention payment that will be paid in 2008. The payment will be equal to the greater of 1.25 times the number of the RSUs held upon announcement of the transaction valued at $42.75 per share and one times base salary plus target bonus. RSUs held by executives who became eligible to a retention incentive were cancelled. The difference between what would have been paid under the original conditions and what will be paid under the retention policy is being expensed as restructuring and other over the retention period. At December 31, 2007, the unrecognized compensation cost related to the retention policy was $35 million, which will be recorded in the first half of 2008.

Special Compensation Payments

Prior to 2000, when BCE Inc. granted options to executives and other key employees, related rights to SCPs were also often granted. SCPs are cash payments representing the amount that the market value of the shares on the date of exercise of the related options exceeds the exercise price of these options.

When the distribution of Nortel common shares was made in 2000, the outstanding options were cancelled and replaced with options to buy BCE Inc. common shares and options to buy Nortel common shares. The related SCPs were adjusted accordingly.

For each right to an SCP held before the distribution, rightholders now have rights related to both BCE Inc. and Nortel common shares.

The number of SCPs outstanding at December 31, 2007, was:

- 145,725 relating to BCE Inc. common shares
- 174,055 relating to Nortel common shares.

All of the outstanding SCPs cover the same number of shares as the options to which they relate. It is the employer's responsibility to make payments under the SCPs.

Deferred Share Units

Eligible bonuses may be paid in the form of DSUs when executives or other key employees elect to or are required to participate in the plan. For non-management directors, their compensation is paid in DSUs until the minimum share ownership requirement is met or as elected by the directors thereafter.

The value of a DSU is always equal to the value of one BCE Inc. common share. 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 Inc. common shares.

DSUs are paid in BCE Inc. common shares purchased on the open market following the cessation of a participant's employment or when a director leaves the board.

The following table is a summary of the status of DSUs.

	NUMBER OF DSUS		
	2007(1)	2006	2005
Outstanding, January 1	**1,287,422**	984,648	886,714
Granted	**408,341**	358,993	173,158
Dividends credited	**58,543**	54,597	40,668
Payments	**(215,666)**	(110,816)	(115,892)
Outstanding, December 31	**1,538,640**	1,287,422	984,648

(1) All DSUs were fully vested at December 31, 2007.

Deferred Unit Plan (DUP)

The DUP plan was implemented during 2007 by Bell Aliant for certain of their executives and senior management to further align their long-term incentive compensation with total unitholder returns. Under the plan, deferred units may be granted to eligible plan members in amounts and at times when a bonus is approved or in respect of services rendered by the plan member in the year of the grant. Reinvested distributions in the form of additional deferred units are credited to the participant's account and are equivalent in value to a converted Bell Aliant unit. The deferred units vest over a period of three years and are generally subject to certain performance criteria. Plan members are eligible to receive one Bell Aliant unit for each vested deferred unit upon departure from the company or may hold the deferred units in an account until the end of the second year following their departure. Bell Aliant may issue up to 1,195,620 additional units out of treasury to satisfy awards. Non-vested units of a plan member are forfeited upon their departure.

Note 23: Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the balance of each classification within accumulated other comprehensive income (loss).

	AVAILABLE-FOR-SALE FINANCIAL ASSETS	DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	CTA	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Restatement of previously recognized CTA upon adoption of new financial instruments accounting standards on January 1, 2007	–	–	(2)	(2)
Adjustments to opening balance in accumulated other comprehensive income (loss) upon adoption of new financial instruments accounting standards on January 1, 2007	25	(18)	–	7
Balance in accumulated other comprehensive income (loss) at January 1, 2007	25	(18)	(2)	5
Details of other comprehensive income (net of non-controlling interest)				
Unrealized gains	130	–	–	130
Income taxes on unrealized (gains) losses	(48)	1	(1)	(48)
Reclassification adjustments included in earnings	(33)	22	(2)	(13)
Income taxes on reclassification adjustments included in earnings	–	(7)	1	(6)
Other comprehensive income (loss) for the year ended December 31, 2007	49	16	(2)	63
Balance in accumulated other comprehensive income (loss) at December 31, 2007	74	(2)	(4)	68

During the year, we received proceeds of $173 million on sales of available-for-sale financial assets and realized a pre-tax gain of $22 million. We used the average cost method in determining the gain.

Note 24: Employee Benefit Plans

We provide pension and other post-employment benefits for most of our employees. These include defined benefit (DB) pension plans and defined contribution (DC) pension plans.

	2007	2006	2005
Pension benefits			
DB plans cost	**(263)**	(318)	(221)
DC plans cost	**(38)**	(28)	(20)
Other future benefits cost	**(109)**	(165)	(118)
Net benefit plans cost (1)	**(410)**	(511)	(359)

(1) Net benefit plans cost is included as part of selling, general and administrative expenses in the statement of operations.

COMPONENTS OF DEFINED BENEFIT PLANS COST

The following table shows the DB plans cost before and after recognizing its long-term nature. The recognized net benefit plans cost reflects the amount reported in our statements of operations and is calculated according to our accounting policy.

	PENSION BENEFITS			OTHER BENEFITS		
	2007	2006	2005	**2007**	2006	2005

Current service cost	**(278)**	(266)	(212)	**(11)**	(28)	(35)
Interest cost on accrued benefit obligation	**(858)**	(851)	(858)	**(97)**	(111)	(110)
Actual return on plan assets	**566**	1,723	1,545	**3**	17	12
Past service credits (costs) arising during period	**58**	(38)	–	**345**	55	120
Actuarial gain (loss) on accrued benefit obligation	**741**	9	(1,747)	**56**	(79)	(499)
Curtailment gain (1)	–	–	–	**–**	–	44
Elements of employee future benefit plans (cost), before recognizing its long-term nature	**229**	577	(1,272)	**296**	(146)	(468)
Deficiency (excess) of actual return over expected return (2)	**462**	(737)	(617)	**9**	(5)	(2)
Deferral of amounts arising during period						
Past service (credits) costs	**(58)**	38	–	**(345)**	(55)	(120)
Actuarial (gain) loss on accrued benefit obligation	**(741)**	(9)	1,747	**(56)**	79	499
Amortization of previously deferred amounts						
Net past service (costs) credits	**(13)**	(12)	(8)	**27**	5	(1)
Net actuarial (losses) gains	**(120)**	(167)	(92)	**(38)**	(19)	–
Transitional asset (obligation)	**6**	6	(1)	**(2)**	(24)	(26)
Adjustments to recognize long-term nature of employee future benefit plans cost	**(464)**	(881)	1,029	**(405)**	(19)	350
(Increase) decrease in valuation allowance	**(28)**	(12)	24	**–**	–	–
Other	**–**	(2)	(2)	**–**	–	–
DB plans cost, recognized	**(263)**	(318)	(221)	**(109)**	(165)	(118)

(1) 2005 includes a curtailment gain associated with the phase-out, over three years, of a discretionary allowance program.
(2) The expected return on plan assets for a given year is calculated based on the market-related value of plan assets at the beginning of that year. The market-related value of pension plan assets was $14,269 million at January 1, 2007, $13,192 million at January 1, 2006, and $12,691 million at January 1, 2005.

Notes to Consolidated Financial Statements

COMPONENTS OF ACCRUED BENEFIT ASSET (LIABILITY)

The following table shows the change in benefit obligations, change in fair value of plan assets and the funded status of the DB plans.

	PENSION BENEFITS		OTHER BENEFITS	
	2007	2006	**2007**	2006
Accrued benefit obligation, beginning of the year	**(16,404)**	(16,213)	**(2,230)**	(2,179)
Current service cost	**(278)**	(266)	**(11)**	(28)
Interest cost on accrued benefit obligation	**(858)**	(851)	**(97)**	(111)
Actuarial gains (losses)	**741**	9	**56**	(79)
Benefit payments	**905**	914	**96**	96
Employee contributions	**(8)**	(8)	–	–
Special termination costs	**(10)**	49	**(2)**	17
Plan amendment (1)	**58**	(38)	**345**	55
Business combinations/divestitures	**164**	–	**16**	–
Other	–	–	–	(1)
Accrued benefit obligation, end of the year	**(15,690)**	(16,404)	**(1,827)**	(2,230)
Fair value of plan assets, beginning of the year	**15,114**	13,870	**166**	149
Actual return on plan assets	**566**	1,723	**3**	17
Benefit payments	**(905)**	(914)	**(96)**	(96)
Employer contributions **(2)**	**232**	431	**96**	96
Employee contributions	**8**	8	–	–
Transfers to DC pension plans	**(1)**	–	–	–
Business combinations/divestitures	**(177)**	–	–	–
Other	**4**	(4)	–	–
Fair value of plan assets, end of the year	**14,841**	15,114	**169**	166

Plan (deficit) surplus	**(849)**	(1,290)	**(1,658)**	(2,064)
Unamortized net actuarial losses (gains)	**1,867**	2,287	**412**	514
Unamortized net past service costs (credits)	**66**	140	**(191)**	(41)
Unamortized transitional (asset) obligation	**(7)**	(20)	**5**	163
Valuation allowance	**(153)**	(115)	–	–
Accrued benefit asset (liability), end of the year	**924**	1,002	**(1,432)**	(1,428)
Accrued benefit asset included in other long-term assets	**1,240**	1,410	–	–
Accrued benefit liability included in other long-term liabilities	**(316)**	(408)	**(1,432)**	(1,428)

(1) In the first quarter of 2007, we announced the phase-out of other post-retirement benefits for future retirees over the next ten years, with no changes in the next five years. This plan amendment reduces the unamortized transitional obligation and increases past service credits which are being amortized over the expected average remaining service lives (EARSL) of affected employees.
(2) In 2006, the Bell Canada pension fund acquired from us 14.9 million Nortel shares, 31.4 million CGI shares and other marketable securities having an aggregate market value of $284 million. These acquisitions reduced our cash contributions in 2006.

For DB pension plans with an accrued benefit obligation that was more than plan assets:

- the accrued benefit obligation was $15,151 million at December 31, 2007, and $15,997 million at December 31, 2006
- the fair value of plan assets was $14,153 million at December 31, 2007, and $14,660 million at December 31, 2006.

For DB pension plans with an accrued benefit obligation that was less than plan assets:

- the accrued benefit obligation was $539 million at December 31, 2007, and $407 million at December 31, 2006
- the fair value of plan assets was $688 million at December 31, 2007, and $454 million at December 31, 2006.

SIGNIFICANT ASSUMPTIONS

We used the following key assumptions to measure the accrued benefit obligation and the net benefit plans cost for the DB pension plans and plans that provide other employee future benefits. These assumptions are long-term, which is consistent with the nature of employee benefit plans.

	PENSION BENEFITS			OTHER BENEFITS		
	2007	2006	2005	**2007**	2006	2005
At December 31						
Accrued benefit obligation						
Discount rate, end of year	**5.6%**	5.3%	5.2%	**5.6%**	5.3%	5.2%
Rate of compensation increase, end of year	**3.0%**	3.0%	3.0%	**3.0%**	3.0%	3.0%
For the year ended December 31						
Net benefit plans cost						
Discount rate, end of preceding year (1)	**5.3%**	5.4%	6.2%	**5.3%**	5.4%	6.2%
Expected return on plan assets, end of preceding year	**7.5%**	7.5%	7.5%	**7.5%**	7.5%	7.5%
Rate of compensation increase, end of preceding year	**3.0%**	3.0%	3.5%	**3.0%**	3.0%	3.5%

(1) On July 7, 2006, following the formation of Bell Aliant, the discount rate used to value our pension obligations was increased to 5.6% from 5.2% to reflect the change in long-term market interest rates at that time. As a result, the discount rate is an average for 2006.

We assumed the following trend rates in healthcare costs:

- an annual rate of increase of 4.5% in the cost per person of covered healthcare benefits for 2007 and the foreseeable future
- an annual rate of increase of 10.5% in the cost of medication for 2007 and a gradual decline to 4.5% over six years.

Assumed trend rates in healthcare costs have a significant effect on the amounts reported for the healthcare plans. The following table, for example, shows the effect of a 1% change in the assumed trend rates in healthcare costs.

	1% INCREASE	1% DECREASE

Effect on other benefits – total service and interest cost	11	(10)
Effect on other benefits – accrued obligation	160	(142)

PENSION PLAN ASSETS

The investment strategy for the major pension plans is to maintain a diversified portfolio of assets, invested in a prudent manner to maintain the security of funds while maximizing returns within our guidelines. The expected rate of return assumption is based on our target asset allocation policy and the expected future rates of return on these assets. The following table shows the allocation of our pension plan assets at December 31, 2007 and 2006, target allocations for 2007 and the expected long-term rate of return by asset class.

ASSET CATEGORY	WEIGHTED AVERAGE TARGET ALLOCATION 2007	PERCENTAGE OF PLAN ASSETS AT DECEMBER 31 2007	2006	WEIGHTED AVERAGE EXPECTED LONG-TERM RATE OF RETURN 2007
Equity securities	**45%–65%**	**58%**	58%	**9.0%**
Debt securities	**35%–55%**	**42%**	42%	**5.5%**
Total/average		**100**%	100%	**7.5%**

Equity securities included approximately $70 million of BCE Inc. common shares and Bell Aliant units, or 0.5% of total plan assets at December 31, 2007, and approximately $82 million of BCE Inc. common shares or 0.5% of total plan assets at December 31, 2006.

Debt securities included approximately $7 million of BCE Inc. and affiliates' debentures or 0.1% of total plan assets at December 31, 2007, and approximately $10 million of BCE Inc. and affiliates' debentures or 0.1% of total plan assets at December 31, 2006.

ESTIMATED FUTURE BENEFIT PAYMENTS

The following table shows the estimated future defined benefit payments for the next 10 years at December 31, 2007.

	PENSION BENEFITS	OTHER BENEFITS
2008	(921)	(107)
2009	(943)	(113)
2010	(965)	(120)
2011	(987)	(127)
2012	(1,009)	(134)
2013–2017	(5,399)	(789)
Total estimated future benefit payments	(10,224)	(1,390)

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.

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 other employee future benefit plans.

	PENSION BENEFITS			OTHER BENEFITS		
	2007	2006	2005	**2007**	2006	2005
Bell Aliant	**(97)**	(116)	(178)	**(7)**	(7)	(6)
Bell Canada	**(168)**	(42)	(21)	**(89)**	(89)	(87)
BCE Inc.	**–**	(8)	(7)	**–**	–	–
Telesat	**–**	(6)	–	**–**	–	–

Total	**(265)**	(172)	(206)	**(96)**	(96)	(93)
Comprised of:						
Contributions to DB plans	**(232)**	(147)	(201)	**(96)**	(96)	(93)
Contributions to DC plans	**(33)**	(25)	(5)	**–**	–	–

We expect to contribute approximately $195 million to all of our defined benefit pension plans in 2008, subject to actuarial valuations being completed. We expect to pay approximately $105 million to beneficiaries under other employee benefit plans in 2008. We expect to contribute approximately $40 million to the DC pension plans in 2008.

Note 25: Commitments and Contingencies

CONTRACTUAL OBLIGATIONS

The following table is a summary of our contractual obligations at December 31, 2007 that are due in each of the next five years and thereafter.

	2008	2009	2010	2011	2012	THERE-AFTER	TOTAL
Long-term debt (excluding capital leases)	71	1,616	929	1,006	510	5,572	9,704
Notes payable and bank advances	254	–	–	–	–	–	254
Capital leases	474	235	149	162	81	747	1,848
Operating leases	216	210	164	142	115	733	1,580
Commitments for capital expenditures	169	80	116	85	89	1,535	2,074
Purchase obligations	1,474	579	435	390	180	401	3,459
Other long-term liabilities (including current portion)	38	41	43	46	–	–	168
Total	2,696	2,761	1,836	1,831	975	8,988	19,087

Long-term debt and notes payable and bank advances include $340 million drawn under our committed credit facilities. They do not include $523 million of letters of credit. The total amount available under these committed credit facilities and under our commercial paper programs, including the amount currently drawn, is $2.8 billion. Current commercial paper credit lines expire in August 2009 and Bell Aliant's current commercial paper credit lines expire in July 2011.

BCE Inc., Bell Canada and Bell Aliant may issue notes under their commercial paper programs up to the amount of their supporting committed lines of credit. The total amount of these supporting committed lines of credit available (net of letters of credit) was $1.7 billion at December 31, 2007. BCE Inc., Bell Canada and Bell Aliant had no commercial paper outstanding at December 31, 2007.

Bell Canada can issue up to $400 million of Class E notes under its commercial paper programs. These notes are not supported by committed lines of credit and may be extended in certain circumstances. Bell Canada had no Class E notes outstanding at December 31, 2007.

Imputed interest included in capital leases is $486 million.

Rental expense relating to operating leases was $263 million in 2007, $275 million in 2006 and $312 million in 2005.

Purchase obligations consist mainly of contractual obligations under service contracts. Our commitments for capital expenditures include investments to expand and update our networks, and to meet customer demand.

Refer to Note 4, *Restructuring and Other* for commitments to relocate employees to campus environments.

Other long-term liabilities included in the table relate to Bell Canada's future payments over the remaining life of its contract with Amdocs Canadian Managed Services, Inc. for the development of Bell Canada's billing system. The total amount was $168 million at December 31, 2007.

At December 31, 2007, we had other long-term liabilities that were not included in the table, including an accrued employee benefit liability, future income tax liabilities, deferred revenue and gains on assets and various other long-term liabilities.

The accrued employee benefit liability and future income tax liabilities are excluded as we cannot accurately determine the timing and cash requirements as:

- future contributions to the pension plans depend largely on how well they are funded. This varies based on the results of actuarial valuations that are performed periodically and on the investment performance of the pension fund assets.
- future payments of income taxes depend on the amount of taxable earnings and on whether there are tax loss carryforwards available to reduce income tax liabilities.

Deferred revenue and gains on assets are excluded as they do not represent future cash payments.

COMMITMENT UNDER THE CRTC DEFERRAL ACCOUNT MECHANISM

Bell Canada's accumulated deferral account commitment as at December 31, 2006 was estimated at $479 million, which was increased to $488 million as a result of further CRTC decisions during 2007. The clearing of the deferral account is subject to CRTC approval.

On February 16, 2006, the CRTC issued Telecom Decision 2006-9, in which it determined the ways in which incumbent telephone companies should clear the accumulated balances in their deferral accounts. On September 1, 2006, Bell Canada and Bell Aliant filed their proposals for clearing the accumulated balances in their deferral accounts, proposing to improve access to communications for persons with disabilities (5% of the estimated balance) and to extend broadband access to some 220,000 potential customers in 264 communities across Ontario and Québec where it would not otherwise be made available on a commercial basis.

On December 28, 2007, the CRTC approved the use of $37 million of deferral account funds to expand broadband service to 16 of 264 communities proposed by Bell Canada that otherwise would not receive broadband service because it is uneconomic. Since the assets are impaired, we have accrued $37 million in restructuring and other to reflect the cost of this expansion (see Note 4, *Restructuring and Other*).

Bell Canada's accumulated deferral account commitment at December 31, 2007 was estimated to be $451 million, with an estimated future annualized commitment of $1.4 million. On March 3, 2008, Bell Canada and Bell Aliant filed proposed reductions to rates for stand-alone local residential telephone access services in regulated exchanges within the non-high-cost serving area portions of their Ontario and Québec serving areas which, if approved, would eliminate Bell Canada's future annualized commitment. As of December 31, 2007, Bell Aliant does not have an accumulated deferral account balance or an estimated future annualized commitment.

On January 17, 2008, the CRTC issued Telecom Decision 2008-1 in which it approved the use of deferral account funds to extend broadband service to an additional 85 communities in Ontario and Québec. Together with the 16 communities already approved, a total of 101 communities would benefit from broadband deployment using funds from the deferral account. The CRTC has directed Bell Canada to file a proposed roll-out plan and updated costs by March 17, 2008. We expect to record a charge in restructuring and other in the first quarter of 2008 for this uneconomic expansion. The CRTC also indicated that 22 additional communities are still subject to further review. In the same decision, the CRTC also approved Bell Canada's proposed initiatives to improve access to telecommunications services for persons with disabilities, amounting to $24 million. Finally, the CRTC directed Bell Canada to rebate any balance remaining in its deferral account to residential subscribers in urban, non-high-cost serving areas within the Ontario and Québec portions of the serving areas of Bell Canada and Bell Aliant, and to file, by March 25, 2008, proposals to rebate such funds. The rebate proposals should outline how rebates could be made most effectively, both in terms of benefit to customers and minimal disruption to Bell Canada.

The issue of rebates and broadband expansion using deferral account funds, however, was before the Federal Court of Appeal in connection with two separate appeals launched by Bell Canada and by certain consumer groups. Bell Canada had appealed the legality of the CRTC's jurisdiction to order retroactive rebates while the consumer groups had appealed the decision to permit the use of deferral account funds to expand the availability of broadband services. These appeals were heard in January 2008 by the Federal Court of Appeal.

In an order dated January 25, 2008, the Federal Court of Appeal issued a stay of Telecom Decision 2006-9, thus effectively suspending the disposition of funds in the deferral accounts except for the improvement of accessibility to communications services for persons with disabilities. In that order, the Federal Court of Appeal noted that the stay will expire on the Court's determination of the appeals, or upon determination of any leave to appeal application to the Supreme Court of Canada, if such leave to appeal is sought within the statutory time limit. On February 11, 2008, Bell Canada filed a notice of motion with the Federal Court of Appeal for leave to appeal Telecom Decision 2008-1 and to stay that decision, except as it relates to initiatives for the improvement of accessibility to communications services for persons with disabilities. Bell Canada and Bell Aliant also filed a letter with the CRTC, dated February 15, 2008, seeking to defer the filing of follow-up information pertaining to broadband expansion and rebates which the CRTC directed them to file in Telecom Decision 2008-1, until such time as the stay is denied or, if the stay is granted, until the substance of the appeals is addressed by the Federal Court of Appeal and the stay is lifted. On February 22, 2008, the CRTC approved this request.

On April 30, 2007, the CRTC issued Telecom Decision 2007-27, in which it set out the parameters of the new price cap regime that came into effect June 1, 2007. In that decision, the CRTC eliminated the deferral account mechanism. Consequently, there are no new incremental deferral account obligations from June 1, 2007 onwards.

Due to the nature and number of uncertainties which remain concerning the disposition of funds remaining in Bell Canada's deferral account, we are unable to estimate the impact of Telecom Decision 2008-1 and outstanding proceedings on our financial results at this time.

LITIGATION

We become involved in various claims and litigation as a part of our business. This section describes important legal proceedings. While we cannot predict the final outcome of the claims and litigation described below or of any other pending claims and litigation at December 31, 2007, based on the information currently available and management's assessment of the merits of such claims and litigation, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operation. Based on the information currently available, we believe that we have strong defences and we intend to vigorously defend our position.

Teleglobe Lending Syndicate Lawsuit

On July 12, 2002, some members of the Teleglobe Inc. and Teleglobe Holdings (U.S.) Corporation (collectively, Teleglobe) lending syndicate filed a lawsuit against BCE Inc. in the Ontario Superior Court of Justice. The lawsuit includes several allegations, including that BCE Inc. and its management, in effect, made a legal commitment to repay the advances the plaintiffs made as members of the lending syndicate, and that the Court should disregard Teleglobe Inc. as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

On November 2, 2004, Canadian Imperial Bank of Commerce and Canadian Imperial Bank of Commerce, N.Y. Agency withdrew from the lawsuit and on May 3, 2005, BNP Paribas (Canada) also withdrew from this lawsuit. BNP Paribas (Canada), which had advanced US$50 million to Teleglobe, is now pursuing a separate action against BCE Inc. and former Teleglobe directors and officers. The remaining plaintiffs claim damages of US$1.04 billion, plus interest and costs. This represents approximately 83% of the US$1.25 billion that the lending syndicate advanced to Teleglobe.

Kroll Restructuring Lawsuit

In February 2003, a lawsuit was filed in the Ontario Superior Court of Justice by Kroll Restructuring Ltd., in its capacity as interim receiver of Teleglobe Inc., against five former directors of Teleglobe Inc. This lawsuit was filed in connection with Teleglobe Inc.'s redemption of its third

series preferred shares in April 2001 and the retraction of its fifth series preferred shares in March 2001.

The plaintiff is seeking a declaration that such redemption and retraction were prohibited under the *Canada Business Corporations Act* and that the five former directors should be held jointly and severally liable to restore to Teleglobe Inc. all amounts paid or distributed on such redemption and retraction, being an aggregate of approximately $661 million, plus interest.

On February 26, 2007, the five former directors filed a third-party claim in the Ontario Superior Court of Justice against the former third series preferred shareholders of Teleglobe Inc. As provided by the *Canada Business Corporations Act*, the third party claim seeks to recover from those former third series preferred shareholders any amounts the former directors may have to restore to Teleglobe Inc. as a result of this lawsuit, on account of the redemption of the third series preferred shares.

While BCE Inc. is not a defendant in this lawsuit, Teleglobe Inc. was at the relevant time a subsidiary of BCE Inc. Pursuant to standard policies and subject to applicable law, the five former Teleglobe Inc. directors are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

Teleglobe Inc. Unsecured Creditors Lawsuit

On May 26, 2004, a lawsuit was filed in the United States Bankruptcy Court for the District of Delaware. The United States District Court for the District of Delaware subsequently withdrew the reference from the Bankruptcy Court and the matter is now pending in the District Court for the District of Delaware. The lawsuit is against BCE Inc. and 10 former directors and officers of Teleglobe Inc. and certain of its subsidiaries. The plaintiffs are comprised of Teleglobe Communications Corporation, certain of its affiliated debtors and debtors in possession, and the Official Committee of Unsecured Creditors of these debtors. The lawsuit alleges breach of an alleged funding commitment of BCE Inc. towards the debtors, promissory estoppel, misrepresentation by BCE Inc. and breach and aiding and abetting breaches of fiduciary duty by the defendants. The plaintiffs seek an unspecified amount of damages against the defendants.

Teleglobe Inc. Plan Administrator Lawsuit

On November 16, 2005, Kathy Morgan, in her capacity as plan administrator for Teleglobe Inc., filed a lawsuit in the Ontario Superior Court of Justice against BCE Inc. and seven former directors of Teleglobe Inc. The plaintiff is seeking a declaration that Teleglobe Inc. and its creditors have been oppressed by the former directors of Teleglobe Inc. and by BCE Inc. within the meaning of the *Canada Business Corporations Act*. The plaintiff is also seeking a declaration that the former directors of Teleglobe Inc. breached their fiduciary duty to Teleglobe Inc. and failed to act in accordance with the standard of care prescribed under the *Canada Business Corporations Act*.

The plaintiff is seeking compensation for oppression in the amount of $3 billion and damages for breach of fiduciary duty in the amount of $3 billion, in each case plus interest and costs.

Class Action Concerning Bell Canada and Bell Mobility Inc. (Bell Mobility) Late Payment Charges

On June 27, 2006, a motion to obtain the authorization to institute a class action in the province of Québec was served against Bell Canada and Bell Mobility in the Québec City District of the Superior Court. The lawsuit was filed on behalf of all physical persons and companies in Canada that were billed late payment charges despite the fact that customers allegedly paid amounts owing to Bell Canada and Bell Mobility within the payment period indicated on their bills. On September 28, 2007, Bell Canada and Bell Mobility received an amended motion to obtain the authorization to institute a class action, pursuant to which the plaintiff indicated that it intended to act only for customers in the province of Québec.

On January 10, 2008, the Québec Superior Court issued a judgment granting the plaintiff's motion and authorizing the institution of a class action against Bell Canada and Bell Mobility. The members of the classes are all physical persons and companies in Québec, of 50 employees or less, who were billed late payment charges since June 21, 2003 after allegedly having made full payment of amounts owing to Bell Canada and/or Bell Mobility to a financial institution and/or, for Bell Mobility's customers only, by cheque, within the payment period indicated on their bills. The class action seeks an order requiring Bell Canada and Bell Mobility to repay all late payment charges to the members of the classes. In addition to the reimbursement of such amounts, the class action also seeks payment of punitive damages by Bell Canada and Bell Mobility.

Note 26: Guarantees

As a regular part of our business, we enter into agreements that provide for indemnifications and guarantees to counterparties that may require us to pay for costs and losses incurred in various types of transactions. We cannot reasonably estimate the maximum potential amount we could be required to pay counterparties. While some of the agreements specify a maximum potential exposure, many do not specify a maximum amount or limited period. The amount also depends on the outcome of future events and conditions, which cannot be predicted. Historically, we have not made any significant payments under these indemnifications or guarantees.

The following table represents guarantees that BCE has entered into that have a fixed maximum potential exposure, and their respective terms. BCE also has guarantees where no maximum potential amount is specified.

	2008	2009	2010	2011	2012+	INDEFI-NITE	TOTAL
Sale of assets and businesses	–	–	–	31	–	1,659	1,690
Sale of services	15	61	–	–	55	5	136
Purchase and development of assets	–	1	–	–	–	9	10
Other	10	8	5	7	8	4	42

Total	25	70	5	38	63	1,677	1,878

SALE OF ASSETS AND BUSINESSES

As part of transactions involving business dispositions and sales of assets, we may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties, loss or damages to property, environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences, earn-out guarantees if the disposed business does not meet specific targets, contingent liabilities of a disposed business, or reassessments of previous tax filings of the corporation that carries on the business.

A nominal amount has been accrued in the consolidated balance sheet relating to this type of indemnification or guarantee at December 31, 2007. Historically, we have not made any significant payments under this type of indemnification or guarantee.

SALE OF SERVICES

In transactions involving sales of services, we may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties, or changes in or in the interpretation of laws and regulations (including tax legislation).

No amount has been accrued in the consolidated balance sheet relating to this type of indemnification or guarantee at December 31, 2007. Historically, we have not made any significant payments under such indemnifications or guarantees.

PURCHASE AND DEVELOPMENT OF ASSETS

As part of transactions involving purchases and development of assets, we may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties, losses of or damages to property, or changes in or in the interpretation of laws and regulations (including tax legislation).

No amount has been accrued in the consolidated balance sheet relating to this type of indemnification or guarantee at December 31, 2007. Historically, we have not made any significant payments under such indemnifications or guarantees.

OTHER TRANSACTIONS

As part of other transactions, such as securitization agreements and operating leases, we may be required to pay counterparties for costs and losses incurred as a result of breaches of representations and warranties, losses of or damages to property, or changes in or in the interpretation of laws and regulations (including tax legislation).

A nominal amount has been accrued in the consolidated balance sheet relating to this type of indemnification or guarantee at December 31, 2007. Historically, we have not made any significant payments under such indemnifications or guarantees.

Note 27: Supplemental Disclosure for Statements of Cash Flows

	2007	2006	2005
Cash used in non-cash operating assets and liabilities is as follows:			
Accounts receivable	**57**	(85)	518
Other current assets	**(25)**	(52)	(31)
Other long-term assets	**(118)**	(52)	(83)
Accounts payable and accrued liabilities	**71**	(259)	(674)
Interest payable	**(23)**	(6)	(1)
Other long-term liabilities	**(11)**	(9)	(138)
Other	**39**	218	28
Total cash used in non-cash operating assets and liabilities	**(10)**	(245)	(381)

Glossary

ARPU and ARPS
Average revenue per unit and average revenue per subscriber represent measurements of the average revenue generated by each unit or subscriber, expressed as a rate per month for the year.

Black-Scholes Option Pricing Model
The Black-Scholes option pricing model is the financial model we use to calculate the weighted-average fair value of a stock option granted using four key assumptions: stock dividend yield, expected stock volatility, risk-free interest rate and expected life of the stock option.

Book Value Per Share
This is common shareholders' equity divided by the number of common shares outstanding.

Capital Intensity
This is capital expenditures divided by operating revenues.

Cash Flow Per Share
This is calculated by dividing cash from operating activities less capital expenditures by the average number of common shares outstanding.

Cash Flow Yield
This is cash from operating activities less capital expenditures, other investing activities, dividends on preferred shares and dividends paid by subsidiaries to non-controlling interest, divided by the number of common shares outstanding at the end of the year and multiplied by the share price at the end of the year.

Churn
This is the rate at which existing subscribers cancel their services. Churn is calculated as the number of subscribers disconnected divided by the average subscriber base.

Common Dividend Payout Ratio
Dividends paid on common shares divided by net earnings applicable to common shares.

Common Dividend Yield
Dividends paid on common shares divided by BCE Inc.'s share price at the end of the year multiplied by the number of common shares outstanding.

Cost of Acquisition
COA is also referred to as subscriber acquisition costs. This measure is expressed per gross activation. It includes costs associated with acquiring a customer such as hardware subsidies, marketing and distribution costs.

Cost Method
The investment is recorded at cost. Dividends received or receivable from the investment are included in our net earnings, with no adjustment to the carrying amount of the investment.

Curtailment
A curtailment is a significant reduction in plan benefits that can result when a defined benefit pension plan is amended or restructured. Types of curtailments include a reduction in the expected number of years of future service of active employees or the elimination of the right to earn defined benefits for some or all of the future service of employees.

Digital Equivalent Access Lines
These are derived by converting low-capacity data lines (DS-3 and lower) to the equivalent number of voice-grade access lines.

EBITDA
We define EBITDA (earnings before interest, taxes, depreciation and amortization of intangible assets) as operating revenues less cost of revenue and selling, general and administrative expenses, meaning it represents operating income before depreciation, amortization of intangible assets and restructuring and other.

EBITDA Margin
This is EBITDA divided by operating revenues.

EBITDA to Interest Ratio
EBITDA divided by interest expense.

Free Cash Flow
We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities.

Glossary

Goodwill
Goodwill may be created when we acquire a business. It is calculated by deducting the fair value of the net assets acquired from the consideration given and represents the value of factors that contribute to greater earning power, such as a good reputation, customer loyalty or intellectual capital.

Long-Term Debt to Equity
This is long-term debt (including any portion due within one year) divided by shareholders' equity.

Market Capitalization
This is BCE Inc.'s share price at the end of the year multiplied by the number of common shares outstanding.

Net Debt to Capitalization Ratio
This is net debt divided by our capitalization (total net debt, non-controlling interest and shareholders' equity).

Net Debt to EBITDA
This is net debt divided by EBITDA.

Operating Margin
Operating income divided by operating revenues.

Price to Book Ratio
BCE Inc.'s share price divided by the book value per share.

Price to Cash Flow Ratio
BCE Inc.'s share price at the end of the year divided by the cash flow per share.

Price to Earnings Ratio
BCE Inc.'s share price at the end of the year divided by earnings per share.

Return on Equity
Return on common shareholders' equity is net earnings available to common shares as a percentage of average common shareholders' equity.

Settlement
A company makes a settlement when it substantially settles all or part of an accrued benefit obligation. An example is a lump-sum cash payment to employees in exchange for their rights to receive future benefits.

Total Debt to Total Assets
Total long-term debt (including debt due within one year) divided by total assets.

Translation of Foreign Currencies
The way we account for a foreign operation depends on whether it is self-sustaining or integrated. A self-sustaining foreign operation is largely independent of the parent company. An integrated foreign operation depends on the parent company to finance or run its operations.

Board of Directors

As at March 5, 2008

Richard J. Currie, O.C.
Toronto, Ontario
Chair of the Board,
BCE Inc. and Bell Canada
Director since May 1995

André Bérard, O.C.
Montréal, Québec
Corporate Director
Director since January 2003

Ronald A. Brenneman
Calgary, Alberta
President and Chief Executive Officer,
Petro-Canada
Director since November 2003

Anthony S. Fell, O.C.
Toronto, Ontario
Corporate Director
Director since January 2002

Donna Soble Kaufman
Toronto, Ontario
Corporate Director and Lawyer
Director since June 1998

Brian M. Levitt
Montréal, Québec
Partner and Co-Chair,
Osler, Hoskin & Harcourt LLP
Director since May 1998

The Honourable Edward C. Lumley, P.C.
South Lancaster, Ontario
Vice-Chairman,
BMO Nesbitt Burns Inc.
Director since January 2003

Judith Maxwell, C.M.
Ottawa, Ontario
Research Fellow, Canadian Policy,
Research Networks Inc.
Director since January 2000

John H. McArthur
Massachusetts, U.S.A.
Dean Emeritus, Harvard University,
Graduate School of
Business Administration
Director since May 1995

Thomas C. O'Neill, F.C.A.
Toronto, Ontario
Corporate Director and
Chartered Accountant
Director since January 2003

James A. Pattison, O.C., O.B.C.
Vancouver, British Columbia
Chairman and Chief Executive Officer,
The Jim Pattison Group
Director since February 2005

Robert C. Pozen
Massachusetts, U.S.A.
Chairman of the Board,
MFS Investment Management
Director since February 2002

Michael J. Sabia
Montréal, Québec
President and Chief Executive Officer,
BCE Inc., and
Chief Executive Officer, Bell Canada
Director since October 2002

Paul M. Tellier, P.C., C.C., Q.C.
Montréal, Québec
Corporate Director
Director since April 1999

Victor L.Young, O.C.
St. John's, Newfoundland and Labrador
Corporate Director
Director since May 1995

COMMITTEES OF THE BOARD
Members of Committees of the Board

AUDIT COMMITTEE
T.C. O'Neill *(Chair)*, A. Bérard, A.S. Fell, J. Maxwell, V.L.Young

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 auditor
- the performance of both the external and internal auditors
- management's responsibility for reporting on internal controls and risk management.

PENSION FUND COMMITTEE
R.C. Pozen *(Chair)*, R.A. Brenneman, B.M. Levitt, P.M. Tellier, V.L.Young

The PFC assists the board in the oversight of:

- the administration, funding and investment of BCE Inc.'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.

CORPORATE GOVERNANCE COMMITTEE
D. Soble Kaufman *(Chair)*, A. Bérard, E.C. Lumley, J.H. McArthur, J.A. Pattison

The CGC assists the board in:

- developing and implementing BCE Inc.'s corporate governance 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.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE
R.J. Currie *(Chair)*, R.A. Brenneman, A.S. Fell, J.H. McArthur, R.C. Pozen

The MRCC assists the board in the oversight of the:

- compensation, nomination, evaluation and succession of officers and other management personnel
- health and safety policies and practices.

Executives

As at March 5, 2008

Michael J. Sabia
President and Chief Executive Officer of BCE Inc. – Chief Executive Officer of Bell Canada

George A. Cope
President and Chief Operating Officer, Bell Canada

Stéphane Boisvert
President – Enterprise, Bell Canada

Ron Close
President – Bell New Ventures, BCE Inc. and Bell Canada

Kevin W. Crull
President – Residential Services, Bell Canada

William J. Fox
Executive Vice-President – Communications and Corporate Development, BCE Inc. and Bell Canada

Leo Houle
Chief Talent Officer, BCE Inc. and Bell Canada

Lawson A.W. Hunter
Executive Vice-President and Chief Corporate Officer, BCE Inc. and Bell Canada

Wade Oosterman
President – Bell Mobility and Channels and Chief Brand Officer, Bell Canada

Patrick Pichette
President – Operations, Bell Canada

Eugene Roman
Group President – Systems and Technology, Bell Canada

Karen H. Sheriff
President – Small and Medium Business, Bell Canada

Scott L. Thomson
Executive Vice-President – Corporate Development and Planning, BCE Inc. and Bell Canada

Martine Turcotte
Chief Legal Officer, BCE Inc. and Bell Canada

Siim A. Vanaselja
Chief Financial Officer, BCE Inc. and Bell Canada

Shareholder Information – Tax Information

DIVIDENDS AND CAPITAL GAINS ON YOUR SHARES

Shareholders are required to pay tax on dividends as well as any capital gains they realize when they sell their shares or are deemed to have sold them. 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 on the tax implications impact on your cost or visit *www.bce.ca*.

Since January 1, 2006 and unless stated otherwise, dividends paid by BCE and Bell Canada 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 and Bell Canada also qualify as eligible dividends for the purpose of the *Quebec Taxation Act* as per the proposed changes announced during the March 23, 2006 provincial Budget speech.

FOREIGN INVESTORS

Dividends paid or credited to non-residents of Canada are subject to a 25% withholding tax unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents are subject to a 15% withholding tax.

U.S. INVESTORS

We are required to solicit taxpayer identification numbers (TIN) and Internal Revenue Service (IRS) Form W-9 certifications of residency from certain U.S. investors. Where these have not been received, we may be required to deduct the IRS' specified backup withholding tax.

For additional information, please contact our Investor Relations or the transfer agent, Computershare Trust Company of Canada.

CONTACT INFORMATION

For shareholder account inquiries, contact:

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1

e-mail bce@computershare.com
tel 514 982-7555 or 1 800 561-0934
(toll free in Canada and the U.S.)
fax 416 263-9394 or 1 888 453-0330
(toll free in Canada and the U.S.) or visit their website at www.computershare.com

For any other questions, contact:

Investor Relations
1000 de La Gauchetière Street West, Suite 3700,
Montréal, Québec H3B 4Y7

e-mail investor.relations@bce.ca
tel 1 800 339-6353
fax 514 786-3970
or visit the Investors section on our website at www.bce.ca

Trademarks: The following is a list of all our trademarks referred to and used as such in this annual report. Bell, Bell Mobility and Sympatico are trademarks of Bell Canada; ExpressVu is a trademark of Bell ExpressVu Limited Partnership; Nimiq and Anik are trademarks of Telesat Canada; SmartTouch is a trademark of Stentor Resource Centre Inc. Any other trademarks, or corporate, trade or domain names used in this report are the property of their owners. We believe that our trademarks and domain names are very important to our success. Our exclusive trademark rights are perpetual provided that their registrations are timely renewed and that the trademarks are used in commerce by us or our licensees. We take appropriate measures to protect, renew and defend our trademarks. We also spend considerable time and resources overseeing, registering, renewing, licensing and protecting our trademarks and domain names and prosecuting those who infringe on them. We take great care not to infringe on the intellectual property and trademarks of others.

Cette publication est disponible en français. BCE's Annual Report is printed with vegetable-based ink and is recyclable.



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Exhibit 99.3

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 5, 2008 relating to the financial statements of BCE Inc., to the reconciliation of Canadian GAAP to United States GAAP and to BCE Inc.'s internal control over financial reporting appearing in the annual report on Form 40-F of BCE Inc. for the year ended December 31, 2007.

We also consent to the incorporation by reference in Registration Statements No. 333-12130 on Form F-3 and No. 333-12780, 333-12802 and 333-12804 on Form S-8 of our reports dated March 5, 2008 relating to the financial statements of BCE Inc., to the reconciliation of Canadian GAAP to United States GAAP and to BCE Inc.'s internal control over financial reporting appearing in the annual report on Form 40-F of BCE Inc. for the year ended December 31, 2007.

(signed) Deloitte & Touche LLP
Deloitte & Touche LLP
Independent Registered Chartered Accountants

Montréal, Canada
March 5, 2008

Exhibit 99.4

RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP

We, our and BCE means BCE Inc., its subsidiaries and joint ventures.

Our annual consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This reconciliation of Canadian GAAP to United States GAAP should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2007. Material differences between Canadian GAAP and United States GAAP are quantified and described below:

Consolidated Statements of Operations

For the year ended December 31,			
(in $ millions, except share amounts)	**2007**	2006 [p]	2005 [p]
Earnings from continuing operations - Canadian GAAP	**3,918**	1,880	1,823
Differences:			
Cost of revenue, exclusive of depreciation and amortization			
Leases [k]	**(8)**	-	-
Selling, general and administrative expenses			
Deferred costs [a]	**(3)**	(13)	(12)
Employee benefit plans [b]	**32**	(24)	(105)
Amortization expense			
Deferred costs [a]	**16**	18	17
Capitalized interest [h]	**(62)**	(50)	-
Leases [k]	**7**	-	-
Other income (expense)			
Income from joint venture [d]	**-**	59	46
Net change in unrealized (losses) gains on derivatives [e]	**(4)**	2	(1)
Gain on distribution of Bell Aliant and dilution gain [j]	**(4)**	1,540	-
Sale of businesses [f]	**(19)**	-	-
Interest expense			
Capitalized interest [h]	**111**	116	-
Leases [k]	**1**	-	-
Income taxes			
Tax effect of the above items	**(30)**	(22)	32
Unrecognized tax benefits [i]	**(240)**	-	-
Non-controlling interest [a] [b]	**(2)**	10	7
Earnings from continuing operations - U.S. GAAP	**3,713**	3,516	1,807
Discontinued operations - Canadian GAAP	**139**	127	138
Differences [d] [f]	**-**	(61)	(45)
Discontinued operations - U.S. GAAP	**139**	66	93
Net earnings - U.S. GAAP	**3,852**	3,582	1,900
Dividends on preferred shares - Canadian GAAP	**(131)**	(70)	(70)
Differences [e]	**-**	(15)	(15)
Dividends on preferred shares - U.S. GAAP	**(131)**	(85)	(85)
Net earnings applicable to common shares - U.S. GAAP	**3,721**	3,497	1,815
Net earnings per common share - basic, U.S. GAAP			
Continuing operations	**4.45**	3.98	1.86
Discontinued operations	**0.17**	0.08	0.10
Net earnings	**4.62**	4.06	1.96
Net earnings per common share - diluted, U.S. GAAP			
Continuing operations	**4.44**	3.98	1.86
Discontinued operations	**0.17**	0.08	0.10

Net earnings	**4.61**	4.06	1.96

Consolidated Statements of Comprehensive Income

For the year ended December 31,			
(in $ millions)	**2007**	2006 (p)	2005 (p)
Other comprehensive income (loss), net of income taxes and non-			
controlling interest - Canadian GAAP	**63**	71	(17)
Differences:			
Net change in unrealized gains on available-for-sale financial assets (g)	**-**	(18)	37
Net change in gains on derivatives designated as cash flow hedges (e)	**-**	(2)	(16)
Additional minimum pension liability (b)	**-**	1,132	(1,112)
Employee benefit plans (b) (c)	**566**	-	-
Other comprehensive income (loss) - U.S. GAAP	**629**	1,183	(1,108)
Net earnings - U.S. GAAP	**3,852**	3,582	1,900
Comprehensive income - U.S. GAAP	**4,481**	4,765	792

Consolidated Statements of Accumulated Other Comprehensive Loss

At December 31, ***(in $ millions)***	**2007**	2006
Currency translation adjustment	**(4)**	(2)
Available-for-sale financial assets and derivatives designated as cash flow hedges (e) (g)	**74**	7
Employee benefit plans (b) (c)		
Net actuarial losses	**(1,025)**	(1,355)
Net past service costs	**77**	(62)
Net transitional obligations	**2**	(95)
Accumulated other comprehensive loss - U.S. GAAP	**(876)**	(1,507)

Consolidated Balance Sheets

At December 31,	**2007**			2006		
	Canadian			**Canadian**		**U.S.**
(in $ millions)	**GAAP**	**Differences**	**U.S. GAAP**	**GAAP**	**Differences**	**GAAP**
ASSETS						
Current assets						
Cash and cash equivalents	**2,658**	**-**	**2,658**	569	-	569
Accounts receivable	**1,940**	**-**	**1,940**	1,864	-	1,864
Future income taxes	**71**	**-**	**71**	662	-	662
Inventory	**266**	**-**	**266**	329	-	329
Prepaid expenses	**277**	**-**	**277**	235	-	235
Current assets of discontinued operations	**-**	**-**	**-**	25	-	25
Total current assets	**5,212**	**-**	**5,212**	3,684	-	3,684
Capital assets						
Property, plant and equipment (h) (k)	**18,600**	**537**	**19,137**	19,533	511	20,044
Finite-life intangible assets (a) (h)	**2,491**	**47**	**2,538**	2,546	41	2,587
Indefinite-life intangible assets	**2,913**	**-**	**2,913**	2,902	-	2,902
Total capital assets	**24,004**	**584**	**24,588**	24,981	552	25,533
Other long-term assets (n)	**2,674**	**(974)**	**1,700**	3,030	(570)	2,460
Goodwill (j)	**5,907**	**64**	**5,971**	5,475	68	5,543
Non-current assets of discontinued operations	**-**	**-**	**-**	1	-	1
Total assets	**37,797**	**(326)**	**37,471**	37,171	50	37,221
LIABILITIES						
Current liabilites						

Accounts payable and accrued liabilites [e] [h]	**3,293**	**17**	**3,310**	3,234	14	3,248
Interest payable	**145**	**-**	**145**	165	-	165
Dividends payable	**337**	**-**	**337**	315	-	315
Debt due within one year [k] [m]	**717**	**(7)**	**710**	972	14	986
Current liabilities of discontinued operations	**-**	**-**	**-**	2	-	2
Total current liabilities	**4,492**	**10**	**4,502**	4,688	28	4,716
Long-term debt [e] [k] [m]	**10,621**	**36**	**10,657**	11,795	37	11,832
Other long-term liabilities [n]	**4,349**	**215**	**4,564**	5,139	1,635	6,774
Non-current liabilities of discontinued operations	**-**	**-**	**-**	2	-	2
Total liabilities	**19,462**	**261**	**19,723**	21,624	1,700	23,324
Non-controlling interest [a] [b] [e]	**1,103**	**(348)**	**755**	2,180	(419)	1,761
SHAREHOLDERS' EQUITY						
Preferred shares	**2,770**	**-**	**2,770**	1,670	-	1,670
Common shareholders' equity						
Common shares [l]	**13,536**	**(65)**	**13,471**	13,487	(65)	13,422
Contributed surplus [j]	**2,537**	**(1,540)**	**997**	2,555	(1,540)	1,015
Accumulated other comprehensive						
income (loss) [b] [c] [e] [g]	**68**	**(944)**	**(876)**	(2)	(1,505)	(1,507)
Retained earnings (deficit)	**(1,679)**	**2,310**	**631**	(4,343)	1,879	(2,464)
Total common shareholders' equity	**14,462**	**(239)**	**14,223**	11,697	(1,231)	10,466
Total shareholders' equity	**17,232**	**(239)**	**16,993**	13,367	(1,231)	12,136
Total liabilities and shareholders' equity	**37,797**	**(326)**	**37,471**	37,171	50	37,221

Consolidated Statements of Cash Flows

For the Year Ended December 31,			
(in $ millions)	**2007**	2006 [p]	2005 [p]
Cash flows from operating activities - Canadian GAAP	**5,704**	5,366	5,319
Differences:			
Deferred costs [a]	**(3)**	(13)	(12)
Capitalized interest [h]	**111**	116	-
Income from joint venture [d]	**-**	(112)	16
Cash flows from operating activities - U.S. GAAP	**5,812**	5,357	5,323
Cash flows used in investing activities - Canadian GAAP	**(69)**	(3,701)	(3,762)
Differences:			
Deferred costs [a]	**3**	13	12
Capitalized interest [h]	**(111)**	(116)	-
Proceeds from sale of joint venture [d]	**-**	849	-
Cash flows used in investing activities - U.S. GAAP	**(177)**	(2,955)	(3,750)
Cash flows used in financing activities - Canadian and U.S. GAAP	**(3,914)**	(3,639)	(1,613)
Cash flows from (used in) continuing operations - U.S. GAAP	**1,721**	(1,237)	(40)
Cash flows from discontinued operations activities - U.S. GAAP	**3**	91	238
Cash flows from (used in) discontinued investing activities - U.S. GAAP	**353**	655	(102)
Cash flows from (used in) discontinued financing activities - U.S. GAAP	**-**	627	(31)
Net increase in cash and cash equivalents	**2,077**	136	65
Cash and cash equivalents at beginning of year	**581**	445	380
Cash and cash equivalents at end of year	**2,658**	581	445
Consists of:			
Cash and cash equivalents of continuing operations	**2,658**	569	344
Cash and cash equivalents of discontinued operations	**-**	12	101
Total	**2,658**	581	445

DESCRIPTION OF UNITED STATES GAAP DIFFERENCES

(a) Deferred Costs

Under Canadian GAAP, certain expenses, such as development costs and pre-operating expenses, are deferred and amortized if they meet specified criteria. Under United States GAAP, these costs must be expensed as incurred.

(b) Employee Benefit Plans

Effective December 31, 2006, we adopted the recognition requirements of the Financial Accounting Standards Board ("FASB") Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, on a prospective basis. This standard requires that we:

- Recognize the funded status of benefit plans in the balance sheet by aggregating overfunded plans separately from underfunded plans and recording the resulting amounts as an asset and a liability, respectively.
- Recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and past service costs or credits that arise during the period.

At December 31, 2006, the balance sheet, including the additional minimum pension liability, was adjusted such that actuarial gains or losses, prior service costs or credits, and transitional assets or obligations that had not yet been included in earnings at December 31, 2006 were recognized as components of accumulated other comprehensive loss, net of tax. The adjustment at December 31, 2006 resulted in an increase of $1,339 million in accumulated other comprehensive loss.

At December 31, 2006, the total adjustment to the balance sheet relating to employee benefit plans resulted in:

- a decrease of $1,086 million in accrued benefit asset
- an increase of $551 million in future income tax asset
- an increase of $1,868 million in accrued benefit liability
- a decrease of $339 million in future income tax liability
- a decrease of $388 million in non-controlling interest
- an increase of $1,512 million in accumulated other comprehensive loss
- a decrease of $164 million in retained earnings (deficit).

Prior to December 31, 2006, under United States GAAP, an additional minimum pension liability was recorded for the excess of the unfunded accumulated benefit obligation over the recorded pension benefit liability, with an offsetting intangible asset to the extent of the unrecognized prior service costs. Any remaining difference was recorded through other comprehensive income (loss).

Also, under Canadian GAAP, we recognize a pension valuation allowance for any excess of the accrued benefit asset over the related expected future benefit. Changes in the pension valuation allowance are recognized in the consolidated statement of operations. United States GAAP does not permit pension valuation allowances. Differences also arise from the use of the corridor method to amortize actuarial gains and losses for Canadian GAAP purposes.

The estimated net actuarial losses and net transitional obligations for pension benefits that will be amortized from accumulated other comprehensive loss into earnings over the next fiscal year are $64 million and $3 million, respectively.

(c) Post-Employment Benefits

In 2007, we announced the phase-out of other post-employment benefits for future retirees over the next 10 years. Under Canadian GAAP, this plan amendment reduces the unamortized transitional obligation and increases past service credits amortized over the expected average remaining service lives (EARSL) of affected employees. Under United States GAAP, this plan amendment was reflected as an increase in other comprehensive income (loss) of $209 million.

The estimated net actuarial losses and net past service costs for post-employment benefits that will be amortized from accumulated other comprehensive loss into earnings over the next fiscal year are $23 million and $12 million, respectively.

(d) Income from Joint Ventures

Under Canadian GAAP, we account for our interests in joint ventures using the proportionate consolidation method. Under United States GAAP, these interests would be accounted for using the equity method. This difference is not reflected in our United States GAAP reconciliation for those joint venture interests that qualify for the accommodation provided by the United States Securities and Exchange Commission.

One of our joint venture interests has been presented as discontinued operations under Canadian GAAP. Under United States GAAP, this investment is presented as part of continuing operations as it does not qualify for the above accommodation. Under United States GAAP, investments accounted for under the equity method cannot be presented as discontinued operations.

Our other joint venture interests accounted for using the proportionate consolidation method were not material to our financial position or results of operations.

(e) Derivative Instruments and Hedging Activities

The adoption of new Canadian accounting standards on financial instruments and hedge accounting effective January 1, 2007 substantially harmonized the accounting for derivative instruments and hedging activities under Canadian GAAP with United States GAAP, except for the accounting for certain embedded derivatives. Under Canadian GAAP, foreign-currency derivatives embedded in a non-financial instrument host contract are not bifurcated and separately accounted for when specified conditions are met. Differences may also arise with respect to the measurement of hedge ineffectiveness recorded in earnings.

Prior to the adoption of the new Canadian standards, significant differences arose between Canadian GAAP and United States GAAP with respect to the recognition of derivatives and accounting for certain hedging relationships. Under United States GAAP, all derivatives must be recorded on the balance sheet at fair value whereas under Canadian GAAP, certain derivatives were not recorded until settled. Also, under United States GAAP, the ineffective portion of the hedging instrument is reported in net earnings.

In 2003, we settled the dividend rate swaps used to hedge certain preferred shares. These dividend rate swaps were used to effectively convert the fixed-rate dividends on the preferred shares to floating-rate dividends. As of January 1, 2007, there is no difference between Canadian GAAP and United States GAAP. Prior to January 1, 2007, under Canadian GAAP, the proceeds received on settlement of these swaps were deferred and amortized against preferred dividends over the remaining original terms of the swaps. Under United States GAAP, these swaps did not qualify for hedge accounting and the settlement gain was recorded through earnings when realized.

(f) Sale of Businesses

Differences between Canadian GAAP and United States GAAP will cause corresponding differences in the carrying values of the net assets of certain disposed businesses, including those classified as discontinued operations.

(g) Investments

The adoption of the new Canadian GAAP accounting standards for financial instruments effective January 1, 2007 substantially harmonized the accounting for investments under Canadian GAAP with United States GAAP.

Prior to the adoption of the new Canadian standards, significant differences arose between Canadian GAAP and United States GAAP with respect to the measurement of certain securities. Under Canadian GAAP, our portfolio investments were recorded at cost. Under United States GAAP, equity investments in public companies classified as available-for-sale were carried at fair value, with any unrealized gains or losses included in other comprehensive income (loss), net of income taxes.

(h) Capitalized Interest

Under Canadian GAAP, we capitalize interest for significant assets under construction, whereas under United States GAAP borrowing costs must be capitalized for all assets under construction.

(i) Income Taxes

BCE and its subsidiaries are subject to Canadian federal and provincial income tax, and United States federal, state and local income tax. BCE has substantially concluded all Canadian federal and provincial income tax matters for the years through to 1999. Canadian federal income tax returns for taxation years ended December 31, 2000 through December 31, 2006 are currently under examination by the Canada Revenue Agency, which to date has not proposed any significant adjustments. No material matters pertaining to United States federal, state or local income tax matters are currently outstanding.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FAS 109, *Accounting for Income Taxes* ("FIN 48"), effective for fiscal years beginning after December 15, 2006. FIN 48 provides specific guidance on the recognition, de-recognition and measurement of income tax positions in financial statements, including the accrual of related interest and penalties. An income tax position is recognized when it is more likely than not that it will be sustained upon examination based on its technical merits, and is measured as the largest amount that is greater than 50% likely of being realized upon settlement. Under Canadian GAAP, we recognize

and measure income tax positions, including any related accruals for interest and penalties, based on our best estimate of the amount that is more likely than not of being realized.

As a result of the adoption of FIN 48, BCE recognized a $636 million decrease in the liability for unrecognized tax benefits as at January 1, 2007, with a corresponding decrease in our opening deficit as reported under United States GAAP.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Balance at January 1, 2007	664
Increases based on tax positions related to the current year	13
Increases for tax positions of prior years	70
Decreases for tax positions of prior years	(10)
Decreases in tax positions resulting from settlements	(188)
Balance at December 31, 2007	549

The balance of $549 million at December 31, 2007 includes $160 million of tax positions for which the ultimate deductibility is highly certain but

for which there is uncertainty as to the timing of deductibility. The disallowance of a shorter deductibility period would not affect the annual effective tax rate, except with respect to interest and penalties and the impact of declining income tax rates. The remaining $389 million of unrecognized tax benefits would, if recognized, favourably affect the effective income tax rate in any future periods. Subject to the results of audit examinations by taxing authorities and to legislative amendments, BCE does not anticipate adjustments to the amount of unrecognized tax benefits during the next twelve months that would have a material impact on its financial statements.

BCE records interest and penalties related to income tax positions in income tax expense. For the year ended December 31, 2007, BCE recognized approximately $15 million in interest and $nil in penalties. BCE had accrued $144 million for interest and $nil accrued for penalties at December 31, 2007 and $129 million and $nil, respectively, at December 31, 2006.

(j) Business Combinations and Goodwill

Under Canadian GAAP, certain business combinations have been accounted for at the carrying value of the underlying assets and liabilities exchanged, whereas under United States GAAP such transactions were recorded on a fair value basis. Changes in our ownership interest will cause a difference in any resulting gains or losses.

BCE's ownership interest in Bell Aliant was reduced through a distribution of trust units by way of a return of capital to holders of BCE Inc. common shares on July 10, 2006. This distribution resulted in an increase in contributed surplus of $1,547 million for Canadian GAAP. For United States GAAP purposes, the distribution of trust units is deemed to have occurred at fair value, with the resulting gain recognized in earnings. Therefore, the increase in contributed surplus under Canadian GAAP, adjusted for previously existing United States and Canadian GAAP differences, was recorded as a gain on distribution of trust units in earnings from continuing operations for United States GAAP purposes.

In 2007, BCE's ownership interest in Bell Aliant decreased, resulting in a dilution gain under Canadian GAAP. As there is a difference in the carrying value of BCE's investment in Bell Aliant

under United States GAAP, the resulting dilution gain recorded under Canadian GAAP has been adjusted.

(k) Leases

Under United States GAAP, leases entered into during the last 25% of the total estimated economic life of the leased asset are classified as operating leases unless we expect to obtain ownership of the leased asset by the end of the lease term. Under Canadian GAAP, we account for such leases as capital leases when we obtain substantially all of the benefits and risks incident to ownership of the leased asset.

(l) Share Issue Costs

Under United States GAAP, share issue costs are recorded as a reduction of the proceeds raised from the issuance of capital stock, whereas under Canadian GAAP we charge share issue costs to deficit.

(m) Debt Issue Costs

Under United States GAAP, debt issue costs incurred in connection with the issuance of debt securities or other long-term borrowings are recorded as deferred charges and amortized over the term of the debt. Under Canadian GAAP, these costs are classified with the corresponding debt on the balance sheet.

(n) Other Long-Term Assets and Other Long-Term Liabilities

At December 31, ***(in $ millions)***	**2007**	2006
Other long-term assets		
Deferred costs [a]	**(23)**	(38)
Employee benefit plans [b]	**(1,512)**	(1,247)
Future income taxes [i]	**507**	551
Debt issue costs [m]	**54**	86
Available-for-sale financial assets [g]	**-**	28
Derivative instruments [e]	**-**	50
	(974)	(570)

At December 31, ***(in $ millions)***	**2007**	2006
Other long-term liabilities		
Employee benefit plans [b]	**493**	1,707
Future income taxes and unrecognized tax benefits [i]	**(278)**	(168)
Derivative instruments [e]	**-**	96
	215	1,635

(o) Guarantees

Under Canadian GAAP, guarantees do not include indemnifications against intellectual property right infringement. Under United States GAAP, these indemnifications are included in guarantees. At December 31, 2007, such indemnifications amounted to $326 million (2006 - $1.2 billion), of which $110 million expires in 2008, nil in 2009, $45 million in 2010, nil in 2011, $166 million in 2012 and thereafter, and $5 million with an indefinite term. We also have guarantees where no maximum potential amount is specified.

(p) Comparative Periods

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), to address the observed diversity in quantification practices of unadjusted differences with respect to annual financial statements. SAB 108 requires that misstatements in the current year financial statements be quantified using both a balance sheet and an income statement approach and evaluated as to whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for fiscal years ending after November 15, 2006 and on initial application, permits a one-time cumulative effect adjustment to beginning retained earnings.

Effective December 31, 2006 we adopted SAB 108 and decreased our opening deficit as at January 1, 2006 as reported under United States GAAP by $328 million relating to the capitalization of borrowing costs.

(q) Future Accounting Changes

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("FAS 157"), which establishes a framework for measuring fair value in U.S. GAAP, and is applicable to other accounting pronouncements where fair value is considered to be the relevant measurement attribute. FAS 157 also expands disclosures about fair value measurements. FAS 157 is applicable for fiscal years beginning after November 15, 2007, except for certain non-financial assets and non-financial liabilities in which case it is applicable for fiscal years beginning after November 15, 2008. We do not expect the adoption of this new standard will have a material impact on our financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("FAS 159"). FAS 159 provides an entity the option to report selected financial assets and liabilities at fair value and establishes new disclosure requirements for assets and liabilities to which the fair value option is applied. This new standard is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of this new standard will have a material impact on our financial position or results of operations.

In December 2007, the FASB issued Statements No. 141 (revised 2007), *Business Combinations* ("FAS 141(R)"), and No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* ("FAS 160"). These new standards will significantly change the financial accounting and reporting of business combination transactions and non-controlling interests in consolidated financial statements. The most significant changes to FAS 141(R) and FAS 160 include requirements to:

- Recognize 100 percent of the fair values of assets acquired, liabilities assumed, and non-controlling interests in acquisitions of less than a 100 percent controlling interest when the acquisition results in a change in control of the acquired entity;
- Measure acquirer shares issued in consideration for a business combination at fair value on the acquisition date;
- Recognize contingent consideration arrangements at their acquisition-date fair values, with subsequent changes in fair value generally reflected in earnings;
- Expense, as incurred, acquisition-related transaction costs;
- Capitalize acquisition-related restructuring costs only if the criteria in Statement 146 are met as of the acquisition date; and
- Recognize non-controlling interest in subsidiaries at fair value and classify as a separate component of equity.

These new standards are effective for fiscal years beginning after December 15, 2008. We currently are evaluating the impact of the adoption of these new standards.

Exhibit 99.5

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS ON RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP

To the Board of Directors and Shareholders of BCE Inc.

We have audited the consolidated financial statements of BCE Inc. and subsidiaries (the "Company") as at December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007, and the Company's internal control over financial reporting as at December 31, 2007, and have issued our reports thereon dated March 5, 2008; such consolidated financial statements and reports are included in the 2007 Annual Report to Shareholders listed as Exhibit 99.2 on Form 40-F. Our audits also included the reconciliation from Canadian GAAP to United States GAAP of the Company listed as Exhibit 99.4 on Form 40-F. This reconciliation from Canadian GAAP to United States GAAP is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such reconciliation from Canadian GAAP to United States GAAP, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As disclosed in notes (i) and (b) to the reconciliation from Canadian GAAP to United States GAAP, the Company changed its method of accounting for income taxes in 2007 and for post-employment benefits in 2006.

(signed) Deloitte & Touche LLP
Deloitte & Touche LLP
Independent Registered Chartered Accountants

Montréal, Canada
March 5, 2008

Exhibit 99.8

Acknowledgment and consent letter, dated September 11, 2007, between BCE Inc. and 6796508 Canada Inc., in respect of the Definitive Agreement

September 11, 2007

6796509 Canada Inc.
c/o Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M 4H5
Attn: Dean Metcalf

Dear Sirs:

We refer to the Definitive Agreement dated as of June 29, 2007 (the " **Definitive Agreement**") between BCE Inc., a corporation existing under the laws of Canada, and 6796508 Canada Inc., a corporation incorporated under the laws of Canada. Capitalized terms used herein but not defined have the meanings ascribed thereto in the Definitive Agreement.

Further to our recent discussions, the Company and the Purchaser acknowledge that we intend to seek the Final Order pursuant to Section 192 of the CBCA shortly after the Company Meeting, subject to approval of the Arrangement Resolution by the Company's shareholders (i.e., before the condition in Section 8.1(d) of the Definitive Agreement has been satisfied or waived). We confirm that doing so is not a waiver by the Purchaser or the Company of the condition set out in Section 8.1(d) of the Definitive Agreement. Accordingly and consistent with our original expectations as to the timetable for completion of the transactions contemplated by the Definitive Agreement, we confirm that the commencement of the Marketing Period shall be delayed, at the Purchaser's election, for 15 calendar days (or such shorter period as the Purchaser may determine) after it would otherwise have begun in accordance with the terms of the Definitive Agreement.

Please evidence your acknowledgement of the foregoing, which, only to the extent required to give effect to the foregoing, shall constitute a waiver or amendment of the Definitive Agreement, by signing in the space indicated below and returning a copy of the same to the attention of the undersigned.

Yours very truly,

BCE INC.

Per: *(signed) Martine Turcotte*
Name: Martine Turcotte
Title: Chief Legal Officer

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Acknowledged and consented to this 11th day of September, 2007.

6796508 CANADA INC.

Per: *(signed) Dean Metcalf*
Name: Dean Metcalf
Title: Authorized Signing Officer

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cc: Dean Metcalf (Ontario Teachers' Pension Plan Board)
Mark J. Masiello (Providence Equity Partners Inc.)
James N. Perry, Jr. (Madison Dearborn Partners, LLC)
Jonathan Lampe (Goodmans LLP)
David Duffell (Weil, Gotshal & Manges LLP)
William S. Kirsch (Paul, Hastings, Janofsky & Walker LLP)
Martine Turcotte (BCE Inc.)

376000 v1b

Exhibit 99.31

CERTIFICATIONS

I, Michael J. Sabia, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 12, 2008

(signed) Michael J. Sabia
Michael J. Sabia
President and Chief Executive Officer
BCE Inc.

Exhibit 99.31

CERTIFICATIONS

I, Siim A. Vanaselja, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 12, 2008

(signed) Siim A. Vanaselja
Siim A. Vanaselja
Chief Financial Officer
BCE Inc.

Exhibit 99.32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of BCE Inc. (the "Company"), does hereby certify that:

the annual report on Form 40-F for the year ended December 31, 2007 of the Company (the "Form 40-F") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 12, 2008

(signed) Michael J. Sabia
Michael J. Sabia
President and Chief Executive Officer
BCE Inc.

Date: March 12, 2008

(signed) Siim A. Vanaselja
Siim A. Vanaselja
Chief Financial Officer
BCE Inc.

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