Q3 2013 Results Conference Call

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's 2013 third quarter earnings conference call, as reflected in this transcript, including, but not limited to, statements relating to our financial guidance (including revenues, EBITDA, capital intensity, Adjusted EPS and free cash flow), our business outlook, objectives, plans and strategic priorities, our dividend growth strategy, the benefits expected to result from the Astral Media Inc. (Astral) acquisition, the expectation that Astral will be accretive to BCE's earnings and free cash flow, the divestiture of certain of Astral's TV assets and of certain of Astral's and Bell Media's radio stations, our broadband fibre and IPTV networks investment and deployment plans, and other statements that are not historical facts, are forward-looking. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of November 7, 2013 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after November 7, 2013. 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. Forward-looking statements were made during BCE's 2013 third quarter earnings conference call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Material Assumptions

A number of economic, market, operational and financial assumptions were made by BCE in preparing certain forward-looking statements contained in this transcript, including, but not limited to:

Canadian Economic and Market Assumptions

- *Growth in the Canadian economy of 1.6% in 2013, based on the Bank of Canada's most recent estimate, a twenty basis point decrease compared with an earlier estimate of 1.8%;*
- *a slow pace of employment growth and new business formation affecting overall business customer demand;*
- *a sustained level of wireline and wireless competition in both consumer and business markets;*
- *higher wireline replacement, due primarily to increasing wireless and Internet-based technological substitution;*
- *increasing wireless industry penetration driven, in particular, by the accelerated adoption of smartphones, tablets and data applications, the expansion of LTE service in most urban and suburban markets, the proliferation of 4G devices, as well as population growth; and*
- *a soft advertising market for Bell Media.*

Operational Assumptions Concerning Bell Wireline (Excluding Bell Aliant)

- *Stabilizing residential NAS line erosion rate as our broadband investments in Fibe TV drive three-product household penetration, increase our multiple-dwelling units (MDUs) market share, and generate higher pull-through attach rates for our residential Internet and Home Phone services, subject to the risk of more aggressive promotional offers from our cable TV competitors and increasingly affordable Canada-wide unlimited wireless plans, which could lead to higher residential NAS line losses;*
- *increased subscriber acquisition at Bell TV to be driven by increased customer adoption of Fibe TV, as we further extend our IPTV broadband fibre footprint in areas of Ontario and Québec, and utilize our ability to seek greater penetration within the MDU market, and capitalize on our extensive retail distribution network (which includes The Source), and leadership position in high-definition (HD) programming;*
- *improved subscriber acquisition at Bell Internet through increased fibre coverage and speeds due to our significant network capital investment and the implementation of new technologies to drive greater Fibe TV expansion and Internet attach rates;*

- *gradual improvement in the performance of our Business Markets unit based on increased business customer spending, new business formation and higher demand for connectivity and information and communications technology (ICT) services driven by a strengthening economy and an improvement in employment rates, subject to the risk of business customers adopting more conservative strategies which could result in lower capital spending requirements and deferral of ICT projects;*
- *continued customer migration to IP-based systems, increased competitive intensity in mass and mid-sized business segments as cable operators and other telecom competitors continue to intensify their focus on the business segment and ongoing competitive re-price pressures in our business and wholesale markets; and*
- *cost savings to be achieved from management workforce attrition and retirements, call center efficiencies, field service productivity improvements, further reduction in supplier contract rates, lower print and mail costs, effective content cost management and reducing traffic that is not on our own network.*

Operational Assumptions Concerning Bell Wireless (Excluding Bell Aliant)

- *Bell Wireless to benefit from the flow-through of investments made in 2012 in customer acquisition and retention, along with continued strength in smartphone activations and data usage;*
- *continued aggressive competition as competitors attempt to maintain or gain wireless market share;*
- *wireless revenue growth to be underpinned by continued growth in our subscriber base and ARPU, driven by a higher mix of smartphone and higher-value postpaid customers, increased distribution in western Canada, new services, and continued disciplined price management;*
- *Bell Wireless to benefit from ongoing technological improvements by manufacturers in our handset and device line-up and from faster data speeds that are allowing our clients to optimize the use of our services; and*
- *the proliferation of more expensive and sophisticated wireless devices, as well as heightened competitive activity, to exert pressure on EBITDA, due mainly to increased handset discount resulting in higher subscriber acquisition and customer retention costs.*

Operational Assumptions Concerning Bell Media

- *The non-recurrence in 2013 of significant events that occurred in 2012, including the London Summer Olympic Games, the NHL lockout and retroactive rate increases for specialty programming services;*
- *growth in subscriber revenues to be driven by contracted market-based rate increases for our specialty sports services;*
- *in conventional TV, building and maintaining strategic supply arrangements for content on four screens, continuing to successfully acquire high-rated programming and differentiated content to execute on Bell's multi-screen content strategy, producing and commissioning high-quality Canadian content, producing market-leading news and investments in HD broadcasting;*
- *increased costs to secure sports content as we face greater competition from both new entrants and established competitors, and as market rates for specialty content generally increase;*
- *in our non-sports English and French pay and specialty TV services, investment in quality programming and production, marketing and ongoing development of key brand partnership initiatives with respect to our existing services;*
- *pursuant to the Astral acquisition, achievement of cost reductions by maximizing assets, achieving productivity gains and pursuing operational efficiencies; and*
- *executing in local radio and TV markets to provide listeners and viewers with quality content, incorporating opportunities for multi-platform selling.*

Financial Assumptions Concerning Bell (Excluding Bell Aliant)

The following constitute Bell's principal financial assumptions for 2013.

- *Bell's total employee benefit plans cost to be approximately $350 million, based on an estimated accounting discount rate of 4.4% and an expected return on plan assets of 4.4%, comprised of an estimated above EBITDA employee benefit plans service cost of approximately $230 million, and an estimated below EBITDA net employee benefit plans financing cost of approximately $120 million;*
- *total pension plan cash funding to be approximately $350 million;*
- *cash taxes to be approximately $350 million, instead of $325 million;*
- *net interest expense of approximately $750 million;*
- *net interest payments of approximately $720 million; and*
- *cash severance and other of approximately $150 million.*

Financial Assumptions Concerning BCE

The following constitute BCE's principal financial assumptions for 2013.

- *BCE's total employee benefit plans cost to be approximately $430 million, including approximately $80 million for Bell Aliant, comprised of an estimated above EBITDA employee benefit plans service cost of approximately $290 million, and an estimated below EBITDA net employee benefit plans financing cost of approximately $140 million;*
- *depreciation and amortization expense of up to approximately $25 million higher compared to 2012, instead of $50 million higher due to an increase in the estimate of useful life of certain assets;*
- *net interest expense of approximately $925 million;*
- *tax adjustments (per share) of approximately $0.07;*
- *an effective tax rate of approximately 26%;*
- *non-controlling interest similar to 2012; and*
- *an annual common share dividend of $2.33 per share.*

The foregoing assumptions, although considered reasonable by BCE on November 7, 2013, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this transcript.

Material Risks
Important risk factors that could cause our assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by our forward-looking statements, including our financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our financial guidance, essentially depends on our business performance which, in turn, is subject to many risks. Accordingly, readers are cautioned that any of the following risks could have a material adverse effect on our forward-looking statements. These risks include, but are not limited to:

- *The intensity of competitive activity, and the resulting impact on our ability to retain existing customers and attract new ones, as well as on our pricing strategies, ARPU and financial results;*
- *the level of technological substitution contributing to reduced utilization of traditional wireline voice services and the increasing number of households that use only wireless telephone services;*
- *the increased adoption by customers of alternative TV services;*
- *variability in subscriber acquisition and retention costs based on subscriber acquisitions, retention volumes, smartphone sales and handset discount levels;*
- *regulatory initiatives or proceedings, litigation, changes in laws or regulations and tax matters;*
- *our failure to maintain network operating performance including as a result of the significant increase in broadband demand and in the volume of wireless data driven traffic;*
- *events affecting the functionality of, and our ability to protect, maintain and replace, our networks, equipment, facilities and other assets;*
- *our ability to maintain customer service and our networks operational in the event of the occurrence of environmental disasters or epidemics, pandemics and other health risks;*
- *our ability to anticipate and respond to technological change, upgrade our networks and rapidly offer new products and services;*
- *our failure to implement, on a timely basis, or maintain effective information technology (IT) systems and the complexity and costs of our IT environment;*
- *general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products and services;*
- *our ability to implement our strategies and plans in order to produce the expected benefits, including our ability to continue to implement our cost reduction initiatives and contain capital intensity while seeking to improve customer service;*
- *increased contributions to post-employment benefit plans;*
- *ineffective management of changes resulting from restructurings and other corporate initiatives and from the integration of business units and business acquisitions;*
- *the complexity of our product offerings and pricing plans;*
- *labour disruptions;*
- *employee retention and performance;*
- *events affecting the ability of third-party suppliers to provide to us, and our ability to purchase, essential products and services;*
- *the quality of our network and customer equipment and the extent to which they may be subject to manufacturing defects;*

- *capital and other expenditure levels, financing and debt requirements and our ability to raise the capital we need to implement our business plan, including for BCE's dividend payments and to fund capital and other expenditures and generally meet our financial obligations;*
- *our ability to discontinue certain traditional services as necessary to improve capital and operating efficiencies;*
- *launch and in-orbit risks of satellites used by Bell ExpressVu Limited Partnership;*
- *the theft of our direct-to-home (DTH) satellite TV services;*
- *Bell Media's significant dependence on continued demand for advertising, and the potential adverse effect thereon from economic conditions, cyclical and seasonal variations and competitive pressures;*
- *the adverse effect of new technology and increasing fragmentation in Bell Media's TV and radio markets;*
- *health concerns about radio frequency emissions from wireless devices;*
- *BCE's dependence on the ability of its subsidiaries, joint ventures and other companies in which it has an interest to pay dividends and make other distributions;*
- *uncertainty as to whether dividends will be declared by BCE's board of directors or BCE's dividend policy will be maintained;*
- *stock market volatility;*
- *our failure to evolve practices and effectively monitor and control fraudulent activities; and*
- *the failure to successfully integrate Astral into Bell Media and to successfully complete the divestitures required by the Competition Bureau and the CRTC.*

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. We encourage investors to also read BCE's 2012 Annual MD&A dated March 7, 2013 (included in the BCE 2012 Annual Report) as updated in BCE's 2013 First, Second and Third Quarter MD&As, dated May 8, 2013, August 7, 2013 and November 6, 2013 respectively, and BCE's news release dated November 7, 2013 announcing its financial results for the third quarter of 2013, for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian securities commissions (available at www.sedar.com) and with the U.S. Securities and Exchange Commission (available at www.sec.gov). These documents are also available on BCE's website at www.bce.ca.

The terms "free cash flow", "EBITDA", "Adjusted net earnings" and "Adjusted EPS" used in this transcript do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other companies. Refer to BCE's 2013 Third Quarter MD&A dated November 6, 2013 for more details on these measures.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to BCE's third quarter 2013 results conference call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Thank you, Wayne, and good morning to everyone on the call and webcast. As usual, I'm here today with George Cope, Bell's President and CEO, and Siim Vanaselja, our CFO.

We are pleased to have released our third quarter results earlier this morning. As usual the information has been sent out to everyone on this call, and will be available during the day on our corporate website. Following a review of the slide presentation by George and Siim, we will move to Q&A.

However, before we begin, I want to remind you that today's remarks by both George and Siim will contain forward-looking statements that represent our expectations as of today, and accordingly, are subject change. We don't undertake any obligation to update any forward-looking statement, except as may be required by Canadian securities laws.

A number of assumptions were made by us in preparing these forward-looking statements, which are subject to risks. Results may differ materially, details on these risks and assumptions are in our filings with the Canadian Securities Commission, and with the SEC, and which are also available on our website. So with legal formalities out of the way, I will turn the call over to George.

George Cope – BCE Inc. – President and CEO

Thanks, Thane. Good morning, everyone. Thank you for joining us.

Let me start by saying how very pleased we are with the quarter's results. Certainly, relative to our largest competitor, we know now we had a very strong quarter.

In terms of Wireless, excellent market share growth. We believe, again, relative to early reporting, and really strong, quite frankly, Wireless financial results.

From the Astral side, we closed the acquisition, integrated it into Bell Media, and we're off to a very positive start there. From the Wireline perspective, the strong growth that we had in TV and Internet still enabled us to maintain a Wireline margin at approximately 37%, and quite frankly, the highlight of the quarter is, for the first time since 2005, we were positive residential net adds, where the Internet and Fibe TV growth offset the reduction in NAS.

Overall, also very pleased that our overall margin was stable year-over-year, at 38.4%. And I think in summary, the highlight of the quarter for us would be the acceleration of our growth services revenue, up 5.3% year-over-year.

Turning to Wireless, we had a solid postpaid quarter, in light of the beginning implementation of the Wireless code of conduct, introduction of the two-year contract pricing, and fair to say, reduced availability of some of the newest smartphones near the end of the quarter.

All of our key metrics are moving in the right direction. Postpaid churn, down year-over-year to 1.2%, our retention spending down to 9.3%, yet we still saw a reduction in churn.

Cost of acquisition pretty much stable year-over-year, and importantly, our continued ARPU growth, is narrowing the gap with our competitors in the marketplace, a journey we've been on now for six or seven years. Also pleased that we now have 77% of the country covered with LTE, and I think Canada may be the only country in the world that has three Wireless carriers covering this amount of geography with the world's leading technology, which is LTE today in the Wireless industry.

Turning to our TV and Internet subscriber growth, it was clearly our best-ever quarter for net adds for Fibe TV with 73,000 adds in the quarter. Importantly, if you look at that net adds over our average footprint in the quarter, we had penetration growth of about 1.8% in the quarter alone.

Part of that clearly has been driven by our product leadership with IPTV. The Fibe TV product, with the new Wireless set top box, has clearly attracted a number of customers and given us some differentiation in the market.

Also I think, importantly, for us, has been the pull-through we continue to see as we roll out Fibe TV from an Internet perspective. The 37,000 net adds is our highest over the past six years. The strategy is working and now really is about expanding the footprint further on IPTV, over the next 24 to 36 months.

Turning to our Wireline NAS numbers, and our business, local access numbers. Again, a key milestone as I mentioned, where we were positive RGU net adds on the consumer side for the first time in eight years.

Also, what we saw was a reduction in our NAS losses of 30% year-over-year, and what I think is particularly encouraging is where we have IPTV or our Fibe TV product, we're seeing reduction in NAS at about half the rate of where we don't have the product. So again the continued footprint expansion, we think will help us, not only just pull-through Internet over time, but also help mitigate some of the triple households where we weren't necessarily as competitive in the past.

In terms of customer service, one of our key strategic imperatives, from the Wireless standpoint, really pleased, and we can see it in our margins. But we really have been able to improve our service metrics from a year-over-year perspective, and in the last 24 months, yet at the same time, with the launch of our self-serve smartphone app, have seen calls reduced 25% year-over -- over the last 24 months, even as our subscriber base has grown.

And secondly, the Fibe TV install time continues to come down, a 25% drop over the last 24 months. The Wireless receiver installation taking another 8% out of that install time. And also, our provisioning time, in other words our ability to fill calendars, has improved, such that from date of order now to install could be on average two days, which of course helps us from a sales perspective as well.

Bell Media, as I mentioned, we had a strong quarter. In terms of our financial results, also the Astral acquisition is meeting our expectations, and I thought one interesting metric is that prior to the acquisition, conventional TV represented about 35% to 37% of our revenue in the Media business, and now with the acquisition, it's around 27%. And that's a result of the specialty assets and the outdoor radio assets, that we acquired with the acquisition of Astral.

The Amazing Race Canada, quite a highlight for our company in the quarter. A record viewing for a Canadian production, but also was the highest-rated debuted show ever in Canada for either Canadian or US produced show.

And in a world where content management continues to have value, our ability to create content and distribute it through our Media assets was really very successful with this product. In the sports side we continue to see viewership grow in the CFL, up 14% a year with TSN, and we're off to a strong start in the quarter with our programming schedule for the fall.

The results of Astral, combined with the growth in our portfolio continues to see our mix improve with now 82% of our revenue coming from our growth services. I mentioned the strong results, in terms of revenue from our growth services.

Consumer Wireline voice now representing just 8% of our revenue, so the mix for the organization continues to improve. And I would say we are now very well-positioned to continue our dividend growth strategy in 2014. When we start to look forward, we're quite comfortable we'll be in a position to continue our dividend strategy in 2014, and well within the midpoint of our free cash flow ranges that we've shared in the past.

The other comment I'd like to make is the interest rate environment and the return environment have been such that our pension funding has improved dramatically, and Siim may make a few comments on that. With that, let me turn it over to Siim. Thank you.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Great, thanks, George, and good morning to everyone on the call. Our consolidated financial results for the third quarter were strong across the board, as we continued to execute and deliver on our 2013 guidance targets, and we remain very confident in the direction of our business, given the favorable operating metrics we're seeing in residential Wireline and also in Wireless, which should provide a strong foundation for sustained financial performance in the fourth quarter, and going forward.

So starting with consolidated financial results for Bell, we grew service revenue at Bell 3.3%, driven by our growth services, which collectively increased 5.3% year-over-year, as George referenced. That revenue contribution reflects Astral, which is now part of the Bell Media segment. In addition to Media, Bell Wireless contributed solid top line growth, and Bell Wireline continued to trend closer to achieving positive EBITDA growth -- positive revenue growth.

Consolidated Bell EBITDA increased 3% this quarter, again reflecting the inclusion of Astral, as well as the contribution of Bell Wireless, which delivered another quarter of strong double-digit EBITDA growth. Bell's consolidated EBITDA margin remained stable year-over-year at 38.4%.

Revenue growth and operating efficiencies throughout the business helped offset higher upfront acquisition costs from the significantly stronger Fibe TV and Fibe Internet customer growth, as well as the lower margin Media contribution from Astral, which is in our results, starting this quarter. BCE statutory EPS for the third quarter was $0.44 per share, that's down $0.24 over last year, and that year-over-year decrease was due to the $230 million charge on CRTC benefits obligation, which we incurred on the Astral acquisition. Adjusted EPS increased a healthy $0.05 or 7.1% over last year to $0.75 per share, that's mainly as a result of the higher EBITDA.

We had a good strong quarter of cash generation. Free cash flow was $747 million, up 8.9% year-over-year.

Growth in free cash flow can be attributed to EBITDA improvement and improvement in our working capital position, which you may recall in the third quarter of 2012 was impacted by a higher accounts receivable balance at Bell Media as a result of Olympics-related advertising revenues. Consistent with our plan for the back half of the year, the pace of capex spending stepped up in the third quarter, as we continue to expand our IPTV service footprint and roll out fiber to more homes and businesses.

Let's now move into a review of the individual operating segments. Our Wireless segment increased service revenues 5%, on postpaid revenue growth of 6.3%.

Postpaid revenue in the quarter was driven by Wireless data revenue growth of 18.4%, reflecting continued strong adoption and usage of smartphones. Wireless ARPU continued to increase as well with 1.7% growth in the quarter, that marks our 15th consecutive quarter of year-over-year ARPU growth.

And as expected, we did see some ARPU growth moderate this quarter, due to the impact of upfront discounts on the strong postpaid activations that we had to the first half of 2013. Rate plans now include bigger data usage thresholds, and more value-added services. And as you know, we recently lowered roaming rates.

From a profitability perspective, Wireless EBITDA growth of 11.6% reflects the revenue flow-through to EBITDA of 98%, and that results in a significant 2.7 point EBITDA margin improvement to 45%, driven by higher ARPU, and lower year-over-year acquisition and retention spending. Given Bell's strong year-to-date Wireless financials, we're very comfortable in reaffirming the outlook that we provided at the beginning of the year for Bell Wireless, to deliver full-year 2013 EBITDA growth north of 10%.

So let's move to our Wireline segment. The pace of Wireline revenue decline was essentially stable, compared to the second quarter of this year, as growth in TV and Internet, business IT connectivity and professional services solutions, helped offset ongoing declines in legacy Wireline voice revenues.

However, we've now seen four consecutive quarters of sequential improvement in the rate of residential decline in voice revenue, and this reflects fewer year-over-year NAS line losses, as George explained, and a lower rate of LD revenue decline from increased sales of global long-distance minutes. Wireline EBITDA in the third quarter declined 5.6% year-over-year, that's on a reported basis, so it's important to note here that almost 3% of that decline or $29 million was due to the recognition in the third quarter of 2012 of a non-recurring pension curtailment gain, and a one-time reduction in our liability under the CRTC's local programming improvement fund.

Recurring Wireline EBITDA therefore, decreased 2.7% this quarter, which in large part reflects approximately $14 million in higher year-over-year acquisition costs from the very strong Fibe TV and Internet subscriber acquisitions that we reported this quarter. As we look forward, we expect the Wireline segment to deliver an increasingly meaningfully improved revenue and EBITDA profile, benefiting from continued acceleration in Fibe TV and Fibe Internet growth, a lessening burden from residential upfront acquisition discounts, and fewer losses in the mass and midsize business markets, as we execute on what I'd say is quite an extensive transformation of our SMB service delivery model.

I'll now turn to the Media results. Starting in July of this quarter, Bell Media's operating results include Astral, which performed very consistently with our expectations. Astral drove significant revenue and EBITDA growth for Bell Media, and increased our Media EBITDA margins of 30% on the stronger mix of specialty TV properties that Astral brings.

Advertising revenues were up 12% over the third quarter last year. Excluding Astral, and excluding the advertising revenues generated last year, from Bell Media's broadcast of the London Olympics, our core advertising or recurring advertising revenues increased a healthy 5% year-over-year, in what is seasonally a low quarter for ad spending in the Media sector. This market-leading performance reflects the strength of CTV's programming schedule and ratings, as well as growth in Bell Media's non-sports specialty TV services.

On subscriber fee revenues, we saw growth of 37% year-over-year, again excluding Astral, subscriber revenue was down $3 million. However, normalizing for about $13 million in retroactive specialty TV rate increases in the third quarter of 2012, which followed a settlement between Bell Media and certain broadcast distributors, recurring subscriber revenues grew 7.9% this quarter.

Bell Media's EBITDA was 26.8% higher year-over-year. Before Astral and the year-over-year non recurring items that I've referenced, core Bell Media EBITDA increased 9% this quarter, a strong result.

Our adjusted EPS this quarter was $0.75 per share, a good 7% acceleration year-over-year. Higher EBITDA from the Astral acquisition and strong growth at Bell Wireless, as I referenced, drove the EPS growth. The higher year-over-year interest expense that you see reflects the increased long-term debt relating to the acquisition of Astral.

Depreciation and amortization for the quarter is slightly favorable, so when you break that down, depreciation on fixed assets is in fact up year-over-year, consistent with our increased capex spend over the past few years. But in the quarter, amortization was down due to some intangibles becoming fully amortized, and also, we revised some useful life estimates on various software assets as of the beginning of the year.

Tax adjustments contributed $0.02 of EPS this quarter, and there's no further tax adjustments that we would anticipate for the balance of this year. Our effective tax rate was in line with our statutory rate this quarter, of 26.7%.

That rate reflects certain non-tax-deductible acquisition costs related to Astral, as well as equity earnings included in our P&L, which are already tax-effected. Year-to-date adjusted EPS of $2.29 per share is in line with our plan, and on track to meet our full-year 2013 EPS guidance of $2.97 to $3.03 per share.

Let's turn now to cash flow. Free cash flow generation of $747 million in the quarter was 8.9% higher year-over-year, reflecting EBITDA growth and the improvement in our working capital position, as I said, given the prior year's increased Olympics advertising receivables.

Following the actual acquisition, our leverage ratio is now at around 2.5 times EBITDA. Our balance sheet and liquidity sources remain very strong, and we expect our leverage ratio to decline back to our policy at about 2 times EBITDA over the next 24 months, as we generate growth in EBITDA and apply cash flow generation, including the proceeds of Astral remedy asset divestitures, towards debt reduction. The higher cash taxes and severance payments this quarter reflect the inclusion of Astral.

And lastly an update on our defined benefit pension plan obligation, I'd say that with the recent pickup in government bond yields, discount rates have increased around 70 basis points year-to-date, resulting in a good improvement in Bell Canada's pension valuation. At the end of the quarter, our solvency ratio was well over 90%, compared to approximately 80% at the beginning of the year.

And in fact, Bell's solvency deficits could be eliminated with about a further 50 basis point increase in the discount rate. So should at some future time, we get into a positive valuation position, there may in fact be an opportunity to significantly reduce Bell's ongoing pension funding requirements.

So in closing, I'll say that we've seen good performance in the key strategic growth areas of our operations this quarter and this year. With three quarters of growth in consolidated financial performance, we see no fundamental changes in our outlook for the balance of the year.

We remain competitively well-positioned across our Wireless, residential Wireline, and Bell Media segments, as we enter the fourth quarter. Astral is certainly meeting our expectations in terms of overall performance and contribution to consolidated results, and will be accretive to earnings and free cash flow in 2014. Our focus continues to be on executing to capture incremental growth across our businesses.

We expect financial performance for the full 2013 year to track to our guidance targets, so consistent with that outlook, we expect Bell's EBITDA margin for the full 2013 year to be stable year-over-year, supported in the fourth quarter by continued healthy Wireless profitability, improvements in our Wireline financial trends, and cost efficiency.

So given this outlook, I'm reaffirming all of our 2013 financial guidance targets, and this positions us to continue delivering on our capital markets objective of creating significant growth in shareholder value. Now with those comments, I'll then turn the call back to Thane to begin the Q&A period.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Thanks, Siim. Before we start the Q&A period, please keep your questions short to the point, so we can get to as many of you as possible given the time we have left. On that, Wayne, we're ready to take our first question.

QUESTION AND ANSWER

Maher Yaghi – Desjardins Securities – Analyst

I wanted to delve a little bit into your Wireline subscriber additions, which improved significantly quarter over quarter. How much of that is due to the increased geographical presence of IPTV on your footprint, and how much of it is improvement in market share? Sequentially?

George Cope – BCE Inc. – President and CEO

Yes. So what I would say is a few things, first of all the launch of the Wireless setup box added significant differentiation to the product. Secondly, as we -- generally across the base, if you take the size of the base, broken through the 10% penetration level, and most products you see, that's when word-of-mouth of a product takes to a different level.

Thirdly, we launched the Ottawa market midpoint in the quarter, and the Ottawa market is a major geographic footprint obviously in the country that we had not had Fibe TV. So it was really all those items, and our execution of the product continues to improve. And so in the marketplace, we're meeting the expectations we have for that, and I think most importantly, from my perspective is it getting us the pull through at the triple and particularly on the broadband Internet side.

Maher Yaghi – Desjardins Securities – Analyst

So is it fair to say this is not a one-time event? Given the market structure and continued increase in your footprint on IPTV, unless the pricing from competition changes, this should continue, these additions numbers should continue?

And also the question in my mind is what's the cost for BCE to generate this kind of growth in subscriber numbers? Are we giving up a lot of pricing power here to generate those subscriber additions, or you're confident that margins should not be too much pressured, by these customer additions numbers?

George Cope – BCE Inc. – President and CEO

Well, yes. First of all I'm not going to -- it won't surprise people on the call, give a forecast on expectations going forward. I would bring to the attention of everyone that the third quarter traditionally in our space is very strong in total, because of the back-to-school marketplace for broadband and for TV.

So there is some seasonality in every quarter and the third quarter is typically strong for those products. Outside of the seasonality issue, we are confident that as we've rolled out the footprint we're starting to see the right subscriber growth. We would expect, not dissimilar to what other companies in both Canada and the US have seen, as they've rolled out and got to the critical mass of footprint.

In terms of the ARPU on the product, our Fibe TV ARPU continues to be better than $60, so I'm quite pleased with that, and that includes -- it seems that a lot of obviously acquisition promotions in the first 90 days of customers, so we're comfortable with that. And then in terms of financial guidance, we'll give it for next year, but as Siim had said, we expect our Wireline EBITDA numbers to continue to improve in the fourth quarter, and as we get into next year.

Maher Yaghi – Desjardins Securities – Analyst

Thank you.

Greg MacDonald – Macquarie Research – Analyst

Similar question, trying to get the pricing power here. I'm going to say these numbers on IPTV and data are very strong, and I think you've got to get credit for that, because clearly this is what's important to bring the Wireline business back to positive.

But here's the thing I'm going to point out. The Wireline revenue number only met expectations, despite the fact that you got this big beat on the subscriber counts, and you hear a lot of anecdotes out there, people are getting repriced down, and it's not a Bell thing, this is an industry thing. But they're getting particularly priced down on the voice product.

If we assume zero value for voice in the future, and this may happen relatively quickly, is the Wireline business a positive growth business in the next couple of years? I think that's one of the questions that investors are asking.

George Cope – BCE Inc. – President and CEO

Well, first of all, net adds in a quarter are going to have no impact on that quarter's revenue, clearly. So that's the first thing.

Secondly, our average ARPU per household went up in the quarter. So both of those issues, I'm comfortable with the pricing environment that we're pursuing. We absolutely are aggressively pursuing our net adds on TV, because it's a triple for us.

But then in terms of the trajectory capability of the Wireline business, it's two things. It's growth of broadband and TV, and as Siim and I have both said, proportion of our business that was local access.

Both those -- all three of those elements are going in the right direction, broadband and TV looks more positive than in the past, because of the new footprint, the product and our improvement in our broadband services, and local access is less of a proportion of our business. And the next overlay of that is, I think we've proven to be one of the most efficient Wireline operators in North America, in terms of margin management.

So look, it remains to be seen as we execute going forward, but as I've said, we anticipate our fourth quarter Wireline EBITDA results will be better than this quarter. And we expect next year's Wireline EBITDA results will be better than this year's Wireline results.

Greg MacDonald – Macquarie Research – Analyst

George, not asking for guidance, but can you tell me medium-term what you think the normalized growth rate for the industry will be on Wireline?

George Cope – BCE Inc. – President and CEO

No, I can't. What I would say, though, is in general, we are driving three portfolios of assets to generate free cash flow that allows us to drive a consolidated EBITDA number and drive the dividend growth model. And based on where we stand today, and what we believe 2014 represents for the company, we're quite comfortable that we'll be able to continue to execute that capital market strategy going into 2014.

Greg MacDonald – Macquarie Research – Analyst

Okay. Thanks a lot.

Simon Flannery – Morgan Stanley – Analyst

Just following up on Fibe, if I could. Do you have any data from some of your early markets? Verizon has talked about getting over 50% penetration in some of their first FiOS markets, obviously a few more years in the marketplace.

But give us some sense of where you think you can take this overall? And you're over 4 million households now, given the results that you're seeing so far, what are your latest thoughts on how much of the footprint you'll ultimately go to? Thanks.

George Cope – BCE Inc. – President and CEO

Yes. So in terms of penetration by market, I think our best penetrated market for Fibe TV is Quebec City.

And that's been -- part of that lends itself, because of the complete rollout of fiber in that market. That's our strongest penetration. I don't want to give specific geography penetrations, other than I think people can take base over footprint.

In terms of footprint, we'll come back in 2014 but we're at 4 million. I think ultimately, we'll get to about 80% of our NAS footprint with IPTV, and we'll give that calendar to everyone next year. All within our capital intensity of 16% to 17%, but over a period of time that we'll talk about.

And we're just finalizing business plan. I don't want to give guidance, but over a period of time, as we see the return of the lower access -- improvement on lower access lines broadband and TV, we think taking that footprint to as much as 80% of ours is going to be something that will be attractive for investors, and we'll talk about that in the February timeframe.

Simon Flannery – Morgan Stanley – Analyst

Thank you.

Jeffrey Fan – Scotiabank – Analyst

Want to switch gears a little bit, and ask a question on Wireless. Over the past couple years, you've grown faster than some of your peers, because of the smartphone penetration growth, catching up to your peers.

Looks like the gap has pretty much closed. But your margins and ARPU are still slightly below, so I just want to maybe revisit what your thoughts are now, going forward and the ability to catch up on both margins and ARPU on the Wireless side?

George Cope – BCE Inc. – President and CEO

Yes. That's what our shareholders should expect us to do, and that's what we intend to do.

Jeffrey Fan – Scotiabank – Analyst

Perhaps maybe digging in a little bit more, on the roaming side of the business, you introduced some more attractive plans. And just wondering if you see that elasticity of demand and usage is going to help drive that going forward, and whether you're seeing some of that coming through yet?

George Cope – BCE Inc. – President and CEO

Yes. That's a good question. Two comments.

One, I want to continue obviously to close the gap with where we were a number of years ago, and we're seeing that, as you mentioned in the first comment. Second comment, in terms of roaming, it's too early to see the stimulation of demand on what we're doing. We've reduced the prices into the U.S. by 50%. We took in some other markets, a 70% reduction we talked about.

We're going to go global to every geography in the country, renegotiate as best we can roaming rates, and try to manage the customers as best we possibly can to make them able to use these products, so you're going to see more of that as we go forward. And the business side of it would also say, customers may not migrate as quickly to using Wi-Fi off-net product if they're not as concerned about the roaming rates on the data, because of obviously the quality LTE is really something, even in even other countries.

So we're going to manage that, we definitely -- if there's one message that's very loud and clear during the summer, as we went through the process. Our services are second to none in Canada. Our prices are globally competitive.

This roaming issue is a global issue, not just for Canadians, but I think you're going to see certainly from Bell as one carrier leads this issue, to get everyone comfortable in the marketplace. And the same time from the investor standpoint, very carefully manage that reprice through our financials, which is what we're trying to do.

Jeffrey Fan – Scotiabank – Analyst

Okay. Thanks.

Richard Choe – J.P. Morgan – Analyst

In terms of -- on the Wireless side, in the third quarter, you saw a lot less activity at the start of the fourth quarter. Have you seen that activity coming back? Are there still any supply constraints of the smartphones? Just to get a better sense of what we're expecting for the fourth quarter? And with that, do you think we'll need some higher promotions to get customers back into the stores?

George Cope – BCE Inc. – President and CEO

It's a good question. It's early guidance on a quarter, it's also early in the quarter, because of the real -- fourth quarter, December becomes the key for that. I would say though, our supply of smartphones has improved significantly, so we think that's going to be helpful in the quarter.

Also, we are living through the adoption from three years to two-year contracts, and what that means for the speed of customers moving from carrier to carrier and those items. So it's a hard call in the fourth quarter, other than it seems we are quite comfortable with our financial guidance, and to be completely as transparent as I can, you really don't know until we get into December what the buying season is going to be like. But we will be supplied to compete with that head to head.

Richard Choe – J.P. Morgan – Analyst

Great. And a quick follow-up to the ARPU question. In terms of the new roaming plans, what should we expect in the quarter in terms of the roaming plan ARPU pressure?

George Cope – BCE Inc. – President and CEO

I won't give guidance, but I would say it's not material to our ARPU. What is relevant is to the -- from the customer perspective, those that travel on the consumer side, not feeling they're comfortable using their product because of these bills.

But in terms of dollars and cents, from an investor perspective, it won't be a material number you see in ours. And part of that is just our history of our position, as only in the last four to five years really becoming competitive with our customer base with global roaming, so not as big a base as others may have, but that of course is growing.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

And I would just add to that, that the consumer friendly actions that we've taken on outbound roaming are for the retail sector, which constitutes about 35% to 40% of our total roaming revenues. Business roaming is not impacted, so I think, certainly through the fourth quarter, the impacts of the actions that we've taken are not going to be material at all to achieving our guidance numbers.

Richard Choe – J.P. Morgan – Analyst

Great. Thank you.

Matthew Niknam – Goldman Sachs – Analyst

One more on Wireline if I could. With the success you've seen from Fibe, I'm wondering if you can talk about any competitive responses you've from peers in the fiber footprint, whether it was in 3Q or early 4Q? And then also have you seen cable maybe stepping up activity in some of your DSL or non-fiber areas, to make up for share losses they're seeing in the Fibe footprint? Thanks.

George Cope – BCE Inc. – President and CEO

Interesting, you asked about -- in terms of outside our footprint, we definitely see a clever strategy by our competitors, because they're smart competitors. And so our strategic answer to that is, grow our footprint, and that doesn't happen overnight, but we are continuing to do that.

So yes, we're seeing that. In fact I mentioned local access declines are almost double outside the IPTV footprint versus in the footprint, so yes, there is something that's going on in the market. Our mitigation of that, as I said, will be really two things, expand the footprint and make sure the satellite bundles, as priced as it can be to compete.

And then in terms of -- we've seen some activity, because the results, particularly in our Ontario market, we saw some things that were more aggressive than we've seen before. And I think our subsidiary Bell Aliant, Karen has mentioned too, in her footprint she's seeing it from one of our competitors. But by and large, every quarter's competitive and I wouldn't actually say this fourth quarter is any more competitive than previous quarters.

Matthew Niknam – Goldman Sachs – Analyst

Okay. Thanks.

Dvai Ghose – Canaccord Genuity – Analyst

George, congratulations on the very strong Wireline subscriber results. I'm trying to assess the flow-through into profitability next year. I guess, the three obvious variables to sustainability of subscriber growth, which I assume is doable, because you increased your IPTV footprint and penetration revenue per subscriber and COA.

So on the ARPU side, I'm wondering what sort of competitive responses you're seeing generally from Rogers, Videotron and Cogeco in those IPTV areas and what do you think price increases are sustainable, given the regulatory environment? And on the cost side, in particular with COA, both capitalized as well as expensed, you talked about a lot of the efficiencies, including Wireless, more efficient truck rolls and so on. And give us an idea as to how much COA is coming down, and whether you think therefore you can generate Wireline EBITDA growth from 2014?

George Cope – BCE Inc. – President and CEO

There's a lot in that. The cost of acquisition comes down for sure, as our efficiency of install improves, so we are seeing some of that. In total, it really means our intensity stays in the 16 to 17 range, because the reality is we'll take an incremental capital that comes to us in COA, and just keep expanding the footprint, Dvai, so that's what would happen on that front.

In terms of pricing, we did see one of our competitors in the core Ontario market put a significant price increase through, in July, in the marketplace. And to the market base. So I think there has been -- and part of that of course is speeds are improving in the home, et cetera, so the price to improving those speeds have changed as people migrate up to these faster packages. So that piece.

And then the real question you're asking is when does Wireline turn EBITDA positive? We're going to have to come back to that to some extent with our guidance in 2014, because it does get driven down by what's the pace of this growth going to be? And I know every shareholder on the line would want us to invest in the growth, provided that it's accretive from an overall EBITDA cash flow perspective, and it is.

So we've got to mitigate the pace against that, and we'll come back to that in 2014, other than that, quite confident that our fourth quarter for this year will prove some better Wireline EBITDA numbers than we've seen in the past.

Dvai Ghose – Canaccord Genuity – Analyst

Great. Can you remind me how many IPTV homes passed you have and what your targets are?

George Cope – BCE Inc. – President and CEO

We are at 4.1 million now, I think we were trying to end the year at around 4.3 million, 4.4 million. And we'll talk, someone had asked about what we're going to do going forward, but our thinking is we would like to get to 80% of our footprint. We'll share that, keep the capital intensity in that 16% to 17% doing that, so it would be a bit of a window, but that ultimately would put you north of about 6 million households over time.

Dvai Ghose – Canaccord Genuity – Analyst

Very good. Thank you very much.

Glen Campbell – Bank of America Merrill Lynch – Analyst

A couple of quick ones here. First has there been any change in the rate of satellite cannibalization from Fibe TV? I think you were saying it was 15% to 20% before.

Second, could you give us a sense of what the postpaid upgrade rate, handset upgrade rate was in the quarter, and whether it was temporarily depressed in your view, or likely to snap back? And then just a third one, from everything you said, George, it sounds like the focus on Wireline capex will simply be to grow the footprint, but are you seeing any need in the medium term to let's say upgrade capability within the Fibe footprint that you have?

George Cope – BCE Inc. – President and CEO

I'll try to keep track of each one of them. The 15% to 20%, that continues to be around the same number.

That's generally what we're seeing still, 15% to 20% of our adds are migrations. And interesting enough, because we see it internally, we see not a dissimilar ratio in terms of satellite, we would lose to what Bell Aliant's team is doing as well, so it seems to be consistent there, on the satellite number.

Second question was, yes it's a good question, Glen. Did we see a slowdown in the pace of migrations as the change from the contracts and what have you with the Wireless -- I think it's fair to say we did.

I think that's part of the reason we saw a little reduction in our cost of retention, you may notice the percent, some people have guards in terms of how low it was, and that's because we did see some of that. I think it will return to more normal levels. I just think there was -- this was a different market than it was before for the consumers as a result of the Wireless code, so we definitely saw that.

And then the third question, I think you were really asking about investment in the footprint in terms of broadband speeds. We've rolled out in May the bonding technology, and we're seeing some results there, customers who want to expanded our IPTV footprint in our current footprint by adding speeds, and it gives us an ability to double speed for clients that want it. So we're actually feeling really quite positive about our ability to compete on a broadband basis with the footprint we have, and that's why the work's going to be on extending the footprint.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Terrific. Thanks very much.

Phillip Huang – UBS – Analyst

Question on your excess cash position going forward. Given your improved pension status and presumably no more need to do special pension funding anymore, just wondering how we would prioritize the use of cash, and especially in light of the excess cash that you would get as a result of the pension status.

And then quickly on the capex side, you have accelerated some investment using cash flows as contribution from your Media business, the past couple years. Was wondering how soon we could see capex intensity return to like as an overall number, maybe return to a more normalized level? Thanks.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Thanks, Philip. It's Siim. I'll address your first question on excess cash flow. As you know, we generated about $800 million of free cash flow after payment of all common and preferred share dividends.

As I referenced on the call, our leverage ratio following the acquisition of Astral is close to 2.5 times, our policy range is 2 times debt to EBITDA. So we will be using excess cash flow over the next 18 months or so, to bring that leverage ratio back down. In addition, in January of next year, we will see the 700 megahertz spectrum auctions, and we'll be looking to allocate surplus cash towards the acquisition of that spectrum as well.

George Cope – BCE Inc. – President and CEO

And then the second question was on capital intensity. In complete transparency, I think it's fair for our shareholders and for the analyst community to anticipate us staying in this 16% to 17% capital intensity number. And no doubt, part of the benefit of the Media assets requiring less intensity has allowed us to reinvest some of that free cash flow in dividends, and some of that free cash flow in capital programs for the Wireline and Wireless business.

So I probably personally wouldn't model that number coming down, and having been in the industry for -- as people know on the line, a long time, I've never particularly see it come down because the data growth. So I think that's a good assumption to use for us.

And then the other thing that you mentioned, I do think it's important, we don't see at this point that requirement for a year-end pension contribution that we've had to do the last three years, and I've got to tell you, as $750 million a year the last couple years, we're quite pleased to not be in a position to have to do that again, and it gives us the headroom going into the spectrum auctions.

Phillip Huang – UBS – Analyst

Thanks, that's very helpful. Just on the capex side, do you -- is it fair to assume that the Wireline side will continue to remain a little bit more -- if you had to moderate capex over time, would you see it more so in Wireless or on the Wireline side?

George Cope – BCE Inc. – President and CEO

Over time, my instincts are, it would be a little bit of Wireline over time. Wireless has run almost in the 10 to 11, I personally think it will be over time closer to 12.

The data growth we see on customers that take LTE is quite frankly significant, fantastic from an investor perspective. And obviously customers using it, so we think that will over time take a little more intensity, from what I can see.

Phillip Huang – UBS – Analyst

Great. Thanks so much.

Tim Casey – BMO Capital Markets – Analyst

Could you talk a little bit about, on the regulatory side on the unbundling question, your peers on the industry have painted you as a bad guy in some respects, because of your scale on Media, and on the distribution platform. How do you expect that issue to unfold, given the throne speech? And second could you just remind us of the timing when you will review dividend increases? Thanks.

George Cope – BCE Inc. – President and CEO

Sure. So on the first, we've obviously listened to the speech from the throne, and the direction of the market. Interesting for Bell, and the problems in Quebec, we have competed with these, and have packages ourselves in that market, that direct some of this un-packaging of products for customers, and we've seen some demand for that in Quebec, both from us and from our competitor, Videotron, for quite a significant period of time.

Over it's pretty clear if the market looking for different products in their portfolio, we're going to have to address that issue in the marketplace. Also if it's something that the CRTC wants to see more of, we're obviously going to be also mindful of that.

And then in terms of our packaging in the market, from our perspective our Media assets are the best Media assets in the country, and we want to distribute them through every one of the BDUs. Bell Media's business is only successful if we're successful distributing our products to all BDUs, not through just the Bell BDU business that we operate. So everything we do is to make that Media asset be distributed as massively as we possibly can, and that's what we'll continue to do.

In terms of your comment about our scale and our competitors, that's just results-driven, nothing else. And we're just going to continue to drive results for our shareholders.

And then on the dividend timing, I think we'll just -- as I've talked about, 2014, we'll have our guidance call early in the new year, and that's when I think you'll see us, in all likelihood, of addressing our uses of cash.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

And that's consistent with what we did last year.

Tim Casey – BMO Capital Markets – Analyst

Thank you.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Wayne, in interest of time, we only have one time for one last question.

Rob Goff – Euro Pacific Canada – Analyst

My question would be on Wireless, and this is more of a forward-looking question. And that would be, George, where do you see third-party payment for data usage potentially entering into the ARPU equation?

George Cope – BCE Inc. – President and CEO

I apologize. You have to unpack the question a little bit more for me, I'm not sure I understand it.

Rob Goff – Euro Pacific Canada – Analyst

Sure. The question would be, when do you see an application paying you for a subscriber going to that application, where in the -- like an ESPN or a TSN for you, would make money off the advertising revenues, and would thereby be willing to pay the air time that the subscriber incurred?

George Cope – BCE Inc. – President and CEO

I don't really have a view on that this morning. The only thing close to leveraging some of those products, the best example, we're really pleased with here in the country has been our mobile TV app, where customers are paying us the $5 or in the package for the 10 hours of viewership. And then, we are paying content providers, both Bell Media, also Rogers, and other content providers for that content.

So on the other piece I don't have any color to give you on that. We'll try to understand and get back to you maybe with a little more direct answer on that, but thank you for the question.

Rob Goff – Euro Pacific Canada – Analyst

Thanks.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Very good. So thank you so much for your participation this morning, and as usual I will be available for follow-ups and clarifications throughout the day. So on that, thanks, and have a great day.

Operator

Thank you. That concludes today's conference call. Please disconnect your lines at this time, and we thank you for your participation.