

News Release

For immediate release

This news release contains forward-looking statements. For a description of the related risk factors and assumptions please see the section entitled "Caution Concerning Forward-Looking Statements" later in this release.

Bell announces 2007 business outlook Improving revenue and EBITDA growth in 2007 guidance

- **Improvements underline confidence in operational outlook**
- **Focus on enhanced service quality and accelerating growth platforms**
- **Dividend increase, renewed share buyback**
- **Strengthened value proposition for investors**

MONTREAL, December 12, 2006 – BCE Inc. (TSX, NYSE: BCE) today announced its 2007 guidance for Bell, which includes improving revenue and EBITDA growth.

The company also announced an 11% increase in its annual dividend and a renewed share buyback program.

"Bell is on an improved trajectory, one based on the successful execution of the business plan we put into place three years ago," said Michael Sabia, President and Chief Executive Officer of BCE and Chief Executive Officer of Bell Canada. "We now have a simplified business structure, an improved revenue mix between growth and legacy products and services, and a strengthened operational capacity. The result is improved sustainable growth in revenues and operating earnings. This new business and financial model allows us to invest significantly in growth platforms and to share our progress with shareholders, providing them with improved returns now and in the future."

"The company's customer value proposition going forward is simple – to deliver a differentiated customer experience through outstanding service and compelling products, delivered over advanced networks at a competitive cost," said Mr. Sabia.

"In 2007, we will intensify our efforts to enhance the customer experience, in order to create a sustainable competitive advantage and allow us to increase the velocity of profitability of our growth services in a disciplined way."

Bell's senior leadership team – Mr. Sabia; George Cope, President and Chief Operating Officer; and Siim Vanaselja, Chief Financial Officer – provided details on Bell's 2007 financial guidance today during the company's annual Business Review Conference with the investment community in Toronto.

Outlook

Refer to the section entitled "Caution Concerning Forward-Looking Statements" later in this news release for a discussion concerning the material risk factors that could affect, and the material assumptions underlying, our 2007 financial guidance.

BCE has provided financial guidance for 2007 as follows:

	Guidance 2007E(i)
Bell Canada	
Revenue growth	3% - 5%
EBITDA growth (ii)	4% - 6%
Capital intensity	16% - 17%
BCE Inc.	
EPS growth (iii)	4% - 7%
Free Cash Flow (iv)	\$700M - \$900M
Common Dividend (v)	\$1.46
NCIB Program	5% of float

- (i) Bell Canada's 2007 financial guidance for revenue, EBITDA and capital intensity is exclusive of Bell Aliant.
- (ii) The term EBITDA does not have any standardized meaning according to Canadian generally accepted accounting principles (GAAP). It is therefore unlikely to be comparable to similar measures presented by other issuers. We define EBITDA (earnings before interest, taxes, depreciation and amortization) as operating income before amortization expense and restructuring and other items. Effective in 2007, Bell Canada is including net benefit plans cost in EBITDA. This recognizes that Bell Canada is now cash funding its pension plan and the treatment is consistent with North American peers allowing for greater comparability. EBITDA for prior periods will be restated to conform to the new presentation. We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense and restructuring and other items. 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 amortization expense 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 items does not imply they are necessarily 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. For 2007, we expect growth in operating income to be between 13% to 15% for Bell Canada excluding Bell Aliant.
- (iii) Before net gains (losses) on investments and restructuring and other items.
- (iv) The term free cash flow does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other issuers. We define it as cash from operating activities less capital expenditures, total dividends and other investing activities. Free cash flow is presented on a consistent basis from period to period. 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 to reinvest in our company. Free cash flow allows us to compare our financial performance on a consistent basis. We believe that free cash flow is also used by certain investors and analysts in valuing a business and its underlying assets. The most comparable Canadian GAAP financial measure is cash from operating activities. For 2007, BCE expects to generate approximately \$700 million to \$900 million in free cash flow. This amount reflects expected cash from operating activities of approximately \$5.6 billion to \$5.8 billion less capital expenditures, total dividends and other investing activities.
- (v) Subject to declaration by BCE Inc.'s board of directors.

A target revenue growth of 3% to 5% in 2007 is expected to result from Bell's enhanced ability to compete within growth markets and against the maturing cable telephony sector. Growth services combined are expected to represent approximately 60% of total revenue at the end of 2007. Bell's wireless subscriber base is expected to grow by 8% to 10% in 2007, video subscribers by 5% to 7% and high-speed Internet subscribers by 8% to 10%.

With network access services (NAS) erosion stabilizing, improving growth services margins and ongoing productivity improvements, Bell expects EBITDA growth of 4% to 6% in 2007. Expected productivity improvements of approximately \$450 million in 2007 should further enhance the competitive cost structure, enabling Bell to shift investment toward long-term growth and enhanced service delivery.

With expected capital intensity of 16% to 17%, Bell will continue to make disciplined capital expenditure investments in its strategic growth platforms. Roughly 75% of capex will be allocated to its strategic priorities, such as enhancing customer service, its wireless operations and the company's advanced residential broadband network.

Bell expects it will have no significant federal cash taxes through 2010, due to organizational simplification enabling accelerated use of Bell's R&D tax credits.

Bell's key operational priorities in 2007

Bell is Canada's leading provider of communications services, with a focus on growth areas such as wireless, video, high-speed Internet and ICT (Information and Communications Technology) services.

Having made significant progress in its operational efficiency and productivity improvement programs, Bell is intensifying its focus on delivering enhanced service quality, driving the performance of its wireless and broadband services and growing the profitability of the company's business sector operations.

"We will execute on our priorities based on a foundation of market leadership behaviour and a balance between profitable growth and enhanced market share," said George Cope, Bell Canada's President and Chief Operating Officer. "With an increasingly cost-efficient structure, Bell is well positioned to leverage our unique network, product and brand assets to offer a differentiated customer service experience."

- **Service quality** – With a focus on people, products and processes, Bell aims to consistently meet or exceed customer expectations and enhance their overall experience with Bell. This focus on service quality will differentiate Bell from competitors and ensure long-term customer loyalty to the Bell brand and products.
- **Wireless growth** – A key driver of growth and financial performance, the wireless business is supported by ongoing enhancements to broadband EVDO and overall network quality. Bell is focused on delivering continued improvements in ARPU and data growth, while always ensuring its competitive share of net subscriber additions.
- **Broadband acceleration** – Bell is investing in ongoing advanced network enhancements, such as the continued rollout of FTTN – which has already reached 1 million homes – in order to maintain leadership in the residential sector and to enable IPTV services.
- **Productivity improvements** – A core element of financial performance, productivity improvements have enabled Bell's increased competitiveness in the marketplace. 2007

productivity improvements are expected to amount to approximately \$450 million, and cost discipline remains a centrepiece of the company's strategy.

- **Business sector profitability** – With a focus on ICT/VCIO profitability, Bell is leveraging the unique capabilities and scale in its Enterprise and SMB operations to access adjacent market opportunities and pull-through connectivity revenues.

“Going forward into 2007, our competitive cost structure and state-of-the-art networks will allow us to intensify service improvements while stepping up performance and profitability of our growth engines,” said Mr. Cope.

Dividend increase, NCIB buyback

The common share dividend increase announced today underlines Bell's long-term growth model and its position as a market leader in shareholder distributions. The annual dividend will increase by 11% to \$1.46 per share. Based on the current competitive and technological environment, the Board believes that a distribution policy with a target dividend payout of 70% to 75% of EPS before net gains (losses) on investments and restructuring costs provides sufficient financial flexibility to continue the growth and improvement of the business while delivering significant distributions to shareholders.

“The Board's new distribution policy announced today ensures that as our earnings grow, shareholders can be confident they will share in our progress with a growing dividend,” said Mr. Sabia.

BCE also announced it will renew its share buyback program upon expiry of the current one in early February 2007, with a Normal Course Issuer Bid (NCIB) targeting approximately 5% of its outstanding common shares, with an estimated value in excess of \$1 billion. BCE's NCIB is subject to approval by the Toronto Stock Exchange. Purchase of the shares will be carried out through the Toronto Stock Exchange and/or the New York Stock Exchange and will be made in accordance with the requirements of such exchanges.

Elimination of holding company operations

BCE also announced today that it will not move forward with the planned conversion into an income trust announced by the company on October 11, 2006. However, the company is continuing with previously announced plans to simplify its corporate structure and eliminate BCE's holding company operations. As part of this process, BCE intends, at its next annual shareholders meeting, to change its name to Bell Canada Inc. and will have two operating businesses: Bell and Bell Aliant Regional Communications. Bell Canada also intends to change its name to Bell Inc. at the same time.

Under a plan of arrangement, and as part of the corporate simplification process, holders of Bell Canada preferred shares will be asked to exchange their shares for BCE preferred shares with the same series rights. The arrangement will also provide for a one-time special dividend of \$0.20 per Bell Canada preferred share outstanding immediately prior to the exchange. The arrangement must be approved by the holders of common and preferred shares of Bell Canada, each voting as a class, at a special meeting to be held on January 23, 2007.

Business Review Conference

BCE's Business Review Conference is being webcast live beginning at 9:00 am ET, today from the company's website: www.bce.ca.

About BCE

BCE is Canada's largest communications company. Through its 28 million customer connections, Montreal-based BCE provides the most comprehensive and innovative suite of communication services to residential and business customers in Canada. Under the Bell brand, the Company's services include local, long distance and wireless phone services, high-speed and wireless Internet access, IP-broadband services, information and communications technology services (or value-added services) and direct-to-home satellite and VDSL television services. Other BCE businesses include Canada's premier media company, Bell Globemedia, and Telesat Canada, a pioneer and world leader in satellite operations and systems management. BCE shares are listed in Canada, the United States and Europe.

Caution concerning Forward-Looking Statements

Certain statements made in this press release, including, but not limited to, financial guidance relating to revenue growth, EBITDA growth, capital intensity, earnings per share (EPS) growth and free cash flow, expected growth in subscribers, target dividend payout ratio, anticipated productivity improvements, net benefit plans cost, investments and losses in network access services (NAS), the expected launch of new services, products and technologies, our plans and strategies and other statements that are not historical facts, are forward-looking statements and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. As a result, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this press release represent the expectations of BCE Inc., Bell Canada and their respective subsidiaries (collectively we, us, our or Bell) as of December 12, 2006 and, accordingly, are subject to change after such date. However, we disclaim any intention and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Except as otherwise indicated by Bell, these 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 the date hereof.

Material assumptions

A number of Canadian economic and market assumptions were made by Bell in making forward-looking statements for 2007 contained in this release, including but not limited to: (i) Canadian GDP growth in 2007 to be essentially in line with GDP growth in 2006, consistent with estimates by the Conference Board of Canada, (ii) the Bank of Canada prime rate and the Consumer Price Index, as estimated by Statistics Canada, to decline from current levels, (iii) growth in the overall Canadian telecommunications market revenues in 2007 to be in line with Canadian GDP growth, (iv) revenues of the residential voice telecommunications market in Canada to continue to decrease in 2007 due to wireless substitution, the Internet, and other factors, (v) wireline competition in both the business and residential telecommunications markets in Canada to continue in 2007 mainly from cable companies, and (vi) the 2007 revenue growth rates of the Canadian wireless and video industries to be in line with 2006 and the 2007 revenue growth rate of the Canadian Internet market to be slightly lower than 2006.

In addition, BCE Inc.'s and Bell Canada's 2007 guidance is also based on various internal financial and operational assumptions. Our guidance related to Bell Canada (excluding Bell Aliant) is based on certain assumptions concerning Bell Canada, including but not limited to: (i) revenue growth estimates for 2007 being based upon an assumption of increasing average revenue per unit ("ARPU") across various lines of service, (ii) a wireless subscriber growth rate of 8% to 10%, a video subscriber growth rate of 5% to 7% and a high speed Internet subscriber growth rate of 8% to 10%, (iii) residential NAS losses to stabilize in 2007 compared to 2006, (iv) Bell Canada's 2007 total net benefit plans cost, which assumes a discount rate of 5.4%, being expected to be approximately \$325 million, (v) the funding of our total net benefit plans in 2007 estimated to be approximately \$300 million, (vi) Bell Canada's capital intensity in 2007 being

estimated to be in the 16% to 17% range, and (vii) 2007 productivity improvements at Bell Canada estimated at approximately \$450 million.

Our guidance related to BCE Inc. is based on certain assumptions, including but not limited to: (i) in 2007, Bell to incur restructuring costs in the range of \$100 million to \$150 million, (ii) amortization expense for 2007 in the range of \$3,200 million to \$3,300 million, (iii) Bell's effective tax rate in 2007 to be approximately 26%, (iv) no significant escalation in cash taxes in 2007 as we have assumed that the simplification of our organizational structure should permit the accelerated use of Bell Canada's R&D tax credits, and (v) EPS for 2007 to be positively impacted by the planned repurchase of common shares under BCE Inc.'s normal course issuer bid for 5% of its outstanding common shares.

Bell's forward-looking statements for time periods subsequent to 2007 involve longer term assumptions and estimates than forward-looking statements for 2007 and are consequently subject to greater uncertainty. Therefore, you are especially cautioned not to place undue reliance on such long-term forward-looking statements. The forward-looking statement concerning Bell's cash taxes for 2008 to 2010 assumes no significant escalation in cash taxes as we expect that the simplification of our organizational structure will permit the accelerated use of Bell Canada's R&D tax credits.

The foregoing assumptions, although considered reasonable by Bell at the time of preparation of such guidance and other forward-looking statements, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this press release.

Risks that could affect our business and results

Risk factors that could cause results or events to differ materially from current expectations include, among other things: our ability to implement our strategies and plans in order to produce the expected benefits and growth prospects, including meeting targets for revenue growth, EBITDA growth, capital intensity, EPS growth and free cash flow; our ability to implement the significant changes in our processes, in how we approach our markets and in how we develop and deliver products and services, required by our strategic direction; general economic and market conditions and the level of consumer confidence and spending, and the demand for, and prices of, our products and services; the intensity of competitive activity from both traditional and new competitors, Canadian or foreign, including in particular from cable companies, including cross-platform competition, which is increasing following the introduction of new technologies such as Voice over Internet Protocol (VoIP) which have reduced barriers to entry that existed in the industry, and its resulting impact on the ability to retain existing, and attract new, customers, and on pricing strategies and financial results; the increase in wireless competitive activity that could result from Industry Canada's intention to initiate a consultation concerning the licensing of additional wireless spectrum; the potential adverse impact on our business of wireless number portability; the ability to continue to implement our cost reduction initiatives and productivity improvements and contain capital intensity while improving quality of services; the ability to achieve customer service improvement, which is critical to customer retention and ARPU growth, while significantly reducing costs; the ability to anticipate, and respond to, changes in technology, industry standards and client needs and invest in and migrate to and deploy new technologies, including VoIP, and offer new products and services on a timely basis and achieve market acceptance thereof; the availability and cost of capital required to implement our financing plans (including BCE Inc.'s share buyback program and dividend policy) and fund capital and other expenditures; the fact that depending on the competitive and technological environment at any given time there can be no guarantee that BCE's dividend policy will be maintained; that the proposed public offering and recapitalization of Telesat are subject to various conditions, as well as BCE Inc. being satisfied that prevailing market conditions are conducive to allowing BCE Inc. to obtain a favourable and acceptable valuation in respect of Telesat, and the adverse impact on BCE Inc.'s liquidity and share buyback program should these transactions not be completed; our ability to find suitable companies to acquire or to partner with and to make and complete

dispositions of assets or businesses; the impact of pending or future litigation, including class actions, and of adverse changes in laws or regulations, including tax laws, or in how they are interpreted, or of adverse regulatory initiatives or proceedings, including decisions by the CRTC affecting our ability to compete effectively; the risk of litigation should BCE Inc. or Bell Canada stop funding a subsidiary or change the nature of its investment, or dispose of all or part of its interest, in a subsidiary; the risk of increased pension plan contributions; our ability to manage effectively labour relations, negotiate satisfactory labour agreements, including new agreements replacing expired labour agreements, while avoiding work stoppages, and maintain service to customers and minimize disruptions during strikes and other work stoppages; events affecting the functionality of our networks or of the networks of other telecommunications carriers on which we rely to provide our services; events that could adversely affect the business and operations of service providers to whom we outsource services; our ability to improve and upgrade, on a timely basis, our various IT systems and software on which many aspects of our businesses, including customer billing, depend; stock market volatility; the risk that licences on which we rely to provide services might be revoked or not renewed when they expire; our ability to retain major customers; health concerns about radio frequency emissions; and the launch and in-orbit risks, including the ability to obtain appropriate insurance coverage at favourable rates, concerning Telesat's satellites, certain of which are used by Bell ExpressVu to provide services.

For additional information with respect to certain of these and other assumptions and risk factors, please refer to the Safe Harbor Notice Concerning Forward-Looking Statements dated December 12, 2006 filed by BCE Inc. with the U.S. Securities and Exchange Commission, under Form 6-K, and with the Canadian securities commissions.

The Safe Harbor Notice Concerning Forward-Looking Statements is also available on BCE Inc.'s website at www.bce.ca. Please also refer to the presentations made at the *Bell 2007 Business Review Conference* available on BCE Inc.'s website for additional information.

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