

Financial Outlook

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A clear financial model

Efficient corporate structure

- Focus on Bell
- Clear and simple reporting

Core business performance

- Improving growth and profitability
- Prudent capital investment in strategic priorities



Optimized capital structure

- Provide growing returns to shareholders
- Maintain sound balance sheet

A focused shareholder value proposition for today's capital markets

Bell capital structure policy

2006

Paid down >\$2B of debt

- \$1B corporate debt
- \$1.2B transferred to Bell Aliant

2007

Minimal funding of debt maturities

- No financing requirements
- EBITDA improvement brings leverage in line with targets

Leverage targets

Net Debt / EBITDA $\leq 1.5x$

EBITDA / Interest $\geq 8x$

Leverage targets achievable through improving performance

Enhanced shareholder distribution policy

Common share dividend

- Based on growth model
- Increasing dividend 11%



| | <u>Target</u> |
|------------------------|----------------------------|
| Dividend Payout | 70%-75% of EPS* |

* Before net gains (losses) on investments and restructuring and other items

Share re-purchase program

- 5% of float cancelled in 2006 for \$1.2B
- Renewing program for 2007



| | <u>Target</u> |
|-------------|--------------------|
| NCIB | 5% of float |

Establishing Bell Canada as a market leader in shareholder distributions

Financial outlook

2007 guidance

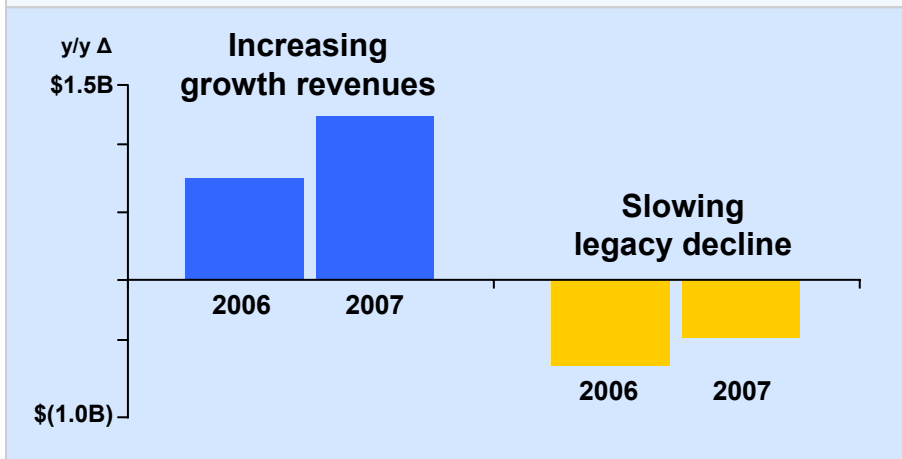
| | |
|-----------------------------------|----------------------|
| Revenue growth | 3%-5% |
| EBITDA growth | 4%-6% |
| Capital intensity | 16%-17% |
| EPS growth | 4%-7% |
| Free cash flow | \$700M-\$900M |
| Annualized common dividend | \$1.46 |
| NCIB program | 5% of float |

- Revenue, EBITDA & capital intensity guidance for Bell exclusive of Bell Aliant and Telesat.
- EBITDA includes pension expense.
- EPS before net gains (losses) on investments and restructuring and other items.
- Free cash flow after dividends.

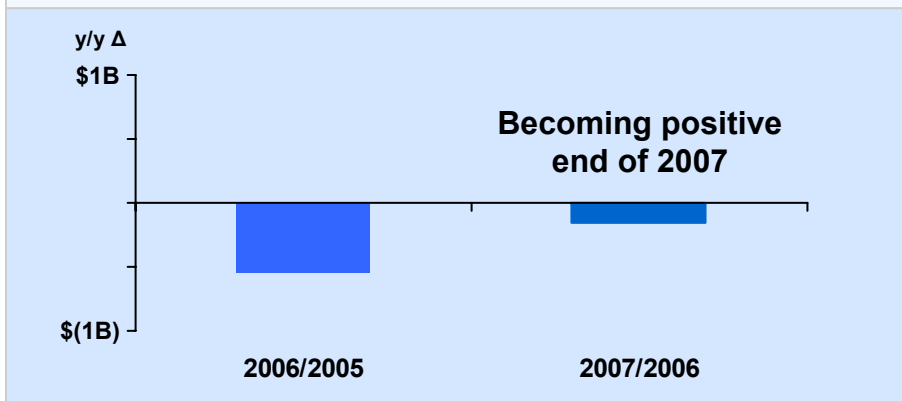
Stepping up the pace of performance

Improving and more stable business mix

Mix impact on Bell revenues



Mix impact on Bell EBITDA



- **Pace of growth revenues stepping up**
 - Wireless and video revenues to represent ~35% of total revenues
- **Lower decline in Legacy wireline**
 - ~30% y/y improvement
- **Revenue mix begins to contribute favourably to EBITDA by end of 2007**
 - NAS losses stabilizing
 - Subscriber growth
 - Pricing initiatives
 - Growth service margins improving ~4 percentage points

Slowing legacy losses...increased pace of growth revenues

Continued productivity opportunities

Supply, Process & Organizational Transformation

~\$450M productivity
at Bell

Labour cost

Key areas of focus in 2007

- Consultants and contractors
- Outsourcing
- Call centre initiatives (self-serve tools, lower call volumes)

COGS

- Settlement carrier costs and wireless roaming rates
- Migration of off-net traffic
- Other network costs (fleet maintenance, field operations)

SG&A

- Travel and entertainment
- Billing (One Bill program)
- IS/IT
- Organizational simplification

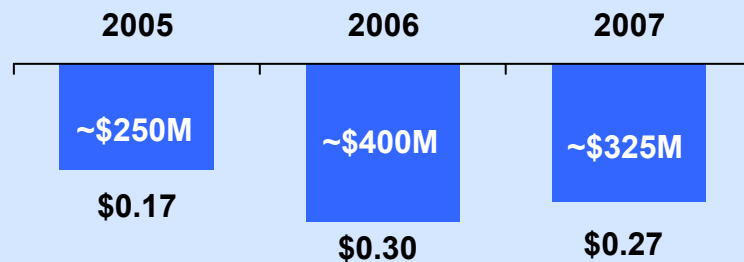
Marketing & Sales

- Equipment (wireless handsets, video set-top boxes)
- Sales compensation realignment

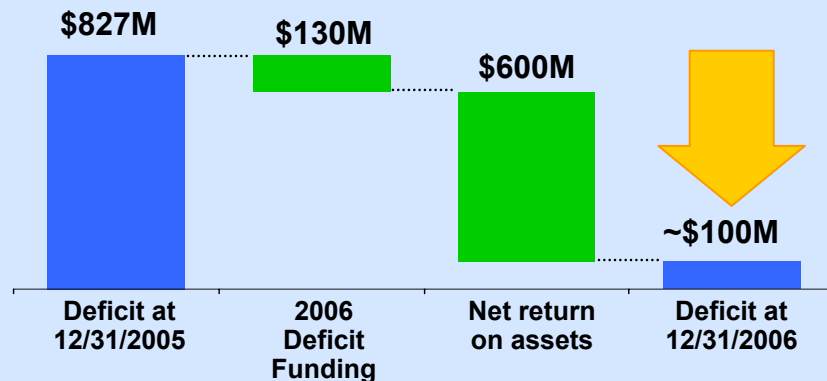
A competitive cost structure

Pension plan status

Bell EBITDA and EPS impact



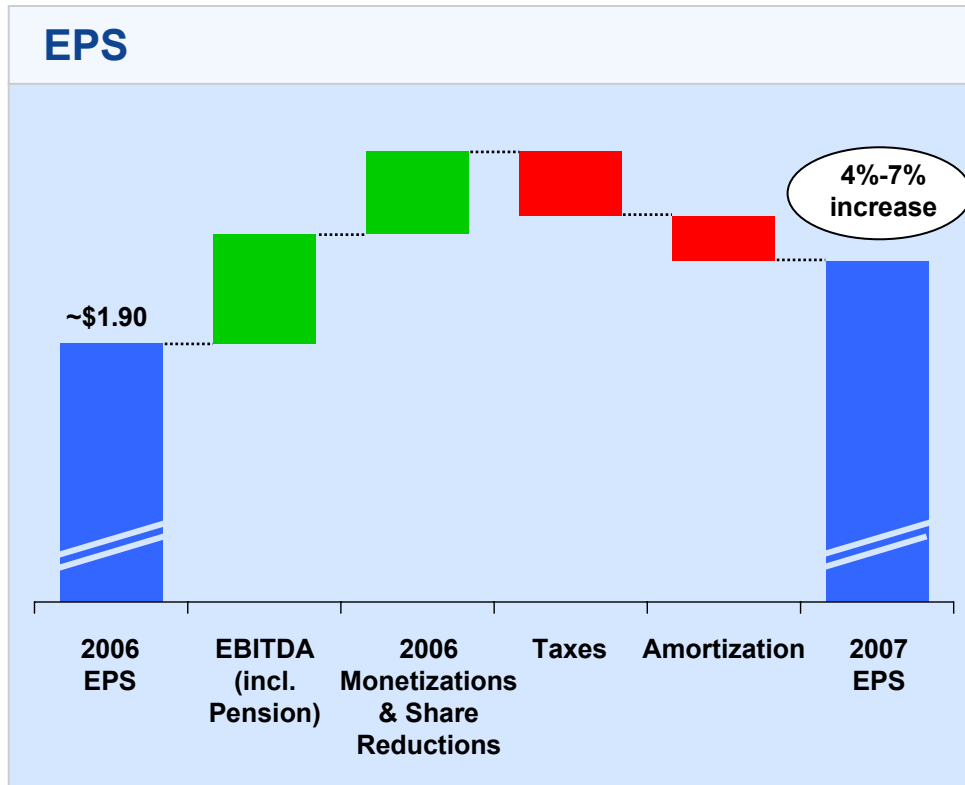
Bell pension plan solvency valuation



- Reduction in pension expense due to improved returns and benefit changes
- Assumes accounting discount rate of 5.4% in 2007
- Plan valuation deficit reduced
 - Strong 2006 return on plan assets
 - Reflects 2006 funding
- Bell pension and post-employment benefit funding reduced
 - Based on new funding rules and improved valuation
 - Total funding to decrease from ~\$440M in 2006 to ~\$300M in 2007

Pension pressure abating

Growing earnings per share

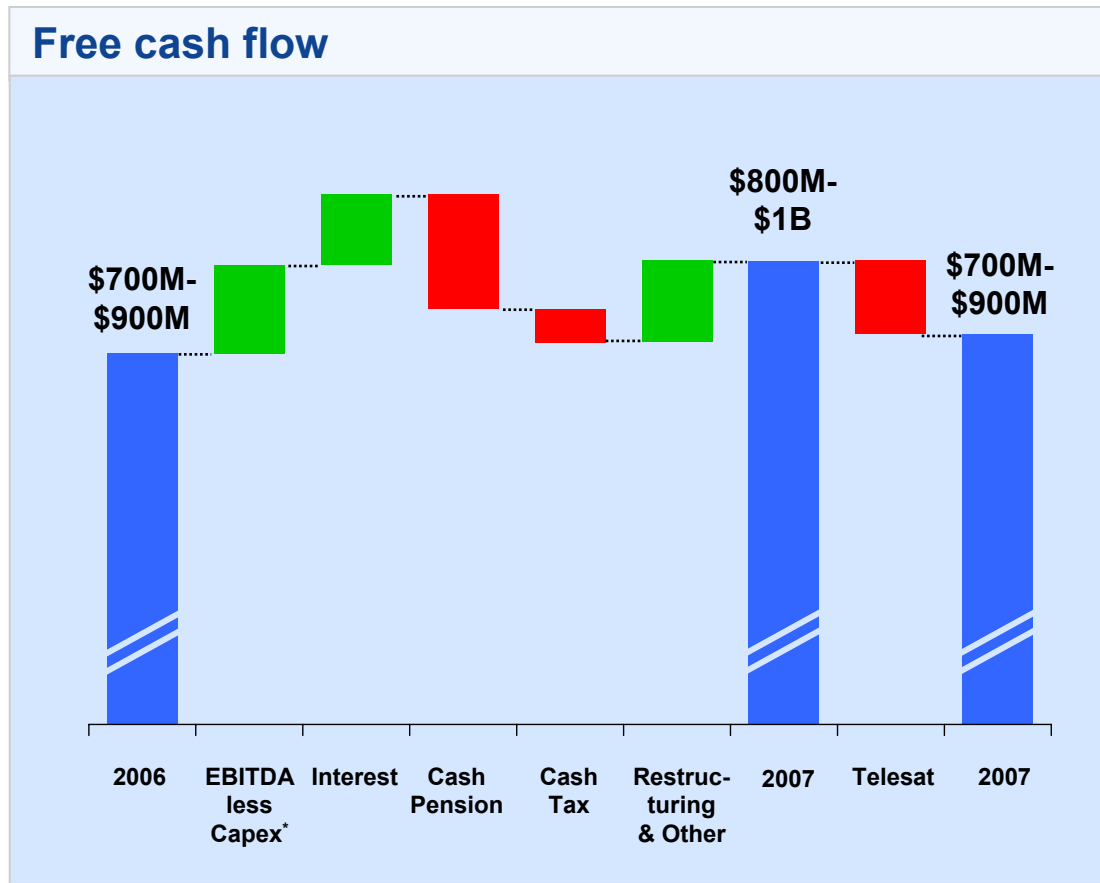


EPS before net gains (losses) on investments and restructuring and other items.

- EBITDA drives EPS growth
- NCIB programs accretive to EPS
- Reflects non-recurring tax benefits in 2006
- 2007 effective tax rate of ~26% reflects non-taxable Bell Aliant earnings
- Higher historic capex raises amortization expense

EBITDA growth driving up EPS

Steady free cash flow performance



*After dividends before pension

- **2007 FCF growth despite**
 - ~\$150M incremental cash pension funding
 - Modest cash tax increase
- **Telesat will self-fund its cash requirements**
 - Reflects satellite build

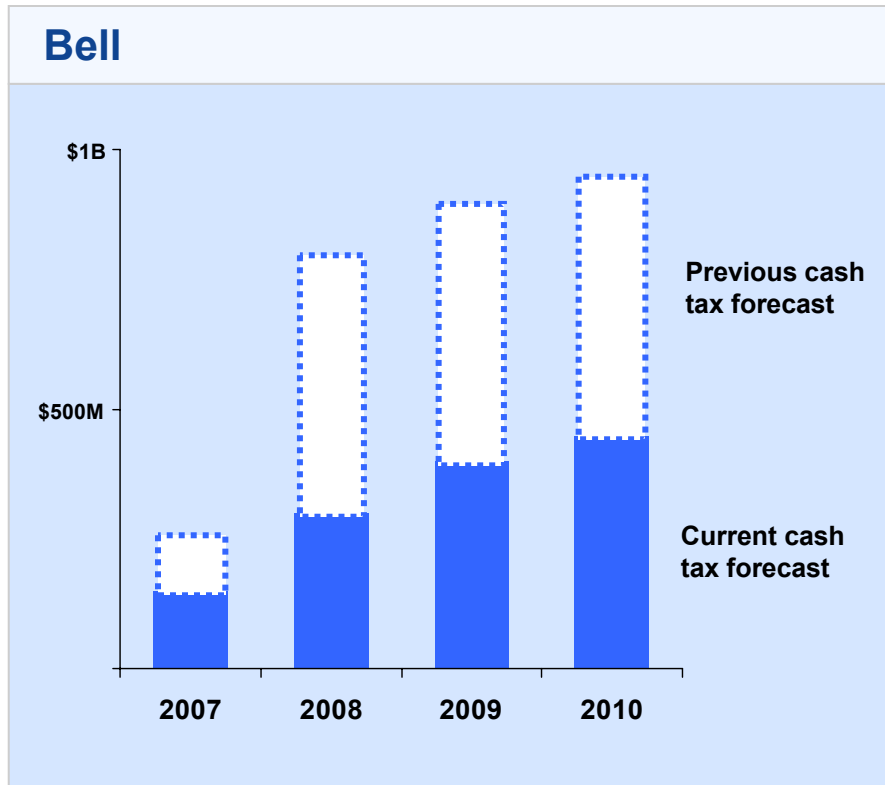
Growth in sustainable free cash flow

Free cash flow

Free cash flow breakdown

| Bell | (\$M) |
|---|--------------------|
| EBITDA (net of capex) | 3,200-3,400 |
| Dividends | ~(1,275) |
| Debt service (including A/R securization costs) | ~(800) |
| Cash pension | ~(300) |
| Cash taxes & non-cash ITCs | ~(250) |
| Restructuring & other | ~(125) |
| Bell Aliant (Based on 2005 proforma distributable cash) | 340-360 |
| Free Cash Flow | \$800M-\$1B |

Cash taxes forecast



No significant escalation in taxes through 2010

2005

- Use of 360 / GT and Bell West tax loss carryforwards

2006

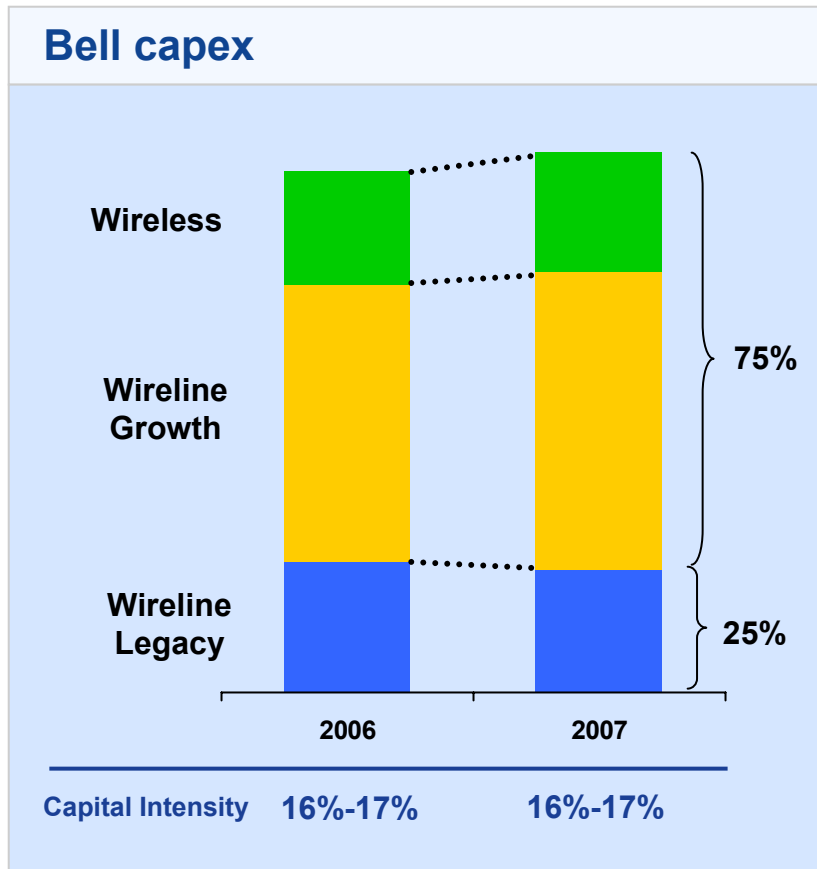
- Use of BCE tax loss carryforwards and previously unclaimed deductions
- ~\$700M of unused ITCs available end of 2006

2007 to 2010

- Organizational simplification enables accelerated use of Bell's R&D tax credits

Expected jump in cash taxes delayed until 2011

Investing capital in growth



Wireless

- EVDO, Rev A
- Network quality leadership
- Distribution and stores

Wireline Growth

- FTTN: 1 million new homes
- IPTV development / launch
- ICT / VCIO

Customer Experience

- Call centre automation
- Self-service capabilities
- Number portability

Disciplined capital spend focused on key strategic priorities

Compelling proposition

Efficient corporate structure

- Operationally focused
- Financially transparent



Solid financials

- Steady growth in revenue, EBITDA, EPS and FCF
- Strong balance sheet



Increasing shareholder returns

- Steadily building record of increasing dividends
- Ongoing NCIB program



- **Attractive dividend payout and yield**
- **Long-term financial flexibility**

Delivering value

Key assumptions

Economic and market assumptions

- GDP growth similar to 2006, consistent with Conference Board of Canada
- Bank of Canada prime rate and CPI as estimated by Statistics Canada
- Continued wireline competition in both business and residential markets, mainly from cable operators
- Continued decrease in residential voice telecom market due to wireless substitution and other factors
- Wireless and video industry market growth similar to 2006
- Internet market growth rate lower than 2006

Financial and operational assumptions

Bell (excluding Bell Aliant)

- Residential NAS losses stabilizing
- Total net benefit plans cost of ~ \$325M
- Total net benefit plans funding of ~ \$300M
- 2007 productivity of ~\$450M

Bell Canada

- Amortization expense of \$3,200M - \$3,300M
- Restructuring cost of \$100M-\$150M
- Effective tax rate of ~ 26%
- Normal Course Issuer Bid for 5% of outstanding common shares