Q1 2009 Results Conference Call

May 7, 2009

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Bell

Siim Vanaselja

Chief Financial Officer

Q1 financial review

Bell	Q1'09	Y/Y
Revenues	$3,623M	(0.5%)
EBITDA	$1,426M	0.3%
EBITDA margin	39.4%	0.3 pts
Capex	$482M	(5.7%)
Capital Intensity	13.3%	(0.8 pts)

BCE	Q1'09	Y/Y
Statutory EPS	$0.48	50.0%
Adjusted EPS[(1)]	$0.57	–
Free Cash Flow[(2)]	$272M	($32M)

(1) Before restructuring and other and net gains (losses) on investments

(2) Before common share dividends and including Bell Aliant's cash distributions

- **Managing through economic downturn**
  - Residential services showing good resiliency
  - Softer SMB market
  - Reduced equipment sales in Enterprise
  - Cautious spending and competitor pressures impacting wireless growth
- **Revenues essentially flat y/y**
  - Service revenues up 0.2%
  - Product sales down 8.2%
- **Stable EBITDA y/y**
  - EBITDA growth of 1.5% before pension expense
  - Cost reductions contributed to higher EBITDA margin
- **Higher Capex due to HSPA overlay and FTTN acceleration**
- **Statutory EPS up 50% y/y to $0.48**
- **Stable Adjusted EPS**
  - Higher EBITDA and NCIB impact offset by increased depreciation and lower interest income
- **Healthy free cash flow, despite increased capex, pension and restructuring payments**

Results in-line with guidance

Wireless financials

- **Service revenues reflect data growth of 36% y/y and impact of lower voice ARPU**
- **EBITDA growth of 5.9%**
  - Reflects lower retention spend and disciplined handset pricing
- **EBITDA margin increase of 1.1 pts y/y to 44%**
- **EBITDA flow-through of 80%**

($M)	Q1'09	Y/Y
Revenues	**1,079**	**3.5%**
Service	*986*	*3.1%*
Product	*83*	*12.2%*
EBITDA	**434**	**5.9%**
EBITDA margin (service revenues)	**44%**	**1.1 pts**
EBITDA flow-through	**80%**	**69.4 pts**
Capex	**130**	**(94.0%)**

Reasonable performance given competitive & economic environment

Bell

Solid wireline performance underpinned by tight cost control

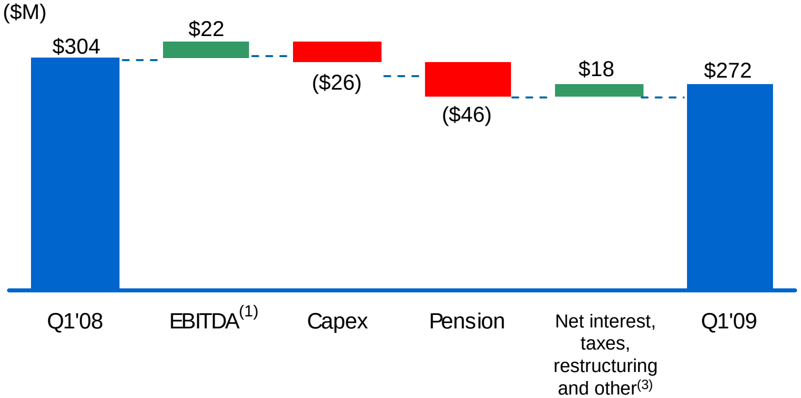
($M)	Q1'09	Y/Y
Revenues	**2,592**	**(2.4%)**
Local & Access	*805*	*(6.1%)*
Long distance	*278*	*(6.7%)*
Data – Service	*811*	*3.6%*
Data – Product	*94*	*(22.0%)*
Video	*387*	*8.7%*
Equipment & other	*140*	*(9.1%)*
EBITDA	**992**	**(2.0%)**
EBITDA margin	**38.3%**	**0.2 pts**
Capex	**352**	**9.5%**
Capital Intensity	**13.6%**	**1.1 pts**

- **Residential business showing good resiliency to economic downturn**
  - Pace of legacy erosion continues to slow
  - Solid video performance
  - ARPHH up 10% y/y
- **Soft quarter for SMB**
  - Higher NAS losses and related toll decline triggered by weakened economy
  - Payphone lower due to reduced usage
- **Reasonable Enterprise performance**
  - Connectivity pressures offset partly by higher IP/BB
  - Lower equipment sales to public sector
  - Solid growth in ICT
- **Despite economic and competitive pressures, EBITDA margin up 0.2 pts y/y to 38.3%**
  - Driven by diligent cost management at all levels

EBITDA before pension expense stable y/y

Free cash flow

Free cash flow



Free cash flow walkdown ($M)

EBITDA[1] less capex	1,008
Preferred share dividends	(28)
Debt service[2]	(113)
Cash pension	(85)
Cash taxes (net of ITCs)	(154)
Restructuring	(59)
Working capital & other	(370)
Bell Aliant distribution	73
Free Cash Flow	**272**

(1) EBITDA before pension expense
(2) Includes A/R securitization costs
(3) Other includes working capital changes

- **FCF of $272M for Q1 ahead of plan**
  - Reflects normal seasonality of payments
- **Impacted by higher capex spend**
  - Wireless CI at 12.0% due to HSPA investment and data expansion
  - Accelerated FTTN spending, although wireline CI declined to 13.6%
- **Pension higher due to increased solvency deficit contributions**
- **Higher restructuring payments for workforce and real estate reductions**
- **Timing of working capital**
  - Increased A/P due to higher capex
  - Tighter inventory control

Free cash flow well on track

Executing on our capital structure model

- 5% dividend increase effective with April 15th dividend payment
- 5% NCIB completed on May 5th at an average cost of approximately $24.65 per share
- Renewed $1.4B credit facility for 3-year term on May 7th
- $2.3B of cash on hand at Bell to readily meet $1.5B of 2009 debt maturities
- Tracking to guidance targets presented on February 11th

2009 guidance*	
Revenue	Stable
EBITDA	Stable
Capital intensity	15% to 16%
Adjusted EPS(1) growth	> 5%
Free Cash Flow(2)	~$1,750M to $1,900M

* Revenue, EBITDA & capital intensity guidance for Bell excluding Bell Aliant
(1) EPS before restructuring and other and net gains (losses) on investments
(2) Free cash flow before common share dividends and including Bell Aliant's cash distributions

Bell

George Cope

President & Chief Executive Officer

Clear progress on strategic imperatives in Q1

1 Improve customer service

- 95% completion rate on Same Day Next Day services
- 14% y/y reduction in repair call centre volumes
- Began process of repatriating one million calls from offshore suppliers
- 14% y/y improvement in wireless dropped call rate in GTA
- New retention queue for SMB customers

2 Accelerate wireless

- Data revenues up 36% y/y
- Postpaid net adds up 25% y/y
- Acquisition of *The Source*
- Purchased remaining 50% of Virgin

3 Leverage wireline momentum

- NAS line losses improve 13% y/y
- Average revenue per household up 10%
- Maintained SMB access line market share, despite slowing economy

4 Invest in broadband

- HSPA on track for early 2010 launch
- 69% increase in FTTN subscribers since the end of Q1'08

5 Achieve a competitive cost structure

- Wireline labour costs down 7.4% y/y; Wireline G&A down 12.5% y/y
- Disciplined capital spending: CI of 13.3% in Q1'09

Bell

Acquisition of Virgin Mobile's 50% stake

Rationale

1 Leverage Virgin Brand

- Significant brand awareness
- Continued global marketing support from Virgin Group
- Long-term extension of brand licensing agreement
- Maximizes Bell's flanker brand flexibility

2 Leverage Distribution

- Virgin's strong brand appeal should drive incremental traffic for *The Source*
- ~85 Virgin kiosks
- Strong 3rd party retail distribution appeal

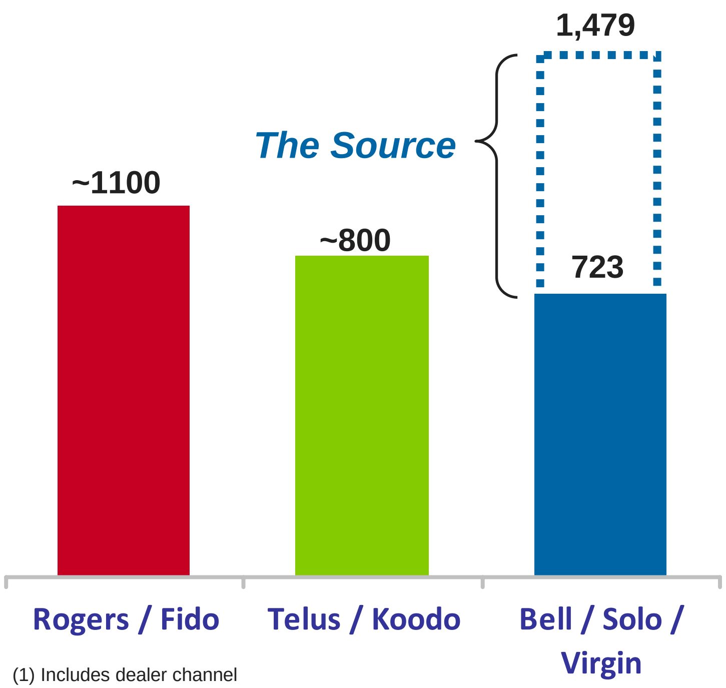
3 Compelling Value

- Net purchase price of ~$102M
  - Reflects access to tax losses valued at ~$40M
- Limited impact on wireless financials in 2009

Consistent with strategic imperative to accelerate wireless

Acquisition of *The Source* on track to close in Q3

Pro-forma exclusive carrier points of distribution(1)



(1) Includes dealer channel
Source: BCE estimates – February 2009
(2) LTM ended December 31, 2008

The Asset

- Canadian consumer electronics retailer with 756 retail stores nationally and ~3,000 employees
- Revenues(2) of \$643M; EBITDA(2) of \$27M
- 7-year track record of profitability

Purchase Price

- Purchase price will be disclosed after close of transaction
- Based on BCE's view of working capital value
- Materially less than the \$335M paid by Circuit City for *The Source* in 2004

Benefits to Bell

- Cost effective way to quickly increase points of distribution
- Access to desirable traffic: more than 80M shoppers annually
- The Source will carry most Bell products by Jan.1, 2010

Enhanced distribution will drive activations & market share

Wireless metrics

Metrics	Q1'09	Y/Y
Postpaid gross additions	210k	6.1%
Prepaid gross additions	156k	2.0%
Postpaid net additions	35k	25.0%
Prepaid net additions	(5k)	(183%)
Blended ARPU	$51.52	(1.5%)
Blended churn rate	1.6%	--
COA	$397	(0.3%)

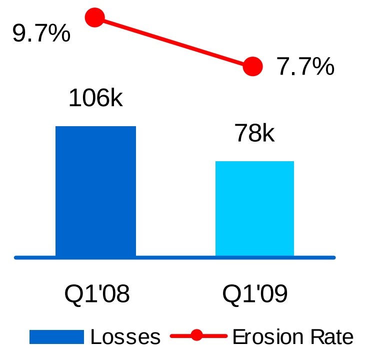
- **Growth in postpaid sales driven by data demand, rate plans and more points of sale**
  - Gross adds up 6.1%
  - Net adds up 25%
  - Postpaid churn improved 0.1 pts y/y to 1.2%
- **Economy and discount brand pricing impacting ARPU**
  - Increased mix of lower-priced rate plans
  - Lower voice usage and roaming
- **COA stable y/y, despite higher proportion of smartphone sales**

Stable metrics generate solid EBITDA growth of 5.9%

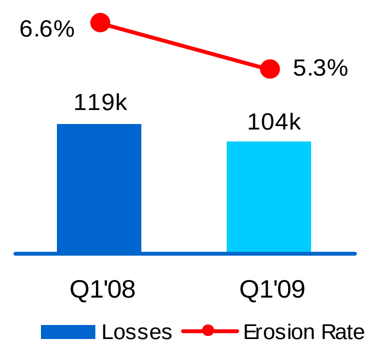
Bell

Voice

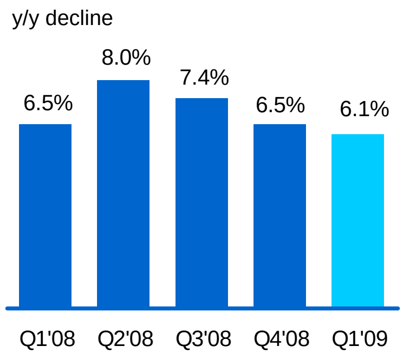
Residential NAS Losses



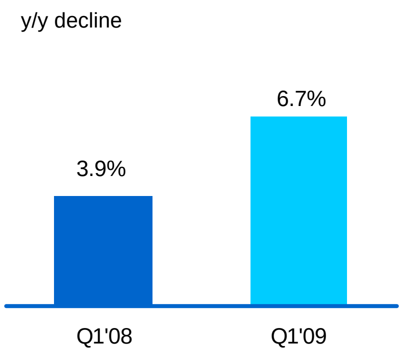
Total NAS Losses



Local Revenues



LD Revenues



Local

- **13% fewer NAS losses y/y in Q1'09**
  - Steady winbacks with higher Internet and video attach rates
  - Offset partly by higher business line losses
- **Local and access revenue erosion slowed for third quarter in a row**
  - Reflects declining number of line losses
  - STS per residential NAS up 10% y/y
  - Disciplined reprice of connectivity business

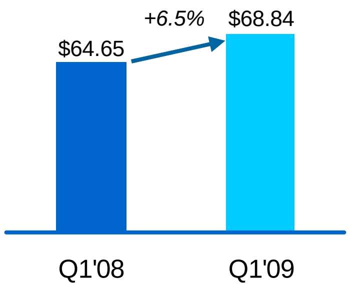
Long Distance

- **Revenues down 6.7% vs. 3.9% in Q1'08**
  - SMB toll revenue down in line with economy
  - '08 price increases now fully absorbed
  - Mix shifting towards unlimited plans
  - Increasing mix of recurring revenues reducing volatility going forward

NAS losses improve for 6th consecutive quarter

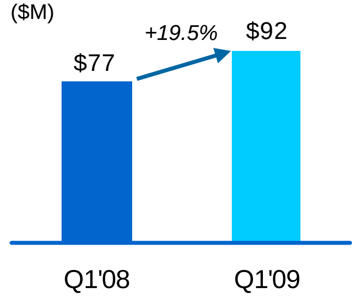
Continued strong video performance

ARPU

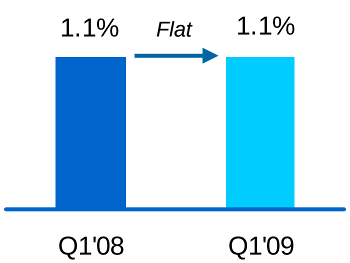


EBITDA

($M)

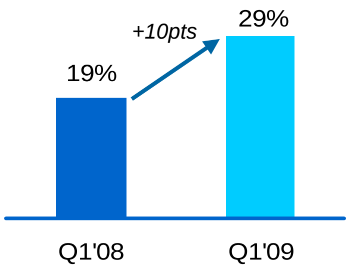


Churn



HD leadership

HD box subs as % of total base

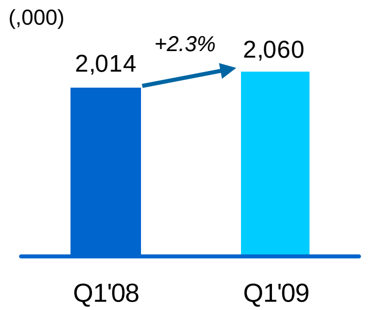


- **Solid revenue growth of 8.7%**
- **ARPU up $4.19 or 6.5% y/y**
  - Driven by programming upgrades and price increases
- **Highest Q1 gross adds in past 7 years**
- **Net adds of 12k vs 1k last year**
  - Strength in direct channels
  - Improved MDU performance
- **Stable churn of 1.1%**
- **EBITDA growth of 19.5% y/y**
- **Increased HD and PVR penetration**
- **New distribution agreement with Telus to sell DTH in Alberta & BC**
  - Enhances Bell's own national TV distribution

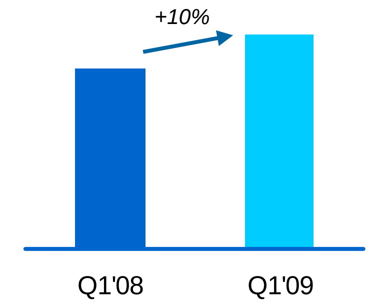
Building on 2008 momentum

Data

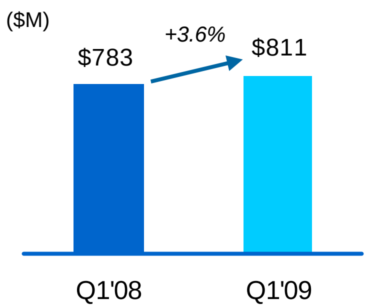
Internet EOP subs



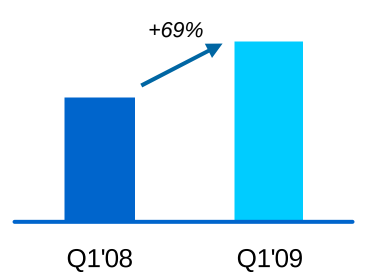
Residential Internet ARPU



Data service revenues



FTTN subscribers



- **Data service revenue growth of 3.6% y/y**
  - Solid residential ISP performance
  - Continued growth in IP/BB connectivity and ICT services solutions
  - Weaker equipment sales to business customers due to softer economy
- **Internet net adds of 6k vs 10k in Q1'08**
  - Residential net adds doubled y/y
  - Business net adds soft in SMB
- **Residential Internet ARPU up 10% y/y**
  - Strong migrations to premium offers
  - Monetizing usage
  - Migrations to FTTN
- **Ongoing product and service improvements at Bell Internet**
  - Delivering "advertised" speeds to customers
  - Launched enhanced technical support for new customers

Data service revenue growth in both residential & business

Bell

Q1 summary

Solid operating results given macroeconomic environment

- Abating NAS losses
- Higher residential household ARPU
- Wireless margin expansion in tough environment
- Stable revenues and EBITDA
- Efficient and targeted capex investment
- Financial results in-line with 2009 guidance targets

Measurable progress on 5 strategic imperatives

1. Delivering a positive service experience both in the field and in our call centres ✓
2. Enhancing wireless distribution and market presence ✓
3. Slowing rate of NAS decline ✓
4. HSPA roll-out on track ✓
5. Keeping costs in line with revenue performance to maintain/grow margins ✓

Effectively absorbed competitive and economic pressures

Bell