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## **PRESENTATION**

### **Bernard le Duc**

Good morning, everyone, and welcome to the Bell Business Review Conference 2007. We are delighted to see so many of you here with us, probably about 150 here in Toronto, and no doubt many others on the webcast. A mere ten months have passed since we were here last to discuss our outlook for 2006. And that is a short time, but there have been many significant changes during that time, both within our company and in the industry we operate in. And that is why we are looking forward to discussing our new outlook with you here today.

So I will just go through the agenda. Michael Sabia, our CEO, will provide you with a quick strategic update. George Cope, our COO, will then take you through the operational overview of the business. And we will then take a 15-minute break, after which Siim Vanaselja, our CFO, will present our financial outlook for 2007. We will then move to Q&A sessions. And in addition to the three presenters who will be on the panel here, there are eight other senior executives here today to also participate in the discussion as appropriate.

And just as a final piece of housekeeping, I would ask you to turn off your cell phones now.

Before we get started, it is my role to remind you that today's remarks will contain forward-looking statements with respect to items such as revenue, EBITDA, capital intensity, free cash flow, and EPS. Several assumptions were made by us in preparing these forward-looking statements, and there are risks that our actual results will differ materially from those contemplated by the forward-looking statements. For additional information on such assumptions and risks, please consult BCE's safe harbour notice concerning forward-looking statements dated December the 12th, 2006 and filed with the Canadian Securities Commissions and with the SEC, which is available on our website. These forward-looking statements represent the expectations of BCE and its subsidiaries as of December the 12th, 2006 and accordingly are subject to change after such date. However, we disclaim any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. And I am making this cautionary statement on behalf of each speaker whose remarks today will contain forward-looking statements.

So with that behind us, it is now my pleasure to hand over to Michael Sabia to provide you with the strategic update. Michael?

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### **Michael J. Sabia**

Thanks, Bernard and good morning, everyone, and thank you for joining us, and thank you for your interest in Bell. Today I want to talk about clarity, I want to talk about trajectory, about confidence, and about improving returns to you our shareholders. When I talk about clarity, I mean clarity about the competitive environment that we are operating in and clarity about the plan that we have for the company going forward. That is very much about improved trajectory... improved trajectory for Bell that is very much a reflection of a product of the many changes that we have been putting in place, piece by piece, since 2004. And having said that also about confidence, about our ability to execute the plan that we are going to talk about today and to deliver sustainable growth and improving financial performance next year and over the medium term.

Now, as you all know, in October we announced our intention to convert Bell into an income trust. And our goal at that point, as we said, was to continue growing our business and, at the same time, to increase distributions to shareholders. With the well-reported changes in government policy that have occurred in the wake of that decision, we obviously will not proceed with the conversion of the company to an income trust. But what we will do... what we will do -- and this is very much a result of all the work that has been done and the confidence we have in what we are doing and in the platform that we are building -- we will stay committed to those same core objectives of continuing to build the business and, at the same time, increase distributions step by step.

Now, the basic goal of what we are going to talk about this morning is to explain to you how we are going to do that. The overall plan that we are going to lay out is really built on a couple of very simple principles. First, continued investment in growth matched by step-by-step improvement in execution to drive earnings growth and to steadily increase our free cash flows. And then second, to then take that financial flexibility and use it, to share it with our shareholders, to reward them through growing dividends now and over the medium term.

So let's just recap a bit about where we are. Obviously a lot of work done in this company to rebuild what we are, how we operate, to strengthen the competitive capabilities within Bell, and to address that fundamental

business challenge that we have talked a lot about, that fundamental business challenge of changing the revenue and profitability mix of the business, because that is always fundamental.

Now, in doing that, we think we have set some pretty good foundations. We have put together some building blocks, piece by piece, things like simplifying our corporate structure so that we focus on what we know and what we do best; things like resetting, rebuilding the cost structure of the business; things like investing in network platforms to develop... to have platforms to deliver the right kinds of services; and very much strengthening the management teams of the company with a real laser focus, really single-minded focus on execution capability. And they have had lots of success here. A number of the people who are here today are all part of the strengthening of that management team. But clearly George Cope joining the team has certainly been an important step forward with respect to that issue and that challenge.

And I might also say that I think over the last few years we have also put in a lot of work to put telecom reforms on the national public policy agenda. Because as I have said many times, the framework for this industry matters. And clearly, we regarded yesterday's announcement as a significant step forward, and I will have a couple of other comments on that as we proceed through the day... or through the morning.

Now, with those building blocks that we've been working on, throughout that period we have been working pretty hard to deliver what I would describe as stable financial results. And we have done that even as we have had to address a number of competitive regulatory financial pressures. But I think we have done that. And today... the significance of today is that we arrive at a point where the elements of that strategy, the building blocks that we have been working on, have come together to deliver a meaningfully improved outlook for the company for 2007. I use a phrase, step up the trajectory at a different level of financial performance. So on revenues for next year, we expect them to be in the range of 3% to 5%; and on EBITDA, something in the range of 4% to 6%. Now, that's including pension expenses. Siim will go through this in detail. But I think by any measure a significant improvement, a significant change in trajectory. Definitely I think a different path, and a change, as I have said, that very much reflects the progress we have made in resetting foundations and rebuilding capabilities and sharpening focus.

That issue, sharpening focus, has been a basic, a fundamental commitment that we have had for a

considerable period of time. And that is why, through the course of the last 12 to 14 months, we have completed something on the order of about \$8 billion of transactions to help make substantial progress toward that goal. And we also said that we would not just simplify and sharpen focus, but that we would share the benefits of that with you, our shareholders. I think, again, we have done that in a pretty significant reduction in the float of the company last year by 13% either bought back or cancelled, a 28% distribution of Bell Aliant, and then, as we said we would, the retirement of something more than a billion dollars of debt.

So what is basically left to do with respect to the priority that we have assigned to sharpening focus in the company is to monetize Telesat, either through a public offering or through a private market sale. And I would say that I think on both fronts we have made a great deal of progress over the last many months, and we do expect to be able to complete that process I would say over the next couple of months but certainly... certainly before the end of the first quarter. We can talk about that more if you like in the Q&A period.

We will... notwithstanding the trust decision, we will continue with the wind down of BCE that we announced on October the 11th. And so going forward, BCE will give way to a different company. The company's name will be Bell Canada Inc.

Now, let me be clear about this. That is about a lot more than changing a name. It is about even more the tax efficiency -- and we will talk about that later -- and it is more about a lot more than lowering overhead. It is important because it really... it crystallizes a different approach, I think a more reliable approach than in the past, to creating value, to driving growth in cash flow, and driving dividends. It is about an approach that says we can create value by sticking to the business that we know and having the business be the source of value creation itself. And that fundamentally will be built around Bell, our urban operations in Ontario and Quebec and the west, with a focus on wireless, video, broadband, our ICT capabilities in the business market, and then Bell Aliant regional that brings focus into those regional markets that we have talked about to deliver the telecom services that they need, tailored to their specific needs.

So I think the focus of the organization is now largely set, subject to progress on Telesat, but it is set. And that very large task we had of a few years ago of simplifying this company, I am very happy to say that task is now pretty well behind us.

So let me talk just briefly about some of the foundations that have been put in place over the last number of years, where I think, you know, a lot of significant progress on a number of operating fronts. Perhaps first and foremost, a lot of focus on cost. We have taken a \$1.6B of costs out of the business since 2004. This is important for a couple of reasons. First, it is allowed us to hold our EBITDA margin, and that despite the intensification of competitive pressures and certainly the onset of cable competition. So that is, in our minds, an important... an important accomplishment. And second -- I think this is really important -- it forced us to become more efficient. With 9000 fewer people, we have had to change how we do things.

So that is driven a lot of savings: finding new, better ways to operate the business, whether it is two million fewer bills that saves us something like a \$100M; or two and a half million fewer calls into our residential call centres, which saves us something on the order, along with other changes in call centres, about \$40 million; 15% reduction in the cost of truck rolls; just under \$1B of savings by revamping the supply chain of the company, by simplifying supply chains, by negotiating best-in-class contracts with suppliers, a lot of hard tackling to get this done, but significant, significant progress in rebuilding the cost base of the company, to the point where productivity improvement is now a standard operating procedure of the business and an everyday responsibility of all of our colleagues who work in the business.

No, go back one, please. Thank you.

Network. Invested about \$2.5B since 2004 in strengthening the growth platforms of the business. Today a little over a million households passed with fibre to the node, lots more coming; EVDO coverage about half of the Canadian population; a WiMAX network built. And now a lot of focus on strengthening, hardening our IP core network capabilities to deliver advanced services into the business market. All that to say with those network investments which we will continue to do, we now have, I think, a very strong platform for the growth services that will continue and that we will accelerate as we move forward now.

Now, throughout all that, execution has been a very important part of it, and certainly through 2006 a lot of focus on service... frankly, service recovery in some areas. Because in 2005 our service levels were not what they should have been. But as we have moved forward on service recovery, we have also been able to broaden out our efforts now and do an across-the-company service improvement program. Lots of examples of the impact there: DSL network outages reduced 20%; DSL

repair times, thanks to a lot of great work from Patrick Pichette and people in Network Operations, DSL repair times improved by 60%; significant improvements in missed commitments to customers for repair and provisioning; installations improved by about 20%, repair by 28%. These are big numbers. In a large organization of our kind, with all of the process changes required to accomplish that, these are big numbers, and we will continue to move down that path as we go forward.

Now... so pretty good progress on service, and a lot of focus on service in 2006. But clearly, there is lots more to do to get service levels where we really want them, and service levels at a level where they can begin helping to differentiate us in these very competitive markets.

Now, in addition to that work on service -- a lot of work, and I have talked about this many times to many of you; a lot of work on rebuilding our processes across the four basic platforms of our business, particularly in the residential market, because that is all about finding simple ways to meet the needs of multi-product households because multi-product households are the future in our residential business. So we have developed things like multi-product solution centres, where a customer can call in and get a complex problem resolved on the first call. We have delivered a lot of new tools to our front-line call reps so that they can see a complete picture of that customer across our platforms and that they have greater capability to meet the needs of that customer. We have completely rebuilt bell.ca as an on-line opportunity and on-line channel for our customers. So a lot done ... and there is lots more to do, a lot of continued work in improving our processes.

And marketing: lots of improvement here. Lots of building of additional capability, capability that is built on precision -- on precision and on creativity in terms of how we approach the customer market. Because those two things, marketing precision and marketing creativity, are not things that this company has had to do in the past. But we are far better at it today, thanks to the efforts of Karen Sheriff and Kevin Crull and others. Much more approach to disciplined pricing, utilization of detailed customer information, a lot of product, and I think a lot of progress. And I think one of the areas where you have clearly seen it is in the surgical nature with which we have responded to some of Videotron's pricing actions in the Quebec market, where we are having considerable success. I would say that this whole area of marketing and marketing precision is again an area where George and Wade Oosterman are making very important contributions to the company.

But you add all that up, what does that all add up to? Well, it is pretty simple: a far greater, far stronger capability for this company to compete and win in competitive markets.

Now, talking about competitive markets, let's talk a little bit about cable companies. Clearly some pretty hard competition going on here. And as a result of that competition, through the course of the year I think we have made a lot of progress and gained a lot of experience. And so we are competing more effectively than we have done in the past. That is a result of fingertip capability with much more precise data mining so that we can understand exactly what a customer's interests are, what kind of targets... what kind of targeted offers will appeal to them, some really good execution with respect to the operation of our save queues under Kevin Crull's leadership with success rates in those save queues of two out of three customers saved. So pretty successful operation there. And as a result of all that growing capability that I have talked about, we are seeing our win back stepping up. I think they are up 50% in 2006.

Now, those are internal capability enhancements for us. But there is also some very important change underway in the external environment of the company that I think is a significant determinant of cable competition... or cable competition with us in 2006. And I think what we see here is a step-by-step progression to a greater degree of stability in that environment, and that too contributes to the improved trajectory that we are talking about this morning.

Fundamentally, the expansion of cable companies and their build-out of their telephony capability, that started to mature a year ago, they covered about 30% of the footprint. This year it is over about... it is over about 70%. Now, why is that important? That is important because typically subscriber numbers grow faster at the very beginning of a process, in effect where the low-hanging fruit is, or when the low-hanging fruit is available. Now cable companies have a tougher competition as they have picked up that low-hanging fruit and now move into other areas of the customer base. And they have to do that at a time when they also have to manage the needs and the profitability of the newly acquired customer base that they have added over the last year or two. And therefore, as a result of all those factors, in our view, it is not surprising that you see the decline in cable telephony take rates, down from the initial rate of about 8% now down to something much closer to and indeed below 3%. So given all of that, that internal capability and those changes in our external environment, next year we do expect to see our NAS losses stabilizing. And obviously that is an important turning point for us.

But so is this. So is this: yesterday's announcement on forbearance, which I must say significantly strengthened the confidence that we have already... that we already have, but significantly strengthens our confidence in the outlook that we are talking to you about today. In my view, this is an important decision. Yes, it is important for us as a company, but it is very important for this sector and it is very important for the country. I think once this is implemented, after a 30-day period of consultation, it can be, should be, a threshold policy change, really ushering in an entirely new approach to regulation. It brings government policy much closer to market realities -- market realities that are all about vibrant competition. It is important in its recognition that wireless today represents a real choice for consumers. And I think -- and I have said a lot about this -- I think it is important because it is a major step toward giving Canada a world-class framework for an industry that is a very important, indeed a vital driver of productivity improvement. And if you have seen or heard David Dodge's recent comments with respect to Canadian productivity, you know how important all of that is.

Now, in addition to all of those important strategic considerations, a little bit more specifically, the elimination of the win-back and promotion rules we regard as very important. We think they are consumer friendly. We think they promote choice. We think, frankly, they are long overdue. And we also think that the facilities-based test that Maxime Bernier intends to put in place is important because it is a dramatic simplification. It is a simplification because it is objective: if there are a certain number of providers in the market, the test is met. And in that view, in that context, we think it is far superior to a market share test which involves a lot of details, frankly subjectivity, etcetera. So that too we regard as a very, very significant step forward.

We think that the geographic definition of market is very different than that proposed by the CRTC; is better because it is much closer to the reality that consumers experience in any given market. And anytime government policy or a regulatory framework gets closer to the real, competitive realities for consumers, it is better. And we think that those changes accomplish that.

The quality of service test... frankly, I think we would have preferred in these competitive markets to have them eliminated. But nonetheless, they are at least workable. The CRTC's, frankly, were not.

Now, there is work to do. There is work to do through the consultation period. We would like to continue to see whether we cannot get this process further streamlined,

further simplified. But all that being said, in terms of our ability to compete in markets and offer customers value -- and I distinguish here value from price, but to offer customers value, to be creative, and to win because of our marketing creativity, which is how competitive markets ought to work, we believe that this is a very, very major step forward, and frankly, another sign, along with many others, another sign that we are moving to a far better environment, an environment in this case that will offer us some important opportunities, but frankly, that will also test our flexibility and test our creativity as we are able now to compete without having both of our hands tied behind our back.

So let me turn to some of our top priorities for 2007 and over the medium term. I know you are all experts. It comes as no surprise to you that the point of departure in our business is all about a competitive cost structure, and it is all about state-of-the-art networks. So those will obviously continue to be important priorities for us going forward. Our costs will drive about another \$450 to \$500 million of productivity improvement. As we have been doing over the last number of years, we will obviously do better than that in 2006, but still a significant improvement in productivity through in 2007, as I said, because it is an everyday part of the business. And yes, we will continue to invest in our networks, about \$300 million to ramp up our fibre to the node platform, pass another at least another million homes, so Patrick has his work cut out for him, and then another couple of hundred million to really establish our IP core network as a state-of-the-art, leading edge, highly reliable network that our large business customers can count on.

Now, those are important things. They are important initiatives. But the bottom line is we regard those kind of things as table stakes. That is really the price of entry into these competitive markets. So next year we are also going to be amplifying our focus, intensifying our focus, in two other areas. First, accelerating service improvement as the first step toward building what we call a truly differentiated customer experience; and also, second, stepping up the performance, the profitability, and the velocity of our growth engines.

So couple of words on customer experience. Now, you are going to hear this more and more from us over the coming weeks and months and years because we believe that customer experience is the route to sustainable competitive advantage. And so strategically we think this is very important. Customer experience starts with service. It is a bigger idea than service, but it starts with service. And service will be the top, the number one operational priority that we have. And it is

and will be the core of the brand and what the brand stands for.

Now, customer experience broader than just service levels as we would typically understand them. It has a product dimension, where it is about better, more reliable, faster network, broader coverage across all of our platforms. It is about innovative, high-quality products that are effectively priced and marketed. It is about revamping our distribution capabilities, which we are doing, and indeed building out an additional hundred new points of presence next year. It has a process dimension, because that too touches the customer. And that is about improving call centre performance; it is about managing peak loads better; and it is about fixing an issue that a customer has the first time they call. In all the research we do, nothing stands out like the importance of first call resolution and delivering on our commitments to the customer when a tech is required to do something.

We will put a lot of focus on order entry and improving the accuracy of order entry. That sounds pretty dull, but it is pretty important because if you enter the system with something that is wrong, something wrong comes out the other end. And what is wrong that comes out the other end touches the customer and affects and damages the quality of that customer experience, so a lot of focus there.

And we will put a lot of focus on the relationship side of customer experience. And that, at the end of the day, is about people. It is about rewarding high-value customers, which we are going to do, as we roll out a series of some new initiatives, both in the residential market and in the business market for our most important, our highest-value customers. I think that is good business, given how much of our profitability those very good customers represent for us. But it is also about improving the style of how our people interact with customers, and that is about having the right attitude and the right kind of training; of our front-line reps; and it is about giving them the ability to solve a customer's problems themselves, as opposed to having to delegate it into the organization, but to getting it done.

In a whole host of these areas -- and I will let George elaborate -- in a whole host of these areas we have set a specific set of objectives on a variety of different measures, and then we will drive our performance against those... those... those... those measures. But this commitment to service, to building, beginning to build a differentiated customer experience, it is the centrepiece of how we intend to meet the competition in the coming years, and it will be a cross-enterprise, cross-company campaign touching all of our employees.

So let me turn to the second area of amplified or intensified focus, our growth services. That will be very important. Why is that very important? Because it, driving those growth services, along with continuing to effectively execute and manage the NAS challenge that we have, is the best way of driving mix change in our business.

Now, wireless: a very important piece of this. And let me be frank. I think the competition has a step or two on us in the wireless market, but the gap is closing, and that is important. A year ago we started to change the trajectory of our wireless business, and I think we have made significant progress in terms of both revenue growth, our ARPU performance, our churn performance, all of those things closing the gap. All of that progress creates a good platform, a good starting point, for what we will accomplish in 2007. And under Wade Oosterman's leadership, we will do that with a substantially enhanced line-up of next-generation handsets. Why? Because that is all about attracting the right customer and driving ARPU. As I have mentioned, we will work hard on our distribution channels. And yes, we will meet Roger's Fido discount brand with our own discount brand -- and George will elaborate on this -- with our Solo brand.

So all of that work and improvement in our wireless business is all about, again, driving an increasing in our EBITDA flow-through into the 50 to 60% range, up from about 47% today.

In broadband and video, as I have mentioned, Patrick has some work to do will build out at least another million homes to cover something about 2.1 million homes at the end of the year on our way to 5 million by 2010. Kevin Crull will focus a lot on variety of priorities in terms of our Optimax product and ramping up its sales, focusing a lot on consistency of speed, which we think is increasingly important for consumers, which will be a centrepiece of how we position our broadband business. There is work to be done and opportunities to be seized by offering innovative new services over Sympatico MSN. That portal is important. It is the number one portal in Canada. It has a huge amount of traffic, and there are significant new, innovative advertising opportunities there. And yet, we will also complete the development of a new edition of IPTV, an edition of IPTV that we believe has the capability to redefine what home entertainment means. So that work will also be completed in 2007.

In the business markets, under Karen Sheriff and Stephane Boisvert's leadership, we will focus a lot on leveraging scale, the scale that we have in those markets, to make those businesses more profitable. A number of priorities here; I will just touch on a couple. We

have, as you know, acquired a lot of new ICT-related capability. We are now focusing on the integration of that ICT capability into well-organized product shops that can serve various customer segments. That will help us improve our productivity. A lot of focus on distribution strength, particularly in small and medium business. And all of this work focused on utilizing our value-added service capabilities to pull through good margin connectivity business.

So, summary in terms of our growth focus: It is all about increasing those growth services that drive profitability and to improve mix.

Now, mix. A real centrepiece of our strategy, the centrepiece challenge, and I think in 2007 the picture is far, far better. Next year will be the first time that that step-by-step mix change that we have been working on will lead to a sustainable improvement in earnings, in cash flow trajectory. For the first time, revenues from our growth portfolios will exceed our revenues from our legacy businesses as we enter 2007. And structurally, Bell's exposure to growth has been improved and increased by the structural change we made in transferring some slower growth assets into Bell Aliant Regional. Then add to that, the impact of the acceleration of our growth services that I talked about, and 2007 close to 60% of Bell's revenue will be growth-based next year. So that certainly factors into the improved top line performance that you are seeing from us.

But that, in addition to the improved cost structure that we have built, put it this way, the favourable operational leverage, that also means growing operating profitability.

So couple of factors here. As we continue to drive the flow-through and the margin improvement of our growth services, certainly wireless is an important part of that, but so are video and our ISP as they now grow... as they grow and contribute substantial amounts of incremental EBITDA. So all of that too contributing to the improved trajectory that you are seeing in our EBITDA performance. And then in addition to that, that is further bolstered, that improvement in trajectory, as we continue to focus on cost discipline and taking cost out of our traditional businesses. As we price those services in a disciplined way and as we manage NAS erosion, those two things come together to also involve a substantial evolution in the mix of the business from an EBITDA point of view. So overall, I think with respect to mix, in 2007 we are passing some very important milestones in the reconfiguration of the mix of this business.

And then over the medium term we will continue just moving very much down the same track: continued focus

on high margins... higher margins from our incremental growth businesses, slowing erosion in our traditional businesses. Then you combine those things to deliver a medium-term picture of sustainable growth in revenue and EBITDA, and that is very much the medium-term outlook that we are talking about today. In terms of mix, 2009 about 70% of the company's revenue should be growth-based. So by then, I think mission accomplished with respect to the change, the quite profound changes that we have been working on with respect to the configuration of the business.

Let me say a word about cash flow. I say that because it is such an important lynchpin in this earnings growth, shareholder distribution financial model that we are outlining this morning. Clearly the improvement in our EBITDA trajectory, that is very important in improving our free cash flow performance -- I think that is to state the obvious -- in 2007 and over the medium term. But that step-by-step progress on cash flow is also bolstered by a plan to utilize our tax attributes in a way that will enable us to smooth the rate of growth of our cash taxes over the next four to five years. Now, that is important because that gives the business time to grow our operating cash flow sufficiently to more than offset increases in cash taxes. And therefore it gives us the building blocks to be able to say to you we believe we have over the medium term a growing free cash flow profile. And I do not need to explain to this audience the importance of that.

In our CapEx, CapEx intensity, we expect it to be at about the 15% to 17% range. That will be focused on all the things I have talked about: growth, on networks, distribution, customer service, etcetera. Siim's going to elaborate on that. But I also want to be clear on a point here that I think is important. Investing and continuing to invest to drive growth, particularly growth in operating profitability, that is really the ignition point for the financial model that we that we are setting in front of you this morning. In fact, careful, disciplined investing that drives earnings, that drives cash flow, and, by doing all of those things, enhances our ability to drive distributions. So we will always -- always -- maintain the financial flexibility we need to build the business, to make those investments, and to strengthen the financial model that we are talking about this morning.

Now, that being said, we do not see anything today that would necessarily cause us to exceed the 15% to 17% range, and indeed, we will look for opportunities to lower it. But financial flexibility and our ability to invest to strengthen the business is a key, key principle of how we lead... how we run the business.

Now... so let me just recap a couple of points. One, focus on Bell. Two, a high degree of confidence in our ability to step up the growth profile of our operations. Three, over the medium term an outlook of growing free cash flow. And four, a solid balance sheet. So on that basis, we are also announcing today what I will call a new distribution framework, a new policy, obviously approved by our board. And that is that our target EPS pay-out ratio will move to 70% to 75% for next year and over the medium term.

Now, on that basis, as our earnings increase, investors can and should have confidence that we will share the progress we are making with a growing dividend. I want to be clear and I want to emphasize this point. This is the first time... this is the first time our company has adopted such an approach. And in setting it in front of you, it really is a reflection of the distance that this company has travelled, of the progress made in this company, and of the confidence that we have in our future. I think it reflects a quite different approach to creating value than the market has seen throughout the... can I call it the BCE era.

Now, of course, as we have the flexibility, as the opportunity is appropriate, then we will also continue to utilize share buy-backs as a further mechanism for sharing progress with our shareholders. Now, what does that mean for 2007? Well, very much in line with that framework, that policy that I have just talked about, today we are also announcing an 11% increase in the dividend to \$1.46 a share. And we are also renewing the normal course issuer bid to repurchase 5% of the stock in the company.

I would say that these measures are entirely consistent with a continued focus on delivering value to shareholders. In 2005 we increased the dividend for the first time in a decade. In 2006 we bought back \$1.2B of stock and distributed 28% of our ownership of Bell Aliant. So in 2007 we will return approximate... something in excess of a couple of billion dollars in capital to our shareholders. So 2005, 2006, 2007. Now, I leave it for you to judge because it is not for me to judge, it is for you to judge. But I think the basis for a new track record in the use of cash and in the treatment of shareholders.

Just to wrap up, I think as you can tell, we believe that we are entering a new chapter in the development of this business, a third chapter, if I can put it this way, a third chapter of all the work we are doing to reposition our company. Over the last few years, after we stabilized the business in the early years, over the last three years it is all been about focusing the business; it is been about rebuilding the cost structure of the business; and it is

about setting the foundations of the new capabilities that this company needed to meet and beat the competition. As we move forward into this new chapter, it is really all about the customers. It is really about integrating the skills and capabilities of this business to meet the needs of customers. And by doing that, from a financial point of view, it is about driving our operating profitability; it is about improving earnings; it is about driving cash flow, and then having the financial flexibility as a result of that progress to share some of it to reward shareholders through increasing dividends.

So ladies and gentlemen, that is the plan. That is our direction. But as you know, plans need to be executed. They need to be executed well. They need to be executed with discipline. And clearly, my friend George Cope is pretty good at that. So George, I will turn it over to you.

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### **George Cope**

So it's a little over ten months ago that I joined Bell and laid out some plans on how we were going to begin to gain operational momentum in the Bell Canada operating units. And so what I want to do over the next 45 minutes is share with you the progress we've made in 2006 and take you through the priorities that Michael just talked about for 2007; take you through some of the marketing tactics and strategies that we look to execute on in 2007; and then give you a sense of an outlook for each of the business units going forward as well. I'm hopeful at the end of the presentation you will have a sense of the confidence in our ability to achieve the financial targets we've put in front of you today going into next year. So let's begin.

Let me just talk a little bit about establishing the groundwork, if you will, in 2006. And we definitely have turned the dial back a little in terms of how we approach the market on market share versus the quality of clients that we want. And we've focused much more this year, and will going forward, on the type of clients we attract and making sure we do it in a profitable way, and not as much market share driven as may have been in the past. We've begun to see that work in terms of the type of clients we're attracting in with disciplined pricing. Where you can see here on the chart, that our average revenue per unit in our growth segments of wireless, video and DSL are actually up \$3 on average together year to date. And proving you can execute a pricing strategy at the same time and maintain customer loyalty if executed

properly, our churn rate has actually dropped at the same time.

We've also begun to manage very carefully our legacy business, not just in the NAS losses but in how we price that business going forward in both business and the consumer market. So in a year where we had the largest loss ever of local access lines, the rate of LD decline has actually started to slow. And that's due to some real hard work in Kevin's shop and in our business segment, and being very careful how we reprice our base going forward.

You've begun to see the EBITDA improvements. And as you can see in the outlook for next year, we're looking to continue growing our EBITDA line. Our revenue mix in 2006 hasn't truly shown the top line type of growth we're talking about for next year. And part of that is we're re-vectoring the business away from one-time hardware sales in our business units to much more managed service contracts. The one-time hardware sales would show up in revenue and, quite frankly, were pretty low margins. And so the underlying recurring revenue of the business is actually growing, and you'll start to see that as we move forward into 2007.

In terms of our priorities for 2007, Michael commented on these, the four key focuses: grow the growth services in a profitable way, getting an acceptable market share, and at the same time, minimizing the erosion of our traditional businesses in terms of NAS and in terms of revenue and in terms of managing the EBITDA. We need to significantly improve our service proposition in the marketplace, and we're going to make a significant investment again in 2007 in that area. Continue to streamline costs, which Siim will take you through. And strategically invest in our wireless network, our broadband network, and our IP network, putting our capital in the growth areas of the organization.

Improving our execution in the marketplace has clearly required that the company redefine how we approach the market. In terms of our pricing tactics, new product introduction strategies, our distribution expansion plans and our branding execution have all changed and begun to be executed upon. In the recent past in our branding, we would focus a lot on price and how we sold our products. When you do that, you tend to attract the user who's not going to necessarily use the product a lot but is attracted to the price point, and you set an expectation in the marketplace that you're going to constantly be offering deals to the customers. And you attract a certain type of clientele. We need to attract all of the market, and part of that has been now moving our branding, first of all with a very clear visual, consistent across all of the Bell

divisions, a much stronger focus on featuring the products, and very little focus on featuring price. And a much more disciplined approach to how we use promotions.

By way of example, our acquisitions offers in our businesses a number of times would give you 12-month discounts. We're moving primarily to 3 and 6 month discounts at the point of acquisition. Because once you're into 12 months, the customer actually views that as the rate plan. So your ability to actually take the promotion away in month 13 is very difficult. It's much different in 3 to 6 months.

Secondly, we're moving very much away... have almost virtually eliminated one-year contracts, moving to two- to three-year contracts in all of our business units. And those benefit us. First of all, our call centre costs drop. We don't have to recontract after a year. Our churn levels drop, and our cost of acquisition actually drops across all the different business units.

You can just quickly see here, hopefully those who've been on the subways have noticed the amount of branding we've done at the subways. And what I wanted to really show you here is, one, a different look and feel in terms of all the gift wrapping you probably saw all over the cities in Canada. It was hard to miss. And second, when we unveiled it, a real focus on products, and very great awareness in terms of the markets we're focusing on. So again, just a change in our approach to branding, and more to come going forward.

In terms of our product portfolio, we made significant progress in 2006. All of our business units rolled out new products to the marketplace. Our strategy is to leverage the assets that we have. We don't need additional product assets to be acquired; we have significant assets already. Increase the value of those products in the marketplace. We need to be quicker with our roll-out of products in the market. And we'll be working on that in 2007.

We're also, particularly in our business segment, moving to begin to offer different levels of service by turning service into a product. And so different clients can actually have a basic service level or actually purchase different service levels from us. So actually taking service and putting a value on it, and allowing the marketplace to determine the level of service that it wants. And overall, looking to improve the margin on our products, not just through pricing; through packaging. But also making sure we're buying these products and redistributing them, that the supplier is feeling the pain and we're gaining the margin. So a lot of disciplined work in terms of our buying

on our product portfolios across all business units, be it the business or consumer side of the company.

Distribution is critical for us in the marketplace. It allows you to move away from simply the pricing lever in the market. And we're making a significant investment in 2007 in expanding our distribution. And we've begun that in 2006. We will open up over a hundred new points of distribution in 2007. We will grow the Bell stores. We will grow third party independent distribution, and strengthen our relationship with some of those third parties that up until now may have stronger relationships with some of our competitors. We will refresh the look and feel in our retail stores. We will improve on the execution of our outbound distribution channels being the direct dial-out distribution channels. We'll be expanding our sales force in our business group because of the opportunity we have there. And we'll be also opening up new branded positions, Solo kiosks, if you will, in the marketplace, which I'll talk about in a little further, but actually separated from the Bell brand.

So big, big investment here. Significant in the marketplace for all of our products, business consumer and all of our businesses, be it wireless, DSL, video, or Enterprise SMB on the ILEC side.

Our pricing leadership strategy will continue into 2007. We will lead where possible, and we'll be very competitive when required to be competitive in markets. But as you can see, we've been fairly successful this year in beginning to move the type of clients we're attracting and our pricing in the marketplace being consistent with what our other competitors are doing. Our post-paid ARPU on wireless up \$4 year over year. Our video ARPU on the entire base is well up \$4 year over year. And our high-speed Internet average revenue growing as well. We've been able to do that and, as I mentioned earlier, you can see churn rates have been excellent, best in class.

Other key strategy for us is to make sure again we minimize repricing as best we possibly can in our traditional businesses. We have to remain competitive but, at the same time, we have to be very careful we monitor the repricing of our entire base, which is such a significant part of the profits for the organization still.

In 2006 we implemented a number of market price changes across each of our business units -- residential, ExpressVu, Sympatico, wireless and business. And you can see the dates that they were introduced in 2006. There are a number of other actions in the marketplace that we've taken that would quite frankly take too long to take this group through. But in 2007 we will continue this

same type of discipline, of market-based pricing, and we'll look for opportunities, as you can see here, in each of our business units to drive incremental ARPU in the business. And part of that clearly helps us give some of the revenue guidance we're talking about for 2007.

Another key part of our strategy next year, and one of our priorities, both Michael and I have mentioned, is improving our service delivery across the entire organization. We made some progress in 2006. Clearly the One Bill is a convenience for the customer and takes operating costs out for us. We have, as you can see on the chart, improved upon our missed appointments for installation and also missed appointments for repairs in our ILEC business. We have more to do than what we've done in 2006. And so when we go into 2007, with the type of actions we're taking in the marketplace, it allows us to invest back in the business to improve our service levels. So you can see we're planning for another significant improvement in our installation processes and our repair process. You know, 30% improvement again, and a 25% improvement. Significant investment. If we're going to step up with the quality relationship we need in the marketplace, we have to make an investment here, and we will be.

We'll also be improving across the board our call centres by investing in productivity tools and making sure we're putting the right resources in to meet the growth trajectory that we're on. In our business units, as I mentioned, they're beginning to offer service as a product, and clients can buy different levels of service. And that allows us to offer them, if you will, personalized service depending on their business requirements. Not just our Enterprise business but also in our SMB business. And of course making sure we continue to use self-service capabilities to drive operating costs out of our business and give benefits to our customers.

And we mentioned already on the service side improving the quality... continuing to improve the quality of all of our networks. But the capital investment we'll make next year is critical to that end customer relationship we're building.

So that gives you a sense of some of our priorities. Let me now turn and talk about each of our business units.

SMB business, quite frankly, what we want to have happen in 2007 is the same as what's happened in 2006: continue the momentum we have from both the revenue and EBITDA perspective in this business. We will continue to improve our service. We chatted about that already, just in the previous slide. But also, continue to leverage our VAS and VCIO business that continues to grow. We want to take a major position, leadership

position in hosting. Very important part of the product portfolio for us for SMB next year, so we're making an investment in there, growing that business organically. I think we have a significant opportunity with the relationships we have with the clients here. I mentioned already distribution, and looking at the SMB market, it is clear to us, with the market presence we have, we need to expand our distribution, particularly in terms of direct sales force. And we will be doing that to service those clients better, and also to get a larger share of their wallet as we roll out our VCIO strategies across the SMB portfolio that we have. And I mentioned earlier continuing to turn service into a product in this area of the business for us, and looking for opportunities to drive revenue beyond the traditional connectivity and beyond the strategy of VCIO.

So you get a sense that we're investing, even in some of our traditional core businesses, because of the opportunities we see we have in those businesses.

Enterprise has been a challenge. Our focus in 2007 is to improve the profitability of that business unit. It's really going to come from hard, focused execution. We've introduced rigorous bid management now processes in the company. We enter into contracts, got to absolutely make sure we're making full EBITDA and return on capital contributions. So part of that strategy this year is we will actually invest less capital in this particular part of the business as we focus on turning that operation around, and so lower, if you will, our CI, our capital to revenue, ratio in that business unit in 2007.

At the end of this month under Stephane's leadership, we will have rolled 12 different organizations into one ICT consolidated organization focused with three divisions. We continue to be bullish about the opportunity for revenue growth for us in the ICT business. But bringing those organizations all under one management team, utilizing the Bell brand, we think is important for us to begin to truly leverage the acquisitions that were made over the previous years.

We need to also make sure we manage, again, the legacy businesses very carefully and our reprice of that base. Our goal here is to reverse the negative EBITDA trend we've had in the Enterprise business, and to begin to do that in 2007. And that will come, quite frankly, from just hard, disciplined execution work in the marketplace and recognizing the strong position Bell has in that sector in the market.

In terms of consumer residential voice, critical part to our outlook, you can see here that we are really expecting a stabilization of line loss in 2007. It's going to take a lot of

work on our part, but there is clearly a strategy to it. And also, as Michael indicated, if you look at the footprint of our competitors, they've generally built out their footprint now. Secondly, for the first time for us, there are thousands of clients to win back because they now have a base. We've got much better at retention and, obviously with the announcement yesterday, we're going to have at some point this year more flexibility in our ability to compete in this category. We will also be going to the markets with new products, and refreshed marketing in this particular business as well.

The business is clearly declining, but marketing a product in this portfolio we think will have an ability to help us stabilize and actually give us an opportunity to manage our revenue decline next year in a much more disciplined way than we were able to do when we first started to have local competition. A great example of that is, under Kevin's leadership, some of the results we're seeing in our long distance portfolio, where, as I mentioned, in a year where we actually lost the most lines ever in the organization, the rate of LD decline actually has declined this year over last year. And so we'll be launching smart packages in the marketplace, very targeted marketing, and try to manage, again, reprice as much as we possibly can.

In terms of our wireless business, we have begun to make progress on a number of operating metrics. Our ARPU is up, as I mentioned. Our post-paid churn is down year to date. So we're starting to move in the right direction. Our EBITDA flow-through of 47% isn't good enough yet. We need to improve upon that, and we'll be focusing on that a lot next year. It'll be a major target for Wade Oosterman's management team to achieve, and that is to improve that number. But we are moving the metrics in the right direction.

One critical part for us in our wireless business is the Bell Mobility ARPU relative to our competitors. To get the type of financial return we want in this business, we need to move our ARPU into the levels of both Rogers and Telus. And so it's a key priority for us going forward. And that doesn't simply come from price; it comes from who you market to and the type of clients you attract. So we have to improve our mix of the clients, we have to continue to drive data usage, clearly have some targeted price increases, but move our branding and the quality of our network and what we're selling, not utilizing something like \$0 phones in our strategies. And so you will see a lot of \$0 phones have been removed from what we're doing in the marketplace. This is critical for us to get to the same type of EBITDA margin and cash flow off the wireless business that our competitors are enjoying.

Having said that, we still have to achieve an acceptable level of gross additions in the marketplace. And this isn't the easiest execution in the world, and that is to maintain or grow your market share and, at the same time, grow your revenue per client. But that's what we're going to step up to next year and over the coming years. The issue for us isn't the share of gross additions that the Bell brand is getting; the issue for us is that we can't have one competitor getting north of 40% of the gross adds. And that competitor is Rogers. They're not doing it with the Rogers brand. They're getting a share of their gross adds from the Fido brand. And the Fido brand is a discount brand. It allows Rogers to have a pricing on the Rogers brand different from the brand, Fido.

So under Wade's leadership, about 60 days ago, we are changing completely how we manage the Solo brand. The Solo brand will be a discount brand identical to the Fido brand. We have matched all the Fido pricing with the Solo brand. It will be separate from the Bell brand, so the Bell brand can maintain the premium brand position it wants in the marketplace. We will open stores. We will access distribution that's different. We will access products that's different. And we will go after a part of that share of the market that today Rogers is getting in gross adds. And that'll be a strategy we'll execute on, have begun to execute on. The benefits of that strategy you will begin to see in 2007. It will take throughout the year to roll out that incremental brand. But if a competitor is going to have a discount brand in wireless, so will Bell have a discount brand in wireless. But we will not discount our core brand going forward, which is Bell.

We also, though, to grow the gross adds, need to grow our distribution. I mentioned that. At the same time, constantly improve the customer experience. Significant investment in our networks are being made, not just from an EVDO perspective, but also just in terms of shrinking our cell sites to improve upon our dropped call rates on the wireless network, to make sure our network is best in class in the industry in Canada. And as a result, we look to grow our subscriber base a reasonable share of the market, 8% to 10% growth on our base, and at the same time take our EBITDA flow-through north of 50% next year into a 50% to 60% range. So aggressive targets, not easy execution, hard execution, but I'm confident, under the leadership of Wade, that the management team will execute this strategy and we'll begin to see the type of metrics we want to see in comparison to our competitors.

Turning to our video business, similar to SMB but probably even stronger, what we really want video to do is everything that it did in 2006 in 2007 again. We had a tremendous year: significant ARPU improvement, significant EBITDA improvement, and a focus on our

high-definition leadership in the marketplace in 2006. I think it's fair to say that markets have been surprised by the type of financial momentum we've seen in this asset. And so going into 2007 we're refining our strategy slightly but want to continue to build on the momentum.

One opportunity we think we have is to just improve our overall national growth of the portfolio because it's a satellite. And although we get western Canadian subscribers, with the strong position we now have with Bell Mobility in the west, we think we can even leverage further the Bell name with our Bell West assets, the Bell Mobility name, in terms of growing our video business. We also probably in our mix have more rental than our management team would like who are running the video group. So we want to move to more outright sale and rental in order to drive, if you will, our acquisitions and make sure we're not leaving any of the market behind that may not want to rent. Continue on the product side to focus on our high-definition leadership. And you've seen that in our branding in the fourth quarter.

On the customer experience side, this is one area where we need to improve in the video business. We're making the investment next year. We need to improve our call centre performance, and we're doing that. We still have excellent churn, so we clearly believe if we even improve our call centre performance further, maybe we can even see improved churn, although hard to imagine when you're at 1%.

Financially, we look to grow the base 5% to 7%, continue to grow the ARPU to ensure we get the right return on the capital that we've invested in this business unit, and take the flow-through in this business north of 50%. Of course you would have seen even more this year. So having our EBITDA flow-through in video and in wireless now north of 50% for 2007.

Talk about our Internet business here for a few moments. First of all, usage on the Internet is just exploding. And we see it multiplying literally every quarter as we go forward. So the customer's expectations are clearly they want consistent speed and the availability of bandwidth. And we're stepping up to that, and have stepped up to it very well this year, in terms of rolling out our FTTN, a lot of investment in our DSL network that we have today, and what we call DSL hardening, and actually have seen our churn rates stabilize, even as we've seen this incredible increase in usage of the Internet. So we're pretty comfortable that we know we're doing the right things in the marketplace here. And with the investment next year in fibre to the node, again our product continues to be enhanced in the marketplace.

We are in 2007 going to continue to evolve the pricing strategies that Kevin's teams put in place in 2006. At the very beginning of the Internet, we basically allowed unlimited bandwidth usage across all of our rate plans. This year we began to introduce metered usage, so large buckets of usage, and then if you run over the bucket, you would either move to another rate plan or pay overage. Over 20% of our clients today have either moved to another rate plan or are beginning to pay for overage in the marketplace. We've seen our competitors respond this way, and the reason we're doing this is for the amount of capital we're putting in and the obvious incredible usage of the Internet, we have to make sure we monetize this asset appropriately for the right return. And so over time we will continue to, in 2007, introduce metered usage across our base, obviously recognizing the customer demand for usage, to make sure the buckets are huge, but also recognize that, if people are going to use it more and more, we have to monetize the type of capital investment we are putting into our Internet business.

We look to our subscriber base to grow 8% to 10% in 2007. But penetration of course of the Internet is starting to creep up. And so now it's also critical that we begin to get the value back out of the proposition we've offered the marketplace over the last number of years.

And finally, we want to make sure we continue to leverage our portal and I thought I'd make a few comments here because I get a sense that this may not be an area of the company that's that familiar to investors. It may actually be, maybe it's one of the little-known secrets of Bell. But our Sympatico MSN portal is the number one portal in Canada. So we actually have over 20 million unique visitors every month on the portal. This year alone, in 2006, we've seen revenue growth of over 41%. We believe we will exit 2007 at a run rate approximately \$100 million in this business. As the power of advertising on the Internet grows, the value of this asset, Sympatico MSN, grows for Bell. We plan to take the portal, because its value is driven by eyeballs, and take that to our wireless portfolio under Wade's group next year, to continue to leverage the value of this portal for Bell and Sympatico MSN. So small part of our business, but quite frankly, quite an exciting part of our business, and adds to our overall investment return in our Internet services.

So in summary, in 2007 we want to continue to execute on new marketing fundamentals in the company; maintain market leadership on pricing; when appropriate, also compete very heavily for market share when people want to compete on market share basis; improve our service levels to our customers across all of our

portfolios; accelerate what we call profitable growth, so that's through slowing the erosion of our traditional services and dramatically improving the EBITDA flow-through of our growth services. As we're doing this, we clearly can't lose track of taking costs out of the organization and driving productivity. And Siim will take you through that after our break. And invest our capital where the growth is, so investing our capital in our wireless network, in our fibre-to-the-node strategy on the Internet, and hardening of our IP portfolio network for our Enterprise and business clients so we can provide them the level of service they expect from an organization such as ours.

In summary, the focus for 2007 is about execution in the marketplace. And with the right execution, I am confident we can achieve the type of revenue and EBITDA numbers we shared with you this morning.

So with that, thank you very much, and I think we're going to go to a ten-minute break. And then we'll return, and Siim's going to take you through the financials. Thank you.

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(BREAK)

**Siim A. Vanaselja**

Good morning, ladies and gentlemen. Welcome back. You've heard now where we stand on our strategic and operating plans for the coming year. So let me turn to a discussion of our overall financial performance expectations for next year, and to the important topic of how we see the financial and capital model of the company aligning to an improved core business outlook.

While we no longer intend to proceed with the trust conversion that we announced in October, we will continue to move forward with the simplification of our corporate structure to concentrate on what we do best, Bell Canada. The steps in the simplification process are quite straightforward. First, with our asset portfolio now substantially streamlined, we're obtaining an exemption from both the Canadian and US securities commissions to eliminate the dual public filing requirements for each of BCE and Bell Canada. So for reporting purposes, in effect, BCE will be eliminated and Bell Canada will become the sole public company going forward. We will have only one set of financial statements, one MD&A, one annual information form filing, and so on.

Secondly, we're liquidating or amalgamating as many of the separate legal entities and structures below Bell Canada that are no longer relevant today. So the net result is a single public-facing operating company, Bell Canada, simpler and more transparent, and more efficient as, with the elimination of redundant corporate costs, we expect to realize savings in areas like audit fees, public company filing and registration fees, tax return preparations, and a number of other overheads.

With the core telecom focus and an outlook for sustained performance improvement levels, we now have the foundations in place to optimize the financial model and present Bell as a clear, focused value proposition for today's capital markets.

Now, underpinning this financial model, there's a balance capital structure and a sound, investment grade balance sheet. I've been consistent in saying that our business characteristics warrant us maintaining solid, investment grade credit metrics, and we've been careful to ensure that that's the case over the past years. In 2006 in particular, we will have applied over a billion dollars of proceeds from the Bell Globemedia and CGI divestitures to reduce corporate level debt. And additionally, you'll recall that we transferred a further 1.2 billion of Bell Canada debt to the Bell Aliant trust on its formation. So in total then, over \$2 billion of debt reduction has occurred

at Bell in 2006, fulfilling the commitment that we made to our stakeholders to bring our capitalization to within a range that we consider optimal for the company in today's environment.

Now for 2007, we see our debt maturities as being quite minimal, and hence we don't see any significant financing requirements or any substantial changes in the overall leverage of the company. Our leverage targets are well established, being an EBITDA to net debt ratio of 1.5 times and an EBITDA to interest expense coverage of at least eight times. We remain committed to these capital targets as our policy for Bell Canada, that is excluding the Bell Aliant trust and Telesat, each of which has their own separate and distinct capital structures. And while I say that our credit metrics today are slightly shy of these targets, I do believe that, with our improving performance and financial outlook, we will generate sufficient and reliable cash flows to deliver us more in line with those targets by the end of next year.

Our announcement today to increase the quarterly dividends from 33 cents per share to 36 and a half cents per share will be effective with the first quarter 2007 dividend payment on April 15th. Now, in developing the new dividend policy, we did consider a number of factors, including the corporation's earnings and cash flow trends, financial conditions, capital requirements, and the expectations of our shareholders. Our objective is to begin aligning the financial model of the company towards dividend growth to better allow our shareholders to participate in the operational progress of the company. So consequently, as you heard, we're establishing a dividend pay-out ratio of 70 to 75% of earnings. That is earnings before net gains and losses on investments and restructuring costs. And we believe that pay-out policy will provide for an attractive return of income to our shareholders while retaining appropriate levels of flexibility to grow the business. And as we execute against our targets for improved performance, we will expect opportunities to increase the current dividends based on that distribution policy.

Now, in 2006 we also initiated a program of returning capital to our investors through the repurchase of shares. Under our current normal course issuer bid program, we committed to repurchase for cancellation 5% of the company's outstanding common shares. And I'm pleased to say that that program is now completed. In total for 2006 BCE has repurchased 45.2 million shares for a cost of 1.2 billion. That represents an average purchase price per share of about \$27.50. Combined with the Bell Aliant trust share exchange, we will have taken our share count down significantly from 927 million shares outstanding at the beginning of 2006 to approximately 767 million

shares by the end of 2007. That's a reduction of about 17%.

Given our business outlook, particularly relative to our current valuation metrics, we believe there is attractive value to our shareholders to continuing the share repurchase program, and therefore we intend to renew the NCIB for 2007, with the aim of completing an additional 5% share buy-back. And I hope that conveys Bell's intent to promote a more balanced shareholder distribution policy as we move forward.

So let me now recap our financial outlook for 2007. As I mentioned, Bell will become the public reporting issuer going forward. Bell Aliant and possibly Telesat, depending on the monetization route we take, will become segments consolidated in our reporting as Bell Canada. And to increase transparency, our financial guidance on revenue, EBITDA, and capital intensity excludes the consolidation of Bell Aliant and Telesat. In this regard, Bell Aliant will be holding their own 2007 guidance session towards the end of January next year.

I'd also note that, commencing in 2007, we'll begin to report pension and benefit expense in EBITDA. I think you know that this is consistent with the way most North American companies report, and it's appropriate for us to make this change. We'll also make the change in a manner that our prior periods conform to that new restatement as well.

Now, as you've heard from Michael and George, our plans for 2007 do reflect a marked step-up in overall performance levels: revenue growth in the range of 3 to 5% over 2006; EBITDA growth in the range of 4 to 6%; maintaining current market levels. We will continue to invest intelligently in our networks and growth platforms, building for the future while maintaining capital intensity roughly at the current level of 16 to 17% of revenues. On a consolidated basis, our guidance is for EPS to grow in the range of 4 to 7% over 2006, and for free cash flow to be in the range of 700 million to \$900 million, and that's net of the common share dividend increase that we're announcing.

The key driver of our improved performance trajectory is our business mix evolving to a more stable and reliable level. While Bell has continued to increase its total revenues, we all know that the mix of these revenues has been changing: higher-margin local access and long distance revenues replaced by lower growth service... lower-margin growth service revenues. You may recall last year at this conference I spoke of upwards of \$500 million of expected EBITDA pressure from the shift in Bell's revenue mix in 2006. In fact, with that level of wire

line erosion essentially have taken place in 2006, and as well with improving margins that we're seeing in our growth portfolios, we now expect a more favourable net impact going forward compared to our initial outlook. That said, though, it certainly has been our efforts to reset the company's cost structures that have enabled us up to this point to maintain a steady margin.

Now, over the course of 2007 we expect a pretty significant improvement in this picture. The pace of our growth portfolios should pick up, with gross margins projected to improve by about 4 percentage points. Wireless and video should contribute approximately 35% of total revenues in 2007. And we expect to see about a 30% improvement in the year-over-year decline in local access, long distance and legacy data revenues. So then by the end of 2007 we should reach an important point of progress in the business mix transition of our company, a point where the incremental EBITDA contribution from wireless, broadband, video and ICT services begins to outpace the slowing decline in the traditional wire line segment. The net result then: a marked step-up in profitability, with more of our efforts in driving growth and cost reductions beginning to flow through to our bottom line and to our free cash flow.

Now, the cost structure of our business has been a core element of our financial performance. And while I say we've made very significant progress in building a competitive overall cost structure at Bell, we nevertheless continue to see meaningful opportunities to drive further productivity levels. So for 2007 we'll target a number of new initiatives in sourcing, in process efficiencies, and in organizational transformations. Some of the key areas we'll be looking at include: lowering our labour costs through less reliance on contractors and consultants; reducing our transiting and settlement rates with other carriers by optimizing the routing of our traffic better. We'll also migrate more of our Enterprise traffic in the west onto our own networks. We'll continue to pursue process efficiencies in field services and other areas within our network operations. And we'll reduce overhead costs through organizational simplification and through tighter controls over discretionary spending.

But being now this further ahead in the transition of our business mix than we originally contemplated, that affords us the flexibility to step up our efforts and improve service levels and customer experience. And that's going to support our top line growth. Therefore we're going to target more spending towards marketing leadership, the expansion of distribution channels, the development of our product portfolios, and service delivery. We'll continue to reduce head count. We'll do it in areas of the business where it makes sense to. But we'll also add

head count in other areas of the business to better support those growth businesses.

The status of the pension plan. As I mentioned, we will begin reporting pension expense in EBITDA in 2007. And based on where we see current interest rates, we expect an accounting discount rate for next year of about 5.4%. Favourable asset returns in the plans, the enrolment of all new management and unionized employees into our defined contribution plan since its introduction since 2004, and as well, the ongoing management of our various benefit programs, have all served to reduce our pension expense as we move into 2007. And that should represent close to a one and a half percent improvement in year-over-year EBITDA, and 3 cents of improvement in EPS performance.

Now, in the solvency position of our defined benefit plan, we expect a deficit of about \$100 million at the end of this year, down pretty significantly from the \$827 million deficit that you saw at the beginning of the year. This improvement is essentially a result of the better 2006 asset returns and our funding contributions to the plan. And with that better position, as well as with the government's new rules which extend the funding amortization period from five years to ten years, we now estimate 2007 cash funding for the current service cost and defined benefits funding to be approximately \$150 million. When you add, then, the funding requirements on our defined contribution plan and our various post-employment benefit plans, our total pension obligation funding for 2007 should be around the \$300 million mark. And while that funding compares favourably to the 2006 funding of about \$440 million, you will recall that we set aside a majority of the current year's funding in what I call a free cash flow friendly way when we contributed... contributed our remaining interest in CGI to the pension plan.

So how do our plans roll up at the earnings and free cash flow levels? Well, in 2007 we expect to see EPS growth of 4 to 7% over 2006. And this growth is coming primarily from two areas: EBITDA growth including that year-over-year impact on pension expense that I talked about; and as well, from earnings accretions generated from our share buy-back programs and the debt reduction that's taken place over the course of the past year. So you can see on the slide that EPS is impacted somewhat by an increase in tax expense as well. In 2006 our effective tax rate was unusually low, you'll recall, because of one-time adjustments to our future income tax liability, reflecting some of the federal tax rate reductions that were enacted. And it was also low because of the tax loss monetization structure that we had in place for part of the year for BCI.

Now, in 2007 we expect a higher effective tax rate of approximately 26%. That's still below the statutory rate, but reflects the non-taxable Bell Aliant earnings that we consolidate. So going forward, I'd say our improved business mix outlook should put us into a position to continue to drive steady growth in EPS.

Our free cash flow outlook is also improving. In 2007 we expect to generate consolidated free cash flow in a similar range to 2006, but that doesn't tell the whole story. You have to remember that for 2007 Telesat has a more substantial satellite build program, and it's going to self-fund that program. So if we look at the core telecom business, free cash flow for 2007 will in fact grow to the 800 million to \$1 billion range, and that's driven by EBITDA growth, reduced interest expense, and lower restructuring costs year over year, all of which will more than offset that increase in cash pension funding that I spoke of.

And for clarity here, I've provided a breakdown of the key reconciling items between our projected EBITDA and free cash flow outlook. And I think you'll see that all of these components in the reconciliation line up very well with the 2007 outlook and guidance that we provided at the time of our income trust announcement on October 11.

Now, it's worthwhile to spend a few minutes explaining the material improvement that we see in Bell's cash tax liability outlook. Previously we've talked about a significant step-up in cash taxes beginning in 2008. Since then we've identified opportunities to allow for a more measured increase in cash taxes through 2010. So how do we get there? You'll recall that, for 2005 and 2006, Bell accessed tax losses from 360 Networks, GT Telecom, Bell West and BCI. And during that period, Bell deferred claiming a number of tax deductions that weren't required to shelter its income. As well, over the past few years Bell has built up a pool of some \$700 million of R&D investment tax credits. Those are available to shelter future taxable income, but only at the federal level. So as part of the reorganization that we're undertaking to streamline the corporate structures within Bell, we will now be in a position to begin combining the taxable incomes of Bell, Bell Mobility, and other taxable entities within the unit in order to accelerate the use of that pool of R&D tax credit carry-forwards. As a result, we now project that, through this greater access to the tax credits, we should be able to shelter Bell's federal income taxes through 2010 before those losses expire. Now, we will still be incurring increasing cash taxes at the provincial level, but I'm very confident in saying that, with our outlook on performance, our cash tax liabilities will be very manageable as we move into the future.

Also contributing to the steady project growth in free cash flow that I've outlined is the more measured pace of ongoing capital investment, maintaining a healthy balance between short-term returns and investment for the medium to longer-term and value creation. The commitment that we made here at the beginning of 2006 was to bring down levels of capital spending. And while we've continued to invest appropriately in our infrastructure, in our services, our third quarter year-to-date results do show that we've been successful in reducing capital spending. We've reduced it in absolute dollar terms, and we've reduced it as a percentage of revenues. And we're comfortable that for 2007 maintaining a capital intensity in that same 16 to 17% range will allow us to meet all of our plans and fund our strategic priorities. In fact, our plans for capital spending on strategic priorities, demand growth, and service quality will increase in 2007 to approximately 75% of our total capital spending. In wireless we'll invest more in EVDO deployment and the introduction of Rev A. We will invest more in distribution channels. We'll roll out FTTN to a further one million households. We'll increase our investment in ICT services. And we will compensate for the increase in this strategic spend by driving more efficiencies and improvements to reduce the investment requirements we have in wire line.

So in summary, I'd say that Bell Canada has now reached an important point of progress in its business mix transition, a point where we can begin to realize higher financial returns on the foundations that we've laid in place over the last three years; a point where we have improved execution capabilities, and visibility into a more favourable and reliable business mix. This then gives us the confidence to adopt a higher distribution model, a model that I think will help sharpen and focus and reinforce our value proposition in the capital markets.

So with that, thank you very much, and we'd be pleased to now move to take your questions.

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**QUESTION AND ANSWER SESSION**

**Vince Valentini, TD Newcrest**

Good morning, folks.

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**Michael J. Sabia**

OK. Go ahead.

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**Vince Valentini, TD Newcrest**

Vince Valentini from TD. Let me start with the Bell Aliant questions. You're stripping it out of all your numbers now and sort of showing us Bell without Bell Aliant. Can you give us some thoughts as to how you view that, now that you're not going to be a trust but they still are? Like over this next four years they obviously have a tax advantage to be a trust, but coming out of the end of that, do you see this as a strategic piece that stays within Bell or perhaps gets spun off to crystallize the numbers as you're segmenting them?

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**Michael J. Sabia**

Four years is long-term planning. So let me talk a little bit more about how we think about it today and for the foreseeable future. When we created Bell Aliant last winter, our objectives were threefold: utilize the trust structure; two, distribute value to our shareholders; and three, and very importantly, create a unit that would have focus on smaller regional markets, and that would therefore strengthen and enhance its competitive position in those markets just as a result of the focus.

Now, with the income trust decision on the part of the government and the four-year period with respect to the continuation of the income trust treatment of taxes, we'll have to see, I guess, on that, how that unfolds. As you know, there's a lot of activity underway with respect to the income trust issue and whether or not there'll be any adjustments made in some of the transition provisions, etcetera. So I think we'll wait and see how that... that unfolds.

But with respect to the fundamentals of the business proposition underlying Bell Aliant, that continues to be something that's very attractive and very interesting. And as I see the Bell Aliant management team under Stephen Wetmore's leadership going at this small market by small market, disciplined execution of DSL build-out, disciplined capability to compete with cable companies

because there's just more focus in those markets than there was when those markets were embedded in a larger company, we continue to be very interested in that model and continue to see it going forward. And that certainly would be our outlook today.

So you should not anticipate particular changes there. We'll adjust as we see the tax environment change over time, if it does. So on that, I think stay tuned. But certainly it's a status quo position for us today. We like the model, and we believe it has traction. We believe it's going to get even more traction. The transaction with Bell Nordiq will proceed. That'll get done. I think that's a good thing to get done. And then we'll see.

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**Dvai Ghose, Genuity Capital Markets**

Thanks very much. Questions for George. George, your bullish forecast for '07 seems to be predicated on two major factors: number one, a slowdown in legacy losses; and number two, improved profitability in the growth businesses. I'm not quite sure why there will be a slowdown in legacy losses next year. When you look at the US example, three four years into cable, telephony losses are accelerating generally, not decelerating. Regulatory relief, although welcome, from Vernier's comments yesterday, will probably only transpire at the end of the next year, I think you'd agree, given the fact that you need six months to prove quality and service and so on. And I think the US experience shows that regulatory relief isn't that important anyway. They're allowed to bundle; they're allowed to win back; they're allowed to charge whatever they like for IP telephony services. So... and if you talk to Rogers, your primary competitor, they're talking about a strong acceleration in telephony growth next year, mostly from you presumably. So why do legacy losses improve?

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**George Cope**

Why... sorry the last point?

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**Dvai Ghose, Genuity Capital Markets**

Why do legacy losses improve next year or at least stabilize next year in your assumptions?

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**George Cope**

Well, it's really a number of things I chatted on. First of all, you're right, the market will determine what happens

here. A company's responsibility, though, when we give the guidance it's to make sure we have, you know, balance on how we're going to approach the market on all fronts. So you know, the advantage for the organization, it's diversified. And so probably one unit will do this, another unit that, and in total we have a plan. But clearly we've seen signs of stability -- not in terms of percentage, but in absolute unit, which is what drives absolute revenue. And that's really what we're focused on. So I think it's important that people understand we're not talking about percentage stabilization; we're talking about absolute number of line stabilization.

Clearly, if someone does something dramatically different, we have to make sure we can respond to that. But I don't think it takes us off the guidance that we're talking about or your comments. I completely disagree with you a hundred percent on having flexibility and whether or not that counts or not in the marketplace. The ability ultimately for us to have complete flexibility in the marketplace is critical, because that's what competition's all about. And what and how we take that to market and leverage that for our shareholders of course will be seen once we truly have forbearance, and we don't have that yet. But to imply it doesn't mean anything for us going forward, I mean, that's not correct. I mean, it will create value ultimately in the marketplace, and ultimately our job will be to make sure it creates value, you know, for our shareholders.

How much of that's in our plan? You're right, we didn't know about it till last night. So clearly our guidance wasn't based on that. But I don't think the decision hurts us in terms of our execution there. And also, I think, you know, pricing in the marketplace and the impact of how competitors behave with discounts is different when they realize other competitors can also move in that regard, whereas in the past they haven't been able to. Not necessarily what we will do, but it's important to know what we can do. And those are important differences in what we had before. I'm not saying it's not a challenge. It's a big challenge.

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**Zaheer Khan, Baker Gilmore & Associates**

Good morning. Sorry, my voice is a little down. I just... thanks for this meeting and providing a financial outlook. But I see this guidance fairly modest compared with the RBOCs in the US especially given they're in the same kind of businesses that you are. And secondly, the growth, like operating margin growth of 4 percentage points, that's about 35% of the business. Is that moving from 42% to 46%, or is it some other number which I couldn't comprehend.

So just basically, could you please elaborate on... is this a minimum targets you foresee from the outlook perspective? Do you foresee changing these targets in like next year, by 2007, after this CRTC decision is out of the way?

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**George Cope**

OK. I'll try to answer the question as best I can. I think the comment specifically is around, you know, the... the growth prospects we have, and your comment being that you think they're lighter than what you may have seen in the US. And secondly, our building on our portfolio, on our growth margins, I think those are the two comments.

Well, in terms of our guidance, you know, I don't want to comment on US marketplace competitors. But with the guidance we're putting forward to the market today, we think we are stepping up to aggressive financial targets for the company relative to what we've done in the recent past. And I think it'll be up to the management team, all of us sitting here today, to show that we can execute this business plan. So I don't think we shy away at all from this business plan relative to any carrier in North America in terms of what we're stepping up to do.

In terms of margin, on the growth, Siim had talked about our margin on our growth businesses growing. And that becomes a subset of us growing our EBITDA flow-through margin in each our video, our high-speed Internet, and our wireless business. And so the probable outcome of that, Siim, is the margin expansion you talked about in the 4% number. And quite frankly, that type of margin expansion we need comes from us profitably growing those growth engines. So I don't know if I hopefully I've helped to answer that.

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**Siim A. Vanaselja**

Yeah, I would just add, though, that as... as we see margin expansion and greater EBITDA flow-through in the growth businesses, we will certainly continue to lose higher margin legacy revenues. And the net result should be that, as a company overall, we will continue to maintain margins around the current level.

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**Simon Flannery, Morgan Stanley**

Good morning. You made a strong case for a mix shift towards the growth businesses, and I was wondering if

you could just drill down on a couple of products that we didn't really get into in too much detail. What do you have baked into your sort of '07 for, one, IPTV? We're starting to see AT&T now with a dozen, 15 markets of the HD releases now rolled out. So they're talking a lot more optimistically about that. Does that give you an opportunity?

Secondly, on Optimax, the ability to charge \$10, \$20 more for much higher speeds. How much of that are we going to see?

And then thirdly, anything that you can add around Inukshuk and the whole WiMax opportunity. Thanks.

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**Michael J. Sabia**

Well, look. On IPTV, couple of points here. First, given our presence in the video business already, which is, to put it mildly, a more substantial presence in video than anybody in North America has who is a comparable company. I think Verizon, for all of the good works that they've done, I think they have something like 75 or 100,000 subscribers on their video products. I think those numbers are roughly right. We have, you know, a million and a half or more. So given the presence in video that we already have through DTH, we are -- and we say this consistently.

Our objective in rolling out IPTV is not just to roll out a video product. We have a video product, and we have an industry leading, in terms of its HD capabilities, video product today. So our focus has been on the development with Microsoft of what we call the next generation of IPTV, new edition of IPTV, that will be meaningfully different in terms of the breadth of functionality that it will deliver to the market. That development work will get done, will get finished, in 2007. And as a result of that, in the plan that you see today, has no meaningful impact on the financials that you've seen today or on the guidance that we've provided. We've most important to us is rolling out a video... wire line video product that, one, redefines what home entertainment is about; and two -- and I mean that, what... redefines what home entertainment is about. And two -- this is really important -- is and can be consistently supported from a customer service and customer experience point of view.

This product will be initially rolled out to probably some of our highest-value customers, and those are precisely the customers that you want to deliver the very best quality customer experience to. So we'll do this when we think

this is buttoned down both from a functionality point of view, and second, from a service support and service experience point of view.

Other than that, I think we're not going to be specific about the timing of our plans and whether or not you'll see significant roll-outs from us in '07 or not, simply because we'd just as soon not notify the competition about what we're doing or not doing. So that's on IPTV.

I'll talk about Inukshuk, and then you want to talk about Optimax?

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**George Cope**

Sure.

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**Michael J. Sabia**

So Inukshuk is, you know, an interesting proposition that we're very interested in. Our primary focus on Inukshuk so far has been the network build, along with our partners in Rogers. That's right, I did say 'partners' and 'Rogers' in the same sentence. But that's gone extremely well. We have not ramped up aggressively the subscriber acquisition side of it. I must say, though, when I do see the progress that our friends in Clearwire are making in the United States, that I do... you know, I think there's some interesting lessons there about the possible traction that this kind of product has and can have for us in the specific markets that we're focused on.

So once again, in the plan. We intend to pursue this. Interesting. We think WiMax is an important part of the industry going forward. But Simon, if you're asking whether or not that's a big driver or a meaningful driver of the high-level financials that you see here today, the answer's no, just because it's new. The answer's not no because we're not interested. We're very interested and we'll continue to want to pursue that and be a presence in that other dimension of the evolution of the industry.

You want to talk about Optimax?

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**George Cope**

Yeah. Yeah. On Optimax some, since I thought I had covered it a little bit. But let me go back and make sure. I mean, clearly as we're rolling out fibre to the node, the brand part of that product we've been bringing to the market is Optimax in our Consumer group. We've begun to do that, offer a more consistent speed and also higher

speed with that launch. We will roll out other population centres and other geography as we roll out that footprint this year. And we'll follow the pricing strategy that we talked about, which is yes, it's a higher entry fee, a higher access fee, because of the performance, and what we're providing is a better value. But again, that will have a topped-up metered usage part of that program as well. And so yeah, that is an important part of our strategy next year as we meet the demand that I talked about that we're seeing from the clients in terms of usage of the Internet.

I must say another part of that, though, is to continue to invest in just our DSL hardening to again make sure we're giving a reliable service level across the board to our customer base. It's a big focus for us. So yeah, I would say that is an important part of the plan, you know, in terms of materiality relative to what WiMax would be much more strategic than necessarily material next year.

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**Peter Rhamey, BMO Capital Markets**

Good morning. Good morning. Yeah, my question is a two-part. It's... Michael, with your greater emphasis on return of cash to shareholders, I'm wondering how this might impact your view on the Telesat monetization. If you were to sell that, what type of proportion of the cash would you return to shareholders probably through share buy-backs?

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**Michael J. Sabia**

Say that again, Peter.

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**Peter Rhamey, BMO Capital Markets**

On the potential monetization...

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**Michael J. Sabia**

Of Telesat. I got that.

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**Peter Rhamey, BMO Capital Markets**

...of Telesat, how would that change your... how does that impact your perspective on returning that cash to shareholders via share buy-backs? You mentioned 70 to 75% for earnings, so perhaps a similar ratio on that would be appropriate. And...

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**Michael J. Sabia**

(Laughs)...

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**Peter Rhamey, BMO Capital Markets**

...and I'm an equity guy. And from the potential M&A scenario with Manitoba, typically earnings dilution is an issue, but you're a free cash flow model now. So how do you weigh those, particularly when you look at the longer-term potential to consolidate the Enterprise market. Thank you.

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**Michael J. Sabia**

Thought you said three parts. I got two parts. So if there's a third...

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**George Cope**

There's the debt equity part of the pay-back.

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**Michael J. Sabia**

Oh. So look, on Telesat, first we're going to get our work done. And the work we've got to get done is finding the best way of monetizing that asset. And by that I mean not monetizing at any value. The whole issue here is about value. So if there's an attractive value that we can accomplish, either in the public markets or in a private market sale, that's something that we'll certainly be very interested in. Because as I said before, you know, we think about Telesat as an opportunity to realize value, given that our... we think we can meet -- well, yeah, I shouldn't say think -- we can meet our operational objectives through contractual arrangements as opposed to significant ownership of the asset. So it is about what... where is the value and what is the best route to the value, either down in a private market sale or through a public market process. And that is an issue that is still an open question for us. And we'll continue to go down that path and, as I've said, get that wrapped up I think in the quite near term future. And that'll be the basis for taking a decision.

Now, until such time as that's made and we actually have the prospect of some of proceeds with a high degree of confidence, we're not going to speculate on what the

uses of those proceeds could be until we're a good deal further down the path than we are today on that. And I don't think, one way or another, our shareholders should draw conclusions the... about what we said... from what we've said today. What we've said today is a financial framework around an operating business -- an operating business that has the capability now of creating significant value for shareholders. That's the framework we've laid out.

With respect to a specific asset monetization, you know, we've got to get that done. We'll assess that further down the road, and then take whatever decisions we need to take with respect to how that process fits into the broader evolution of the company and how that process can be used to strengthen the overall model of the business itself. So beyond that, we're not going to speculate today about use of proceeds with respect to Telesat. We've got to get our work done.

Second, with respect to the broad question about acquisitions, I think everyone in this room knows that, over the last few years, we have been, I think to put it mildly, very disciplined with respect to acquisition activity. Haven't really done anything of substantial size. Done a lot of smaller things, but nothing of substantial size. So we'll continue to be very, very disciplined about what we do. But similarly, our shareholders should also not draw a conclusion that there's something in the financial model that we've talked about today that precludes acquisitions. Fundamentally, what we're committed to is building the business, is building the capabilities of the business, building the ability of the business to deliver for our shareholders and generate cash, to support the kind of financial framework and the kind of commitments that are implicit in the discussion that we're having this morning. And I don't think anything there precludes well executed, rigorously done acquisitions that can strengthen the overall operation of the business and can strengthen the model that we've talked about today. And no one should draw also any inferences from what I've just said, which is a general principle, for our specific interest in any particular asset or lack of interest in any particular asset that may or may not be out there today. But as a general proposition, if acquisitions can help us build the business, and build and strengthen the framework that we've laid out today, then of course, like any organization, we're going to be interested in doing those, and we'll execute them with the kind of discipline that we've brought to the day-to-day operation of the business and the rebuilding of the business.

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### **John Henderson, Scotia Capital**

Yeah, thanks. A question for George on Mobile, I guess three sub-parts to it. Virgin Mobile. That is kind of similar to your attempt at Solo, I think, to grab share. It's not exactly the same, I know, but if you could comment on the success of Virgin Mobile and how you think Solo's going to be different.

The second point is on LNP and the impact that may have on ARPU. We talk about it all the times in terms of impact on churn, but what about ARPU and the potential for growing price competition in the Enterprise space in wireless after LNP?

And then the third question is on Spectrum. Are there any assumptions about these upcoming Spectrum options in Cape? Thanks.

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### **George Cope**

OK. Let me deal with item two and three. And Wade, do you want to address Virgin. You know, the question's really, I think, specifically around the Solo strategy.

LNP company has to be ready for, to execute on in the marketplace. The LNP, no matter what churn is, when we launch LNP it's higher than it would have been without LNP. Even if churn goes down, it would have gone down more. And if it goes up, it went up because of LNP. So don't want anyone to assume that LNP means less people move. That's impossible. So clearly some impact there.

In the Enterprise market, I think you're right. It may be one that's a little more fluid than other segments. US experience? One certainly to draw on, given the comparisons. You know, you do see some early-on movement. You also see some decline in churn prior to LNP because of possibly people meeting... waiting on that front. So yeah, you could see some implications there for sure. I don't think we would say we wouldn't. And have we taken that into some of our thinking? Sure. there will be some... look, it really is about being ready for that when it comes, depending on the particular program we have for each segment. So I think that's a fair comment.

Is it reflected in what we're trying to do? For sure. We have a lot to do next year in the wireless business, and having LNP added to that complexity... could have used it another year, but it's here. And so we'll get ready for that.

In terms of Spectrum, there's nothing in our Capex that would not include Spectrum in a purchase. I mean, we would view a Spectrum acquisition simply as almost like a business acquisition. And we expect, you know, there may be options, depending on the process, to the end of next year, early next year, and as a wireless carrier, we would participate in the Spectrum option.

No. The question was... I'm glad no one heard it because I'm not going to answer it. What percent of our business is Enterprise? And the answer is it's not going to be answered.

Wade, do you want to talk about Virgin.

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**Wade Oosterman**

Yeah.

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**George Cope**

...Virgin and any colour on Solo you want to give?

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**Wade Oosterman**  
Sure.

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**George Cope**

This is Wade Oosterman. He's the President of Bell Mobility.

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**Wade Oosterman**

So Virgin and Solo are really completely different things, with Virgin really aimed at a very specific and narrow segment, whereas Solo plays across the whole market the way Fido plays across the whole market. I think George touched on the role of Solo on a go-forward basis, which is to Fido to a standstill, really. And whereas Virgin is really meant to be particularly suitable for a specific segment, so it's a much narrower focus.

Now, we therefore view Virgin as a distribution channel, as... with an operating hat on and with a shareholder hat on, because we own part of it. We obviously look for ways to increase its value as a stand-alone business. But so very fundamentally different approaches to the market.

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**George Cope**

In fact, probably Solo would be a little closer in its previous life overlapped with Virgin in where we're going.

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**Wade Oosterman**

Yeah.

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**Glen Campbell, Merrill Lynch**

Thanks very much. I'm just wrestling with the revenue guidance for the year for Bell. If we back out, say, 35% of the business that's wireless and ExpressVu growing at say 15% a year, that would suggest that your wireline growth rate could be as good as flat and probably not worse than about 4% down. And yet we're talking about the same absolute number of lines losses roughly on the residential side. We're talking about an entity that doesn't include Aliant. So I'm just wondering what we might be missing as we think about it. Are you seeing improvements in long distance? Are you seeing improvements in data? Are we being wrong in thinking that wireless is a 15% business?

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**George Cope**

What I'll say, Glen, is we have a build-up, as shareholders would expect us to, of a detailed business plan in each of those categories. And yes, asking the management team to step up to, you know, aggressive execution in terms of our revenue growth and what we want to see.

Also, though, I talked about in our traditional businesses becoming much more careful, much more precision, as Michael would say, around the repricing of our base. And you know, we have to prove execution here, but I would say having our rate of long distance decline reduced in the year where we have the most NAS we've ever lost should give the street some comfort that we're moving to a little different model on how we're pricing some of those services. That's one area.

Secondly, the investment that Karen is going to make in the SMB market for us in expanding our distribution, clearly she's got to do that on a pay-back of revenue and EBITDA, not just on a protect strategy. So that's a combination of what we're trying to do. The amount of

work -- and not easy work -- we want to put through in Enterprise, which is tricky, because they're long-term contracts. But again, just starting to try to turn that business into a better profile for us financially. It's the sum of all those parts that build up to it.

And I think the other piece is we've introduced a lot of things in the marketplace in terms of product and pricing in 2006, which we would look to help flow through in 2007. They may not be as evident as some of the pricing action that Kevin or Wade Oosterman have taken recently in our business units. You know, they tend to only show the year following in a recurring revenue business.

So I don't know if you've missed anything, Glen. I don't think so. I think it's fair to say probably, you know, we knew it would be a little greater revenue growth than maybe a lot of people had expected, and it's now up to us, it's not easy, but to execute on this.

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**Maria Berlettano, J. Zechner Associates**

Good morning. It's Maria Berlettano from J. Zechner Associates Associates. I have two questions, one for Siim and one for George. The first question for Siim is, given your remarks about leverage, is it a fair statement or a fair take-away to assume that the proceeds from any monetization of Telesat will not go towards anymore debt reduction?

And my question for George is, given your comments about the... the benefits of flexibility in the marketplace, to what extent today does the organization meet in the various markets the equality service criterion, and in which markets do they not meet the quality service criterion, and when do you expect to meet those criteria?

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**Siim A. Vanaselja**

So let me start with the leverage policy. As I said, our leveraged targets at the Bell Canada level are well established, and we should be within the targeted range by the end of the year. I think when we look at asset divestiture transactions, we need to look at the capital structure policy implications and the leverage implications in a more holistic way, and recognizing that the asset base of the company is being diminished, and therefore you need to make some offsets within your capital structure. We are very comfortable in terms of the overall debt levels of the company on a status quo basis. But I think with respect to a potential asset sale, including the possible divestiture of Telesat, you know, we'll look at

that and the impacts that it has on our ratios and our capital structure, and make decisions on applications of proceeds based on that analysis.

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**Michael J. Sabia**

So let me cut a long story short on that one and say we're not going to speculate on what we're going to do with Telesat or what we're going to do with the proceeds, just so that we're clear.

Then on the service issue spent a little more time on this. George has focused on some other things. On the issue of quality service tests that are part of the forbearance decision, first point, those quality of service tests having been reduced in number now, and with the exclusion of the trailing tests, is now, as I mentioned earlier, at least we think workable. Those primary indicators, those nine primary indicators I think do leave us in a very good position. When I look at our track record, we are meeting very comfortably eight of the nine, and we are virtually there -- not quite, but virtually there on the ninth. So we don't regard that as a serious hurdle to our ability to become forborne in the event that, with the 30-day consultation period, the package is implemented as proposed. We are you know, frankly, we're very good at the provision of services on a wholesale basis to other suppliers, and that quality of performance is going to stand us in good stead with respect to the coming forbore. Those tests are designed to protect people from a supplier with a network such as ourselves behaving in any way that... that precludes or makes competition more difficult. We haven't been doing that in the history of the company. We're quite the opposite. So you know, we stack up pretty well. We feel good about it. And we'll be able to get it done.

And we also think -- final comment on this -- that the change in the way that the quality of service performance is measured is very important in moving from a company-by-company test to a total volume say a total volume of provisioning, in this case loops or whatever. It very much changes it. I'll just give you an example. In what the Commission had proposed, say for a period between May and October of this year, I think we had on loops nine different providers that we were supply loops to, if my numbers are right. For eight of the nine, we were I think operating at something like a hundred percent or virtually a hundred percent, so very good. On one of the nine, I think with a request for something like 17 loops or something, so quite small in the total package of what we're doing, which is dramatically larger, I think for one of them we were at 88%.

Now, what would that mean under the Commission's test? Well, it would mean that, because you didn't get to 90% for all of them, you don't get forborne, even though the overwhelming majority of the provisioning activity was being done on an extremely good basis, almost a hundred percent.

So that those sort of tests we think are just tests that are designed to make sure that you're not forborne. I think what the government has proposed here is a set of measures that actually reflects real performance, that are actually supportive of the public policy objective of giving other providers access on a wholesale basis to networks, and therefore is pro-competitive and actually actionable. So far better.

So overall, I think that given our performance and the architecture of the quality of service plans, I think we're in very good shape.

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**Stephen Dafoe, Scotia Capital**

It's Stephen Dafoe for Scotia Capital. I've got a follow-on to Maria's question about debt. You've said that you're comfortable with where nominal debt is; there won't be any cash applied to debt reduction in '07. The key guidance you've given on debt is debt to EBITDA. Given that the denominator's fixed, if there were unforeseen slippage in reaching EBITDA for '07, can we infer then that you wouldn't get to your target for debt to EBITDA?

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**Siim A. Vanaselja**

Interesting question, the way you phrased that. We certainly expect to deliver on our financial plans for 2007, and we're very confident in our ability to meet those guidance ranges. And with that, I'm confident that we will get within those targeted ranges for the year.

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**Rob Goff, Haywood Securities**

Thank you very much. It's Rob Goff. On the Enterprise market, it's very encouraging to see you taking a more disciplined approach. What's your confidence that your competitors will adopt a similar approach? And have you seen markets or signs in the marketplace to support that confidence?

**George Cope**

That's a good question. I think I mentioned it early on in one of the investor forums. You know, part of what you can't always blame your competitors for what happens in a segment. So we're part of that segment. So our behaviour in that segment has begun and will be different going forward. That is does not mean not bringing great products and services to the Enterprise market, but it clearly means making sure we're getting the right return on capital for everybody in this room for that segment.

In terms of how our competitors behave, I think, clearly, if we behave as a leader in the marketplace, there's money for everyone to be made in that particular segment. And so that'll really be up to them as to how they respond. We have done some recent filings with the CRTC on things like Centrex. We do note that other competitors did follow our filings, so those are signs of maybe the market showing some strength and I would say some of our competitors in that segment are getting weaker over time and others are strengthening and those strengthening have tended to have a history of wanting to make money and I am encouraged by that.

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**Greg MacDonald, National Bank Financial**

Hi, guys. Greg MacDonald

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**George Cope**

Hi, Greg.

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**Greg MacDonald, National Bank Financial**

Hi. Let me start off by saying congratulations on the increase in the pay-out ratio for the dividend. I think that seems the appropriate move for the stock. However, the one thing that it does do is focus the spotlight on the Capex, so I want to ask a question on Capex. And it's really focused in on the appropriateness, or your comfort level, I suppose, in guiding 16 to 17% capital intensity, not necessarily just '07 but on a go-forward basis. Could you talk about the comfort that you have in that type of guidance going forward with respect to two issues? Number one, television/broadband: How comfortable are you with the ability, if you have to, to increase your acceleration of that broadband build? And then number two, on wireless: I think some would argue the GSM is gaining in terms of an advantage versus CDMA. How

much thought have you given to a GSM overlay? And possibly what could that mean to Capex? Thanks.

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**George Cope**

Well, let me comment on a few things. First of all, we have said next year's guidance is 16 to 17% on Capex per revenue. And also, we talked about wanting to maintain those type of ratio as we go forward. Our mix helps us over time on the revenue to capital ratio, because the revenue to capital ratio in the wireless industry, you know, anywhere from 12 to 14% has been what you've seen the last number of years, particularly with our sharing agreement we have with Telus. And I would say we have the similar type of arrangement now in Inukshuk with Rogers. And so if you do a mix, you can see that, clearly, the traditional ILEC business takes a higher capital than the wireless business does, and so that's where we get the mix number we give this year.

The other part of driving that is our revenue growth. You know, if we drive revenue growth, it gives us headroom to drive capital. And so we are investing in growth businesses to drive revenue growth to give us the cover. So the absolute dollars in capital can grow if we provide some revenue growth through the organization. And that's why it's such (inaudible) focus clearly on the organization, on the EBITDA and revenue growth, as we go forward, so we can make those investments you're talking about.

The specific around the wireless, I mean, our strategy continues to be the roll-out EVDO, Rev A. We are obviously cognizant of Rogers rolling out HSDPA. We have a feeling we're going to have some handset cost advantages over that technology over the next while, which hasn't happened in this category for a long time. There are clearly other advantages that technology has. So we're continue on the track we're on. We obviously will pay attention to developments in the US by the major CDMA carriers and make sure we're conscious of anything that they may be doing, and aware. But right now it's to continue on the track we're on in the market.

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**Greg MacDonald, National Bank Financial**

Thanks.

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**George Cope**

Quite confident we can execute on that track.

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**Catherine Payne, FieraYMG**

George, just wondering if you can address number portability coming into the wireless market in '07. What sort of assumptions have you baked into your guidance? And the Solo kind of relaunch in my mind, does it address part of that market as well?

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**George Cope**

I don't think the Solo would specifically address that part of the market. The Solo definitely addresses - And I want to make sure that the strategy - I haven't overplayed the strategy there in the meeting today. To make it clear, we have a great market share in the Bell Mobility business, but there's a part of the market share that's going specifically to Fido because of its discount strategy -- different than the Rogers strategy, which is a premium strategy. We want to capture a part of that share of the market.

LNP, yes, it's in our business plan in terms of the execution of that, and yes, you know, there could be some churn impacts that have to be taken into account, which clearly would be in our business plan as we go forward. But specifically giving that number, I'm not going to give that. And I don't know... Wade, I'm sure you don't want to give it. Is there anymore... anything else you want to add on that for the organization?

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**Wade Oosterman**

You know, clearly we've looked at LNP in other markets. And if you take for example the US markets, of all the people who switch carriers, it's a very small percent who actually keep their numbers. And the US market is similar to Canada's. So you know, we don't know yet how much of that will translate directly into an experience here, but certainly there are some encouraging signs that it's not all doom and gloom, certainly.

Having said that, I think we're really focused on being ready so that we will execute flawlessly. It's a big, big focus of the organization as a whole across all business units. So when it gets here, we will be ready to execute well. I think we have some inherent advantages that should put us in good stead. So I think the simplest thing we can say is, you know, we've tried to anticipate every eventuality, and it's baked into our plans, and you know, focused on executing well.

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**George Cope**

And you will -- so the investors understand, there is a high likelihood in the industry. The first quarter there's LNP you'll see some bump and churn in the industry. As I said, no matter what churn was going to be without it, it'll be higher with it. It's undeniable.

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**Jonathan Allen, RBC Capital Markets**

Thanks very much. For Siim, a clarification. I'm looking at one of your slides. You're guiding towards total funding declining from \$440M last year, 2006, to \$300M. And then in a future slide you've got your free cash flow year over year with cash funding actually increasing \$150 million year over year. Perhaps you could just reconcile that for me.

And second question for George -- or Michael. You were talking about the necessity for Internet customers wanting consistency. They want the bandwidth and capacity. If we're doing fibre to the node right now, why don't we just extend that a little bit further and do a little bit more fibre to the home in some locations?

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**Siim A. Vanaselja**

OK. On the pension side, for 2006 our total pension and benefits funding is in the range of \$440 million. And for 2007 we project a total funding obligation of about \$300 million. However, because we contributed shares of CGI to satisfy some of the 2006 funding, year-over-year cash funding in 2007 will actually increase by about \$150M. So the net cash funding in 2006 was only about \$150 million.

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**Jonathan Allen, RBC Capital Markets**

So then CGI shares then would be about \$300 million or something?

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**Siim A. Vanaselja**

That's correct. It was just under \$300 million.

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**Michael J. Sabia**

I'll just -- you're OK on that one? Yeah? OK.

I'll just make a couple of brief comments on this important issue about consistency, fibre to the node, the prem., etcetera, and then I'll turn to Kevin to talk about this.

One, I want to pick up the use of the word 'consistency.' The more we see, the more we see customer behaviour, the more convinced we are that in a video world and in a gaming world, consistency of speed is just essential to the quality of the customer experience, and that we think, as this market matures a bit, that the preoccupation that the market has today with just raw speed, or reported speed levels, is going to end up being a lot less important than the consistency of the speed that the customer can rely on. So that what we're doing in our focus is yes, we're certainly ramping up speed, as you've seen with Optimax, and we'll step that up again. And if there's time, Eugene Roman might want to comment on some of the things that we're doing to increase the potential for our ability to deliver those speeds. But the real focus for us is consistency because we think consistency is what defines the customer experience.

Now, on fibre to the node versus to the prem. as you know, we're very much focused on the fibre to the node plan. We are building out fibre to the node. We are doing it in greenfields, where we're pushing fibre closer to the home, in many cases within 500 metres or so. That is a big step up in terms of our ability to deliver speed. You know, we're conscious of the fibre to the prem. issue, and we are experimenting with it. So we'll continue to keep our eyes open with respect to that. And here and there down the road in the future, you know, we may consider some of that in greenfield operations. We may, but that's down the road. Right now we're very much comfortable with fibre to the node and the kind of speeds it can deliver and the commercial realizable value that that speed and consistency can deliver on a much more cost effective and capital efficient model.

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**Jonathan Allen, RBC Capital Markets**

Actually I'll pass the mike over to Kevin in just one sec, but you were saying that you wanted to maintain 16 to 17% CapEx to sales ratio going forward. Should you actually do a fibre to the node or sorry, fibre to the home roll-out, presumably you would want to keep it within that range as well?

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**Michael J. Sabia**

Well, look. I'm not going to speculate. Right now the plan of the company is fibre to the node. The plan of the company is 16 to 17%. Revenues are going to grow. That

increases absolute dollar amounts. As George has said, the wireless expansion has an impact on capital intensity. There are a lot of different factors in play here. So you know, our focus is fibre to the node, and we think we can continue to build the business, which, as I keep saying, is the centrepiece preoccupation we have in that zone. And indeed, you know, we'll continue to look for opportunities if we can to nip and tuck here and there. And if we can bring it in (inaudible) we'll certainly try. But at 16 to 17%, we're pretty comfortable. Kevin.

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**Kevin Crull**

Yeah. Just quickly, Jonathan, I would amplify... The consistency thing is very powerful. When customers are coming back from the cable companies, we're hearing, you know, directly from their mouths, they're saying, you know, I kind of bought in for a high top speed, and then the experience I had just wasn't consistent. We've done some qualitative testing of our own of each of our competitors and finding the actual through-put, the actual experience dramatically lower. I mean, at real fractions of what the advertised speed is. We're moving also more to talking about, because I think many of you know that when you talk about things like 10 megabits, 16 megabits, 18 megabits, this is well above the really useful applications' demanded speed. And so we're talking more to customers about having speed that's appropriate for video streaming or music downloads or peer to peer. And as we start to promote more of the application speed, I think that we'll really hit a sweet spot that matches the demand.

On the demand for faster and faster speeds, I would just say we see a roadmap of shorter loops, like half a kilometre loops, or bonding, being able to give us a really good runway, and we'll watch what happens with standards and technology on fibre to the prem. And the addressable market, you know, is really when you're talking about some of the greenfields, where it makes sense to start to do that, so it's still pretty small.

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**Jeff Fan, UBS Securities**

Thank you. Jeff Fan from UBS. I have three questions. First on the EBITDA, Siim, you showed a slide that showed the significant reduction in the EBITDA mix impact from '06 to '07. Are you going to quantify the little bit on what the change is on the growth services EBITDA, increase from '06 to '07, and then, on the other hand, the reduction in the legacy services erosion? Just kind of I think there's two components that support those numbers.

The second question is on the government announcement last night. And I'm just wondering whether that has been factored into your assumptions and guidance for next year, specifically on line erosion, and also on the EBITDA impact.

And then lastly, again with the government announcement last night, it was interesting that they talked about three facilities based player tests being exhibiting competition in the local wireline business. I'm just wondering if there's any inference that you can make about the wireless market, you know, given that we have three facilities based players in that market. Thanks.

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**Michael J. Sabia**

Can I... I'll just... I'm just going to quickly deal with two, and then I'll turn to you, Siim on the EBITDA question. ...

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**Siim A. Vanaselja**

Yeah.

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**Michael J. Sabia**

The answer is that we have not build anything into the plan that we've discussed with you this morning with respect to significant regulatory change as proposed yesterday by the government. So there is nothing in the plan that assumes that.

And I'll just give you my view about inferences about, you know, the magical quality of three. And I don't know. George, you probably want to comment... probably dying to comment on this.

Look, that might be logical, but I don't think you should. Because we don't think about it like that. I mean -- and don't mishear me here. That's also not to suggest that in any way we think there's something magical about four providers in the wireless area, because we don't. It's just I wouldn't draw an inference if I were you, for what this is worth, that there's been some thought process that's gone into oh, well, it's three here and three everywhere else. But I do believe that would be a very logical thing to do; I'm just cautioning you against doing it. But Siim, over to you.

**Siim A. Vanaselja**

Yeah. Jeff, I want to be careful not to get into the real granularity of our plan with you. But certainly on the legacy side, when we look at local access, long distance, the data services, we see diminishing levels of impact on... on revenue, and therefore on EBITDA, on a year-over-year basis as we finish 2007. And similarly, with all the initiatives that George has talked about to drive higher levels of performance in wireless and video and DSL and ICT services and Enterprise and the VCIO strategy in the SMB group, we see, you know, really good opportunities to just continue to improve on the level of incremental EBITDA margin that flows through. And that all helps the revenue mix as well.

**Michael J. Sabia**

I think we should try to wrap this up with one or two more. I know, Dvai, you've been patient.

**Dvai Ghose, Genuity Capital Markets**

Thank you very much, Michael. Question for Siim -- a clarification and question. So a little confused about the uses of cash next year. You're talking about a divvy of about a billion-three in absolute terms, depending how many shares there are outstanding. You're talking about an NTIB of about a billion-two, billion-three at the current stock price, which is rising. So that's about 2.5 billion. And your pre-dividend free cash flow implied guidance is about 2 to 2.2 billion. So are you talking about leveraging \$300M to \$400M or am I misunderstanding something?

**Siim A. Vanaselja**

No, we're not expecting any incremental leverage in the company. I think with the free cash flow growth that we see over the course of the year building up in the business, some cash balances that we currently have, and as well, recognizing that we are looking at a monetization of Telesat, at a minimum going down the IPO or recapitalization route, that there's opportunities for proceeds there.

**Dvai Ghose, Genuity Capital Markets**

So without Telesat, though, you agree with the basic math that leverage goes -- debt goes up a little bit, net debt?

**Siim A. Vanaselja**

Yeah, it would... net debt would go up a little bit.

**Dvai Ghose, Genuity Capital Markets**

Right. Yeah. I just wanted to make sure that.

**Siim A. Vanaselja**

Yeah.

**Dvai Ghose, Genuity Capital Markets**

OK. Secondly, on the pay-out ratio, you've guided to an EPS number which is a little artificially low because of Bell Aliant. They will go full taxed in four years. Shouldn't you do it at a normalized tax rate of about 33%?

**Siim A. Vanaselja**

We have done it on an EPS pay-out ratio that is essentially based on the Bell component with the distributions from Bell Aliant flowing through.

**Dvai Ghose, Genuity Capital Markets**

Yeah, I guess my point is that distributions don't look sustainable over a five-year period.

**Siim A. Vanaselja**

Who... whose distributions?

**Dvai Ghose, Genuity Capital Markets**

Bell Aliant's, because of going fully taxed in four years' time. I presume you don't want to decrease your own dividend, so shouldn't you factor in their temporary tax shield into your equation?

**Siim A. Vanaselja**

Yeah, I think you'll hear Bell Aliant's guidance on January 31, and they will be in a position to speak about their outlook and what happens through the course of the next four years.

**Dvai Ghose, Genuity Capital Markets**

OK, that's fair. And then the last question is - I'm just trying to reconcile your EBITDA to your old reporting. So your guidance is 4% to 6%, but that includes pension and that excludes Bell Aliant. So from the numbers you've given on the pension, it looks like if you excluded pension, as you have in prior years it's 3% to 5%. Would that be correct? There's about 1% gain for pension. And if you exclude Bell Aliant -- admittedly their guidance hasn't come out yet, but it should be less growth than yours -- perhaps you're looking at 2% to 4%. Would that be a correct number for the whole organization? Because you report the whole organization, not just Bell excluding Bell Aliant, I assume.

**Siim A. Vanaselja**

The EBITDA guidance that we're giving is for Bell excluding Bell Aliant and excluding Telesat. And I said that, within that guidance, there's close to a 1.5% impact in growth that's derived from including pension expense in EBITDA.

**Dvai Ghose, Genuity Capital Markets**

OK. You only (inaudible) Bell Aliant (inaudible) report (inaudible) give guidance, I assume.

**Siim A. Vanaselja**

OK. Thanks very much.

**Michael J. Sabia**

OK. One more, and then that'll be the last on. Lawrence?

**Lawrence Surtees, IDC Canada**

Yeah, thanks. Lawrence from IDC. I just want to clarify, Siim, going forward, the reporting statements for the new

Bell Canada, they will be on the consolidated results of Bell without the Bell income Aliant Trust. Wireless vs. wireline is interesting.

**Siim A. Vanaselja**

So the reporting that we see following the simplification -- and this will be in place by the end of the year -- is that the public reporting company will be Bell Canada. We will report Bell Aliant and Telesat as separate segments within Bell Canada. And then we will report the segments of Bell, being wireless and wire line, and then in the wire line segment, we'll provide, as we have done in the past, the breakdown of product performance, local access, long distance, data services, and so forth.

**Lawrence Surtees, IDC Canada**

Right. Cool. And George, just one question. There was a slide that had an interesting point I don't think you were able to touch on, changes in sales compensation realignment in Bell Canada, which for the sales force probably means something profound. Can you take a moment and tell us...

**George Cope**

We have been... been making a lot of changes in... in the organization. One of them was to get away from, in some cases, having double commissions between dealer channels and direct sales forces, depending on which part of the business. So that's changed. And we will be and are in the midst of changing some of our compensation, how we pay, much more focused on margins of products, so that the sales force is rewarded where Bell makes also the most significant amount of margin, and not necessarily as focused as we may have been in the past on a revenue type of compensation. So just a little more granular execution on our compensation programs, and that's being implemented particularly in our SMB group, our Enterprise group, and in Bell Mobility as we roll into next year. Good catch.

**Michael J. Sabia**

OK. Let me wrap up, my final comments. For those of you who were here last year, you probably recall that we had positioned 2007 last year as -- along with 2006 -- as a transition year, with '08 showing the kind of significant

change in trajectory. So let me just wrap up by saying so what's changed. That it's caused us to be what... you know, there's no science here, but it's caused us to be, I don't know, call it six to eight months ahead of schedule.

I'd say a few things. First, our execution capability with respect to cable competition and the rate of NAS erosion is something that has changed from some of our expectations about sort of roughly this time last year. It was February that we talked about it. But that has changed -- not dramatically, but changed a bit too. And relatedly, the overall... our overall management of the pressures on our legacy business I think has improved significantly over that period. And that too is helping to drive the overall performance of the company. And then with that, and as we push on growth services, you know, you're getting... you're still continuing to get that favourable evolution in mix. So that execution on the legacy side of the business, where I think we've just become way better fighters in terms of how we manage that business, how we price that business, how we execute in that area.

And then third, I think we're also seeing, and I think we have the prospect of really meaningful improvement in our wireless business. That credit to George, credit to Wade. As I say, I think we're seeing potential there as well. So all of that's combining to kind of move what is a pretty big picture here of sort of six or eight months earlier. And that's why today we have the confidence that we have to talk to you about a very different picture with respect to trajectory for this company. Now, it starts in '07, not in '06. We said that would finish this year. And we do just have a growing sense of the quality of our execution across the whole organization and at varying levels of the whole organization. And that's leading us to be able to come to you today with the demonstration of that confidence in a very different, I think, framework for distributions for shareholders, a meaningful move with respect to the dividends, the renewal of the buy-back program, all of which I think you should interpret as indicators on our part and on the part of our board about our ability to continue to execute, continue to improve the level of our execution, continue to execute against the pretty ambitious targets that we are running against inside the company with respect to service, performance, pricing and other things.

So overall, we feel pretty good about where we are and very dedicated to the focus that we've put over the last while on execution into ramping that up. So thank you all very much. If you've got further questions or issues that you want to discuss with us, you can always get hold of our IR people. They're great, if I say so myself. And they'll be happy to help you any way we can. And we'll be trying

to get around and see some of you over the coming weeks and months as well. So thank you all for your interest.

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