# Q2 2017 Results
# Conference Call

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***CAUTION CONCERNING FORWARD-LOOKING STATEMENTS***

*Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's Q2 2017 Results Conference Call, as reflected in this transcript, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to BCE's 2017 financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), our expected pension cash funding, BCE's common share dividend payout policy, our network deployment plans and related capital investments, the synergies expected to result from the acquisition of Manitoba Telecom Services Inc. (MTS), BCE's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.*

*Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of August 3, 2017 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after August 3, 2017. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q2 2017 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q2 2017 Results Conference Call for periods beyond 2017 assume that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.*

***Material Assumptions***

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

***Canadian Economic and Market Assumptions***

- *Gradual improvement in economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 2.8% in 2017, a slight increase from the earlier estimate of 2.6%*
- *Modest employment growth, as the overall level of business investment is expected to remain soft*
- *Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices.*
- *A higher level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration and smartphone adoption*
- *Soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming*

***Assumptions Concerning our Bell Wireless Segment***

- *Maintain our market share of incumbent wireless postpaid net additions*
- *Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE devices and new data services*
- *Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer device upgrades, reflecting a higher number of off-contract subscribers due to earlier expiries under two-year contracts*
- *Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates from 2016 pricing changes*
- *Completion of the LTE network buildout to 99% of the Canadian population and expansion of the LTE-A network coverage to approximately 87% of the Canadian population, including Manitoba*
- *Ability to monetize increasing data usage and customer subscriptions to new data services*
- *Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services*

- *No material financial, operational or competitive consequences of changes in regulations affecting our wireless business*

***Assumptions Concerning our Bell Wireline Segment***

- *Positive full-year adjusted EBITDA growth*
- *Continued growth in residential IPTV and Internet subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Residential services household ARPU growth from increased penetration of multi-product households and price increases*
- *Aggressive residential service bundle offers from cable TV competitors in our local wireline areas*
- *Continued large business customer migration to IP-based systems*
- *Ongoing competitive repricing pressures in our business and wholesale markets*
- *Continued competitive intensity in our small and mid-sized business markets as cable operators and other telecom competitors continue to intensify their focus on business customers*
- *Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume vast quantities of bandwidth, will require considerable ongoing capital investment*
- *TV unbundling will not materially accelerate the downsizing of TV packages by customers*
- *Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the integration of MTS*
- *Softer wholesale financial performance due to a CRTC decision in October 2016 that significantly lowered capacity-based billing rates for aggregated wholesale high-speed Internet access services*
- *No other changes in regulations affecting our wireline business having material financial, operational or competitive consequences*

***Assumptions Concerning our Bell Media Segment***

- *Higher year-over-year revenue, reflecting further CraveTV subscriber growth, The Movie Network's national expansion that began in March 2016, and growth in outdoor advertising supported by acquisitions and new contract wins*
- *Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content*
- *Continued scaling of CraveTV*
- *Ability to successfully acquire and produce highly rated programming and differentiated content*
- *Building and maintaining strategic supply arrangements for content across all screens and platforms*
- *Increased revenue generation from monetization of content rights and Bell Media properties across all platforms*
- *TV unbundling and growth in OTT viewing expected to result in moderately lower subscriber levels for many Bell Media TV properties*
- *No material financial, operational or competitive consequences of changes in regulations affecting our media business*

***Financial Assumptions Concerning BCE***
*The following constitute BCE's principal financial assumptions for 2017:*

- *total post-employment benefit plans cost to be approximately $320 million to $340 million, based on an estimated accounting discount rate of 4.0%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately $250 million to $260 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately $70 million to $80 million*
- *depreciation and amortization expense of approximately $3,850 million to $3,900 million*
- *net interest expense of approximately $950 million to $975 million*
- *tax adjustments (per share) of approximately $0.01*
- *an effective tax rate of approximately 27%*
- *non-controlling interest (NCI) of approximately $50 million*
- *total pension plan cash funding of approximately $400 million to $450 million*
- *cash taxes of approximately $650 million to $700 million*
- *net interest payments of approximately $950 million to $975 million*
- *other free cash flow items, which include working capital changes, severance and other costs paid, preferred share dividends and NCI paid, of approximately ($25) million to ($150) million*
- *average BCE common shares outstanding of approximately 895 million*
- *an annual common share dividend of $2.87 per share*

*The foregoing assumptions, although considered reasonable by BCE on August 3, 2017, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this transcript.*

***Material Risks***

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

- *regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business, including, in particular, those relating to mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements*
- *the intensity of competitive activity, including from new and emerging competitors, and the resulting impact on the cost of retaining existing customers and attracting new ones, as well as on our market shares, service volumes and pricing strategies*
- *the level of technological substitution and the presence of alternative service providers contributing to reduced utilization of our traditional wireline services*
- *the adverse effect of the fundamental separation of content and connectivity, which is changing our TV and media ecosystems and may accelerate the disconnection of TV services and the reduction of TV spending, as well as the fragmentation of, and changes in, the advertising market*
- *competition with global competitors, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs and challenge our ability to secure key content*
- *adverse economic and financial market conditions, a declining level of retail and commercial activity, and the resulting negative impact on the demand for, and prices of, our products and services and the level of bad debts*
- *the inability to protect our assets, including networks, IT systems, offices and sensitive information, from events and attacks such as cyber threats, and damage from fire and natural disasters*
- *the failure to optimize network and IT deployment and upgrading timelines, accurately assess the potential of new technologies, and invest and evolve in the appropriate direction*
- *the failure to continue investment in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies*
- *the inability to drive a positive customer experience resulting, in particular, from the failure to embrace new approaches and challenge operational limitations*
- *the complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings*
- *the failure to maintain optimal network operating performance in the context of significant increases in capacity demands on our Internet and wireless networks*
- *the failure to implement or maintain highly effective IT systems supported by an effective governance and operating framework*
- *the risk that we may need to incur significant capital expenditures beyond our capital intensity target in order to provide additional capacity and reduce network congestion*
- *the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions*
- *events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities*
- *in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject*
- *the failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe and secure environment*
- *labour disruptions*
- *the inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements, fund capital expenditures and provide for planned growth*
- *uncertainty as to whether dividends will be declared by BCE's board of directors or whether BCE's dividend payout policy will be maintained*
- *the inability to manage various credit, liquidity and market risks*
- *pension obligation volatility and increased contributions to post-employment benefit plans*
- *higher taxes due to new tax laws or changes thereto or in the interpretation thereof, and the inability to predict the outcome of government audits*
- *the failure to reduce costs as well as unexpected increases in costs*

- *the failure to evolve practices to effectively monitor and control fraudulent activities, including unauthorized use of our content and the theft of our TV services*
- *events affecting the continuity of supply of products and services that we need to operate our business from our third-party suppliers and outsourcers*
- *the failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models*
- *the quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards*
- *security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed*
- *unfavourable resolution of legal proceedings and, in particular, class actions*
- *unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations*
- *health concerns about radiofrequency emissions from wireless communications devices*
- *the inability to maintain customer service and our networks operational in the event of the occurrence of epidemics, pandemics and other health risks*
- *the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters*

*We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. We encourage investors to also read BCE's 2016 Annual MD&A dated March 2, 2017 (included in the BCE 2016 Annual Report), BCE's 2017 First and Second Quarter MD&As dated April 25, 2017 and August 2, 2017, respectively, and BCE's news release dated August 3, 2017 announcing its financial results for the second quarter of 2017 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at Sedar.com) and with the U.S. Securities and Exchange Commission (available at SEC.gov). These documents are also available at BCE.ca.*

*The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS" and "free cash flow" used in this transcript are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Notes" in BCE's news release dated August 3, 2017 announcing its financial results for the second quarter of 2017 for more details.*

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## PRESENTATION

**Operator**

Good morning, ladies and gentlemen. Welcome to the BCE Second Quarter 2017 Results Conference Call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos.

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**Thane Fotopoulos – Vice President – IR**

Thank you, Maude. Good morning to everybody. Joining me here today, as always, are George Cope, our CEO, and Glen LeBlanc, BCE's CFO.

As a reminder, our second quarter results package and other disclosure documents, including today's slide presentation, are available on BCE's Investor Relations web page. An audio replay and transcript of the call will also be made available later today or tomorrow morning on our website. However, before we get started, I would like to draw your attention to the Safe Harbor statement, as always, on Slide 2.

Information in this presentation and remarks made by the speakers today will contain statements about expected future events and financial results that are forward-looking and therefore are subject to risks and uncertainties. These forward-looking statements represent our expectations as of today and, accordingly, are subject to change. Results may differ materially. We disclaim any obligation to update forward-looking statements, except as required by law. Factors that may affect future results are contained in BCE
s filings with both the Canadian Securities Commission and the SEC, and are also available on our corporate website.

So, with that, over to George for our Q2 overview.

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**George Cope – President and CEO**

Great. Thanks Thane. Good morning, everyone. Thank you for joining us in the middle of the summer.

This morning, we reported 7% service revenue growth and 5% higher EBITDA growth. This is driven by the strong financial contribution of MTS and the excellent wireless results we have reported this morning. We added 106,000 broadband customers, and which is traditionally for us a soft quarter in terms of overall broadband net adds.

The Company continued its track record of strong Wireless postpaid momentum and best-in-class financial results. Wireline EBITDA was up 2.6% year-over-year and our North American leading margin continued at 41.8%. Strategically we now expect to service more than 3.7 million FTTH locations by the end of this year, up about 100,000 households and businesses and resulting in approximately 40% of our entire long-term fibre program being completed by the end of this calendar year.

Also on the strategic side, a new innovative app-based live TV streaming service was launched on May 15 branded Alt TV targeting cord-cutters and cord-nevers. Bell Media produced stable financial results in the quarter with 2.2% revenue growth and positive EBITDA.

MTS is meeting all of our financial expectations. In fact, and on the good news side, we now expect the MTS EBITDA in 2018 will surpass the pre-sale of the TELUS Wireless business that would have been 2016. So the synergies are really significant across our Wireline and Wireless businesses. The 17% free cash flow growth in the quarter continues to support our strategy of investing in broadband Wireline and Wireless networks.

Turning to Wireless, we saw an approximate 27% increase year-over-year on our postpaid additions, and as well reported a churn of 1.08% on the postpaid side and that is our lowest reported quarterly churn rate in 11 years. Also on the churn side, on our overall LTE network, we saw postpaid churn at 1.03%. So clearly a move in the right direction on that metric. It was the strongest absolute dollar service revenue growth in the history of our Wireless business. Of course that is combined with a strong organic growth at Bell Mobility and the MTS Wireless acquisition.

Average revenue per customer is up 4.6%, and that is driven again by the continued high usage we are seeing of our LTE-A network as we over the entire base we saw 26% year-over-year increase in broadband usage on our Wireless network. Our investment clearly in the quad-band network is paying off. We are now in 47 markets, eight provinces, combining that with the 256 QAM technology, enabling customers to see speeds on average of 25 to 220Mbps. And if anyone does a speed test any day in any one of the major cities in the country you will see sometimes you are getting 90Mbps to 120Mbps or higher on our Wireless network.

Also, pleased to report and quite proud to report that Virgin topped every wireless carrier from a J.D. Power ranking perspective this year, surpassing our competitors Rogers, TELUS, Fido and Koodo as the number one service in the eyes of the customer. So very strong results from Virgin Mobile.

On the Wireline side, we added 16,400 thousand IPTV net adds. We saw a decline in our satellite losses of about 10% year-over-year, and I would expect our satellite loss to continue to improve now that we have MTS selling the satellite services in their footprint. Aliant is actually seeing some positive growth as well in some of their rural footprint and a significant growth of the IPTV footprints by the telcos has obviously slowed. So hopefully we will see that trend continue there.

On the Internet side, we added a little over a thousand in the quarter in what is a seasonally slow quarter for us with the university out at the end of the quarter. However, from a strategic standpoint, very positive we added 17,400 thousand net Internet additions in our fibre footprint. We also—as we go forward in the second half of the year we would expect stronger Internet additions, particularly as our fibre footprint continues to roll out.

On the residential side, we saw an improvement in losses year-over-year. I thought the most interesting thing to me in the quarter was where we actually had the fibre footprint, we literally had no NAS losses. So it is really quite interesting what the power of that is and of course it is probably a little bit where that geography is as well. And the one callout which we do not do very often on the business side, Small Business had a good quarter. We are seeing some momentum from an RGU perspective there and also probably a little bit of the stronger Canadian economy helping our Small Business Wireline group.

Turning to our product page on IPTV. The product continued to be the most innovative in the marketplace. Just in July, we launched another addition to our products where our customers can watch their PVR recordings on a laptop, smartphone or tablet if they have access to our Fibe TV app. So for anyone who's in our footprint, particularly on the investment side, if you are not familiar with the app, you really should download it, use it to understand what a competitive—for us how competitive this product is in the marketplace. Also, coming in August, we will integrate Google's YouTube app into our 4K PVR and no set-top box upgrade will be required for these additional features.

I think the most strategic thing we undertook in the quarter was the launch of Alt TV. As I mentioned, it is a new app-based live TV streaming service that was launched late in May, targeting cord-cutters and cord-nevers. It is available in our Fibe TV footprint, so it is a licensed service, but it requires no set-top box. It is limited to two streams per location via laptop, smartphone, tablet or a smart TV. It is the identical content of Fibe TV but the monthly price is at a discount basically reflecting the fact no truck rolls required and no set-top box required. In some cases, customers can save up to 40% on a traditional TV service with this service and we are indifferent between the two from a cost perspective.

And also, when we step back now and look at these two portfolios, it also opens up additional revenue streams for our media assets and quite frankly, other Canadian companies' media assets because we will be able to monetize advertising dollars through streaming services on Alt TV and over time we would expect to see competitive responses to that as well in the marketplace.

Turning to Bell Media. We had an excellent strategic quarter. CTV once again was the number one network in the country for the 16th year in a row. We secured a strong lineup going into the fall. We extended an NFL broadcast deal so now on a linear TV we have all of the linear rights across all of the NFL and of course have the digital rights as well on those games that we carry.

Also, happy to welcome the Montreal Canadiens back to our English network on TSN for 50 regional games next year. We have obviously had the games on RDS on the French side. Very important for us in the Aliant footprint where TSN now will have access to those games and a number of other key strategic things in the quarter driving, I think, quite good financial results given some of the challenges in that particular part of the industry.

With that, let me turn it over to Glen.

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**Glen LeBlanc – Executive Vice President and CFO**

Thanks George, and good morning everyone. I will start on Slide 10 with our consolidated financial performance for Q2.

As George said, but certainly worth repeating, service revenue was strong, up 7%. This represents a significantly higher year-over-year growth rate from previous quarters due to the acquisition of MTS completed on March 17. In addition to MTS' financial contribution, revenue was up this quarter on strong organic Wireless top line growth, higher Wireline residential revenue and improved year-over-year performance at Bell Media.

Adjusted EBITDA increased 5%, again, benefitting from the inclusion of Bell MTS, as well as our excellent Wireless financial metrics. Margin was down year-over-year but remained a very healthy 41.8%. The decline was largely a result of $25 million in CRTC related impacts absorbed in the quarter from the wholesale Internet tariff rerates and the mandated customer refunds for cancelled services.

Despite higher EBITDA, statutory and adjusted EPS were down $0.05 and $0.06 per share, respectively, due to the mark-to-market equity derivative gains realized in Q2 of 2016 that was driven by a rather sharp increase in BCE share price that year, and a number of MTS acquisition related impacts that I will detail later in my presentation.

We generated approximately $1.1 billion of free cash flow in Q2, $160 million higher year-over-year. That stellar performance was achieved even with a planned step-up in capex spending this quarter.

So on balance, a good quarter of consolidated financial performance, consistent with full year guidance targets, including MTS, as we continue to face intense levels of competition and pricing pressure across all lines of business.

With that overview, let's turn to the detailed results of our Bell Wireless segment for Q2, seen on Slide 11. Another great set of financial results with service revenues up 12.8% driven by continued strong postpaid subscriber and ARPU growth, as well as the incremental contribution from Bell MTS.

Adjusted EBITDA was another major highlight of the quarter, growing an exceptional 10.2%, which yielded a very healthy service revenue margin of 46.6%. More impressively, this was achieved even with the $75 million year-over-year increase in total combined spending on customer retention and new subscriber acquisition.

Lastly, Wireless EBITDA less capex provided a continued strong contribution to BCE's overall free cash flow increasing 12.1% year-over-year. And although we maintained a low capital intensity ratio of 9.7% this quarter, we did not slow down investment on advancing mobile coverage and data speeds through expansion of our dual Tri Band and Quad Band LTE advanced network footprints.

Moving to Wireline segment on Slide 12. Service revenue growth accelerated in Q2, increasing 5.3% year-over-year. This was driven by a combined impact of Internet and IPTV customer base growth, together with a strong 5.5% increase in household ARPU, improved year-over-year business market performance supported by Q9 and a full quarter of the financial contribution from MTS.

Once again this quarter, overall Wireline top line growth was moderated by the regulator related impacts totaling $22 million, as well as the competitive pricing pressure across our residential business and wholesale markets, and lower year-over-year data product sales.

Wireline Adjusted EBITDA was up a solid 2.6%, reflecting the flow-through of strong service revenue growth, even as operating costs increased 6.4%. The higher operating costs was due mainly to the addition of the incremental expenses from the acquisition of MTS, increased marketing spend to support residential subscriber acquisition and retention and higher year-over-year customer service support costs. Excluding the regulatory impacts in the quarter, Wireline EBITDA in Q2 grew a very healthy 4.3%.

Turning to Slide 13 and Bell Media. Overall, a solid quarter of results with positive revenue, Adjusted EBITDA and cash flow growth. Revenue was up 2.2%, reflecting both higher year-over-year advertising and subscriber revenue. And although advertising demand in conventional TV and radio remains soft across most sectors, total advertising still increased 2.3%. This was driven by growth in outdoor advertising at Astral Out of Home and higher year-over-year revenues from Bell Media's digital properties.

Sports Specialty TV was down year-over-year as our results in Q2 of 2016 benefited from higher audience levels for TSN and RDS given the Raptors deep playoff run and UEFA Euro 2016. Subscriber revenue in Q2 continued to reflect steady CraveTV and TV Everywhere growth, increasing 1.4%, as the year-over-year upside we have enjoyed from the past from the TMN national expansion into Western Canada lapped on March 1.

Lastly, for Bell Media, despite ongoing CraveTV programming expansion, increased HBO and Showtime content investment and higher year-over-year expenses at Astral Out of Home from acquisitions in outdoor advertising contract wins, which all collectively drove a 2.9% increase in operating cost, Bell Media generated positive EBITDA growth of 0.4% this quarter.

Slide 14 provides the key components of adjusted EPS which was in line with plan for Q2 at $0.88 per share, but down $0.06 compared to last year. Higher Adjusted EBITDA reflecting Bell MTS' incremental contribution in the quarter, drove $0.10 of EPS growth in Q2. Also contributing positively to EPS this quarter was higher other income, reflecting a pickup of equity income from one of our minority interest investments. However, these favourable impacts were more than offset by higher year-over-year depreciation and net interest expense related directly to MTS, dilution from the higher share count due to the issuance of 27.6 million new BCE common shares for the MTS acquisition, which negatively impacted EPS by $0.03 per share this quarter, as I mentioned earlier, mark-to-market equity derivative gain of $0.03 per share realized in Q2 of 2016 which did not recur this year. Through the first half of the year, adjusted EPS stands at $1.75 per share, which keeps us comfortably on track to achieve our full year 2017 guidance of $3.30 to $3.40 per share.

Let's move to Slide 15, free cash flow. Strong cash generation of approximately $1.1 billion or 17.1% higher compared to last year. This was driven primarily by higher EBITDA and the improvement in our working capital position. This quarter's results also reflected accelerated capital spending, as I mentioned earlier, higher cash interest paid due to more than $900 million in MTS debenture and short-term debt assumed with the acquisition, as well as year-over-year step-up in cash taxes consistent with our guidance assumptions for full year 2017.

With respect to cash taxes in Q2, we realized a $10 million benefit from partial utilization of MTS tax loss carry-forwards in the quarter, and we expect a further $60 million tax benefit to be monetized in the second half of this year.

Finally, given the Bank of Canada's recent move to increase interest rates and the market expectation for further hikes over the medium term, I would like to remind investors that BCE is uniquely positioned and naturally hedged in a rising interest rate environment. As I have said in the past, BCE's solvency deficit would be eliminated if the discount rate increases a further 75 to 100 basis points. Should that happen, there would be an opportunity to significantly reduce our annual pension funding requirements by as much as $200 million to $250 million through a contribution holiday, as we would not be obligated to pay annual current service costs of our plans. This would occur once the surplus position of our plan exceeded 105%, and that would add meaningful upside to our annual free cash flow generation.

The funded status of the aggregate of BCE's defined benefit pension plans remain strong. At the end of Q2, our solvency ratio was above 95%. In the past, we had been very prudent in making voluntary contributions to address the potential DB pension plan funding risks as a result of historically low interest rates. In fact, we have used nearly $4 billion of excess free cash flow over the past eight years to prefund future obligations. However, given the pension plan's current strong valuation position, and the market expectation for higher interest rates, I do not anticipate further material deficit funding going forward.

Lastly, I would like to add that BCE's $1 billion in annual U.S. dollar denominated spending has now been economically hedged through Q2 of 2019, effectively insulating our free cash flow exposure from U.S. dollar purchases until that time.

So to wrap up on Slide 16, with the financial performance we reported in the first half of 2017, the addition of MTS, which is performing in line with our acquisition expectations, and a business that is competitively well positioned and getting stronger with growing scale and rapid deployment of advanced broadband fibre and wireless technologies to drive better subscriber acquisition and retention, we see good momentum to take us forward for the remainder of 2017 and into next year. As a result, we remain confident in our ability to deliver our financial plan with strong free cash flow generation in the back half of the year that fully supports higher planned capital spending. All of this providing a strong foundation for continued execution of our dividend growth objective going into 2018. Given this outlook, I am reconfirming all of our 2017 guidance targets.

That concludes our formal remarks. I will now turn the call back over to Thane and the Operator to begin the Q&A portion of the call.

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**Thane Fotopoulos – Vice President – IR**

Thanks Glen. So, before we start the Q&A, I just want to keep the call as efficient as possible, so I please ask that you limit yourselves to one question and a brief follow-up. To the extent we have time we will circle back at the end of the call for more questions.

So with that, Maude, can you please let the participants know how to queue up.

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## QUESTION AND ANSWER SESSION

**Operator**

Certainly. Thank you Mr. Fotopoulos. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star, one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while participants register for questions. We thank you for your patience.

Our first question is from Richard Choe from J.P. Morgan. Please go ahead.

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**Richard Choe – J.P. Morgan – Analyst**

Great, thank you. Two quick ones. One on Wireless ARPU continues to be strong with speeds and usage going up. Should we expect that to continue? And then in Wireline, not quite a follow-up, but a quick one in terms of the buildout increase. What are you seeing that is enabling the build to go a little bit faster and have there been any negative hiccups in that build?

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**George Cope – President and CEO**

Okay. Thank you. On the ARPU side, obviously a very strong quarter and driven really almost all through the significant usage of customers as opposed to some type of price increases in the marketplace, so people are using the product more. We would expect increased ARPU throughout this year. At that type of number that is probably pretty high, so to the analysts, I would not model in those type of numbers for the rest of the year, but to see ARPU growth from us the remainder of this year we would certainly expect that. I am not going to talk about the following year on this call.

In terms of the fibre expansion, it is just we are on a pace and the pace now looks like we are going to be able to be ahead of where we thought we would be at the end of the year, which is very good news, and our capital intensity ratio will stay within the capital intensity ratio we had outlined. So we are just getting a little bit more done than we expected and sometimes it is some of the markets that are a little more aerial or just a little easier to do and so we can get those done quicker, we are just working it as fast as the team can go to get this program executed on. Obviously the quicker we go based on the results, the better the outcome will be for investors in our Company.

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**Richard Choe – J.P. Morgan – Analyst**

Great. Thank you.

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**George Cope – President and CEO**

Thank you.

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**Operator**

Thank you. The following question is from Simon Flannery from Morgan Stanley. Please go ahead.

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**Simon Flannery – Morgan Stanley – Analyst**

Thanks very much. Good morning. George, good churn performance again across the industry, across North America. Any perspective on whether you think we are seeing a little bit of—I think Tim Cook had talked about maybe a pause, a lull ahead of a potential iconic device launch. Is this looking like a normal cycle or do you think we might see a bigger cycle here, and hence this is a little bit of a calm before the storm and more activity in the latter part of the year?

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**George Cope – President and CEO**

Yes. Well I mean it is obviously hard for us to comment on a product launch so that will be the company's and the timing of that. But there is no doubt the duration of the handsets is extending because the products do so much now with the ones that people have and a part of that is being created by a pent-up demand for some new products coming from our suppliers. Absolutely, you could then see some expectation for probably retention spending. Our retention spending was fairly high in the quarter. Now we lapped this quarter the two-year double cohort issue—so clients who had come off on that two year—so we saw some jump in upgrades in June. Whether or not all of our peers have we cannot be sure until other folks have reported. But clearly, the churn number is quite positive and we will have to just see when the new products come, but typically when that happens, you do see some jump in churn in the industry because of those new products. We will just have to see.

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**Simon Flannery – Morgan Stanley – Analyst**

But generally people will hold their phones longer than they had done in the past.

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**George Cope – President and CEO**

Clearly. We are clearly seeing that.

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**Simon Flannery – Morgan Stanley – Analyst**

Great. Thank you.

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**Operator**

Thank you. The following question is from Phillip Huang from Barclays. Please go ahead.

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**Phillip Huang – Barclays – Analyst**

Hi, good morning. Question on the fixed line side. You mentioned in the press release that there is been increased churn from intensified competition in areas where you do not have fibre-to-the-premise yet. First, I was wondering if you could maybe provide some colour around which regions you are seeing the most intense competition or the delta on the competition. And then secondly, was wondering if you could provide us any details on how the subscriber performance differs in your fibre-to-the-premise versus non-fibre-to-the-premise footprint and how quickly we can start to see the subscriber growth reaccelerate if the current intense cable competition sustains. Thanks.

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**George Cope – President and CEO**

Yes, there is a lot in that question. If I can—I would say this. One of the things we are doing, we are doing some bonding in some markets where we do not have the fibre-to-the-home on the map as quickly as some of the other markets are going to, so that is allowing us to add speeds of up to 100Mbps in some of those areas as part of our strategy. In terms of geographically, it is funny, it is so different market by market, I mean, so it is hard to call out Québec over Ontario. I mean, my own view, we are seeing some maturity to growth, on the East Coast, strong numbers but not as strong a growth as we would have seen in the past there because we are so well penetrated there on the broadband side because we have had the fibre there for a number of years. That might be one area to call out. But I think it really is just about the footprint expansion cut a little bit quite frankly in the quarter. We had some real tough weather issues here in June and frankly the wet weather across our footprint had quite an impact on the repair side so we think that pushed out some of our install work near the end of the quarter that we had to catch-up on in July. We saw a little bit of that come back in July. So that may have had a little bit to do with the quarter because moisture on the copper side is not the easiest thing to deal with. So it was particularly a tough spring that way for the industry, certainly on the telco side.

So a little bit of that. But we are extremely bullish on what we are doing on the TV side, what we are seeing on the fibre side, so it is just the pace of investment. And I think the thing I am most pleased with this morning is the Alt TV in the marketplace now which will help drive broadband and also the acceleration of the fibre even an extra 100,000 households drives it quicker than where we thought we would be.

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**Phillip Huang – Barclays – Analyst**

Thanks. In terms of the actual—in every neighborhood in Toronto, for instance, as you are passing for fibre-to-the-premise, are you—what types of uptake are you seeing initially? Can you maybe provide some colour around that?

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**George Cope – President and CEO**

Thane can talk more on that, but I would say when we go pass a home we do ask people do they want us to pre-connect or do they want us to come back and we are getting a much higher take rate on people saying, connect now. That does not mean they have taken the service, but it means we have run right to the home on a much higher rate than we initially anticipated. Makes our capital a little higher at the beginning going in but it means when we come back we can just turn the service on versus have to run the line right into the home. So that has been more positive than we had anticipated. But we will be coming back with subscriber results and we have given you our total fibre results in this result to try to let investors understand the distinct differences we are seeing.

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**Phillip Huang – Barclays – Analyst**

Great. Thanks so much.

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**Operator**

Thank you. The following question is from Greg MacDonald from Macquarie. Please go ahead.

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**Greg MacDonald – Macquarie Capital Markets – Analyst**

Thanks. Good morning guys. George, you spoke a little bit about the slowing IPTV adds in the quarter and the press release references the high number of customers with expiring price promos coming off. What is interesting is also Rogers has also promo priced to the market. I am wondering if you could talk a little bit about the dynamic that exists on new overall pricing level that we can think about here relative to the sticker prices that we see advertised. And this is an issue that could have an impact on subscriber growth going forward as well. So just trying to define the risk profile here a little bit more. If you could add some colour on that, that would be good. Thanks.

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**George Cope – President and CEO**

Yes. Actually, we are actually quite pleased with it. When we look at the relative TV performance of our cable peers, we are really pleased with the IPTV growth. We think the Alt TV product is going to be a nice addition to our TV portfolio because it does focus on parts of the markets that clearly where we are seeing a decline in overall TV subscriptions. This product is targeting that so hopefully we will see some pull through from that, and of course that will hopefully be as IPTV has been as a pull through on the Internet side.

On the pricing side, it is hard to comment on the promotions and impact of them clearly, and our focus has been to try to have the promotional pricing a short period of time so there is not confusion with the consumer that after 90 days or 120 days and then they go to normal pricing. Where we think the industry puts itself in a problem is when it gives things like 12-month and 24-month promotional pricing. To a consumer, in fairness, that becomes "Well that would be my normal price in the marketplace." So some of that has happened in the past and so we are trying to get certainly from a Bell perspective get the promotions to be three, six months, people see it, then they know there is a price increase that comes after the promotional period. So that is been a little more of a strategy. A little different than some of our cable competitors in that area, so maybe that is what you are commenting on.

**Greg MacDonald – Macquarie Capital Markets – Analyst**

Yes, I am.  And so you are suggesting then the die is not cast.  Rogers has another relatively high end product coming out in 2018.  So you still think there is an opportunity to maintain these relatively high prices.  Is that true?

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**George Cope – President and CEO**

Well I do not know, relatively high prices are—it is a tricky question because if you look at our financial results we saw some reasonable residential revenue growth on a year-over-year basis, but it is important to remember that in Canada the average TV paid subscription's about $60 and in the U.S. it is about US$85 to US$90.  So there is quite a significant difference already on pricing in Canada on TV.  I think that is maybe one of the reasons we have seen a little less cord cutting here and I think what I am so positive about that is if you take CAD$60 and you put that in U.S. dollars, and then you look at our Alt TV offering in Canada, I like how that is positioning Canadian companies, vis-à-vis any of the other OTT services we may see come to the country.  I think it gives us significant opportunity here given that traditionally TV services in Canada have been less expensive than south of the border.

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**Greg MacDonald – Macquarie Capital Markets – Analyst**

Great.  And a quick follow-on.  The FTTH product at plus 17,000 customers in the quarter, you recognized that as a positive.  That is a relatively low number to the three million or so homes that you are marketing to or you might be marketing to less than that.  Can you give us—I think that is the first time you have mentioned that number.  Can you give us some colour on that?

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**George Cope – President and CEO**

Yes.  Actually, we are really—we are thrilled with the number.  So do not think it is low and frankly wish I had nine million households to cover with that type of footprint if you multiply that by three.  So no, we are really pleased with it.  I think what is more important is the IPTV pull through we are getting as I talked about and I thought one of the more interesting things is the NAS losses seem to be significantly less than that footprint as well.  I mean, it is just clearly it is just so vastly the superior product that we are going to have in the market and the speed issue goes away for customers and we just think it puts us in a competitive position we have never had as a telco before and that is what we look forward to going forward.

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**Greg MacDonald – Macquarie Capital Markets – Analyst**

Great.  Thanks for the context.

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**Operator**

Thank you.  The following question is from Maher Yaghi from Desjardins Securities.  Please go ahead.

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**Maher Yaghi – Desjardins Securities – Analyst**

Thank you for taking my question.  I wanted to get back to Wireless ARPU and wanted to see just your view on the potential continued growth in that number.  What, 85% of your postpaid subscribers is on LTE now.  How much more uptake can we expect from subscribers on LTE to continue to take higher and higher data buckets?  Can you talk about the momentum you are seeing in your LTE customers with their ARPU and not just take the whole subscriber rates, just on the LTE-based subscribers.

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**George Cope – President and CEO**

Yes. It is hard to break it down but because we mentioned that 85% of our postpaid subscribers are on LTE and you can rest assured the ARPU growth we are seeing is on LTE. You can probably do some math there on the analyst side to realize that the overall ARPU on LTE would be higher than the 4.6%. But what we are seeing—one of the great things from an investment perspective for us is we know now that the investments in the speed on the Wireless side is giving us really I think, other than maybe now—I think other than South Korea, the fastest wireless network maybe on the globe or one of the fastest that consumers will use the product and use it for a lot more video and as a result that is what is driving for us the increase in usage. So I think it is really important because it is not a pricing issue, it is the marketplace using the product.

So we would anticipate average builds to continue to grow as people use it more, but not at that pace in the second half of the year. It may happen but certainly to the analysts, I would not model that in because those are—let's face it, 4.6% is an extraordinary number and 26% growth in usage. It is hard to imagine that pace continuing at the pace we have been on. If it does, that is fantastic for investors, and obviously impacts the customers because they are using the product more, but I would not model the 4.6%.

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**Maher Yaghi – Desjardins Securities – Analyst**

Thank you. And just a follow-up on Wireline. Even though in Western Canada companies did not usually charge for overage on wireline Internet access. Removing this maximum allowable download bandwidth from the equation, do you see a potential for that to happen in Eastern Canada now that somebody has set a mark in the marketplace here with this removal? And maybe can you talk about your exposure to this unlimited Internet access bandwidth if it were to happen?

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**George Cope – President and CEO**

Well I would say this. We have many of our customers today who purchase unlimited bandwidth. Literally I will have Thane the number with some analysts later on, I do not have it top of head, but a lot—there is no reason not to disclose it—a lot of our customers take the unlimited number—it is over 60%. He just handed me a note—of customers that purchased unlimited already, and then there are packages out there from quarter-to-quarter from our competitors and from us to sometimes have unlimited if you take more of a bundle, etc. So we have seen both. Generally, people pay $5, $10, $15 for an additional or unlimited usage package and a lot of consumers find that the way to purchase it and that is why we made that product available. But that is been in the market for a number of years here. We do definitely have metered billing for folks who do not want to purchase through that but a lot more people are now just buying the unlimited package, and as do our competitors offer that as well in the market. So I think it is already here.

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**Maher Yaghi – Desjardins Securities – Analyst**

So if a competitor removes this impediment or data cap from his product line, why would somebody continue to pay that $10 or $5 unlimited usage with BCE?

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**George Cope – President and CEO**

Well, first of all, if there is no—it is just a competitive pricing issue and you are really asking just for a pricing issue in the marketplace what is included in the packages. That is really what you are asking us. In our packaging, we have unlimited available for customers who pay a premium for that and that gives them the insurance on usage and that is really what we have done in the market. I think you are seeing the market evolve more and more to that. So I think our exposure on it is actually quite limited because as clients are upgrading to higher speeds sometimes that includes more usage and that is really protecting the consumer that way and protecting us financially.

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**Maher Yaghi – Desjardins Securities – Analyst**

Okay, thank you.

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**George Cope – President and CEO**

Yes. Thanks for the question.

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**Operator**

Thank you. The following question is from Jeff Fan from Scotiabank. Please go ahead.

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**Jeffrey Fan – Scotiabank – Analyst**

Thanks. Good morning and thanks for taking the questions. Just very quick follow-up on ARPU on Wireless. One of the key drivers I think for you and for the industry is the prepaid/postpaid mix just continues to go up on the postpaid mix side. How far do you think this can go maybe for BCE or even for the industry? You are sub-10% now I think on prepaid. Wondering if that can continue. And then the second quick question is really just on the fixed Internet side. With the wholesale market kind of going through a bit of a change with some of the tariffs from last fall, wondering if you are seeing any changes in the reseller ISP market whether activities have picked up. Wondering if you can talk a little bit about that.

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**George Cope – President and CEO**

Yes. For the first question was on the—yes, there is no doubt because on the math issue clearly because we are stronger on the postpaid side than the prepaid and the ARPUs are so distinctly different. If your mix of postpaid is higher than your blended ARPU growth. It is just that much stronger, that is a certainty. I think the prepaid market for us we play in that market. I think we will probably look over the coming months to see whether or not we want to pick that share up a little bit more. We think there is some growth there. We do not play in it to any real significant way but sometimes it is a nice way to migrate customers from pre to postpaid if you have a base there.

So we are kind of paying attention to that space. But overall, you are right, it is a denominator/numerator math issue and because we are so postpaid-focused. But clearly to have that growth in ARPU, it is postpaid ARPU growth that is happening overall.

And the second question...

Not really a dramatic change in the market other than a very unfortunate reprice just handed to organizations that were not investing any capital and obviously you have seen in our financials. And then strategically from our perspective, we are in the market with the Virgin Internet which is really a product that really competes, if you will, in the discount area of the Internet market and I think one of our competitors on the cable side has a brand as well in the market competing there, and so we are making sure that we through our assets are able to serve all customer requirements across different pricing portfolios.

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**Jeffrey Fan – Scotiabank – Analyst**

Okay, thanks.

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**Operator**

Thank you. The following question is from Vince Valentini from TD Securities. Please go ahead.

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**Vince Valentini – TD Securities – Analyst**

Yes, thanks very much. Hopefully I can get a clarification in before my question. The Alt TV, do you count those as IPTV subscribers?

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**George Cope – President and CEO**

Yes, absolutely.

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**Vince Valentini – TD Securities – Analyst**

Okay. Is it material yet in your...

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**George Cope – President and CEO**

I mean we just launched so it is immaterial now but overall yes it will be totally in our TV sub satellite Alt TV and IPTV will be in our TV subscribers, the BDU licensed TV service for us. I think the most strategic thing for that service is it is clear how we are going after the cord-cutter market and also in the, as you probably I called out the limit of two streams per billing, which obviously maintains what we are really trying to target here versus our traditional IPTV.

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**Vince Valentini – TD Securities – Analyst**

Okay. Thanks for that, George. The other than question. MTS, I was, to be honest, a bit disappointed. I thought there might be a bit more clarification in your MD&A or the call on what was organic versus MTS in virtually all your numbers. So are you able to parse out at all about Wireline, Wireless revenue and EBITDA growth if you did not have MTS in there and also some of the key metrics? One specifically is you said COA and COR costs combined were up $75 million. Is that an organic number or is that partially driven just by adding in whatever MTS, COA and COR would have been? Thanks.

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**George Cope – President and CEO**

That is all adding in MTS. It is actually a pretty small number in terms of there but it would have been in the numbers. There is some disclosure in our financials I think on a couple of things so you guys can go back to the notes on. But we have done 15 acquisitions over the years and we always report our combined results going forward, and one of the other reasons is quite frankly the synergies that we are getting across the two businesses are across both businesses and not across the unit we only acquired. So that is kind of our view. And frankly, the investors see the free cash flows and our competitors see the specific separated detail so we are not going to provide it to our competitors. So that is why it is not out there.

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**Vince Valentini – TD Securities – Analyst**

Okay. Thanks.

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**Operator**

Thank you. Our next question is from Tim Casey from BMO. Please go ahead.

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**Tim Casey – BMO Capital Markets – Analyst**

Thanks. George, you called out your SME success. I am wondering if you could give a little more colour there on, I guess, on two things. How much of that do you think is attributable to a pickup in economy, in the overall economy? I noticed you did not reference that for enterprise. Could you just talk a little bit about business conditions there? As a follow-on, could you maybe talk a little bit about the competitive landscape from the perspective that the Canadian cable companies just do not seem to be moving the dial on SME like U.S. companies do. I am just wondering what is Bell doing to combat that threat that theoretically has been out there but it does not seem to have materialized. Thanks.

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**George Cope – President and CEO**

Yes, it is. I will separate both. So let's go to the tougher side of that which is on the large enterprise side. Continues to be a challenging business for us. Market share continues to be stable but reprice and substitution technologies and what have you for us really I do not think look any different than any of the global trends you are seeing at the other telcos. So strong market share and nice cash flow but still not a growing business for us, and that is continued. I would say no real change in that even with a little stronger economy that we have seen here in terms of that asset. A little better results than last year but helped a little bit in fairness through the Q9 acquisition as well.

On the small business side, we are seeing some better results. We did some restructuring a year ago in that group in terms of started to have the work much closer with our consumer business on the Wireline side and I think that is helping from a package perspective. What we are starting to do is recognize with products like Alt TV and IPTV many companies obviously have TV services adding that into our portfolio gets us the relationship on TV there for disconnects to the cable and helps us protect the Internet. So that is really our focus. And starting to see a little better results there. I mean it is not a victory lap but anytime that trend starts to be a little more positive given we have been on the phone for years telling investors we are seeing nothing there we thought we would highlight it and feel more positive about that.

Hard to comment on the difference between the U.S. and Canada market, but clearly the economic conditions in Canada if they do continue to strengthen that is one area that we might just start to see a little bit of positive growth on as we go into 2018. Let's hope so. I would not say we are planning on it yet but we are hoping for it.

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**Tim Casey – BMO Capital Markets – Analyst**

Thank you.

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**Operator**

Thank you. We have no further questions registered at this time. I would now like to turn the meeting back over to Mr. Fotopoulos.

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**Thane Fotopoulos – Vice President – IR**

Thank you Maude. So once again...

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**George Cope – President and CEO**

Thank you everyone.

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**Thane Fotopoulos – Vice President – IR**

... thank you everybody for participating this morning. As usual, I will be available throughout the day for follow-ups and clarification. So with that, have a good rest of the day.

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**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.

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