

# Consolidated financial statements

## Consolidated income statements

FOR THE PERIOD ENDED SEPTEMBER 30 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) (UNAUDITED)		THREE MONTHS		NINE MONTHS	
	NOTE	2017	2016	2017	2016
Operating revenues	4	5,678	5,407	16,761	16,017
Operating costs	4.5	(3,312)	(3,171)	(9,800)	(9,350)
Severance, acquisition and other costs	4.6	(23)	(25)	(143)	(124)
Depreciation	4	(765)	(706)	(2,256)	(2,158)
Amortization	4	(208)	(161)	(604)	(466)
Finance costs					
Interest expense		(242)	(227)	(714)	(663)
Interest on post-employment benefit obligations	11	(18)	(20)	(54)	(61)
Other (expense) income	7	(56)	(13)	(40)	51
Income taxes	9	(237)	(284)	(797)	(858)
<b>Net earnings</b>		<b>817</b>	<b>800</b>	<b>2,353</b>	<b>2,388</b>
<b>Net earnings attributable to:</b>					
Common shareholders		770	752	2,211	2,237
Preferred shareholders		31	32	94	104
Non-controlling interest		16	16	48	47
<b>Net earnings</b>		<b>817</b>	<b>800</b>	<b>2,353</b>	<b>2,388</b>
Net earnings per common share – basic and diluted	8	0.86	0.87	2.48	2.58
Average number of common shares outstanding – basic (millions)		900.4	869.9	892.2	868.7

## Consolidated statements of comprehensive income

FOR THE PERIOD ENDED SEPTEMBER 30  
(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)

	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
<b>Net earnings</b>	<b>817</b>	800	<b>2,353</b>	2,388
<b>Other comprehensive income (loss), net of income taxes</b>				
Items that will be subsequently reclassified to net earnings				
Net change in value of available-for-sale (AFS) financial assets, net of income taxes of nil for the three months and nine months ended September 30, 2017 and 2016, respectively	–	(12)	–	(7)
Net change in value of derivatives designated as cash flow hedges, net of income taxes of \$15 million and \$3 million for the three months ended September 30, 2017 and 2016, respectively, and \$27 million and \$30 million for the nine months ended September 30, 2017 and 2016, respectively	(44)	(4)	(83)	(83)
Items that will not be reclassified to net earnings				
Actuarial gains (losses) on post-employment benefit plans, net of income taxes of (\$173) million and \$73 million for the three months ended September 30, 2017 and 2016, respectively, and \$41 million and \$440 million for the nine months ended September 30, 2017 and 2016, respectively <sup>(1)</sup>	470	(203)	(109)	(1,182)
<b>Other comprehensive income (loss)</b>	<b>426</b>	(219)	<b>(192)</b>	(1,272)
<b>Total comprehensive income</b>	<b>1,243</b>	581	<b>2,161</b>	1,116
<b>Total comprehensive income attributable to:</b>				
Common shareholders	1,198	533	2,021	968
Preferred shareholders	31	32	94	104
Non-controlling interest	14	16	46	44
<b>Total comprehensive income</b>	<b>1,243</b>	581	<b>2,161</b>	1,116

(1) The discount rate used to value our post-employment benefit obligations at September 30, 2017 was 3.9% compared to 3.6% at June 30, 2017 and 4.0% at December 31, 2016. The discount rate used to value our post-employment benefit obligations at September 30, 2016 was 3.4% compared to 3.6% at June 30, 2016 and 4.2% at December 31, 2015.

# Consolidated statements of financial position

(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)

NOTE SEPTEMBER 30, 2017 DECEMBER 31, 2016

	NOTE	SEPTEMBER 30, 2017	DECEMBER 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,460	603
Cash equivalents		519	250
Trade and other receivables		2,864	2,979
Inventory		437	403
Prepaid expenses		494	420
Other current assets		159	200
<b>Total current assets</b>		<b>5,933</b>	<b>4,855</b>
<b>Non-current assets</b>			
Property, plant and equipment		23,754	22,346
Intangible assets		13,495	11,998
Deferred tax assets		186	89
Investments in associates and joint ventures		828	852
Other non-current assets		947	1,010
Goodwill	3	10,422	8,958
<b>Total non-current assets</b>		<b>49,632</b>	<b>45,253</b>
<b>Total assets</b>		<b>55,565</b>	<b>50,108</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		4,470	4,326
Interest payable		172	156
Dividends payable		667	617
Current tax liabilities		242	122
Debt due within one year	10	6,083	4,887
<b>Total current liabilities</b>		<b>11,634</b>	<b>10,108</b>
<b>Non-current liabilities</b>			
Long-term debt	10	18,456	16,572
Deferred tax liabilities		2,403	2,192
Post-employment benefit obligations	11	2,169	2,105
Other non-current liabilities		1,260	1,277
<b>Total non-current liabilities</b>		<b>24,288</b>	<b>22,146</b>
<b>Total liabilities</b>		<b>35,922</b>	<b>32,254</b>
<b>EQUITY</b>			
Equity attributable to BCE shareholders			
Preferred shares	13	4,004	4,004
Common shares	13	20,066	18,370
Contributed surplus		1,156	1,160
Accumulated other comprehensive (loss) income		(35)	46
Deficit		(5,873)	(6,040)
<b>Total equity attributable to BCE shareholders</b>		<b>19,318</b>	<b>17,540</b>
<b>Non-controlling interest</b>		<b>325</b>	<b>314</b>
<b>Total equity</b>		<b>19,643</b>	<b>17,854</b>
<b>Total liabilities and equity</b>		<b>55,565</b>	<b>50,108</b>

## Consolidated statements of changes in equity

FOR THE PERIOD ENDED SEPTEMBER 30, 2017 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS					NON-CONTROL-LING INTEREST	TOTAL EQUITY	
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT			TOTAL
Balance at January 1, 2017		4,004	18,370	1,160	46	(6,040)	17,540	314	17,854
Net earnings		–	–	–	–	2,305	2,305	48	2,353
Other comprehensive loss		–	–	–	(81)	(109)	(190)	(2)	(192)
<b>Total comprehensive (loss) income</b>		–	–	–	(81)	2,196	2,115	46	2,161
Common shares issued under employee stock option plan		–	97	(5)	–	–	92	–	92
Common shares issued under employee savings plan		–	5	–	–	–	5	–	5
Other share-based compensation		–	–	1	–	(18)	(17)	–	(17)
Common shares issued for the acquisition of Manitoba Telecom Services Inc. (MTS)	3, 13	–	1,594	–	–	–	1,594	–	1,594
Dividends declared on BCE common and preferred shares		–	–	–	–	(2,011)	(2,011)	–	(2,011)
Dividends declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	(35)	(35)
<b>Balance at September 30, 2017</b>		<b>4,004</b>	<b>20,066</b>	<b>1,156</b>	<b>(35)</b>	<b>(5,873)</b>	<b>19,318</b>	<b>325</b>	<b>19,643</b>

FOR THE PERIOD ENDED SEPTEMBER 30, 2016 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)		ATTRIBUTABLE TO BCE SHAREHOLDERS					NON-CONTROL-LING INTEREST	TOTAL EQUITY	
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT			TOTAL
Balance at January 1, 2016		4,004	18,100	1,150	119	(6,350)	17,023	306	17,329
Net earnings		–	–	–	–	2,341	2,341	47	2,388
Other comprehensive loss		–	–	–	(87)	(1,182)	(1,269)	(3)	(1,272)
<b>Total comprehensive (loss) income</b>		–	–	–	(87)	1,159	1,072	44	1,116
Common shares issued under employee stock option plan		–	103	(6)	–	–	97	–	97
Common shares issued under dividend reinvestment plan		–	38	–	–	–	38	–	38
Common shares issued under employee savings plan		–	99	–	–	–	99	–	99
Other share-based compensation		–	–	7	–	(11)	(4)	–	(4)
Dividends declared on BCE common and preferred shares		–	–	–	–	(1,884)	(1,884)	–	(1,884)
Dividends declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	(37)	(37)
<b>Balance at September 30, 2016</b>		<b>4,004</b>	<b>18,340</b>	<b>1,151</b>	<b>32</b>	<b>(7,086)</b>	<b>16,441</b>	<b>313</b>	<b>16,754</b>

## Consolidated statements of cash flows

FOR THE PERIOD ENDED SEPTEMBER 30  
(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)

	NOTE	THREE MONTHS		NINE MONTHS	
		2017	2016	2017	2016
<b>Cash flows from operating activities</b>					
Net earnings		817	800	2,353	2,388
Adjustments to reconcile net earnings to cash flows from operating activities					
Severance, acquisition and other costs	6	23	25	143	124
Depreciation and amortization		973	867	2,860	2,624
Post-employment benefit plans cost	11	82	80	232	225
Net interest expense		239	222	704	655
(Gains) losses on investments	7	–	(34)	12	(48)
Income taxes		237	284	797	858
Contributions to post-employment benefit plans		(64)	(78)	(238)	(248)
Payments under other post-employment benefit plans		(20)	(17)	(58)	(55)
Severance and other costs paid		(30)	(48)	(111)	(195)
Interest paid		(242)	(219)	(714)	(661)
Income taxes paid (net of refunds)		(66)	(123)	(468)	(463)
Acquisition and other costs paid		(24)	(31)	(128)	(98)
Net change in operating assets and liabilities		308	215	316	17
<b>Cash flows from operating activities</b>		<b>2,233</b>	<b>1,943</b>	<b>5,700</b>	<b>5,123</b>
<b>Cash flows used in investing activities</b>					
Capital expenditures		(1,040)	(976)	(2,934)	(2,778)
Business acquisitions	3	–	–	(1,635)	(246)
Business dispositions		–	2	–	20
Loan to related party	3	–	(510)	–	(510)
Disposition of intangibles and other assets	3	–	–	323	–
Other investing activities		(37)	1	(51)	21
<b>Cash flows used in investing activities</b>		<b>(1,077)</b>	<b>(1,483)</b>	<b>(4,297)</b>	<b>(3,493)</b>
<b>Cash flows from (used in) financing activities</b>					
(Decrease) increase in notes payable		(379)	4	56	902
Increase (reduction) in securitized trade receivables		–	305	(10)	305
Issue of long-term debt	10	1,515	1,497	3,011	2,244
Repayment of long-term debt	10	(142)	(812)	(1,218)	(2,392)
Issue of common shares		4	6	93	98
Repurchase of shares for settlement of share-based payments		(38)	(15)	(179)	(94)
Cash dividends paid on common shares		(646)	(594)	(1,866)	(1,712)
Cash dividends paid on preferred shares		(21)	(34)	(94)	(105)
Cash dividends paid by subsidiaries to non-controlling interest		(13)	(13)	(34)	(35)
Other financing activities		(14)	(26)	(36)	(61)
<b>Cash flows from (used in) financing activities</b>		<b>266</b>	<b>318</b>	<b>(277)</b>	<b>(850)</b>
Net increase in cash		1,040	421	857	640
Cash at beginning of period		420	319	603	100
<b>Cash at end of period</b>		<b>1,460</b>	<b>740</b>	<b>1,460</b>	<b>740</b>
Net increase in cash equivalents		382	357	269	140
Cash equivalents at beginning of period		137	296	250	513
<b>Cash equivalents at end of period</b>		<b>519</b>	<b>653</b>	<b>519</b>	<b>653</b>

# Notes to the consolidated financial statements

These consolidated interim financial statements (financial statements) should be read in conjunction with BCE's 2016 annual consolidated financial statements, approved by BCE's board of directors on March 2, 2017.

*These notes are unaudited.*

*We, us, our, BCE and the company* mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. *MTS* means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and *Bell MTS* means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba.

## Note 1 Corporate information

BCE is incorporated and domiciled in Canada. BCE's head office is located at 1, Carrefour Alexander-Graham-Bell, Verdun, Québec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers in Canada. Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home advertising services to customers nationally across Canada.

## Note 2 Basis of presentation and significant accounting policies

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), under International Accounting Standard (IAS) 34 – Interim Financial Reporting and were approved by BCE's board of directors on November 1, 2017. The financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, *Significant accounting policies* in our consolidated financial statements for the year ended December 31, 2016. The financial statements do not include all of the notes required in annual financial statements.

All amounts are in millions of Canadian dollars, except where noted.

## Future changes to accounting standards

The following new standard and interpretation were issued by the IASB and have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
<b>IFRS 15 – Revenue from Contracts with Customers</b>	<p>Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:</p> <ol style="list-style-type: none"> <li>1. Identify the contract with a customer</li> <li>2. Identify the performance obligations in the contract</li> <li>3. Determine the transaction price</li> <li>4. Allocate the transaction price to the performance obligations in the contract</li> <li>5. Recognize revenue when (or as) the entity satisfies a performance obligation</li> </ol> <p>The new standard also provides guidance relating to principal versus agent relationships, licences of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.</p>	<p>IFRS 15 will principally affect the timing of revenue recognition, how we classify revenues between product and service and how we account for costs to obtain and fulfill a contract.</p> <p>Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the balance sheet, to be realized over the term of the customer contract.</p> <p>We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing information technology systems, business processes, and systems of internal control are being designed, tested and implemented. A dedicated project team that leverages key resources throughout the company is also in place to effect the necessary changes.</p> <p>We expect to continue our testing and data validation process through the end of 2017 and to be in a position to disclose the preliminary estimate of the impact of IFRS 15 in our 2017 annual report. Accordingly, it is not yet possible to make a reliable estimate of the impact of the new standard on our financial statements. We expect that the impact of the new standard will be most pronounced in our Bell Wireless segment. While total revenue recognized over the term of a customer contract is not expected to change significantly, revenue recognition will be accelerated for certain customer contracts and a greater proportion of revenue will be classified to product revenue. A contract asset for the unbilled up-front revenue and a corresponding tax liability will also be reflected in the consolidated statement of financial position.</p>	<p>Annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.</p>

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
International Financial Reporting Interpretations Committee (IFRIC) 23 – Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.	We are currently evaluating the impact of IFRIC 23 on our financial statements.	Annual periods beginning on or after January 1, 2019, with early adoption permitted, using either a full retrospective or a modified retrospective approach.

## Note 3 Business acquisitions and dispositions

### 2017

#### Acquisition of MTS

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS for a total consideration of \$2,933 million, of which \$1,339 million was paid in cash and the remaining \$1,594 million through the issuance of approximately 27.6 million BCE common shares. BCE funded the cash component of the transaction through debt financing.

Bell MTS is an information and communications technology provider offering wireless, Internet, TV, phone services, security systems and information solutions including unified cloud and managed services to residential and business customers in Manitoba.

The acquisition of MTS will allow us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada's leading communications company.

The results from the acquired MTS operations are included in our Bell Wireline and Bell Wireless segments from the date of acquisition.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	NOTE	TOTAL
Cash consideration		1,339
Issuance of 27.6 million BCE common shares <sup>(1)</sup>		1,594
<b>Total cost to be allocated</b>		<b>2,933</b>
Trade and other receivables		91
Other non-cash working capital		(164)
Assets held for sale <sup>(2)</sup>		302
Property, plant and equipment		978
Finite-life intangible assets <sup>(3)</sup>		979
Indefinite-life intangible assets <sup>(4)</sup>		280
Deferred tax assets		32
Other non-current assets		129
Debt due within one year		(251)
Long-term debt	10	(721)
Other non-current liabilities		(49)
		<b>1,606</b>
Cash and cash equivalents		(16)
<b>Fair value of net assets acquired</b>		<b>1,590</b>
<b>Goodwill<sup>(5)</sup></b>		<b>1,343</b>

(1) Recorded at fair value based on the market price of BCE common shares on the acquisition date.

(2) Consists of finite and indefinite-life intangible assets recorded at fair value less costs to sell.

(3) Consists mainly of customer relationships.

(4) Indefinite-life intangible assets of \$228 million and \$52 million were allocated to our Bell Wireless and Bell Wireline groups of cash generating units (CGUs), respectively.

(5) Goodwill arises principally from the assembled workforce, expected synergies and future growth. Goodwill is not deductible for tax purposes. Goodwill arising from the transaction of \$677 million and \$666 million was allocated to our Bell Wireless and Bell Wireline groups of CGUs, respectively.

As a result of the acquisition of MTS, we acquired non-capital tax loss carryforwards of approximately \$1.5 billion and recognized a deferred tax asset of approximately \$300 million. These non-capital tax loss carryforwards expire in varying amounts from 2026 to 2033.

Also as a result of the acquisition of MTS, our commitments for operating leases and purchase obligations increased by approximately \$180 million.

Revenues of \$499 million and net earnings of \$63 million from the acquired MTS operations are included in the consolidated income statements from the date of acquisition. BCE's consolidated operating revenues and net earnings for the nine months ended September 30, 2017 would have been \$16,956 million and \$2,361 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

Subsequent to the acquisition of MTS, on March 17, 2017, BCE transferred to Xplornet Communications Inc. a total of 40 Megahertz (MHz) of 700 MHz, advanced wireless services-1 and 2500 MHz wireless spectrum which was previously held by MTS.

During Q2 2017, BCE completed the previously announced divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS Communications Inc. for total proceeds of \$323 million.

## Acquisition of Cieslok Media Ltd. (Cieslok Media)

On January 3, 2017, BCE acquired all of the issued and outstanding common shares of Cieslok Media for a total cash consideration of \$161 million.

Cieslok Media specializes in large-format outdoor advertising in key urban areas across Canada. This acquisition will contribute to growing and strengthening our digital presence in out-of-home advertising. Cieslok Media is included in our Bell Media segment in our consolidated financial statements.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

	TOTAL
Cash consideration	161
<b>Total cost to be allocated</b>	<b>161</b>
Trade and other receivables	11
Other non-cash working capital	(4)
Property, plant and equipment	13
Finite-life intangible assets	6
Indefinite-life intangible assets	76
Deferred tax liabilities	(20)
Other non-current liabilities	(1)
	<b>81</b>
Cash and cash equivalents	1
<b>Fair value of net assets acquired</b>	<b>82</b>
<b>Goodwill<sup>(1)</sup></b>	<b>79</b>

(1) Goodwill arises principally from the assembled workforce, expected synergies and future growth. Goodwill is not deductible for tax purposes. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.

This transaction did not have a significant impact on our consolidated operating revenues and net earnings for the nine months ended September 30, 2017.

## Proposed acquisition of Séries+ and Historia specialty channels

On October 17, 2017, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction is valued at approximately \$200 million. Subject to closing conditions, including approval by the Canadian Radio-television and Telecommunications Commission and the Competition Bureau, the transaction is expected to close in mid-2018.

Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series.

The acquisition of Séries+ and Historia is expected to further enhance our competitiveness in the Québec media landscape.

## 2016

### Acquisition of Q9 Networks Inc. (Q9)

On October 3, 2016, BCE acquired the remaining 64.6% of the issued and outstanding shares of Q9 that it did not already own for a total cash consideration of approximately \$170 million. In Q3 2016, prior to the transaction closing, Bell Canada provided a loan of \$510 million to Q9 for the repayment of its debt.

### National expansion of HBO and The Movie Network (TMN)

In Q1 2016, BCE completed a transaction with Corus under which Corus waived its HBO content rights in Canada and ceased operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service. TMN was successfully launched nationally on March 1, 2016. BCE paid to Corus a total cash consideration of \$218 million, of which \$21 million was paid in 2015.

## Note 4 Segmented information

Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance.

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS. The results from the acquired MTS operations are included in our Bell Wireless and Bell Wireline segments from the date of acquisition.

The following tables present financial information by segment for the three month periods ended September 30, 2017 and 2016.

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2017	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		2,027	3,040	611	–	5,678
Inter-segment		13	52	112	(177)	–
<b>Total operating revenues</b>		<b>2,040</b>	<b>3,092</b>	<b>723</b>	<b>(177)</b>	<b>5,678</b>
Operating costs	5	(1,169)	(1,784)	(536)	177	(3,312)
<b>Segment profit<sup>(1)</sup></b>		<b>871</b>	<b>1,308</b>	<b>187</b>	<b>–</b>	<b>2,366</b>
Severance, acquisition and other costs	6	(3)	(19)	(1)	–	(23)
Depreciation and amortization		(167)	(769)	(37)	–	(973)
Finance costs						
Interest expense						(242)
Interest on post-employment benefit obligations	11					(18)
Other expense	7					(56)
Income taxes						(237)
<b>Net earnings</b>						<b>817</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		1,838	2,953	616	–	5,407
Inter-segment		10	52	100	(162)	–
<b>Total operating revenues</b>		<b>1,848</b>	<b>3,005</b>	<b>716</b>	<b>(162)</b>	<b>5,407</b>
Operating costs	5	(1,052)	(1,752)	(529)	162	(3,171)
<b>Segment profit<sup>(1)</sup></b>		<b>796</b>	<b>1,253</b>	<b>187</b>	<b>–</b>	<b>2,236</b>
Severance, acquisition and other costs	6	(1)	(25)	1	–	(25)
Depreciation and amortization		(137)	(696)	(34)	–	(867)
Finance costs						
Interest expense						(227)
Interest on post-employment benefit obligations	11					(20)
Other expense	7					(13)
Income taxes						(284)
<b>Net earnings</b>						<b>800</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

The following tables present financial information by segment for the nine month periods ended September 30, 2017 and 2016.

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		5,778	9,037	1,946	–	16,761
Inter-segment		35	156	324	(515)	–
<b>Total operating revenues</b>		<b>5,813</b>	<b>9,193</b>	<b>2,270</b>	<b>(515)</b>	<b>16,761</b>
Operating costs	5	(3,273)	(5,317)	(1,725)	515	(9,800)
<b>Segment profit<sup>(1)</sup></b>		<b>2,540</b>	<b>3,876</b>	<b>545</b>	<b>–</b>	<b>6,961</b>
Severance, acquisition and other costs	6	(8)	(121)	(14)	–	(143)
Depreciation and amortization		(449)	(2,301)	(110)	–	(2,860)
Finance costs						
Interest expense						(714)
Interest on post-employment benefit obligations	11					(54)
Other expense	7					(40)
Income taxes						(797)
<b>Net earnings</b>						<b>2,353</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		5,245	8,833	1,939	–	16,017
Inter-segment		31	134	297	(462)	–
<b>Total operating revenues</b>		<b>5,276</b>	<b>8,967</b>	<b>2,236</b>	<b>(462)</b>	<b>16,017</b>
Operating costs	5	(2,947)	(5,184)	(1,681)	462	(9,350)
<b>Segment profit<sup>(1)</sup></b>		<b>2,329</b>	<b>3,783</b>	<b>555</b>	<b>–</b>	<b>6,667</b>
Severance, acquisition and other costs	6	(5)	(116)	(3)	–	(124)
Depreciation and amortization		(418)	(2,100)	(106)	–	(2,624)
Finance costs						
Interest expense						(663)
Interest on post-employment benefit obligations	11					(61)
Other income	7					51
Income taxes						(858)
<b>Net earnings</b>						<b>2,388</b>

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

## Note 5 Operating costs

FOR THE PERIOD ENDED SEPTEMBER 30	NOTE	THREE MONTHS		NINE MONTHS	
		2017	2016	2017	2016
Labour costs					
Wages, salaries and related taxes and benefits		(1,047)	(1,002)	(3,119)	(3,031)
Post-employment benefit plans service cost (net of capitalized amounts)	11	(64)	(60)	(178)	(164)
Other labour costs <sup>(1)</sup>		(259)	(263)	(776)	(758)
Less:					
Capitalized labour		270	244	783	723
<b>Total labour costs</b>		<b>(1,100)</b>	<b>(1,081)</b>	<b>(3,290)</b>	<b>(3,230)</b>
Cost of revenues <sup>(2)</sup>		(1,687)	(1,610)	(5,007)	(4,733)
Other operating costs <sup>(3)</sup>		(525)	(480)	(1,503)	(1,387)
<b>Total operating costs</b>		<b>(3,312)</b>	<b>(3,171)</b>	<b>(9,800)</b>	<b>(9,350)</b>

(1) Other labour costs include contractor and outsourcing costs.

(2) Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

(3) Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, information technology costs, professional service fees and rent.

## Note 6 Severance, acquisition and other costs

FOR THE PERIOD ENDED SEPTEMBER 30	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
Severance	(14)	(17)	(61)	(74)
Acquisition and other	(9)	(8)	(82)	(50)
<b>Total severance, acquisition and other costs</b>	<b>(23)</b>	<b>(25)</b>	<b>(143)</b>	<b>(124)</b>

### Acquisition and other costs

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant. Acquisition costs also include in 2017 a loss on sale of spectrum licences relating to the MTS acquisition and in 2016 severance and integration costs relating to the privatization of Bell Aliant Inc.

## Note 7 Other (expense) income

FOR THE PERIOD ENDED SEPTEMBER 30	NOTE	THREE MONTHS		NINE MONTHS	
		2017	2016	2017	2016
Net mark-to-market gains on derivatives used as economic hedges		15	24	41	68
Equity losses from investments in associates and joint ventures					
Operations		(39)	(34)	(8)	(35)
Loss on investment <sup>(1)</sup>		–	(46)	(2)	(46)
Early debt redemption costs	10	(16)	–	(20)	(11)
Losses on retirements and disposals of property, plant and equipment and intangible assets		(8)	(4)	(34)	(18)
Gains (losses) on investments		–	34	(12)	48
Other		(8)	13	(5)	45
<b>Total other (expense) income</b>		<b>(56)</b>	<b>(13)</b>	<b>(40)</b>	<b>51</b>

(1) The \$46 million loss in 2016 represents BCE's share of the loss recorded by one of our equity investments on the sale of a portion of its operations.

## Note 8 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

FOR THE PERIOD ENDED SEPTEMBER 30	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
<b>Net earnings attributable to common shareholders – basic</b>	<b>770</b>	<b>752</b>	<b>2,211</b>	<b>2,237</b>
Dividends declared per common share (in dollars)	0.7175	0.6825	2.1525	2.0475
<b>Weighted average number of common shares outstanding (in millions)</b>				
Weighted average number of common shares outstanding – basic	900.4	869.9	892.2	868.7
Assumed exercise of stock options <sup>(1)</sup>	0.7	1.5	0.7	1.2
<b>Weighted average number of common shares outstanding – diluted (in millions)</b>	<b>901.1</b>	<b>871.4</b>	<b>892.9</b>	<b>869.9</b>

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 5,808,258 for both the third quarter and the first nine months of 2017, compared to 31,722 for the third quarter of 2016 and 2,932,470 for the first nine months of 2016.

## Note 9 Income taxes

During Q3 2017, various uncertain tax positions were settled, which resulted in the reversal of deferred tax liabilities.

## Note 10 Debt

On September 29, 2017, Bell Canada issued 3.00% Series M-40 medium-term note (MTN) debentures (Series M-40 debentures) under its 1997 trust indenture, with a principal amount of \$700 million, which mature on October 3, 2022. The Series M-40 debentures were issued as part of an existing series of MTN debentures. In addition, on the same date, Bell Canada issued 3.60% Series M-46 MTN debentures under its 1997 trust indenture, with a principal amount of \$800 million, which mature on September 29, 2027.

In Q3 2017, Bell Canada reclassified its \$400 million 3.5% Series M-28 MTN debentures, which mature on September 10, 2018, from long-term debt to short-term debt.

On May 12, 2017, Bell Canada redeemed, prior to maturity, its 4.37% Series M-35 debentures, having an outstanding principal amount of \$350 million which were due on September 13, 2017. We incurred a \$4 million early debt redemption charge which was recorded in *Other (expense) income* in Q2 2017 in the income statement.

In Q2 2017, Bell Canada reclassified its \$300 million 4.88% Series M-36 debentures, which had an April 26, 2018 maturity date, from long-term debt to short-term debt.

On February 27, 2017, Bell Canada issued 2.70% Series M-44 MTN debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on February 27, 2024. In addition, on the same date, Bell Canada issued 4.45% Series M-45 MTN debentures under its 1997 trust indenture, with a principal amount of \$500 million, which mature on February 27, 2047.

In Q1 2017, Bell Canada repaid \$357 million in U.S. dollars (approximately \$480 million in Canadian dollars) representing all of the borrowings outstanding under its unsecured committed term credit facility. Accordingly, this credit facility was closed and the cross currency basis swap which was used to hedge the U.S. currency exposure under such credit facility was settled. See Note 12, *Financial assets and liabilities* for additional details.

In Q1 2017, Bell Canada reclassified its \$1 billion 4.40% Series M-22 MTN debentures, which had a March 16, 2018 maturity date, from long-term debt to short-term debt.

In Q1 2017, as a result of the acquisition of MTS on March 17, 2017, Bell Canada assumed MTS' outstanding unsecured medium-term notes. The following table provides details for the principal amounts and fair values assigned to the medium-term notes assumed at acquisition.

	INTEREST RATE	MATURITY	AMOUNT
Medium-term note	4.59%	October 1, 2018	200
Medium-term note	5.625%	December 16, 2019	200
Medium-term note	4.00%	May 27, 2024	225
<b>Total long-term debt</b>			<b>625</b>
Fair value adjustment			45
<b>Total long-term debt</b>			<b>670</b>

The trust indentures under which these MTS medium-term notes were issued require us to meet specific new issue tests, to make an offer to repurchase the notes upon the occurrence of a change of control event as defined in the trust indentures and impose certain other covenants. We are in compliance with all conditions and restrictions under such trust indentures.

Also as a result of the acquisition of MTS, Bell Canada assumed MTS' notes payable of \$250 million and finance leases of \$52 million.

Subsequent to quarter end, on October 9, 2017, Bell Canada redeemed, prior to maturity, its 4.88% Series M-36 debentures, having an outstanding principal amount of \$300 million, which were due on April 26, 2018. We recognized a \$5 million early debt redemption charge which was recorded in *Other (expense) income* in Q3 2017 in the income statement. In addition, on October 30, 2017, Bell Canada redeemed, prior to maturity, its 4.40% Series M-22 MTN debentures, having an outstanding principal amount of \$1 billion, which were due on March 16, 2018. We recognized an \$11 million early debt redemption charge which was recorded in *Other (expense) income* in Q3 2017 in the income statement.

## Note 11 Post-employment benefit plans

### Post-employment benefit plans cost

We provide pension and other benefits for most of our employees. These include defined benefit (DB) pension plans, defined contribution (DC) pension plans and other post-employment benefits (OPEBs). The costs of these plans are tabled below.

#### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS SERVICE COST

FOR THE PERIOD ENDED SEPTEMBER 30	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
DB pension	(54)	(50)	(155)	(153)
DC pension	(23)	(23)	(78)	(77)
OPEBs	(1)	(2)	(4)	(5)
Plan amendment gain on OPEBs and DB pension	–	–	16	27
Less:				
Capitalized benefit plans cost	14	15	43	44
<b>Total post-employment benefit plans service cost included in operating costs</b>	<b>(64)</b>	<b>(60)</b>	<b>(178)</b>	<b>(164)</b>
Other costs recognized in severance, acquisition and other costs	–	–	(4)	5
<b>Total post-employment benefit plans service cost</b>	<b>(64)</b>	<b>(60)</b>	<b>(182)</b>	<b>(159)</b>

#### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE PERIOD ENDED SEPTEMBER 30	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
DB pension	(5)	(6)	(14)	(18)
OPEBs	(13)	(14)	(40)	(43)
<b>Total interest on post-employment benefit obligations</b>	<b>(18)</b>	<b>(20)</b>	<b>(54)</b>	<b>(61)</b>

MTS' net post-employment benefit asset was \$53 million (\$2,735 million fair value of plan assets and \$2,682 million post-employment benefit obligations) at the acquisition date of March 17, 2017.

On January 15, 2016, MTS completed the sale of its wholly-owned subsidiaries Allstream Inc., Allstream Fibre U.S., and Delphi Solutions Corp (collectively, Allstream), to Zayo Group Holdings Inc. As part of the sale agreement, MTS retained Allstream's two existing DB pension plans including the benefit obligations for retirees and other former employees. On October 31, 2017, we completed the transfer of assets and liabilities related to pre-closing service obligations for Allstream's active employees from the existing Allstream DB pension plans to two new Zayo Canada Inc. pension plans.

## Note 12 Financial assets and liabilities

### Fair value

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.

	CLASSIFICATION	FAIR VALUE METHODOLOGY	SEPTEMBER 30, 2017		DECEMBER 31, 2016	
			CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	129	129	166	169
CRTC deferral account obligation	Trade payables and other liabilities and non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	127	132	136	145
Debentures, finance leases and other debt	Debt due within one year and long-term debt	Quoted market price of debt or present value of future cash flows discounted using observable market interest rates	20,667	22,518	17,879	20,093

The following table provides the fair value details of financial instruments measured at fair value in the statements of financial position.

CLASSIFICATION	CARRYING VALUE OF ASSET (LIABILITY)	FAIR VALUE			
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2) <sup>(1)</sup>	NON-OBSERVABLE MARKET INPUTS (LEVEL 3) <sup>(2)</sup>	
<b>September 30, 2017</b>					
AFS publicly-traded and privately-held investments	Other non-current assets	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	(29)	–	(29)	–
MLSE financial liability <sup>(3)</sup>	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	43	–	99	(56)
<b>December 31, 2016</b>					
AFS publicly-traded and privately-held investments	Other non-current assets	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	166	–	166	–
MLSE financial liability <sup>(3)</sup>	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	35	–	88	(53)

(1) Observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.

(2) Non-observable market inputs such as discounted cash flows and earnings multiples. A reasonable change in our assumptions would not result in a significant increase (decrease) to our level 3 financial instruments.

(3) Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust) 9% interest in Maple Leaf Sports & Entertainment Ltd. (MLSE) at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in Other (expense) income in the income statements.

## Currency exposures

We use foreign currency forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated transactions and certain foreign currency debt. During Q1 2017, we settled a cross currency basis swap with a notional amount of \$357 million in U.S. dollars used to hedge borrowings under a credit facility. Refer to Note 10, *Debt*.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of \$2 million recognized in net earnings at September 30, 2017 and a gain (loss) of \$156 million recognized in other comprehensive income at September 30, 2017, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts at September 30, 2017.

TYPE OF HEDGE	BUY CURRENCY	AMOUNTS TO RECEIVE	SELL CURRENCY	AMOUNTS TO PAY	MATURITY	HEDGED ITEM
Cash flow	USD	2,345	CAD	2,905	2017	Commercial paper
Cash flow	USD	240	CAD	312	2017	Anticipated transactions
Cash flow	USD	901	CAD	1,172	2018	Anticipated transactions
Cash flow	CAD	97	USD	75	2018-2019	Anticipated transactions
Cash flow	USD	542	CAD	678	2019	Anticipated transactions
Cash flow	USD	109	CAD	139	2020-2021	Anticipated transactions
Economic	CAD	56	USD	44	2017	Anticipated transactions
Economic	USD	81	CAD	108	2017-2018	Anticipated transactions

## Interest rate exposures

A 1% increase (decrease) in interest rates would result in a decrease (increase) of \$24 million in net earnings at September 30, 2017, with all other variables held constant.

## Equity price exposure

We use equity forward contracts on BCE's common shares to economically hedge the cash flow exposure related to the settlement of share-based payment plans. The fair value of our equity forward contracts at September 30, 2017 was \$12 million.

A 5% increase (decrease) in the market price of BCE's common shares at September 30, 2017 would result in a gain (loss) of \$37 million recognized in net earnings, with all other variables held constant.

## Note 13 Share capital

### Issuance of common shares

On March 17, 2017, 27.6 million BCE common shares were issued in payment of the equity portion of the purchase price for the acquisition of MTS. See Note 3, *Business acquisitions and dispositions* for additional details.

### Conversion and dividend rate reset of first preferred shares

On September 1, 2017, 965,769 of BCE's 10,144,302 fixed-rate Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) were converted, on a one-for-one basis, into floating rate Cumulative Redeemable First Preferred Shares, Series AB (Series AB Preferred Shares). In addition, on September 1, 2017, 2,219,863 of BCE's 9,855,698 Series AB Preferred Shares were converted, on a one-for-one basis, into Series AA Preferred Shares. As a result, 11,398,396 Series AA Preferred Shares and 8,601,604 Series AB Preferred Shares are issued and outstanding since September 1, 2017.

The annual fixed dividend rate on the Series AA Preferred Shares was reset for the next five years, effective on September 1, 2017, at 3.61% from 3.45%. The Series AB Preferred Shares continue to pay a monthly floating cash dividend.

On March 31, 2017, the annual fixed dividend rate on BCE's Cumulative Redeemable First Preferred Shares, Series AO was reset for the next five years at 4.26% from 4.55%.

Dividends will be paid as and when declared by the board of directors of BCE.

## Note 14 Share-based payments

The following share-based payment amounts are included in the consolidated income statements as operating costs.

FOR THE PERIOD ENDED SEPTEMBER 30	THREE MONTHS		NINE MONTHS	
	2017	2016	2017	2016
Employee savings plan (ESP)	(7)	(8)	(21)	(22)
Restricted share units (RSUs) and performance share units (PSUs)	(10)	(12)	(37)	(40)
Other <sup>(1)</sup>	(2)	(2)	(7)	(9)
<b>Total share-based payments</b>	<b>(19)</b>	<b>(22)</b>	<b>(65)</b>	<b>(71)</b>

(1) Includes deferred share units (DSUs), deferred share plan (DSP) and stock options.

The following tables summarize the change in outstanding ESP shares, RSUs/PSUs, DSUs and stock options for the period ended September 30, 2017.

### ESP

	NUMBER OF ESP SHARES
Unvested contributions, January 1, 2017	1,073,212
Contributions <sup>(1)</sup>	472,301
Dividends credited	36,914
Vested	(435,931)
Forfeited	(107,446)
<b>Unvested contributions, September 30, 2017</b>	<b>1,039,050</b>

(1) The weighted average fair value of the shares contributed during the nine months ended September 30, 2017 was \$59.

### RSUs/PSUs

	NUMBER OF RSUs /PSUs
Outstanding, January 1, 2017	2,928,698
Granted <sup>(1)</sup>	876,543
Dividends credited	99,245
Settled	(1,093,786)
Forfeited	(90,968)
<b>Outstanding, September 30, 2017</b>	<b>2,719,732</b>

(1) The weighted average fair value of the RSUs/PSUs granted during the nine months ended September 30, 2017 was \$58.

## DSUs

	NUMBER OF DSUs
Outstanding, January 1, 2017	4,131,229
Issued <sup>(1)</sup>	58,822
Settlement of RSUs/PSUs	101,066
Dividends credited	151,017
Settled	(111,947)
<b>Outstanding, September 30, 2017</b>	<b>4,330,187</b>

(1) The weighted average fair value of the DSUs issued during the nine months ended September 30, 2017 was \$59.

## STOCK OPTIONS

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding, January 1, 2017	10,242,162	52
Granted	3,027,986	59
Exercised <sup>(1)</sup>	(1,995,896)	46
Forfeited	(239,498)	58
<b>Outstanding, September 30, 2017</b>	<b>11,034,754</b>	<b>55</b>
<b>Exercisable, September 30, 2017</b>	<b>2,573,950</b>	<b>45</b>

(1) The weighted average share price for options exercised during the nine months ended September 30, 2017 was \$60.

## ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

The fair value of options granted was determined using a variation of a binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following table shows the principal assumptions used in the valuation.

	2017
Weighted average fair value per option granted	\$1.97
Weighted average share price	\$58
Weighted average exercise price	\$59
Dividend yield	5.0%
Expected volatility	13%
Risk-free interest rate	1.0%
Expected life (years)	4.0

Expected volatilities are based on the historical volatility of BCE's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.