

Management's discussion and analysis

In this management's discussion and analysis of financial condition and results of operations (MD&A), *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. *Bell* means, as the context may require, either Bell Canada or, collectively, Bell Canada, its 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.

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to section 10.2, *Non-GAAP financial measures and key performance indicators (KPIs)* on pages 108 to 110 for a list of defined non-GAAP financial measures and key performance indicators.

Please refer to BCE's audited consolidated financial statements for the year ended December 31, 2017 when reading this MD&A.

In preparing this MD&A, we have taken into account information available to us up to March 8, 2018, the date of this MD&A, unless otherwise stated.

You will find additional information relating to BCE, including BCE's audited consolidated financial statements for the year ended December 31, 2017, BCE's annual information form for the year ended December 31, 2017, dated March 8, 2018 (BCE 2017 AIF) and recent financial reports, on BCE's website at BCE.ca, on SEDAR at sedar.com and on EDGAR at sec.gov.

This MD&A comments on our business operations, performance, financial position and other matters for the two years ended December 31, 2017 and 2016.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

BCE's 2017 annual report, including this MD&A and, in particular, but without limitation, section 1.3, *Key corporate developments*, section 1.4, *Capital markets strategy*, section 2, *Strategic imperatives*, section 3.2, *Business outlook and assumptions*, section 5, *Business segment analysis* and section 6.7, *Liquidity* of this MD&A, contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to our projected financial performance for 2018, BCE's dividend growth objective, common share dividend payout policy and 2018 annualized common share dividend, the expected improvement of BCE's net debt leverage ratio and return thereof within BCE's target range, the sources of liquidity we expect to use to meet our anticipated 2018 cash requirements, our expected 2018 post-employment benefit plans funding, our network deployment and capital investment plans, BCE's business outlook, objectives, plans and strategic priorities, and other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. 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 (U.S.) *Private Securities Litigation Reform Act of 1995*.

Unless otherwise indicated by us, forward-looking statements in BCE's 2017 annual report, including in this MD&A, describe our expectations as at March 8, 2018 and, accordingly, are subject to change after that date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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. Forward-looking statements are presented

in BCE's 2017 annual report, including in this MD&A, for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing the forward-looking statements contained in BCE's 2017 annual report and, in particular, but without limitation, the forward-looking statements contained in the previously mentioned sections of this MD&A. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A entitled *Business outlook and assumptions*, which sections are incorporated by reference in this cautionary statement. We believe that our assumptions were reasonable at March 8, 2018. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors including, without limitation, competitive, regulatory, economic, financial, operational, technological and other risks that could cause actual results or events to differ materially from those expressed in, or implied by, the previously-mentioned forward-looking statements and other forward-looking statements contained in BCE's 2017 annual report, and in particular in this MD&A, include, but are not limited to, the risks described or referred to in section 9, *Business risks*, which section is incorporated by reference in this cautionary statement.

We caution readers that the risks described in the previously mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, 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 March 8, 2018. The financial impact of these transactions and special items can be complex and depends on 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.

1 Overview

1.1 Introduction

AT A GLANCE

BCE is Canada's largest communications company, providing residential, business and wholesale customers with a wide range of solutions for all their communications needs. BCE's shares are publicly traded on the Toronto Stock Exchange and on the New York Stock Exchange (TSX, NYSE: BCE).

Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media.

Bell Wireless provides wireless voice and data communications products and services to our residential, small and medium-sized business and large enterprise customers across Canada.

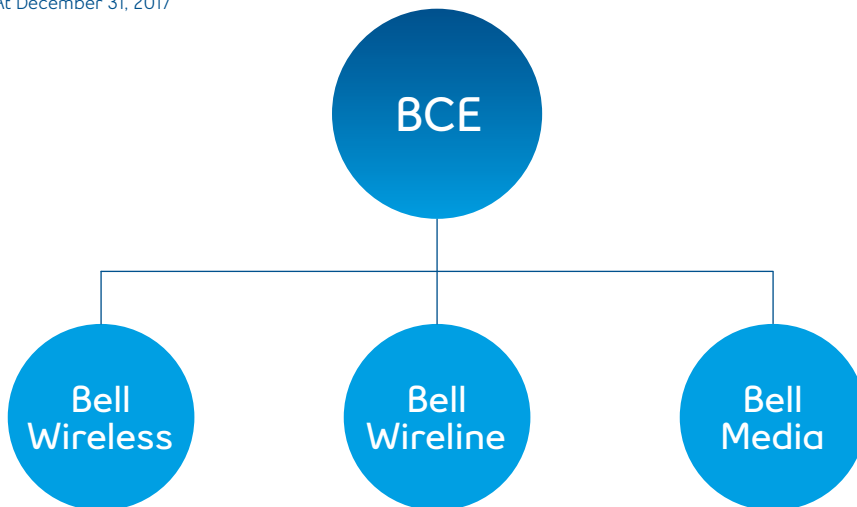
Bell Wireline provides data, including Internet access and Internet protocol television (IPTV), local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized business and large enterprise customers, primarily in Ontario, Québec, the Atlantic provinces and Manitoba, while satellite television (TV) service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Bell Media provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada.

BCE is Canada's largest communications company

BCE's business segments

At December 31, 2017



We also hold investments in a number of other assets, including:

- a 28% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE)
- a 50% indirect equity interest in Glentel Inc. (Glentel)
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montréal

BCE CONSOLIDATED RESULTS

BCE 2017
Operating revenues
\$22,719

million
+4.6% vs. 2016

BCE 2017
Net earnings
\$2,970

million
(3.8%) vs. 2016

BCE 2017
Adjusted EBITDA ⁽¹⁾
\$9,178

million
+4.4% vs. 2016

BCE 2017
Net earnings attributable
to common shareholders
\$2,786

million
(3.7%) vs. 2016

BCE 2017
Adjusted net earnings ⁽¹⁾
\$3,033

million
+0.8% vs. 2016

BCE 2017
Cash flows from
operating activities
\$7,358

million
+10.8% vs. 2016

BCE 2017
Free cash flow ⁽¹⁾
\$3,418

million
+6.0% vs. 2016

BCE CUSTOMER CONNECTIONS

Wireless ⁽²⁾
Total
+8.2%

9.2 million subscribers
at the end of 2017

Wireless ⁽²⁾
Postpaid
+9.5%

8.4 million subscribers
at the end of 2017

High-speed
Internet ⁽²⁾⁽³⁾
+9.0%

3.8 million subscribers
at the end of 2017

TV ⁽²⁾
+3.2%

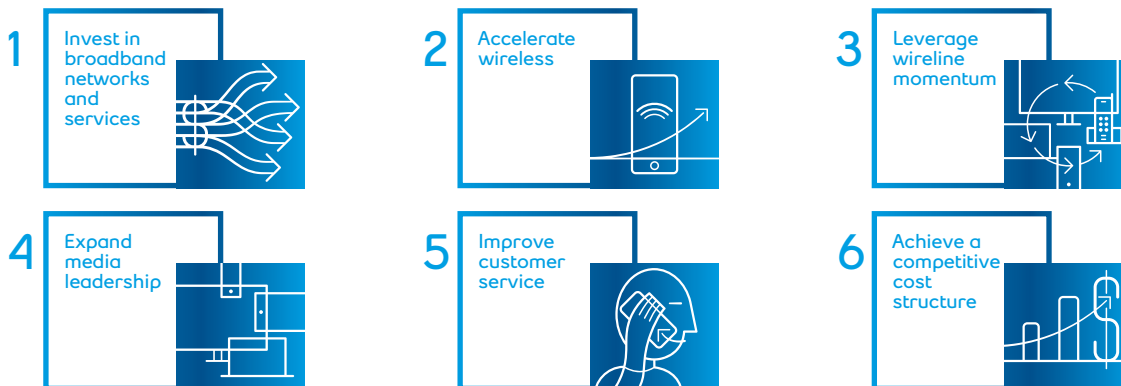
2.8 million subscribers
at the end of 2017

Network access
services (NAS) lines ⁽²⁾
+1.0%

6.3 million subscribers
at the end of 2017

OUR GOAL

Our goal is to be recognized by customers as Canada's leading communications company. Our primary business objectives are to grow our subscribers profitably and to maximize revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential, business and wholesale customers and as Canada's premier content creation company. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, and brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders. Our strategy is centred on our disciplined focus and execution of six strategic imperatives. The six strategic imperatives that underlie BCE's business plan are:



(1) Adjusted EBITDA, adjusted net earnings and free cash flow are non-GAAP financial measures and do not have any standardized meaning under International Financial Reporting Standards (IFRS). Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin, Adjusted net earnings and adjusted EPS and Free cash flow and dividend payout ratio in this MD&A for more details, including reconciliations to the most comparable IFRS financial measure.

(2) As a result of the acquisition of MTS on March 17, 2017, our wireless, high-speed Internet, TV and NAS subscriber bases increased by 476,932 (418,427 postpaid), 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively. Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS Communications Inc. (TELUS) related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the code division multiple access (CDMA) network in western Canada.

(3) Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

1.2 About BCE

We report the results of our operations in three segments: Bell Wireless, Bell Wireline and Bell Media. We describe our product lines by segment below, to provide further insight into our operations.

OUR PRODUCTS AND SERVICES

Bell Wireless

SEGMENT DESCRIPTION

- Provides integrated digital wireless voice and data communications products and services to residential and business customers across Canada
- Includes the results of operations of Bell Mobility Inc. (Bell Mobility) and wireless-related product sales from our wholly-owned subsidiary, national consumer electronics retailer, The Source (Bell) Electronics Inc. (The Source)

OUR NETWORKS AND REACH

We hold licensed national wireless spectrum, with holdings across various spectrum bands, totalling more than 4,600 million Megahertz (Mhz) per Population (MHz-pop), corresponding to a weighted-average of approximately 138 MHz-pop of spectrum across Canada.

The vast majority of our cell towers are connected by fibre, the latest in network infrastructure technology, for a more reliable connection.

Our Fourth Generation (4G) Long-term Evolution (LTE) and LTE Advanced (LTE-A) nationwide wireless broadband networks are compatible with global standards and deliver high-quality and reliable voice and high-speed data services to virtually all of the Canadian population.

- LTE covered 99% of the Canadian population coast to coast, while LTE-A covered approximately 87% of the Canadian population at December 31, 2017
- Expansion of our LTE and LTE-A services is supported by continued repurposing of wireless spectrum to increase capacity and coverage
- In-building coverage improvements to deliver a stronger signal
- LTE-A provides mobile Internet data access speeds as fast as 750 Megabits per second (Mbps) (expected average download speeds of 25 to 230 Mbps), while LTE offers speeds up to 150 Mbps (typical speeds of 12 to 40 Mbps)⁽¹⁾
- Reverts to the High-speed packet access plus (HSPA+) network outside LTE coverage areas, with speeds up to 42 Mbps (typical speeds of 7 to 14 Mbps)
- International voice and roaming capabilities in more than 230 destinations

We manage 6,500 wireless fidelity (Wi-Fi) access points at enterprise customer locations.

More than 2,400 retail points of distribution across Canada, including approximately 1,400 Bell-branded stores and The Source locations, Glentel-operated stores (WIRELESSWAVE, Tbooth wireless and WIRELESS etc.) as well as other third-party dealer and retail locations.

OUR BRANDS INCLUDE

Bell



lucky
mobile



OUR PRODUCTS AND SERVICES

- **Voice and data plans:** available on either postpaid or prepaid options, providing fast Internet access for video, social networking, messaging and mobile applications, as well as a host of call features
- **Specialized plans:** for tablets, mobile Internet, smartwatches, Connected Car
- **Extensive selection of devices:** leading 4G LTE and LTE-A smartphones and tablets, mobile Internet hubs and sticks, mobile Wi-Fi devices, connected things (smartwatches, Bell Connected Car, trackers, smart home, lifestyle products, virtual reality)
- **Mobile content:** over 40 live and on-demand channels on smartphones and tablets, access to over 7,000 newspapers and magazines from around the world with PressReader
- **Travel:** roaming services with other wireless service providers in more than 230 destinations worldwide with LTE roaming in over 145 destinations, Roam Better feature and Travel Passes
- **Internet of Things (IoT) solutions:** fleet management, asset management, digital signage, wireless backup connectivity, remote monitoring, telematics, energy management
- **Mobile business solutions:** workforce management, worker safety, dispatch solutions, mobile device management, two-way radio, mobile solutions for public safety

(1) Network speeds vary with location, signal and customer device. Compatible device required.

Bell Wireline

SEGMENT DESCRIPTION

- Provides data, including Internet access and IPTV, local telephone, long distance, as well as other communications services and products to residential, small and medium-sized business and large enterprise customers, primarily in Ontario, Québec, the Atlantic provinces and Manitoba, while satellite TV service and connectivity to business customers are available nationally across Canada. We also offer competitive local exchange carrier (CLEC) services in Alberta and British Columbia.
- Includes the results of our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services in Canada's Northern Territories
- Includes wireline-related product sales from The Source

OUR NETWORKS AND REACH

- Extensive local access network in Ontario, Québec, the Atlantic provinces and Manitoba, as well as in Canada's Northern Territories
- Largest fibre network in Canada, spanning over 240,000 kilometres (km)
- Broadband fibre network, consisting of fibre-to-the-node (FTTN) and fibre-to-the-premise (FTTP) locations, covering 9.2 million homes and businesses in Ontario, Québec, the Atlantic provinces and Manitoba. Our FTTP direct fibre footprint encompassed more than 3.7 million homes and commercial locations at the end of 2017, representing the largest FTTP footprint in Canada.
- Largest Internet protocol (IP) multi-protocol label switching footprint of any Canadian provider, enabling us to offer business customers a virtual private network (VPN) service for IP traffic and to optimize bandwidth for real-time voice and TV
- Largest data centre footprint in Canada with 28 locations in eight provinces, enabling us to offer data centre co-location and hosted services to business customers across Canada
- Approximately 1,400 Bell-branded stores and The Source locations across Canada

OUR BRANDS INCLUDE



OUR PRODUCTS AND SERVICES

RESIDENTIAL

- **TV:** Bell Fibe TV (our IPTV service) and direct-to-home (DTH) satellite TV provide extensive content options with Full high-definition (HD) and 4K Resolution (4K) Whole Home personal video recorder (PVR), 4K Ultra HD programming and on-demand content. Our IPTV service also offers consumers innovative features, including wireless receivers, the Fibe TV app, Restart and access to CraveTV, Netflix and YouTube. We also offer Fibe Alt TV, an app-based live TV streaming service offering up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV with no traditional TV set-top box (STB) required.
- **Internet:** high-speed Internet access through fibre optic broadband technology or digital subscriber line (DSL) with a wide range of options, including Whole Home Wi-Fi, unlimited usage, security services and mobile Internet. Our fibre optic Internet service, marketed as Fibe Internet, offers speeds up to 100 Mbps with FTTN or 1 Gigabit per second (Gbps) with FTTP.
- **Home Phone:** local telephone service, long distance and advanced calling features
- **Home Security:** home security and monitoring services from AlarmForce Industries Inc. (AlarmForce) in Ontario and Québec, from Bell Aliant NextGen Home Security in Atlantic Canada and from AAA Security, a Bell MTS company, in Manitoba
- **Bundles:** multi-product bundles of TV, Internet and home phone services with monthly discounts

BUSINESS

- **IP-based services:** business Internet, IP VPN, point-to-point data networks and global network solutions
- **Business service solutions:** hosting and cloud services, managed services, professional services and infrastructure services that support and complement our data connectivity services
- **Voice and unified communications:** IP telephony, local and long distance, web and audio conferencing and e-mail solutions

Bell Media

SEGMENT DESCRIPTION

- Canada's leading content creation company with premier assets in TV, radio, OOH advertising and digital media
- Revenues are derived primarily from advertising and subscriber fees
 - Conventional TV revenue is derived from advertising
 - Specialty TV revenue is generated from subscription fees and advertising
 - Pay TV revenue is received from subscription fees
 - Radio revenue is generated from advertising aired over our stations
 - OOH revenues are generated from advertising
 - Digital media revenues are generated from advertising

OUR ASSETS AND REACH

TV

- 30 conventional TV stations, including CTV, Canada's highest-rated TV network based on viewership
- 30 specialty TV channels, including TSN, Space, Discovery and RDS, Canada's leading French-language specialty channel among viewers aged 25 to 54
- Four national pay TV services, including The Movie Network (TMN) and Super Écran

RADIO

- 105 licensed radio stations in 54 markets across Canada

OOH ADVERTISING

- Network of more than 31,000 advertising faces in British Columbia, Alberta, Manitoba, Ontario, Québec and Nova Scotia

DIGITAL MEDIA

- More than 200 websites and over 30 apps

BROADCAST RIGHTS

- **Sports:** Bell Media has secured long-term media rights to many of the key sports properties that are popular among Canadians, and is the official Canadian broadcaster of the Super Bowl, Grey Cup and International Ice Hockey Federation (IIHF) World Junior Championship. Bell Media's slate of live sports coverage also includes the Toronto Maple Leafs, Montreal Canadiens, Winnipeg Jets and Ottawa Senators, Canadian Football League (CFL), National Football League (NFL), National Basketball League (NBA), Major League Soccer (MLS), Fédération Internationale de Football Association (FIFA) World Cup events through to 2026, Season of Champions Curling, Major League Baseball (MLB), Premier League, Union of European Football Associations (UEFA) Champions League, UEFA Europa League, golf's major championships, Monster Energy NASCAR Cup Series, Formula 1, Formula E, Grand Slam Tennis, Ultimate Fighting Championship (UFC), National Collegiate Athletic Association (NCAA) March Madness and more.

OUR BRANDS INCLUDE



- **HBO:** long-term agreement to deliver all current-season, past-season and library HBO programming in Canada exclusively on our linear, on-demand and over-the-top (OTT) platforms
- **SHOWTIME:** long-term content licensing and trademark agreement for past, present and future SHOWTIME-owned programming
- **Starz:** long-term agreement with Lionsgate to bring U.S. premium pay TV service Starz to Canada
- **iHeartRadio:** exclusive partnership for digital and streaming music services in Canada

OTHER ASSETS

- 50% interest in Dome Productions Partnership, one of North America's leading providers of sports and other event production and broadcast facilities

OUR PRODUCTS AND SERVICES

- Varied and extensive array of TV programming to broadcast distributors across Canada
- **Advertising** on our TV, radio, OOH, and digital media properties to both local and national advertisers across a wide range of industry sectors
- **CraveTV subscription on-demand TV streaming service** offering a large collection of premium content in one place, including HBO and SHOWTIME programming, on STBs, mobile devices and online. CraveTV is offered through a number of Canadian TV providers and is available directly to all Canadian Internet subscribers as an OTT service.
- **TV Everywhere services**, including CTV GO, Discovery GO, TMN GO, TSN GO and RDS GO, which provide live and on-demand content delivered over mobile and Wi-Fi networks to smartphones, tablets and computers
- **Mobile TV service** with live and on-demand access to content from our conventional TV networks, CTV and CTV Two, BNN, TSN, RDS, Comedy and other brands in news, sports and entertainment. This mobile content is offered on commercial terms to all Canadian wireless providers.

Other BCE investments

BCE also holds investments in a number of other assets, including:

- a 28% indirect equity interest in MLSE, a sports and entertainment company that owns several sports teams as well as real estate and entertainment assets in Toronto
- a 50% indirect equity interest in Glentel, a Canadian-based dual-carrier, multi-brand mobile products distributor
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montréal

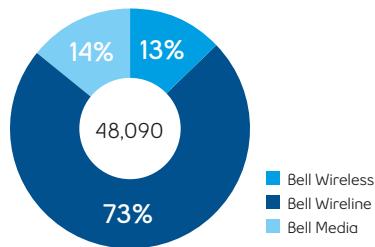


OUR PEOPLE

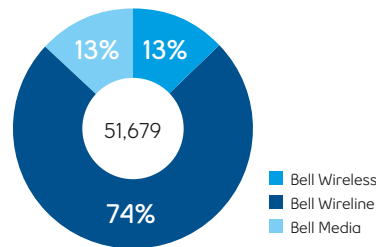
EMPLOYEES

At the end of 2017, our team included 51,679 employees dedicated to driving shareholder return and improving customer service.

BCE
2016 employees



BCE
2017 employees



The total number of BCE employees at the end of 2017 increased by 3,589 employees compared to the end of 2016, due primarily to the integration of MTS employees.

Approximately 45% of total BCE employees are represented by labour unions.

BELL CODE OF BUSINESS CONDUCT

The ethical business conduct of our people is core to the integrity with which we operate our business. The Bell Code of Business Conduct sets out specific expectations and accountabilities, providing employees with practical guidelines to conduct business in an ethical manner. Our commitment to the Code of Business Conduct is renewed by employees each year in an ongoing effort to ensure that all employees are aware of, and adhere to, Bell's standards of conduct.

1.3 Key corporate developments

MTS ACQUISITION COMPLETED

On March 17, 2017, BCE completed the acquisition of MTS originally announced on May 2, 2016, purchasing all of the issued and outstanding common shares of MTS for a total consideration of \$2,933 million and assumed outstanding net debt of \$972 million. BCE acquired all of the issued and outstanding common shares of MTS for \$40 per share, which was paid 55% through the issuance of BCE common shares and 45% in cash. The cash component of \$1,339 million was funded through debt

financing and BCE issued approximately 27.6 million common shares for the equity portion of the transaction. The combined companies' Manitoba operations are now known as Bell MTS. On April 1, 2017, BCE completed the 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 for total proceeds of \$323 million.

ACQUISITION OF ALARMFORCE

BCE completed its \$182 million acquisition of AlarmForce, one of Canada's largest home and business security companies, on January 5, 2018. Combining Bell's residential services brand, broadband network connectivity, distribution, installation and customer service capabilities with AlarmForce's innovative technology and customer base accelerates our competitiveness in the fast-growing Connected Home marketplace.

Bell also offers monitoring and other Connected Home services with Bell Aliant NextGen Home Security in Atlantic Canada and AAA Security, a Bell MTS company, in Manitoba. Also on January 5, 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta and Saskatchewan to TELUS for total proceeds of approximately \$67 million, subject to customary closing adjustments.

RECOGNITION OF BELL'S ENVIRONMENTAL LEADERSHIP

As part of Canada's Top 100 Employers program, Bell was named one of Canada's Greenest Employers for 2017. The award recognizes Bell's ongoing commitment to minimize the environmental impact of our operations and our success in reducing waste and saving energy across our network infrastructure, information technology (IT) systems, buildings and vehicle fleet. Key factors that contributed to Bell's win include:

- Our ISO 14001 certified environmental management system. Bell was the first Canadian communications company to achieve this international standard.

- The Bell Blue Box mobile recycling program, which has recovered more than 1.4 million phones since 2010 and donates proceeds to the Canadian Mental Health Association
- 46 Bell buildings have received BOMA BEST certifications for environmental performance, including our Montréal campus, which is the largest Leadership in Energy and Environmental Design (LEED) certified building in Québec
- Telematics systems in 85% of Bell vehicles provide vital engine information that supports more fuel efficient driving practices

NOMINATION TO BCE'S BOARD OF DIRECTORS

On March 8, 2017, BCE announced the nomination of Karen Sheriff for election to the BCE board of directors (BCE Board or Board) and the retirement of Ronald Brenneman from the BCE Board at BCE's annual general shareholder meeting, held on April 26, 2017. One of Canada's most successful telecommunications executives, Ms. Sheriff was most

recently President and Chief Executive Officer (CEO) of Q9 Networks Inc. (Q9), from January 2015 to October 2016. Prior to her role at Q9, she was President and CEO of Bell Aliant from 2008 to 2014, following more than nine years in senior leadership positions at BCE.

1.4 Capital markets strategy

We seek to deliver sustainable shareholder returns through consistent dividend growth. This objective is underpinned by continued growth in free cash flow and a strong balance sheet, supporting a healthy level of ongoing capital investment on advanced broadband network and services that are essential to driving the long-term growth of our business.

DIVIDEND GROWTH AND PAYOUT POLICY

Dividend growth

+107%

Since Q4 2008

2018 dividend increase

+5.2%

to \$3.02 per common share

Dividend payout policy

65%-75%

of free cash flow

On February 8, 2018, we announced a 5.2%, or 15 cents, increase in the annualized dividend payable on BCE's common shares for 2018 to \$3.02 per share from \$2.87 per share in 2017, starting with the quarterly dividend payable on April 15, 2018. This represents BCE's 14th increase to its annual common share dividend, representing a 107% increase, since the fourth quarter of 2008. This is BCE's 10th consecutive year of 5% or better dividend growth, while maintaining the dividend payout ratio⁽¹⁾ within the target policy range of 65% to 75% of free cash flow.

Our objective is to seek to achieve dividend growth while maintaining our dividend payout ratio within the target range and balancing our strategic business priorities. BCE's dividend payout policy and the declaration of dividends are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE's dividend policy will be maintained or that dividends will be increased or declared.

(1) Dividend payout ratio is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Free cash flow and dividend payout ratio for more details.

We have a strong alignment of interest between shareholders and our management's equity-based long-term incentive compensation plan. The vesting of performance share units depends on the realization of our dividend growth policy, while stock options reflect our objective to increase the share price for our shareholders.

Best practices adopted by BCE for executive compensation

- Stringent share ownership requirements
- Emphasis on pay-at-risk for executive compensation
- Double trigger change-in-control policy
- Anti-hedging policy on share ownership and incentive compensation
- Clawbacks for the President and CEO and all Executive Vice-Presidents as well as all options holders
- Caps on all supplemental executive retirement plans (SERPs) and annual bonus payouts, in addition to mid-term and long-term incentive grants
- Vesting criteria fully aligned to shareholder interests

USE OF EXCESS CASH ⁽¹⁾

Our dividend payout policy allows BCE to retain a high level of excess cash. Consistent with our capital markets objective to deliver sustainable shareholder returns through dividend growth while maintaining appropriate levels of capital investment, investment-grade credit ratings and considerable overall financial flexibility, we deploy excess cash in a balanced manner.

Uses of excess cash include, but are not limited to:

- Financing of strategic acquisitions and investments (including wireless spectrum purchases) that support the growth of our business
- Debt reduction
- Voluntary contributions to BCE's defined benefit (DB) pension plans to improve the funded position of the plans and help minimize volatility of future funding requirements
- Share buybacks through normal course issuer bid (NCIB) programs

In 2017, BCE's excess cash of \$906 million, down from \$921 million in 2016, was directed towards a \$100 million voluntary contribution to fund certain of BCE's DB pension plans and various acquisitions that support our strategic imperatives, including MTS.

On February 8, 2018, we announced a NCIB program totaling \$175 million, under which BCE may purchase for cancellation up to 3,500,000 common shares (subject to a maximum aggregate purchase price of \$175 million) over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019. The repurchase of common shares represents an appropriate use of funds for offsetting share dilution resulting from the exercise of stock options, and will be funded from cash on hand.

TOTAL SHAREHOLDER RETURN PERFORMANCE

Five-year total shareholder return ⁽²⁾

+80.8%

2013–2017

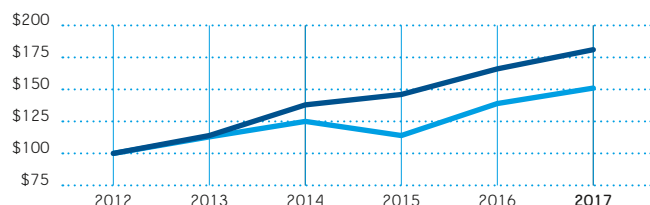
One-year total shareholder return ⁽²⁾

+9.2%

2017

FIVE-YEAR CUMULATIVE TOTAL VALUE OF A \$100 INVESTMENT ⁽³⁾

DECEMBER 31, 2012 – DECEMBER 31, 2017



This graph compares the yearly change in the cumulative annual total shareholder return of BCE common shares against the cumulative annual total return of the S&P/TSX Composite Index ⁽⁴⁾, for the five-year period ending December 31, 2017, assuming an initial investment of \$100 on December 31, 2012 and the quarterly reinvestment of all dividends.

■ BCE common shares ■ S&P/TSX Composite Index

(1) Free cash flow less dividends paid on common shares.

(2) The change in BCE's common share price for a specified period plus BCE common share dividends reinvested, divided by BCE's common share price at the beginning of the period.

(3) Based on BCE's common share price on the TSX and assumes the reinvestment of dividends.

(4) As the headline index for the Canadian equity market, the S&P/TSX Composite Index is the primary gauge against which to measure total shareholder return for Canadian-based, TSX-listed companies.

STRONG CAPITAL STRUCTURE

BCE's balance sheet is underpinned by considerable liquidity and an investment-grade credit profile, providing the company with a solid financial foundation and a high level of overall financial flexibility. BCE is well-positioned with an attractive long-term debt maturity profile and minimal near-term requirements to repay publicly issued debt securities. We continue to monitor the capital markets for opportunities where we can further reduce our cost of debt and our cost of capital. We seek to proactively manage financial risk in terms of currency

exposure of our U.S. dollar-denominated purchases, as well as equity risk exposure under BCE's long-term equity-based incentive plans and interest rate and foreign currency exposure under our various debt instruments. We also seek to maintain investment-grade credit ratings with stable outlooks.

We monitor capital by utilizing a number of measures, including net debt⁽¹⁾ to adjusted EBITDA, adjusted EBITDA to net interest expense⁽¹⁾, and dividend payout ratio.

ATTRACTIVE LONG-TERM DEBT MATURITY PROFILE

- Average term of Bell Canada's publicly issued debt securities: 9.1 years
- Average after-tax cost of publicly issued debt securities: 3.2%
- \$600 million of publicly issued debt securities maturing in 2018

STRONG LIQUIDITY POSITION

- \$0.4 billion available under our \$3.5 billion multi-year committed credit facilities
- \$500 million accounts receivable securitization available capacity
- \$625 million cash and cash equivalents on hand at the end of 2017

FAVOURABLE CREDIT PROFILE

- Long-term debt credit rating of BBB (high) by DBRS Limited (DBRS), Baa 1 by Moody's Investors Services Inc. (Moody's) and BBB+ by Standard & Poor's Ratings Services (Canada) (S&P), all with stable outlooks

As a result of financing a number of strategic acquisitions made since 2010, including CTV Inc., Astral Media Inc., MLSE, Bell Aliant Inc. (Bell Aliant), Q9 and MTS; voluntary pension plan funding contributions to reduce our pension solvency deficit; wireless spectrum purchases; as well as the incremental debt that was assumed as a result of the privatization of Bell Aliant and the acquisition of MTS, our net debt leverage ratio⁽¹⁾ has increased above the limit of our internal target range of 1.75 to 2.25 times adjusted EBITDA. That ratio is expected to improve over time and return within the net debt leverage ratio target range through growth in free cash flow and applying a portion of excess cash to the reduction of BCE's indebtedness.

BCE's adjusted EBITDA to net interest expense ratio remains significantly above our internal target range of greater than 7.5 times adjusted EBITDA, providing good predictability in our debt service costs and protection from interest rate volatility for the foreseeable future.

BCE CREDIT RATIOS	INTERNAL TARGET	DECEMBER 31, 2017
Net debt leverage ratio	1.75–2.25	2.70
Adjusted EBITDA to net interest expense ratio	>7.5	9.12

Bell Canada successfully accessed the capital markets in February 2017 and September 2017, raising a combined total of \$3.0 billion in gross proceeds from the issuance of five-year, seven-year, 10-year and 30-year medium-term note (MTN) debentures. These issuances lowered our after-tax cost of outstanding publicly issued debt securities to 3.2% (4.3% on a pre-tax basis) and maintained an average term to maturity of more than nine years. The net proceeds of the 2017 offerings were used to partially fund the acquisition of MTS, repay short-term debt, fund the early redemption of \$1.3 billion of Bell Canada debentures maturing in 2018, and for general corporate purposes.

(1) Net debt, net debt leverage ratio and adjusted EBITDA to net interest expense ratio 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. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Net debt, Net debt leverage ratio and Adjusted EBITDA to net interest expense ratio in this MD&A for more details.

1.5 Corporate governance and risk management

CORPORATE GOVERNANCE PHILOSOPHY

The BCE Board and management believe that strong corporate governance practices contribute to superior results in creating and maintaining shareholder value. That is why we continually seek to strengthen our leadership in corporate governance and ethical business conduct by adopting best practices, and providing full transparency and accountability to our shareholders.

Key governance strengths and actions in support of our governance philosophy include:

- Separation of the Board Chair and CEO roles
- Director independence standards
- Audit Committee, Management Resources and Compensation Committee (Compensation Committee) and Corporate Governance Committee (Governance Committee) of the Board composed of independent directors
- Annual director effectiveness and performance assessments
- Ongoing reporting to Board committees regarding ethics programs and the oversight of corporate policies across BCE
- Share ownership guidelines for directors and executives
- Executive compensation programs tied to BCE's ability to grow its common share dividend

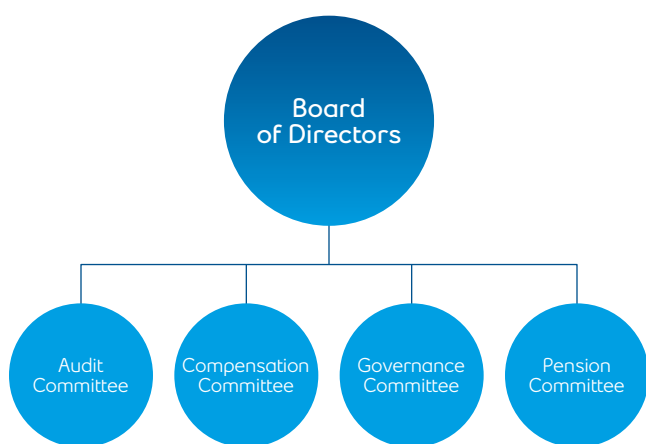
For more information, please refer to BCE's most recent notice of annual general shareholder meeting and management proxy circular (the Proxy Circular) filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and with the U.S. Securities and Exchange Commission (available at sec.gov), and available on BCE's website at BCE.ca.

RISK GOVERNANCE FRAMEWORK

BOARD OVERSIGHT

BCE's full Board is entrusted with the responsibility for identifying and overseeing the principal risks to which our business is exposed and seeking to ensure there are processes in place to effectively identify, monitor and manage them. These processes seek to mitigate rather than eliminate risk. A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. While the Board has overall responsibility for risk, the responsibility for certain elements of the risk oversight program is delegated to Board committees in order to ensure that they are treated with appropriate expertise, attention and diligence. The committees report to the Board in the ordinary course of business.

Risk information is reviewed by the Board or the relevant committee throughout the year, and business leaders present regular updates on the execution of business strategies, risks and mitigation activities.



- The Audit Committee is responsible for overseeing financial reporting and disclosure as well as overseeing that appropriate risk management processes are in place across the organization. As part of its risk management activities, the Audit Committee reviews the organization's risk reports and ensures that responsibility for each principal risk is formally assigned to a specific committee or the full Board, as appropriate. The Audit Committee also regularly considers risks relating to financial reporting, legal proceedings, the performance of critical infrastructure, information, cyber and physical security, journalistic independence, privacy and records management, business continuity and the environment.
- The Compensation Committee oversees risks relating to compensation, succession planning, and health and safety practices
- The Governance Committee assists the Board in developing and implementing BCE's corporate governance guidelines and determining the composition of the Board and its committees. The Governance Committee also oversees matters such as the organization's policies concerning business conduct, ethics and public disclosure of material information.
- The Pension Fund Committee (Pension Committee) has oversight responsibility for risks associated with the pension fund

RISK MANAGEMENT CULTURE

There is a strong culture of risk management at BCE that is actively promoted by the Board and the company's President and CEO at all levels within the organization. It has become a part of how the company operates on a day-to-day basis and is woven into its structure and operating principles, guiding the implementation of the organization's strategic imperatives.

The President and CEO, selected by the Board, has set his strategic focus through the establishment of six strategic imperatives and focuses risk management around the factors that could impact the achievement of those strategic imperatives. While the constant state of change in the economic environment and the industry creates challenges that need to be managed, the clarity around strategic objectives, performance expectations, risk management and integrity in execution ensures discipline and balance in all aspects of our business.

RISK MANAGEMENT FRAMEWORK

While the Board is responsible for BCE's risk oversight program, operational business units are central to the proactive identification and management of risk. They are supported by a range of corporate support functions that provide independent expertise to reinforce implementation of risk management approaches in collaboration with the operational business units. The Internal Audit function provides a further element of expertise and assurance, working to provide insight and support to the operational business units and corporate support functions, while also providing the Audit Committee with an independent perspective on the state of risk and control within the organization. Collectively, these elements can be thought of as a "three lines of defence" approach to risk management. Although the risk management framework described in this section 1.5 is aligned with industry best practices and is endorsed by the Institute of Internal Auditors, there can be no assurance that it will be sufficient to prevent the occurrence of events that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.



FIRST LINE OF DEFENCE – OPERATIONAL BUSINESS UNITS

The first line refers to management within our operational business segments (Bell Wireless, Bell Wireline and Bell Media), who are expected to understand their operations in great detail and the financial results that underpin them. There are regular reviews of operating performance involving the organization's executive and senior management. The discipline and precision associated with this process, coupled with the alignment and focus around performance goals, create a high degree of accountability and transparency in support of our risk management practices.

As risks emerge in the business environment, they are discussed in a number of regular forums to share details and explore their relevance across the organization. Executive and senior management are integral to these activities in driving the identification, assessment, mitigation and reporting of risks at all levels. Formal risk reporting occurs through strategic planning sessions, management presentations to the Board and formal enterprise risk reporting, which is shared with the Board and the Audit Committee during the year.

Management is also responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Each operational business unit develops its own operating controls and procedures that fit the needs of its unique environment.

SECOND LINE OF DEFENCE – CORPORATE SUPPORT FUNCTIONS

BCE is a very large enterprise with 51,679 employees, as at December 31, 2017, multiple business units and a diverse portfolio of risks that is constantly evolving based on internal and external factors. In a large organization, it is common to manage certain functions centrally for efficiency, scale and consistency. While the first line of defence is often central to identification and management of business risks, in many instances operational management works collaboratively with, and also relies on, the corporate functions that make up the second line of defence for support in these areas. These corporate functions include Finance, Corporate Security and Corporate Risk Management, as well as Legal and Regulatory, Corporate Responsibility, Human Resources, Real Estate and Procurement.

Finance function: BCE's Finance function plays a pivotal role in seeking to identify, assess and manage risks through a number of activities, which include financial performance management, external reporting, pension management, capital management, and oversight and execution practices related to the U.S. *Sarbanes-Oxley Act of 2002* and equivalent Canadian securities legislation, including the establishment and maintenance of appropriate internal control over financial reporting. BCE has established and maintains disclosure controls and procedures to seek to ensure that the information it publicly discloses, including its business risks, is accurately recorded, processed, summarized and reported on a timely basis. For more details concerning BCE's internal control over financial reporting and disclosure controls and procedures, refer to the Proxy Circular and section 10.3, *Effectiveness of internal controls* of this MD&A.

Corporate Security function: This function is responsible for all aspects of security, which requires a deep understanding of the business, the risk environment and the external stakeholder environment. Based on this understanding, Corporate Security sets the standards of performance required across the organization through security policy definitions and monitors the organization's performance against these policies. In high and emerging risk areas such as cybersecurity, Corporate Security leverages its experience and competence and, through collaboration with the operational business units, develops strategies intended to seek to mitigate the organization's risks. For instance, we have implemented security awareness training and policies and procedures that seek to mitigate cybersecurity threats. We further rely on security assessments to identify risks, projects and implementation controls with the objective of ensuring that systems are deployed with the appropriate level of control based on risk and technical capabilities, including access management, vulnerability management, security monitoring and testing, to help identify and respond to attempts to gain unauthorized access to our information systems and networks. However, there is no assurance that our implemented safeguards will prevent the occurrence of material cybersecurity breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result therefrom.

Corporate Risk Management function: This function works across the company to gather information and report on the organization's assessment of its principal risks and the related exposures. Annually, senior management participate in a risk survey that provides an important reference point in the overall risk assessment process.

In addition to the activities described above, the second line of defence is also critical in building and operating the oversight mechanisms that bring focus to relevant areas of risk and reinforce the bridges between the first and second lines of defence, thereby seeking to ensure that there is a clear understanding of emerging risks, their relevance to the organization and the proposed mitigation plans. To further coordinate efforts between the first and second lines of defence, BCE has established a Health and Safety, Security, Environment and Compliance Oversight Committee. A significant number of BCE's most senior leaders are members of this committee, the purpose of which is to oversee BCE's strategic security (including cybersecurity), compliance and, environmental, health and safety risks and opportunities. This cross-functional committee seeks to ensure that relevant risks are adequately recognized and mitigation activities are well integrated and aligned across the organization and are supported with sufficient resources.

THIRD LINE OF DEFENCE – INTERNAL AUDIT FUNCTION

Internal Audit is a part of the overall management information and control system and has the responsibility to act as an independent appraisal function. Its purpose is to provide the Audit Committee and management with objective evaluations of the company's risk and control environment, to support management in fulfilling BCE's strategic imperatives and to maintain an audit presence throughout BCE and its subsidiaries.

2 Strategic imperatives

Our success is built on the BCE team's dedicated execution of the six strategic imperatives that support our goal to be recognized by customers as Canada's leading communications company.

2.1 Invest in broadband networks and services



We invest in wireline and wireless broadband platforms to deliver the most advanced wireless, TV, Internet and other IP-based services available, to support continued subscriber and data growth across all our residential product lines as well as the needs of our business market customers.

2017 PROGRESS

- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Launched North America's first Quad-band LTE-A network deployment capable of delivering theoretical speeds of up to 750 Mbps (expected average download speeds of 25 to 230 Mbps in select areas). Bell's Quad Band service expanded to 23% of Canadians, encompassing 91 cities.
- Continued to expand our FTTP direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 60% of homes and businesses in the city of Toronto. Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTP enables symmetrical Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future.
- Began the build-out of broadband fibre directly to 1.1 million residences and business locations throughout Montréal, representing the largest-ever communications infrastructure project in Québec with a planned capital investment of \$854 million. Montréal joins a growing number of centres across Québec that are fully wired with Bell fibre, including Québec City where fibre deployment was launched in 2012. By the end of 2017, Bell fibre reached approximately 40% of homes and businesses throughout the province of Québec, including 14% of all locations in Montréal.

2018 FOCUS

- Expand FTTP broadband fibre footprint to approximately 4.5 million total combined homes and commercial locations
 - In February 2018, we announced the expansion of FTTP direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell's fibre plan will deliver Gigabit Internet speeds and other broadband Fibe service innovations to more than 1.3 million homes and businesses in the region.
- Expand LTE-A network footprint to approximately 92% of the Canadian population
- Deploy Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4x4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase small cell deployment and in-building coverage to increase urban densification and support evolution to our Fifth Generation (5G) services
- Launch an LTE-category M1 (LTE-M) wireless network to support the rapidly increasing use of IoT devices on low-power, wide-area networks (LPWANs) in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.

2.2 Accelerate wireless



Our objective is to grow our Bell Wireless business profitably by focusing on postpaid subscriber acquisition and retention, maximizing average revenue per user (ARPU) by targeting premium smartphone subscribers in all geographic markets we operate in, leveraging our wireless networks, and maintaining device and mobile content leadership to drive greater wireless data penetration and usage.

2017 PROGRESS

- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016

- Expanded our smartphone and tablet lineup with 40 new devices, including Apple's iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google's Pixel 2 and Pixel 2 XL and the LG G6, adding to our extensive selection of 4G LTE and LTE-A devices

- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just \$20 for unlimited local calling. Initially available to consumers in Ontario, Alberta and British Columbia, Lucky Mobile offers service in 17 zones covering most major cities across the country, including data access at 3G-equivalent access speeds.
- Became the Government of Canada's primary wireless supplier for the next six years, with options to renew. Bell will supply voice, text, and data services and approximately 230,000 mobile devices to federal employees in more than 100 departments and agencies.
- First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing Voice over LTE (VoLTE) technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number.
- Launched the first integrated Advanced Messaging service on Samsung devices, offering a suite of mobile messaging features previously available through specialized third-party applications
- Took a leadership position in the fast-growing IoT sector, which enables the interconnection of a range of devices and applications that send and receive data
 - Bell MTS launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
 - Concluded an agreement with Hyundai AutoEver Telematics America (HATA), a subsidiary of Hyundai Motor Group, to deliver a range of connected telematics services including security, safety, diagnostics and infotainment to select Hyundai and Kia vehicles over Bell's national mobile network
 - Partnered with BeWhere Technologies and Huawei to implement an automated IoT solution for the Henry of Pelham Family Estate Winery to help improve planning and sustainability programs
- First Canadian carrier to offer global connectivity for our leading-edge IoT platforms and applications. Bell's Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web-based platform by embedding Bell's Global subscriber identification module (SIM) cards into their products.

2018 FOCUS

- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
 - In February 2018, we partnered with the city of Kingston to employ Bell's Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement

2.3 Leverage wireline momentum



We focus on leveraging our fibre-based TV and Internet services to develop attractive residential offers that drive higher multi-product bundle sales and improve customer satisfaction and retention. These broadband services contribute to the ongoing shift of our operating mix away from legacy wireline voice services.

In our business markets, we remain focused on expanding our broadband network and strengthening our delivery of integrated solutions to Canadian businesses, while continuing to manage the transformation of our business from legacy network services to a fully-integrated data hosting, cloud computing and managed services provider.

2017 PROGRESS

- Maintained our position as Canada's largest TV provider with 2,832,300 subscribers, and increased our total number of IPTV subscribers by 15.9% to 1,550,317
- Built on our position as the leading Internet service provider (ISP) in Canada with a high-speed Internet subscriber base of 3,790,141, up 9.0% over 2016, including one million FTTP customers
- Launched Fibe Alt TV, Canada's first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Continued to lead television innovation in Canada with ongoing enhancements to our IPTV service
 - Fibe TV customers in Ontario and Québec can watch their PVR recordings on the go on their tablets, smartphones and laptops with the Fibe TV app
 - Customers with 4K Whole Home PVR can access YouTube, in addition to CraveTV and Netflix
- Acquired AlarmForce (transaction completed on January 5, 2018), a Canadian leader in home security and monitoring services, as part of Bell's strategic expansion in the fast-growing Connected Home marketplace. Combining the assets and experience of AlarmForce with Bell's strength in networks, customer service and distribution will enable Bell to deliver the latest Connected Home services to customers in Ontario, Québec, Atlantic Canada and Manitoba.
- Partnered with Akamai Technologies Inc. (Akamai), a global leader in content delivery and cloud services, to expand our portfolio of integrated web security solutions for business customers. Complementing Bell solutions to help businesses increase productivity, minimize risk, and maximize service differentiation, Akamai's leading cloud security, web performance, and media delivery products strengthen our ability to identify security threats, proactively prevent attacks, and support customers in optimizing their online presence.

- Recognized by International Data Corporation (IDC) Canada as a leader in delivering security services for business customers. Bell was the only telecom company in IDC's Leaders Category, which included large multinationals such as CGI Group Inc. (CGI), International Business Machines Corporation (IBM) and Deloitte Touche Tohmatsu Limited (Deloitte). Evaluators noted that Bell's extensive network enables us to quickly leverage cyber threat intelligence to provide a complete range of advanced threat detection, mitigation and prevention services.

2018 FOCUS

- Continue to enhance our Fibe TV and Alt TV services with more advanced features
 - In January 2018, we concluded a multi-year agreement with Ericsson to leverage its next generation, cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibe TV and Alt TV customers
- Maintain our leadership position in Canadian broadband communications with the most advanced products in the home

- In January 2018, we launched Whole Home Wi-Fi, Canada's first Wi-Fi service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements. Bell partnered with Plume Design Inc. (Plume) to deliver new access points, called pods, that work with the cloud-based networking intelligence of Bell's Home Hub 3000 modem to deliver a fully adaptive Wi-Fi service.
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

2.4 Expand media leadership



We strive to deliver leading sports, news, entertainment and business content across all screens and platforms to grow audiences. We are also creating more of our own content, ensuring that Canadian attitudes, opinions, values and artistic creativity are reflected in our programming and in our coverage of events in Canada and around the world, and to introduce new services in support of new revenue streams.

2017 PROGRESS

- Maintained CTV's #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels *Séries+* and *Historia*, further enhancing our competitiveness in the Québec media landscape. *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 transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau.
- Grew CraveTV viewership to approximately 1.3 million subscribers at the end of 2017
- Signed an agreement to acquire four FM radio stations in Ontario from Larche Communications Inc. (Larche). Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media's existing 105 iHeartRadio Canada properties will broaden the network's industry-leading reach across the country.
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-2018 season. The agreement sees TSN air a slate of games in the Montreal Canadiens' designated broadcast region, which spans Eastern and Northern Ontario, Québec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.

- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include syndication rights for NFL highlights in Canada, as well as expanded footage and programming rights to further bolster Bell Media's non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks' digital and social media platforms.
- Announced a strategic partnership with Wow Unlimited Media Inc. (Wow) to produce kids and youth entertainment
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country's largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
 - In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate's future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.

- Grow viewership and scale of CraveTV on-demand TV streaming service
 - In January 2018, we announced that CraveTV's HBO offering would expand throughout 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope
- Develop in-house production and content creation for distribution and use across all screens and platforms
- Expand live and on-demand content through TV Everywhere services
- Build on our OOH leadership position in Canada
- Grow French media properties
- Leverage cross-platform and integrated sales and sponsorship
- Grow revenues through unique partnerships and strategic content investments
 - In January 2018, we partnered with Bloomberg Media to create BNN Bloomberg, Canada's leading multi-platform business news brand. Expected to launch in Spring 2018, BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada's business decision makers.
 - In February 2018, we launched Snackable TV, a mobile-first, short-form video app delivering premium and shareable entertainment targeted at viewers looking to consume snack-size pieces of content, featuring exclusive content from HBO, Comedy Central, Etalk and more

2.5 Improve customer service



Our objective is to enhance customers' overall experience by delivering call centre efficiency, meeting commitments for the installation and timely repair of services, increasing network quality, and implementing process improvements to simplify customer transactions and interactions with our front-line employees and self-serve tools. All of these will help differentiate us from our competitors and gain long-term customer loyalty. We intend to achieve this by making the investments we need to improve our front-line service capabilities, our networks, our products and our distribution channels to win and keep customers.

2017 PROGRESS

- Virgin Mobile Canada (Virgin Mobile) was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories
- Improved wireless postpaid churn by 0.06 pts in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repairs pilot program in Ontario, resolving many common smartphone issues within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced fibre-to-the-home (FTTH) Residential Fibe TV installation time by 9% in 2017
- Reduced FTTH Residential Fibe TV repair truck rolls per customer by 16% in 2017
- Launched a simplified wireless bill

- Offered Same Day repair appointments to 68% of small business customers, an improvement of 94% since 2014
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTP installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician in-field experience through simplification and innovation of technician tools
- Improve troubleshooting and diagnostic processes to manage increasing customer and device complexity

2.6 Achieve a competitive cost structure



Cost containment is a core element of our financial performance. It remains a key factor in our objective to preserve steady margins as we continue to experience revenue declines in our legacy wireline voice and data services and further shift our product mix towards growth services. We aim to accomplish this through operating our business in the most cost-effective way possible to extract maximum operational efficiency and productivity gains.

2017 PROGRESS

- Maintained relatively stable BCE consolidated adjusted EBITDA margin⁽¹⁾ compared to 2016
- Improved Bell Wireline adjusted EBITDA margin by 0.1 pts over 2016
- Realized approximately \$33 million of operating cost synergies from the integration of MTS into our Bell Wireline and Bell Wireless segments
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP
- Lowered Bell Canada's average after-tax cost of publicly issued debt securities to 3.2%

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin
- Optimize Bell Media's operating cost structure to align with revenue results

(1) Adjusted EBITDA margin is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin in this MD&A for more details.

3 Performance targets, outlook, assumptions and risks

This section provides information pertaining to our performance against 2017 targets, our consolidated business outlook and operating assumptions for 2018 and our principal business risks.

3.1 BCE 2017 performance vs. guidance targets

FINANCIAL GUIDANCE	2017 TARGET	2017 PERFORMANCE AND RESULTS
Revenue growth	4%–6%	4.6% BCE revenues were up 4.6% in 2017 driven by growth in Bell Wireless of 10.1%, Bell Wireline of 2.6% and Bell Media of 0.7%. This included the contribution from the acquisitions of MTS and Q9, moderated by regulatory pressures impacting all three of our segments.
Adjusted EBITDA growth	4%–6%	4.4% BCE adjusted EBITDA grew 4.4% in 2017 with a corresponding adjusted EBITDA margin of 40.4%, which remained relatively stable year over year. The growth was driven by higher wireless, Internet, IPTV and media revenues, the impact of the acquisitions of MTS and Q9, along with continued effective cost management. This more than offset the ongoing revenue declines in wireline voice, satellite TV and legacy data services, increased investment in wireless subscriber retention and acquisition, and regulatory pressures, as well as higher Bell Media programming and content costs.
Capital intensity	Approx. 17%	17.8% BCE continued to focus its strategic investment in advanced broadband wireline and wireless infrastructure with capital expenditures totaling \$4,034 million in 2017, up 7.0% over last year. This corresponded to an increased capital intensity ratio of 17.8% in 2017 compared to 17.4% last year and exceeded target due to the accelerated deployment of broadband fibre. Capital spending in 2017 was focused on the continued deployment of our broadband fibre directly to more homes and businesses, the ongoing rollout of our 4G LTE and LTE-A mobile networks, as well as the enhancement and expansion of our wireless network to increase network speeds and to support the growth in our subscriber base and data consumption.
Adjusted net earnings per share (adjusted EPS) ⁽¹⁾	\$3.30–\$3.40	\$3.39 Adjusted net earnings in 2017 decreased by \$24 million, or \$0.07 per common share, due to higher depreciation and amortization expense, higher other expense which included impairment charges relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs, partly offset by higher operating revenues, which resulted in higher adjusted EBITDA and lower income taxes. The average number of BCE common shares outstanding increased principally as a result of shares issued for the acquisition of MTS.
Free cash flow growth	Approx. 5%–10%	6.0% Increase in free cash flow of \$192 million in 2017 was driven by higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.
Annualized common dividend per share	\$2.87	\$2.87 Annualized BCE common dividend per share for 2017 increased by 14 cents, or 5.1%, to \$2.87 compared to \$2.73 per share in 2016.
Dividend payout ratio	65%–75% of free cash flow	73.5% Dividend payout ratio in 2017 increased by 2% from 71.5% to 73.5%.

3.2 Business outlook and assumptions

OUTLOOK

BCE's 2018 outlook builds on the solid financial results achieved in 2017 that reflected higher wireless postpaid subscriber net additions and profitability; positive wireline adjusted EBITDA growth; an expanded direct fibre footprint offering more competitive Internet speeds; operating cost reductions at Bell Media to help offset content cost growth; and further integration synergies from the MTS acquisition.

Our projected financial performance for 2018 is underpinned by continued execution of our six strategic imperatives in a highly competitive and dynamic market. Growth in adjusted EBITDA, including the incremental financial contribution of Bell MTS in the first quarter of 2018, is expected to drive higher free cash flow generation, providing a strong and stable foundation for a higher BCE common share dividend for 2018, as well as continued significant capital investment in broadband fibre and wireless network infrastructure to support future growth.

(1) Adjusted EPS is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted net earnings and adjusted EPS in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measure.

The key 2018 operational priorities for BCE are to:

- Maintain market share of incumbent wireless postpaid net additions
- Drive continued adoption of mobile smartphone handsets, tablets and data applications, as well as the introduction of more 4G LTE and LTE-A devices and new data services
- Optimize wireless operating profitability through wireless subscriber base expansion and higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates
- Further expand our LTE-A mobile network coverage to approximately 92% of the Canadian population
- Increase our FTTP footprint by approximately 800,000 homes and businesses to 4.5 million locations
- Achieve positive full-year wireline adjusted EBITDA growth through further growth of our residential IPTV and Internet subscriber bases,

higher household ARPU from increased penetration of multi-product households and price increases, and realization of further Bell MTS operating cost synergies

- Increase revenue generation from monetization of content rights and Bell Media properties across all platforms, while controlling TV programming and premium content cost escalation
- Continue scaling Bell Media's CraveTV on-demand streaming service
- Realize operating cost savings from workforce attrition and retirements, lower contracted rates from our suppliers, reduction in traffic that is not on our wireline network, broader deployment of FTTP, and customer service improvements

Our projected financial performance for 2018 enabled us to increase the annualized BCE common share dividend for 2018 by 15 cents, or 5.2%, to \$3.02 per share, maintaining our dividend payout ratio within our target policy range of 65% to 75% of free cash flow.

ASSUMPTIONS

ASSUMPTIONS ABOUT THE CANADIAN ECONOMY

- Gradual slowdown in economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 2.2% in 2018
- Employment gains expected to slow in 2018, as the overall level of business investment is expected to remain soft
- Interest rates expected to increase in 2018
- 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

MARKET ASSUMPTIONS

- A higher level of wireline and wireless competition in consumer, business and wholesale markets
- Higher, but slowing, wireless industry penetration and smartphone adoption
- A soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming
- Ongoing linear TV subscriber erosion expected, due to growing cord-cutter and cord-never customer segments

3.3 Principal business risks

Provided below is a summary description of certain of our principal business risks that could have a material adverse effect on all of our segments. Certain additional business segment-specific risks are reported in section 5, *Business segment analysis*. For a detailed description of the principal risks relating to our regulatory environment and a description of the other principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, refer to section 8, *Regulatory environment*, and section 9, *Business risks*, respectively.

COMPETITIVE ENVIRONMENT

As the scope of our businesses increases and evolving technologies drive new services, delivery models and strategic partnerships, our competitive landscape expands to include new and emerging competitors, certain of which were historically our partners or suppliers, as well as other global scale competitors including, in particular, OTT TV service and voice over Internet protocol (VoIP) providers and other web-based and OTT players which are penetrating the telecommunications space. Pricing and investment decisions of market participants are based on many factors, such as strategy, market position, technology evolution, customer confidence and economic climate, and collectively these factors could adversely affect our market shares, service volumes and pricing strategies and, consequently, our financial results. Technology substitution, IP networks and recent regulatory decisions, in particular, continue to reduce barriers to entry in our industry. This has allowed competitors to launch new products and services and gain market share with far less investment in financial, marketing, human, technological and network resources than has historically been required. In particular, some competitors sell their services through the use of our networks as a result of regulatory requirements applicable to us, without the need

to invest to build their own networks. Such lower necessary investment has enabled some competitors to be very disruptive in their pricing. Moreover, foreign OTT players such as Netflix are currently not subject to the same taxation obligations as those imposed on Canadian domestic digital suppliers, which provides them with a competitive advantage over us. We expect these trends to continue in the future and the increased competition we face as a result could negatively impact our business including, without limitation, in the following ways:

- Competitors' aggressive market offers could result in pricing pressures, lower margins and increased costs of customer acquisition and retention, and our market shares and sales volumes could decrease if we do not match competitors' pricing levels or increase customer acquisition and retention costs
- Higher Canadian wireless penetration could slow opportunities for new customer acquisition
- Product substitutions and spending rationalization by business customers could result in an acceleration of NAS erosion beyond our current expectations

- The continued OTT-based substitution and market expansion of VoIP service providers and traditional software players delivering low-cost voice line alternatives, which is changing our approach to service offers and pricing, could have an adverse effect on our business
- A fundamental separation of content and connectivity has emerged, allowing the expansion and market penetration of low-cost OTT TV providers and other alternative service providers, some of which may offer content as loss leaders to support their core business, which is changing our TV and media ecosystems, could lower our revenue streams and could affect our business negatively
- Competition with global competitors such as Netflix and Amazon, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs as these competitors, along with other global scale entities such as Google, disrupt local market dynamics as a result of innovative and flexible global market strategies
- Adverse economic conditions, such as economic downturns or recessions, adverse conditions in the financial markets, or a declining level of retail and commercial activity could have a negative impact on the demand for, and prices of, our wireline, wireless and media products and services, as well as drive an increase in bad debts as the creditworthiness of some customers declines
- Regulatory decisions regarding wholesale access to our wireless and fibre networks could bring new competitors or strengthen the market position of current competitors
- An increasing number of off-contract customers could increase customer acquisition activity and churn in the Canadian wireless market
- Foreign competitors could enter the Canadian market and leverage their global scale advantage

For a further discussion of our competitive environment and competition risk, as well as a list of our main competitors, on a segmented basis, refer to *Competitive landscape and industry trends* and *Principal business risks* in section 5, *Business segment analysis*.

REGULATORY ENVIRONMENT

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, Innovation, Science and Economic Development Canada (ISED), Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership

requirements. As with all regulated organizations, planned strategies are contingent upon regulatory decisions. Adverse decisions by regulatory agencies or increased regulation could have negative financial, operational, reputational or competitive consequences for our business. For a discussion of our regulatory environment and the principal risks related thereto, refer to section 8, *Regulatory environment*.

SECURITY MANAGEMENT

Our operations, service performance and reputation depend on how well we protect our physical and non-physical assets, including networks, IT systems, offices, corporate stores and sensitive information, from events and attacks such as those referred to in section 9, *Business risks – Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities*. The protection and effective organization of our systems, applications and information repositories are central to the secure and continuous operation of our networks and business as electronic and physical records of proprietary business and personal data, such as confidential customer and employee information, are all sensitive from a market and privacy perspective. In particular, cyber attacks are constantly evolving and becoming more frequent and our IT defences need to be constantly monitored and adapted to respond to them. Cyber attacks include, but are not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, phishing or other attacks on network or IT security. We are also exposed to cyber threats as a result of actions that may be taken by our customers, suppliers, employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization. Vulnerabilities could harm our brand and reputation and adversely affect customer and investor confidence as well as our financial results given that they may lead to:

- Network operating failures and service disruptions, which could directly impact our customers' ability to maintain normal business operations and deliver critical services and/or the ability of third-party suppliers to deliver critical services to us
- Unauthorized access to proprietary or sensitive information about our business

- Theft, loss, leakage, destruction or corruption of data and confidential information, including personal information about our customers or employees, that could result in financial loss, exposure to claims for damages by customers, employees and others, and difficulty in accessing materials to defend legal cases
- Physical damage to network assets impacting service continuity
- Litigation, fines and liability for failure to comply with privacy and information security laws
- Fines and sanctions from credit card providers for failing to comply with payment card industry data security standards for protection of cardholder data
- Regulatory investigations and increased audit and regulatory scrutiny that could divert resources from project delivery
- Increased fraud as criminals leverage stolen information against us, our employees or our customers
- The potential for loss of subscribers or impairment of our ability to attract new ones
- Lost revenues due to service disruptions and the incurrence of remediation costs
- Higher insurance premiums

In addition, cyber attacks and other security breaches affecting our suppliers or other business partners could also adversely affect our operations and financial results.

Although we evaluate and seek to adapt our security policies, procedures and controls that are designed to protect our assets, there is no assurance that these will prevent the occurrence of material cybersecurity breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result therefrom.

4 Consolidated financial analysis

This section provides detailed information and analysis about BCE's performance in 2017 compared with 2016. It focuses on BCE's consolidated operating results and provides financial information for our Bell Wireless, Bell Wireline and Bell Media business segments. For further discussion and analysis of our business segments, refer to section 5, *Business segment analysis*.

4.1 Introduction

BCE CONSOLIDATED INCOME STATEMENTS

	2017	2016	\$ CHANGE	% CHANGE
Operating revenues				
Service	21,143	20,090	1,053	5.2%
Product	1,576	1,629	(53)	(3.3%)
Total operating revenues	22,719	21,719	1,000	4.6%
Operating costs	(13,541)	(12,931)	(610)	(4.7%)
Adjusted EBITDA	9,178	8,788	390	4.4%
<i>Adjusted EBITDA margin</i>	40.4%	40.5%		(0.1) pts
Severance, acquisition and other costs	(190)	(135)	(55)	(40.7%)
Depreciation	(3,037)	(2,877)	(160)	(5.6%)
Amortization	(813)	(631)	(182)	(28.8%)
Finance costs				
Interest expense	(955)	(888)	(67)	(7.5%)
Interest on post-employment benefit obligations	(72)	(81)	9	11.1%
Other (expense) income	(102)	21	(123)	n.m.
Income taxes	(1,039)	(1,110)	71	6.4%
Net earnings	2,970	3,087	(117)	(3.8%)
Net earnings attributable to:				
Common shareholders	2,786	2,894	(108)	(3.7%)
Preferred shareholders	128	137	(9)	(6.6%)
Non-controlling interest	56	56	–	–
Net earnings	2,970	3,087	(117)	(3.8%)
Adjusted net earnings	3,033	3,009	24	0.8%
Net earnings per common share (EPS)	3.12	3.33	(0.21)	(6.3%)
Adjusted EPS	3.39	3.46	(0.07)	(2.0%)

n.m.: not meaningful

Total operating revenues at BCE increased by 4.6%, compared to last year, reflecting higher service revenues of 5.2%, moderated by a decline in product revenues of 3.3%. The year-over-year increase in service revenues was driven by growth across all three of our segments, led by continued strength from Bell Wireless and higher Internet, IPTV and media subscription revenues, as well as reflecting the contributions from the acquisitions of MTS on March 17, 2017 and Q9 in Q4 2016. The growth in service revenues was moderated by the continued erosion in voice, satellite TV and legacy data revenues, including reduced customer spending and competitive pricing pressures in our business market, regulatory pressures impacting all three of our segments, and lower advertising revenues at Bell Media due to ongoing market softness.

Net earnings in 2017 decreased 3.8%, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of \$82 million relating to our Bell Media

segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

2017 adjusted EBITDA grew by 4.4% with a corresponding adjusted EBITDA margin of 40.4% as a result of year-over-year increases in our Bell Wireless and Bell Wireline segments, offset by a decline in our Bell Media segment. The year-over-year increase in adjusted EBITDA was driven by the flow-through of the service revenue growth, the contribution from our acquisitions and continued effective cost management. This was moderated by higher investment in customer retention and acquisition at Bell Wireless and escalating content and programming costs at Bell Media.

BCE STATEMENTS OF CASH FLOWS – SELECTED INFORMATION

	2017	2016	\$ CHANGE	% CHANGE
Cash flows from operating activities	7,358	6,643	715	10.8%
Capital expenditures	(4,034)	(3,771)	(263)	(7.0%)
Free cash flow	3,418	3,226	192	6.0%

In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased \$715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased \$192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

4.2 Customer connections

TOTAL BCE CONNECTIONS

	2017	2016	% CHANGE
Wireless subscribers ⁽¹⁾	9,166,787	8,468,872	8.2%
<i>Postpaid⁽¹⁾</i>	8,418,650	7,690,727	9.5%
High-speed Internet subscribers ⁽¹⁾⁽²⁾	3,790,141	3,476,562	9.0%
TV (satellite and IPTV subscribers) ⁽¹⁾	2,832,300	2,744,909	3.2%
<i>IPTV⁽¹⁾</i>	1,550,317	1,337,944	15.9%
Total growth services	15,789,228	14,690,343	7.5%
Wireline NAS lines ⁽¹⁾	6,320,483	6,257,732	1.0%
Total services	22,109,711	20,948,075	5.5%

(1) As a result of the acquisition of MTS on March 17, 2017, our wireless, high-speed Internet, TV and NAS subscriber bases increased by 476,932 (418,427 postpaid), 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively. Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.

(2) Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

BCE NET ACTIVATIONS

	2017	2016	% CHANGE
Wireless subscribers	333,084	223,041	49.3%
<i>Postpaid</i>	416,779	315,311	32.2%
High-speed Internet subscribers	87,860	85,099	3.2%
TV (satellite and IPTV subscribers)	(20,716)	6,413	(423.0%)
<i>IPTV</i>	107,712	155,153	(30.6%)
Total growth services	400,228	314,553	27.2%
Wireline NAS lines	(357,065)	(415,408)	14.0%
Total services	43,163	(100,855)	142.8%

BCE added 400,228 net new customer connections to its growth services in 2017, representing a 27.2% improvement over 2016. This consisted of:

- 416,779 postpaid wireless customers, and the net loss of 83,695 prepaid wireless customers
- 87,860 high-speed Internet customers
- 107,712 IPTV customers and 128,428 satellite TV net customer losses

NAS net losses were 357,065 in 2017, an improvement of 14.0% over 2016.

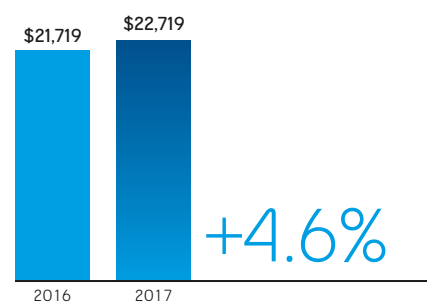
Total BCE customer connections across all services increased by 5.5% in 2017 compared to last year, driven by the subscribers acquired as part of the acquisition of MTS, as well as increases in our growth services customer base, offset in part by the continued but moderating erosion in traditional NAS lines.

At the end of 2017, BCE customer connections totaled 22,109,711 and were comprised of the following:

- 9,166,787 wireless subscribers, up 8.2% compared to 2016, and included 8,418,650 postpaid wireless subscribers, an increase of 9.5% compared to the prior year
- 3,790,141 high-speed Internet subscribers, 9.0% higher year over year
- 2,832,300 total TV subscribers, up 3.2% compared to 2016, and included 1,550,317 IPTV customers, up 15.9% year over year
- 6,320,483 total NAS lines, an increase of 1.0% compared to 2016

4.3 Operating revenues

BCE Revenues (in \$ millions)



	2017	2016	\$ CHANGE	% CHANGE
Bell Wireless	7,883	7,159	724	10.1%
Bell Wireline	12,415	12,104	311	2.6%
Bell Media	3,104	3,081	23	0.7%
Inter-segment eliminations	(683)	(625)	(58)	(9.3%)
Total BCE operating revenues	22,719	21,719	1,000	4.6%

BCE

Total operating revenues at BCE increased by 4.6% in 2017, compared to 2016, reflecting growth across all three of our segments. This was comprised of service revenues of \$21,143 million in 2017, which grew by 5.2% compared to 2016, and product revenues of \$1,576 million, which declined by 3.3% year over year.

BELL WIRELESS

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by both higher service and product revenues. Service revenues grew by 10.7%, reflecting a larger postpaid subscriber base, higher blended ARPU and the contribution from the acquisition of MTS. The growth in blended ARPU was driven by the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates due to the flow-through of 2016 pricing changes, and higher smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and demand for larger data plans. This was partially offset by the unfavourable impact of Telecom Decision CRTC 2016-171 (Telecom Decision CRTC 2016-171), issued by the CRTC on May 5, 2016, related to 30-day cancellation policies, which clarified that service providers must provide pro-rated refunds, based on the number of days left in the last monthly billing cycle after cancellation, certain aspects of which are currently the subject matter of an application for clarification by TELUS Communications Company pursuant to the Telecommunications Act and Part 1 of the CRTC Rules of Practice. The year-over-year growth in service revenues was also moderated by the increased adoption of all-inclusive voice and text rate plans resulting in lower out of bundle usage. Product revenues increased by 3.1%, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

BELL WIRELINE

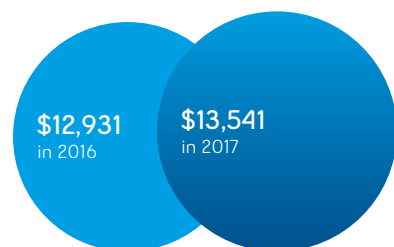
Bell Wireline operating revenues increased by 2.6% in 2017, compared to last year, driven by service revenue growth of 3.4%, offset in part by a decrease in product revenues of 5.9%. The growth in service revenues was attributable to the acquisitions of MTS and Q9, Internet and IPTV subscriber growth combined with higher household ARPU. The growth in revenues was moderated by the continued erosion in our voice, satellite TV and legacy data services, increased acquisition, retention and bundle discounts to match aggressive offers from cable competitors and regulatory pressures due to unfavourable CRTC rulings in 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171. The decline in product revenues was driven by lower demand for equipment by large business customers, attributable to market softness and competitive pricing pressures, as well as lower sales of consumer electronics at The Source, partly offset by the favourable contribution from the MTS acquisition.

BELL MEDIA

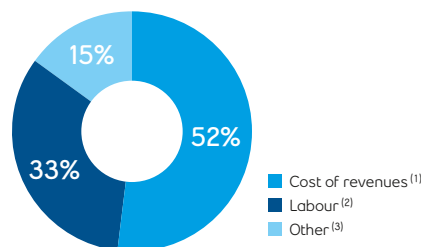
Bell Media operating revenues increased by 0.7% in 2017, compared to 2016, due to higher subscriber revenues driven by growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals and the benefit from the expansion of TMN into a national pay TV service in March 2016. This was partially offset by lower advertising revenues mainly due to continued market softness and declines in audience levels across both conventional and specialty TV and radio media platforms, as well as reflecting the negative impact on conventional TV advertising revenues from the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. The decline in advertising revenues was moderated by growth in OOH advertising revenues as a result of the contribution from the Cieslok Media Ltd. (Cieslok Media) acquisition in January 2017 and from newly awarded contracts.

4.4 Operating costs

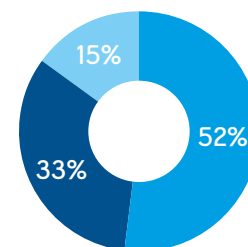
BCE Operating costs (in \$ millions)



BCE Operating cost profile 2016



BCE Operating cost profile 2017



	2017	2016	\$ CHANGE	% CHANGE
Bell Wireless	(4,607)	(4,156)	(451)	(10.9%)
Bell Wireline	(7,229)	(7,062)	(167)	(2.4%)
Bell Media	(2,388)	(2,338)	(50)	(2.1%)
Inter-segment eliminations	683	625	58	9.3%
Total BCE operating costs	(13,541)	(12,931)	(610)	(4.7%)

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

(2) Labour costs (net of capitalized costs) include wages, salaries and related taxes and benefits, post-employment benefit plans service cost, and other labour costs, including contractor and outsourcing costs.

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

BCE

Total BCE operating costs increased by 4.7% in 2017, compared to 2016, resulting from higher costs in all three of our segments.

BELL WIRELESS

Bell Wireless operating costs increased by 10.9% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidized upgrades reflecting a greater number of contract expiries
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of postpaid gross activations in our mix and increased gross activations
- The acquisition of MTS
- Increased network operating costs driven by higher LTE and LTE-A network usage
- Increased labour costs to support the growth of the business

BELL WIRELINE

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, as a result of:

- The acquisitions of MTS and Q9
- Greater programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fleet expenses from higher fuel and refurbishment costs
- Greater marketing and sales expense in our retail market to support subscriber acquisitions

These factors were partially offset by:

- Lower labour costs attributable to workforce reductions, vendor contract savings, as well as fewer call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by fewer sales of international long distance minutes
- Reduced bad debt expense

BELL MEDIA

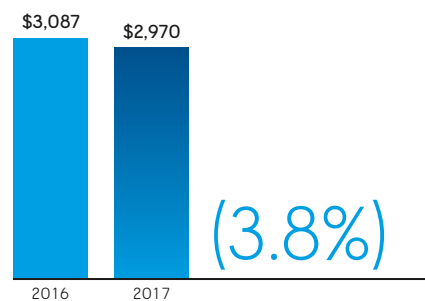
Bell Media operating costs increased by 2.1% in 2017, compared to last year, mainly due to higher programming and content costs from the ongoing ramp up of content for CraveTV and pay TV services, deal renewals for specialty TV programming, content costs associated with TMN national expansion, escalating costs for sports rights as well as higher OOH expenses resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This increase in operating costs was partially mitigated by reduced labour costs driven mainly by workforce reductions.

4.5 Net earnings

BCE

Net earnings

(in \$ millions)



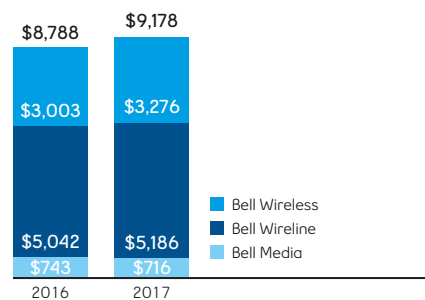
In 2017, net earnings decreased by 3.8%, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of \$82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

4.6 Adjusted EBITDA

BCE

Adjusted EBITDA

(in \$ millions)



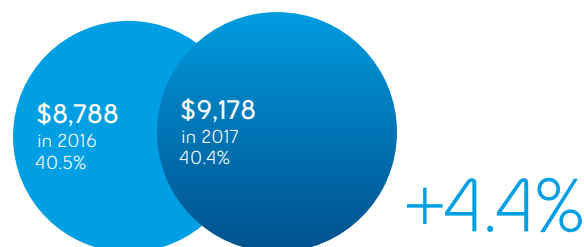
	2017	2016	\$ CHANGE	% CHANGE
Bell Wireless	3,276	3,003	273	9.1%
Bell Wireline	5,186	5,042	144	2.9%
Bell Media	716	743	(27)	(3.6%)
Total BCE adjusted EBITDA	9,178	8,788	390	4.4%

BCE

Adjusted EBITDA

(in \$ millions)

(% adjusted EBITDA margin)



BCE

BCE's adjusted EBITDA increased by 4.4% in 2017, compared to 2016, driven by growth in our Bell Wireless and Bell Wireline segments, offset in part by a decline in our Bell Media segment. This resulted in a relatively stable adjusted EBITDA margin of 40.4% compared to 40.5% experienced last year.

The growth in adjusted EBITDA reflected higher wireless, Internet, IPTV and media revenues, the contribution from the acquisitions of MTS and Q9 and effective cost management. This was offset in part by the ongoing erosion in our voice, satellite TV and legacy data revenues,

greater investment in wireless subscriber retention and acquisition, regulatory pressures impacting all three of our segments, as well as higher programming and content costs in our Bell Media segment.

BELL WIRELESS

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher operating revenues from the continued growth in our subscriber base and in blended ARPU along with the contribution from the acquisition of MTS, moderated by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.6 pts to 44.6%, in 2017, compared to 45.2% in the prior year.

BELL WIRELINE

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, resulting from the acquisitions of MTS and Q9, growth in our Internet and IPTV businesses, as well as reflecting disciplined cost containment. This was partly offset by the continued decline of voice, satellite TV and legacy data revenues, including the effect of reduced customer spending and competitive pressures in our business market and the impact of regulatory pressures.

BELL MEDIA

Bell Media adjusted EBITDA decreased by 3.6% in 2017, compared to the previous year, due to higher programming and content costs and flow-through of the advertising revenue decline which included the unfavourable impact of the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. This was moderated by continued growth in subscriber revenues and lower labour costs.

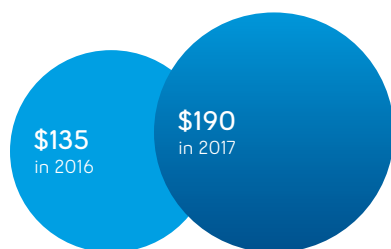
4.7 Severance, acquisition and other costs

This category includes various income and expenses that are not related directly to the operating revenues generated during the year.

BCE

Severance, acquisition and other costs

(in \$ millions)



2017

Severance, acquisition and other costs included:

- Severance costs related to workforce reduction initiatives of \$79 million
- Acquisition and other costs of \$111 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, severance and integration costs as well as a loss on transfer of spectrum licences to Xplornet Communications Inc. related to the MTS acquisition

2016

Severance, acquisition and other costs included:

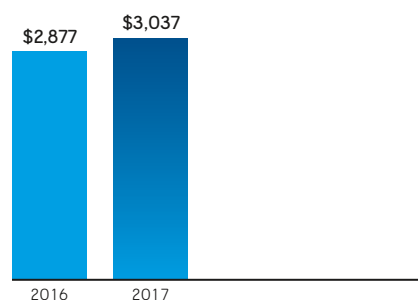
- Severance costs related to workforce reduction initiatives of \$87 million
- Acquisition and other costs of \$48 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, as well as severance and integration costs relating to the privatization of Bell Aliant

4.8 Depreciation and amortization

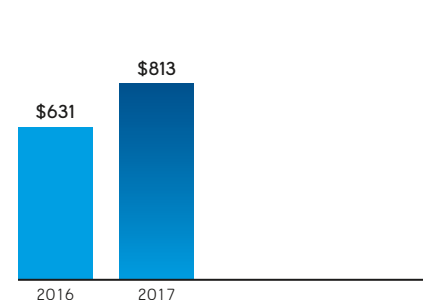
The amount of our depreciation and amortization in any year is affected by:

- How much we invested in new property, plant and equipment and intangible assets in previous years
- How many assets we retired during the year
- Estimates of the useful lives of assets

BCE Depreciation (in \$ millions)



BCE Amortization (in \$ millions)



DEPRECIATION

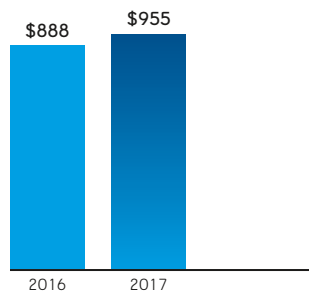
Depreciation in 2017 increased by \$160 million, compared to 2016, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes in useful lives have been applied prospectively, effective January 1, 2017, and did not have a significant impact on our financial statements.

AMORTIZATION

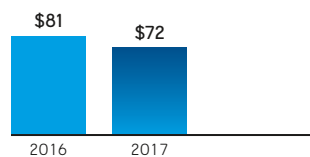
Amortization in 2017 increased by \$182 million, compared to 2016, due mainly to the acquisition of MTS and a higher asset base.

4.9 Finance costs

BCE Interest expense (in \$ millions)



BCE Interest on post-employment benefit obligations (in \$ millions)



INTEREST EXPENSE

Interest expense in 2017 increased by \$67 million, compared to 2016, mainly as a result of higher average debt levels due in part to the acquisition of MTS, partly offset by lower average interest rates.

INTEREST ON POST-EMPLOYMENT BENEFIT OBLIGATIONS

Interest on our post-employment benefit obligations is based on market conditions that existed at the beginning of the year. On January 1, 2017, the discount rate was 4.0% compared to 4.2% on January 1, 2016.

In 2017, interest expense decreased by \$9 million, compared to last year, due to a lower post-employment benefit obligation at the beginning of the year.

The impacts of changes in market conditions during the year are recognized in other comprehensive income (loss) (OCI).

4.10 Other (expense) income

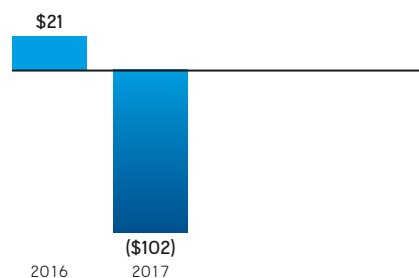
Other (expense) income includes income and expense items, such as:

- Net mark-to-market gains or losses on derivatives used as economic hedges
- Impairment of assets
- Losses on disposal and retirement of software, plant and equipment
- Equity (loss) income from investments in associates and joint ventures
- Early debt redemption costs
- Net gains (losses) on investments, including gains (losses) when we dispose of, write down or reduce our ownership in investments

2017

Other expense of \$102 million included impairment charges of \$82 million related to our music TV channels and two small market radio station cash-generating units (CGUs) within our Bell Media segment, losses on retirements and disposals of property, plant and equipment and intangible assets of \$47 million, losses from our equity investments of \$31 million which included BCE's share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures, early debt redemption costs of \$20 million, partly offset by net mark-to-market gains on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases of \$88 million.

BCE Other (expense) income (in \$ millions)

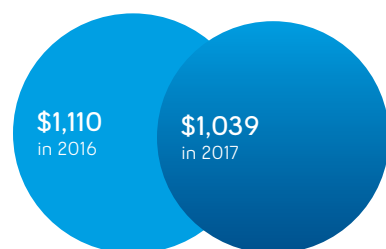


2016

Other income of \$21 million included net mark-to-market gains of \$67 million on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases and gains on investments of \$58 million which included a gain related to one of our equity investments of \$34 million, as well as a gain of \$12 million due to the remeasurement of BCE's previously held equity interest in Q9 to its fair value. These were partly offset by losses of \$89 million on equity investments which included BCE's share of the loss recorded by one of our equity investments on the sale of a portion of their operations of \$46 million and \$11 million equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. Additionally, BCE recorded losses of \$28 million on disposal of property, plant and equipment and intangible assets.

4.11 Income taxes

BCE Income taxes (in \$ millions)

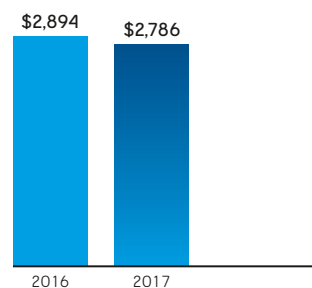


The following table provides information and reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% for 2017 and 2016.

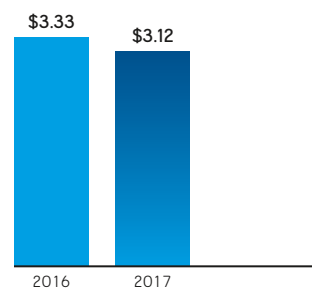
FOR THE YEAR ENDED DECEMBER 31	2017	2016
Net earnings	2,970	3,087
Add back income taxes	1,039	1,110
Earnings before income taxes	4,009	4,197
Applicable statutory tax rate	27.1%	27.1%
Income taxes computed at applicable statutory rates	(1,086)	(1,137)
Non-taxable portion of (losses) gains on investments	(1)	11
Uncertain tax positions	16	(9)
Effect of change in provincial corporate tax rate	(3)	4
Change in estimate relating to prior periods	51	46
Non-taxable portion of equity losses	(10)	(23)
Other	(6)	(2)
Total income taxes	(1,039)	(1,110)
Average effective tax rate	25.9%	26.4%

4.12 Net earnings attributable to common shareholders and EPS

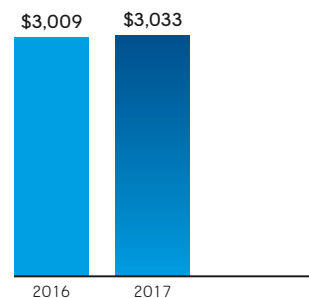
BCE Net earnings attributable to common shareholders (in \$ millions)



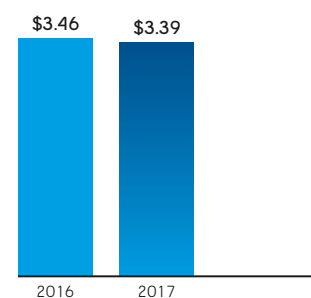
BCE EPS (in \$)



BCE Adjusted net earnings (in \$ millions)



BCE Adjusted EPS (in \$)



Net earnings attributable to common shareholders in 2017 decreased by \$108 million, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of \$82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, as growing revenues more than offset an increase in operating costs, and by lower income taxes.

BCE's EPS of \$3.12 in 2017 decreased by \$6.3% compared to 2016. The average number of BCE common shares outstanding increased principally as a result of shares issued for the acquisition of MTS which further diluted EPS as compared to 2016.

Excluding the impact of severance, acquisition and other costs, net (losses) gains on investments, early debt redemption costs and impairment charges, adjusted net earnings in 2017 was \$3,033 million, or \$3.39 per common share, compared to \$3,009 million, or \$3.46 per common share in 2016.

4.13 Capital expenditures

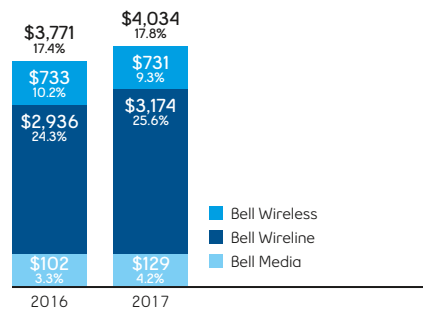
BCE

Capital expenditures

(in \$ millions)

Capital intensity

(%)



BCE capital expenditures were up \$263 million, or 7.0%, in 2017, compared to 2016, driven by greater spending at Bell Wireline and Bell Media, while spending at Bell Wireless remained relatively stable. As a percentage of revenue, capital expenditures for BCE were 17.8% in 2017 compared to 17.4% last year. Our capital spending supported the continued deployment of our broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montréal that was announced on March 27, 2017. Our capital investments also included the continued rollout of our 4G LTE and LTE-A mobile networks, as well as the enhancement and expansion of our wireless network to increase network speeds and to support the growth in our subscriber base and data consumption.

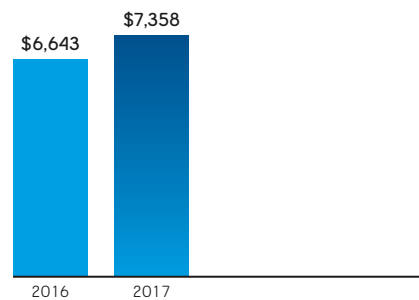
4.14 Cash flows

In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased \$715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased \$192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

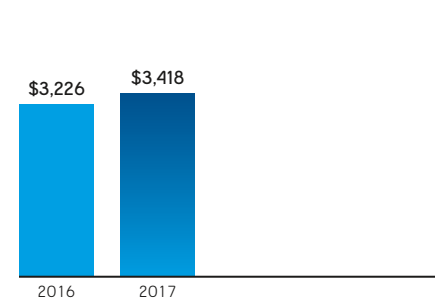
BCE Cash flows from operating activities

(in \$ millions)



BCE Free cash flow

(in \$ millions)



5 Business segment analysis

5.1 Bell Wireless

In 2017, we achieved the highest market share of postpaid subscriber net additions in the Canadian wireless industry and delivered a fifth consecutive year of industry-leading wireless service revenue and adjusted EBITDA growth among incumbent national carriers.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES



Invest in broadband networks and services

2017 PROGRESS

- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Launched North America's first Quad-band LTE-A network deployment capable of delivering theoretical speeds of up to 750 Mbps (expected average download speeds of 25 to 230 Mbps in select areas). Bell's Quad Band service expanded to 23% of Canadians, encompassing 91 cities.

2018 FOCUS

- Expand LTE-A network footprint to approximately 92% of the Canadian population
- Deploy Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4x4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase small cell deployment and in-building coverage to increase urban densification and support evolution to 5G services
- Launch an LTE-M wireless network to support the rapidly increasing use of IoT devices on LPWANs in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.



Accelerate wireless

2017 PROGRESS

- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016
- Expanded our smartphone and tablet lineup with 40 new devices, including Apple's iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google's Pixel 2 and Pixel 2 XL and the LG G6, adding to our extensive selection of 4G LTE and LTE-A devices
- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just \$20 for unlimited local calling. Initially available to consumers in Ontario, Alberta and British Columbia, Lucky Mobile offers service in 17 zones covering most major cities across the country, including data access at 3G-equivalent access speeds.
- Became the Government of Canada's primary wireless supplier for the next six years, with options to renew. Bell will supply voice, text, and data services and approximately 230,000 mobile devices to federal employees in more than 100 departments and agencies.
- First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing VoLTE technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number.
- Launched the first integrated Advanced Messaging service on Samsung devices, offering a suite of mobile messaging features previously available through specialized third-party applications

- Took a leadership position in the fast-growing IoT sector, which enables the interconnection of a range of devices and applications that send and receive data
- Bell MTS launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
- Concluded an agreement with Hyundai AutoEver Telematics America (HATA), a subsidiary of Hyundai Motor Group, to deliver a range of connected telematics services including security, safety, diagnostics and infotainment to select Hyundai and Kia vehicles over Bell's national mobile network
- Partnered with BeWhere Technologies and Huawei to implement an automated IoT solution for the Henry of Pelham Family Estate Winery to help improve planning and sustainability programs
- First Canadian carrier to offer global connectivity for our leading-edge IoT platforms and applications. Bell's Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web-based platform by embedding Bell's Global SIM cards into their products.

2018 FOCUS

- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
- In February 2018, we partnered with the city of Kingston to employ Bell's Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement



Improve customer service

2017 PROGRESS

- Virgin Mobile was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories
- Improved wireless postpaid churn by 0.06 pts in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repairs pilot program in Ontario, resolving many common smartphone issues within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Launched a simplified wireless bill
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization



Achieve a competitive cost structure

2017 PROGRESS

- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements

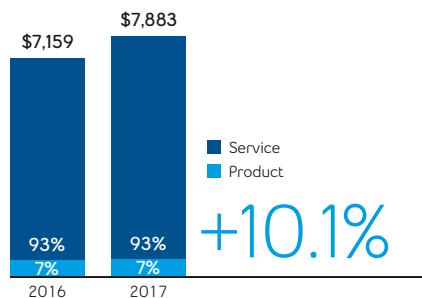
2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from ongoing service improvements

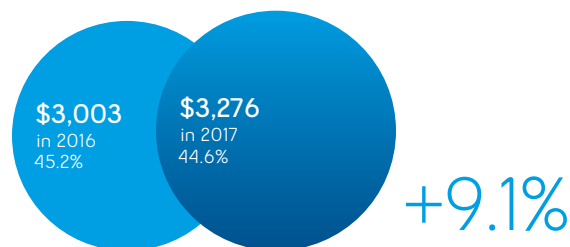
FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

Bell Wireless Revenues (in \$ millions)



Bell Wireless Adjusted EBITDA (in \$ millions) (adjusted EBITDA as a percentage of service revenue)



Postpaid subscriber growth ⁽¹⁾

+9.5%

in 2017

Postpaid net activations

416,779

in 2017

Postpaid churn in 2017

1.19%

Improved 0.06 pts vs. 2016

Blended ARPU per month

2017: \$67.77
2016: \$65.46

+3.5%

Smartphone penetration of postpaid subscribers

83%

Same as 2016

(1) As a result of the acquisition of MTS on March 17, 2017, our wireless subscriber base in Q1 2017 increased by 476,932 subscribers (418,427 postpaid). Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.

BELL WIRELESS RESULTS

REVENUES

	2017	2016	\$ CHANGE	% CHANGE
External service revenues	7,308	6,602	706	10.7%
Inter-segment service revenues	42	40	2	5.0%
Total operating service revenues	7,350	6,642	708	10.7%
External product revenues	530	515	15	2.9%
Inter-segment product revenues	3	2	1	50.0%
Total operating product revenues	533	517	16	3.1%
Total Bell Wireless revenues	7,883	7,159	724	10.1%

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by growth in both service and product revenues.

- **Service revenues** grew by 10.7% in 2017, compared to 2016, reflecting a larger postpaid subscriber base and higher blended ARPU, which included the contribution from the acquisition of MTS. Blended ARPU increased due to the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates mainly driven by the flow-through of 2016 pricing changes and greater smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and

demand for larger data plans. The growth in service revenues was moderated by the unfavourable impact of Telecom Decision CRTC 2016-171 and the increased adoption of all-inclusive voice and text rate plans resulting in lower out of bundle usage.

- **Product revenues** increased by 3.1% in 2017, compared to last year, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	\$ CHANGE	% CHANGE
Operating costs	(4,607)	(4,156)	(451)	(10.9%)
Adjusted EBITDA	3,276	3,003	273	9.1%
Total adjusted EBITDA margin	41.6%	41.9%		(0.3) pts
Adjusted EBITDA margin (service revenues)	44.6%	45.2%		(0.6) pts

Bell Wireless operating costs increased by 10.9% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidized upgrades reflecting a greater number of contract expiries
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of postpaid gross activations in our mix and a higher number of gross activations
- The acquisition of MTS

- Increased network operating costs driven by higher LTE and LTE-A network usage
- Higher labour costs to support the growth of the business

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher year-over-year operating revenues from the continued growth in our subscriber base and blended ARPU along with the contribution from the acquisition of MTS, offset in part by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition, together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.6 pts to 44.6%, in 2017, compared to 45.2% in the prior year.

BELL WIRELESS OPERATING METRICS

	2017	2016	CHANGE	% CHANGE
Blended ARPU (\$/month)	67.77	65.46	2.31	3.5%
Gross activations	1,780,478	1,654,882	125,596	7.6%
<i>Postpaid</i>	1,532,425	1,408,030	124,395	8.8%
<i>Prepaid</i>	248,053	246,852	1,201	0.5%
Net activations	333,084	223,041	110,043	49.3%
<i>Postpaid</i>	416,779	315,311	101,468	32.2%
<i>Prepaid</i>	(83,695)	(92,270)	8,575	9.3%
Blended churn % (average per month)	1.36%	1.44%		0.08 pts
<i>Postpaid</i>	1.19%	1.25%		0.06 pts
<i>Prepaid</i>	3.17%	3.13%		(0.04) pts
Subscribers ⁽¹⁾	9,166,787	8,468,872	697,915	8.2%
<i>Postpaid ⁽¹⁾</i>	8,418,650	7,690,727	727,923	9.5%
<i>Prepaid ⁽¹⁾</i>	748,137	778,145	(30,008)	(3.9%)

(1) As a result of the acquisition of MTS on March 17, 2017, our wireless subscriber base in Q1 2017 increased by 476,932 subscribers (418,427 postpaid). Subsequently, in Q2 2017, Bell's wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE's acquisition of MTS. Bell's wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the CDMA network in western Canada.

Blended ARPU of \$67.77 increased by 3.5% in 2017, compared to last year, driven by the greater proportion of postpaid customers in our total subscriber base, growth in postpaid ARPU reflecting the flow-through of 2016 pricing changes and a greater mix of customers with smartphones and other data devices in our total subscriber base increasing the demand for larger data plans due to greater data consumption from e-mail, web browsing, social networking, mobile banking, messaging, mobile TV, and entertainment services such as video streaming, music downloads and gaming. The growth in ARPU was also favourably impacted by greater data consumption driven by the higher speeds enabled by the continued expansion of our LTE and LTE-A networks. The year-over-year increase in blended ARPU was moderated by the negative impact of Telecom Decision CRTC 2016-171 along with the unfavourable impact of larger plans with higher data usage thresholds, unlimited local and long distance calling, and a greater mix of shared plans.

Total gross wireless activations increased by 7.6% in 2017, compared to last year, due to both higher postpaid and prepaid gross activations.

- **Postpaid gross activations** increased by 8.8% in 2017, reflecting our leadership in technology and network speed, successful execution of targeted promotions across all our retail channels, greater market activity, the contribution from the acquisition of Bell MTS and the on-boarding of customers from a long-term mobile services contract win with Shared Services Canada
- **Prepaid gross activations** increased by 0.5% in 2017, driven by the contribution from the acquisition of Bell MTS and the launch of Lucky Mobile in December 2017, our new low-cost prepaid mobile service

Blended wireless churn of 1.36% improved by 0.08 pts in 2017, compared to last year, due to lower postpaid churn, offset in part by higher prepaid churn.

- **Postpaid churn** of 1.19% improved by 0.06 pts in 2017, compared to last year, due to the favourable impact of our ongoing investments in network speeds, customer retention and improved client experience

- **Prepaid churn** of 3.17% increased by 0.04 pts in 2017, due to the lower subscriber base outpacing the year-over-year favourability in the deactivations

Postpaid net activations increased by 32.2% in 2017, compared to 2016, driven by greater gross activations and the contribution from the acquisition of Bell MTS, offset in part by higher customer deactivations.

Prepaid net customer losses improved by 9.3% in 2017, compared to last year, driven by lower customer deactivations and higher gross activations.

Wireless subscribers at December 31, 2017 totaled 9,166,787, including the subscribers acquired through the acquisition of MTS, net of those divested to TELUS. The proportion of Bell Wireless customers subscribing to postpaid service increased to 92% in 2017 from 91% in 2016.

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

The wireless market is the largest sector of the Canadian telecommunications industry, representing over 50% of total revenues, and is currently growing at a mid-single digit rate annually.

There are more than 31 million wireless subscribers in Canada. The market is highly competitive among three well-established national competitors as well as a number of regional competitors. Rogers Communications Inc. (Rogers) holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth since 2009, supported by the launch of our HSPA+, 4G LTE and LTE-A networks, industry-leading mobile network speeds, expanded retail distribution, the purchase of Virgin Mobile, a strong brand and improved customer service.

In June 2017, the Western Canada-based cable TV company, Shaw Communications Inc. (Shaw), acquired 700 MHz and 2500 MHz spectrum licences from Québecor Media Inc. (Québecor) to support the build-out of an urban LTE network in major cities in Alberta, British Columbia

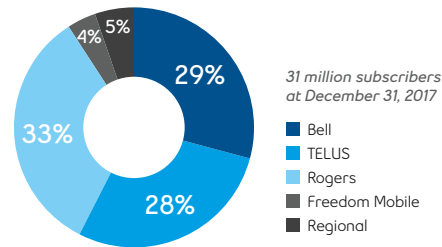
and Ontario. Shaw reached an agreement with Apple Inc. enabling Shaw's Freedom Mobile brand to offer iPhone products beginning in December 2017. Shaw's re-farming of advanced wireless services-1 (AWS-1) spectrum and deployment of 2500 MHz spectrum is expected to be completed in 2018, and will make older smartphone versions (iPhones and Samsung Galaxy) compatible with Freedom Mobile's LTE network. Québecor Media's Vidéotron Ltée (Vidéotron) continues to operate as a regional facilities-based wireless service provider in Québec, and Eastlink in Atlantic Canada. These cable TV-based wireless providers, in addition to the provincial carrier in Saskatchewan, represent fourth carriers in their respective markets.

Canada's wireless penetration was approximately 85% at the end of 2017, compared to well over 100% in the U.S. and even higher in Europe and Asia. Canada's wireless sector is expected to continue growing at a steady pace for the foreseeable future, driven by immigration and population growth, the trend toward multiple devices, the increasing usage of data services, and mobile adoption by both younger and older generations.

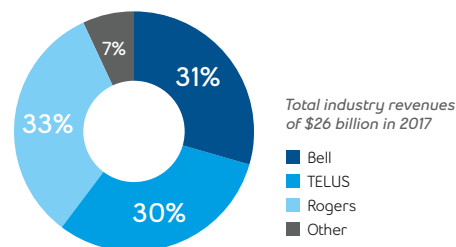
Competitors

- Large facilities-based national wireless service providers Rogers and TELUS Corporation
- Smaller facilities-based wireless service provider Freedom Mobile, which currently provides service in Toronto, Calgary, Vancouver, Edmonton and Ottawa, as well as in several communities in southwestern Ontario
- Regional facilities-based wireless service providers Vidéotron, which provides service in Montréal and other parts of Québec; Saskatchewan Telecommunications Holding Corporation (SaskTel), which provides service in Saskatchewan; and Eastlink, which launched service in Nova Scotia and Prince Edward Island in February 2013
- Mobile virtual network operators (MVNOs), who resell competitors' wireless networks, such as PC Mobile

Canadian wireless market share ⁽¹⁾ Subscribers

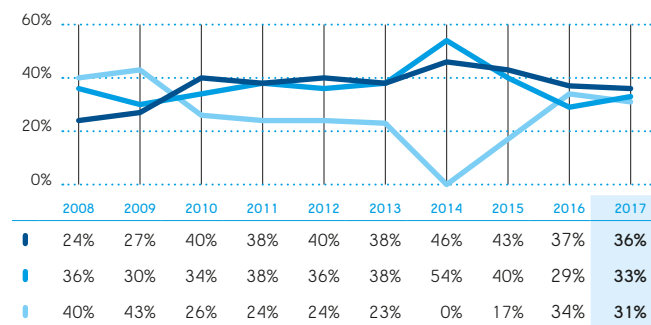


Revenues

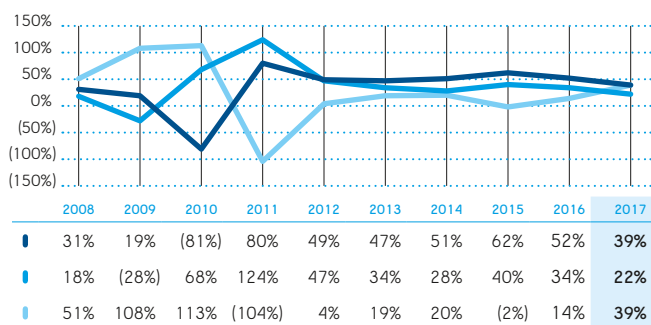


(1) Percentages may not add to 100 due to rounding.

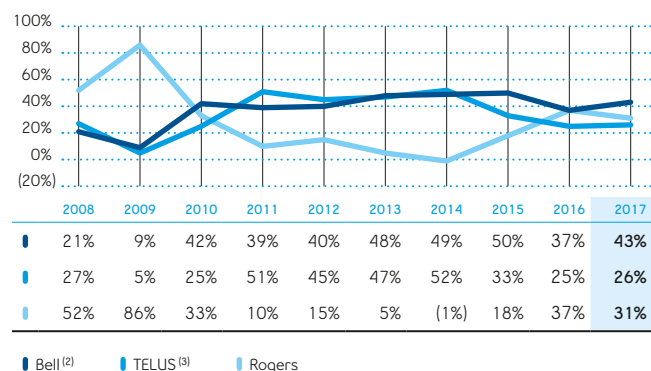
**KEY WIRELESS METRICS –
SHARE FOR NATIONAL CARRIERS (1)**
POSTPAID NET ADDITIONS (%)



REPORTED EBITDA GROWTH (%)



SERVICE REVENUE GROWTH (%)



(1) Percentages may not add to 100 due to rounding.

(2) Bell metrics shown include Bell Aliant as of 2015.

(3) TELUS metrics shown include Public Mobile Inc. as of 2015.

INDUSTRY TRENDS

ACCELERATING DATA CONSUMPTION

Wireless data growth continues to be driven by the ongoing adoption of higher-value smartphones and tablets, and associated data plans. The demand for wireless data services is expected to continue to grow, due to ongoing investment in faster network technologies, such as LTE and LTE-A, that provide a richer user experience, a larger appetite for mobile connectivity and social networking, greater selection of smartphones, tablets and other connected devices, as well as increasing adoption of shared plans with multiple devices by families. Greater customer adoption of data services, including mobile TV, data roaming for travel, mobile commerce, mobile banking, and other IoT applications in the areas of retail and transportation (connected car, asset tracking, and remote monitoring) should also contribute to growth. In the consumer market, IoT represents a growth area for the industry as wireless connectivity on everyday devices, from home automation to cameras, becomes ubiquitous.

SIGNIFICANT INVESTMENTS IN WIRELESS NETWORKS

Fast growth in mobile data traffic is increasingly putting a strain on wireless carriers' networks and their ability to manage and service this traffic. Industry Canada's 700 MHz, advanced wireless services-3 (AWS-3), and 2500 MHz spectrum auctions that concluded in 2014 and 2015 provided wireless carriers with prime spectrum to roll out faster next-generation wireless networks and build greater capacity. Carrier aggregation is a technology currently being employed by Canadian wireless carriers that allows for multiple channels of spectrum to be used together, thereby significantly increasing network capacity and data transfer rates. Investments in fibre backhaul to cell sites and the deployment of small-cell technology further increase the efficient utilization of carriers' spectrum holdings.

CUSTOMERS BRINGING THEIR OWN DEVICES

With the CRTC's Wireless Code limiting wireless contract terms to two years from three years, the number of customers on expired contracts has increased. As a result, subscribers are increasingly bringing their own devices or keeping their existing devices for longer periods of time and therefore may not enter into new contracts for wireless services. This may negatively impact carriers' subscriber churn, but may also create gross addition opportunities as a result of increased churn from other carriers. Additionally, this trend may negatively impact the monthly service fees charged to subscribers; however, the service revenue generated by these customers helps improve margins due to lower spending on device subsidies.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

We expect continued revenue growth driven primarily by a greater number of postpaid subscribers and higher ARPU. We expect ARPU to continue to increase, but at a slower pace compared to 2017, as the market continues to mature and as more customers subscribe to rate plans with larger data thresholds. We will seek to achieve higher revenues from data growth, through increased use of our 4G LTE and LTE-A networks, higher demand for services such as social media, music and streaming of content, as well as nascent services including mobile commerce and other IoT applications. Our intention is to introduce new services to the market in a way that balances innovation with profitability.

We also remain focused on sustaining our market share of incumbent postpaid net additions in a disciplined and cost-conscious manner,

while also growing our share of new industry prepaid net additions. We anticipate higher year-over-year net additions, driven by continued strong postpaid market momentum, reflecting Bell's network speed and technology leadership; the onboarding of customers from our recently won Shared Services Canada wireless services contract; a renewed focus on prepaid with the launch of Lucky Mobile; and incremental growth opportunities in Manitoba with the full integration of Bell MTS.

We plan to deliver adjusted EBITDA growth in 2018 from continued healthy revenue growth, which should be partly offset by higher subscriber acquisition and retention spending consistent with a sustained high level of competitive market activity.

ASSUMPTIONS

- 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 and LTE-A 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
- Expansion of the LTE-A network coverage to approximately 92% of the Canadian population
- 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

KEY GROWTH DRIVERS

- Increasing Canadian wireless industry penetration
- Increasing customer adoption of smartphones, tablets and other 4G LTE devices to increase mobile data usage
- Greater number of postpaid customers on our 4G LTE and LTE-A networks
- Customer usage of new data applications and services

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks specifically related to the Bell Wireless segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION

RISK

- The intensity of competitive activity from incumbent wireless operators, newer wireless entrants, non-traditional players and resellers

POTENTIAL IMPACT

- Pressure on our adjusted EBITDA, ARPU, churn and cost of acquisition and retention would likely result if competitors aggressively increase discounts for handsets and price plans, offer shared plans based on sophisticated pricing requirements or offer other incentives, such as new data plans or unlimited data plans, instalment plans for smartphones or multi-product bundles, to attract new customers

REGULATORY ENVIRONMENT

RISK

- Greater regulation of wireless services and pricing (e.g. the mandating of wholesale roaming rates by the CRTC that are materially different than those we have proposed, additional mandated access to wireless networks and limitations placed on future spectrum bidding)

POTENTIAL IMPACT

- Greater regulation could limit our flexibility, influence the market structure, improve the business positions of our competitors and negatively impact the financial performance of our wireless business

MARKET MATURITY AND INCREASED DEVICE COSTS

RISK

- Slower subscriber growth due to high Canadian smartphone penetration and increased device costs

POTENTIAL IMPACT

- A maturing wireless market and higher device costs could challenge subscriber growth and the cost of acquisition and retention, putting pressure on the financial performance of our wireless business

5.2 Bell Wireline

Bell Wireline achieved positive adjusted EBITDA growth for a third consecutive year in 2017, driven by strong Internet and IPTV subscriber base growth, higher household ARPU, the financial contribution of Bell MTS and related integrated synergies, as well as operating cost savings that drove an improvement in our North American industry-leading margin to 41.8%.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES



Invest in broadband networks and services

2017 PROGRESS

- Continued to expand our FTTP direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 60% of homes and businesses in the City of Toronto. Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTP enables symmetrical Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future.
- Began the build-out of broadband fibre directly to 1.1 million residences and business locations throughout Montréal, representing the largest-ever communications infrastructure project in Québec with a planned capital investment of \$854 million. Montréal joins a growing number of centres across Québec that are fully wired with Bell fibre, including Québec City where fibre deployment was launched in 2012. By the end of 2017, Bell fibre reached approximately 40% of homes and businesses throughout the province of Québec, including 14% of all locations in Montréal.

2018 FOCUS

- Expand FTTP broadband fibre footprint to approximately 4.5 million total combined homes and commercial locations
- In February 2018, we announced the expansion of FTTP direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell's fibre plan will deliver Gigabit Internet speeds and other broadband Fibe service innovations to more than 1.3 million homes and businesses in the region.



Leverage wireline momentum

2017 PROGRESS

- Maintained our position as Canada's largest TV provider with 2,832,300 subscribers, and increased our total number of IPTV subscribers by 15.9% to 1,550,317
- Built on our position as the leading ISP in Canada with a high-speed Internet subscriber base of 3,790,141, up 9.0% over 2016, including one million FTTP customers
- Launched Fibe Alt TV, Canada's first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Continued to lead television innovation in Canada with ongoing enhancements to our IPTV service
 - Fibe TV customers in Ontario and Québec can watch their PVR recordings on the go on their tablets, smartphones and laptops with the Fibe TV app
 - Customers with 4K Whole Home PVR can access YouTube, in addition to CraveTV and Netflix
- Acquired AlarmForce (transaction completed on January 5, 2018), a Canadian leader in home security and monitoring services, as part of Bell's strategic expansion in the fast-growing Connected Home marketplace. Combining the assets and experience of AlarmForce with Bell's strength in networks, customer service and distribution will enable Bell to deliver the latest Connected Home services to customers in Ontario, Québec, Atlantic Canada and Manitoba.

- Partnered with Akamai Technologies Inc. (Akamai), a global leader in content delivery and cloud services, to expand our portfolio of integrated web security solutions for business customers. Complementing Bell solutions to help businesses increase productivity, minimize risk, and maximize service differentiation, Akamai's leading cloud security, web performance, and media delivery products strengthen our ability to identify security threats, proactively prevent attacks, and support customers in optimizing their online presence.
- Recognized by IDC Canada as a leader in delivering security services for business customers. Bell was the only telecom company in IDC's Leaders Category, which included large multinationals such as CGI, IBM and Deloitte. Evaluators noted that Bell's extensive network enables us to quickly leverage cyber threat intelligence to provide a complete range of advanced threat detection, mitigation and prevention services.

2018 FOCUS

- Continue to enhance our Fibe TV and Alt TV services with more advanced features
 - In January 2018, we concluded a multi-year agreement with Ericsson to leverage its next generation, cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibe TV and Alt TV customers
- Maintain our leadership position in Canadian broadband communications with the most advanced products in the home
 - In January 2018, we launched Whole Home Wi-Fi, Canada's first Wi-Fi service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements. Bell partnered with Plume to deliver new access points, called pods, that work with the cloud-based networking intelligence of Bell's Home Hub 3000 modem to deliver a fully adaptive Wi-Fi service.
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses



Improve customer service

2017 PROGRESS

- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced FTTH Residential Fibe TV installation time by 9% in 2017
- Reduced FTTH Residential Fibe TV repair truck rolls per customer by 16% in 2017
- Offered Same Day repair appointments to 68% of small business customers, an improvement of 94% since 2014
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTP installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician in-field experience through simplification and innovation of technician tools
- Improve troubleshooting and diagnostic processes to manage increasing customer and device complexity



Achieve a competitive cost structure

2017 PROGRESS

- Improved Bell Wireline adjusted EBITDA margin by 0.1 pts over 2016
- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin

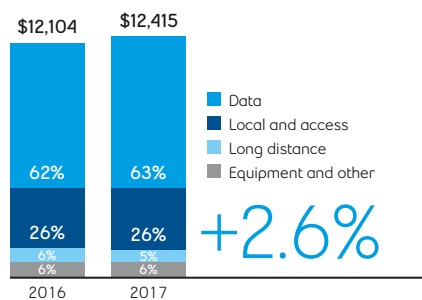
FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

Bell Wireline

Revenues

(in \$ millions)

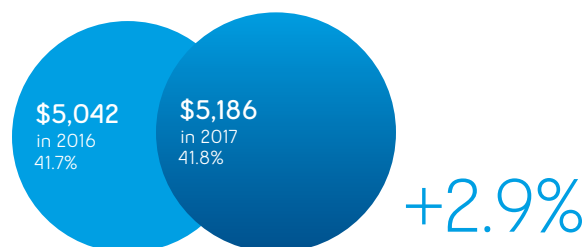


Bell Wireline

Adjusted EBITDA

(in \$ millions)

(% adjusted EBITDA margin)



TV ⁽¹⁾

+3.2%

Subscriber growth
in 2017

IPTV

107,712

Total net subscriber activations
in 2017

Fibre footprint

9.2 million

Homes and businesses
at the end of 2017

High-speed Internet ^{(1) (2)}

+9.0%

Subscriber growth
in 2017

High-speed Internet

87,860

Total net subscriber activations
in 2017

NAS lines ⁽¹⁾

+1.0%

Subscriber growth
in 2017

(1) As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet, TV and NAS subscriber bases increased by 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively.

(2) Following a review of customer accounts by a wholesale reseller, we have adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

BELL WIRELINE RESULTS

REVENUES

	2017	2016	\$ CHANGE	% CHANGE
Data	7,146	6,791	355	5.2%
Local and access	3,161	3,089	72	2.3%
Long distance	639	741	(102)	(13.8%)
Other services	213	182	31	17.0%
Total external service revenues	11,159	10,803	356	3.3%
Inter-segment service revenues	198	177	21	11.9%
Total operating service revenues	11,357	10,980	377	3.4%
Data	519	559	(40)	(7.2%)
Equipment and other	527	555	(28)	(5.0%)
Total external product revenues	1,046	1,114	(68)	(6.1%)
Inter-segment product revenues	12	10	2	20.0%
Total operating product revenues	1,058	1,124	(66)	(5.9%)
Total Bell Wireline revenues	12,415	12,104	311	2.6%

Bell Wireline operating revenues grew by 2.6% in 2017, compared to last year, driven by increases in data, local and access and other services revenue, offset in part by declines in long distance and product revenues.

Bell Wireline service revenues increased by 3.4% in 2017, compared to 2016, driven by the acquisitions of MTS and Q9, Internet and IPTV subscriber growth, coupled with higher household ARPU. This was offset in part by the ongoing erosion in our voice, satellite TV and legacy data services, together with greater customer acquisition, retention and bundle discounts to match aggressive offers from cable competitors. Regulatory pressures due to unfavourable CRTC rulings in 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171 also unfavourably impacted service revenue growth.

- **Data revenues** increased by 5.2% in 2017, compared to 2016, due to the acquisition of MTS, Internet and IPTV subscriber growth, and higher ARPU driven by residential rate increases and larger data usage Internet rate plans, greater business solutions services driven by the acquisition of Q9 and IP-based services growth. This was moderated by the continued decline in our satellite TV subscriber base, ongoing legacy data erosion due in part to migrations to IP-based services and competitive pricing pressures within our business and wholesale markets, as well as greater acquisition, retention and bundle discounts on residential Internet and TV services due to aggressive offers from cable competitors. Unfavourable CRTC regulatory impacts relating to lower revised interim rates for aggregated wholesale high-speed

Internet access services and Telecom Decision CRTC 2016-171 further pressed data revenues.

- **Local and access revenues** increased by 2.3% in 2017, compared to prior year, attributable to the acquisition of MTS and residential rate increases, partially offset by continued NAS line erosion from technological substitution to wireless and Internet-based services, large business customer conversions to IP-based data services, competitive pricing pressures and the negative impact from Telecom Decision CRTC 2016-171.
- **Long distance revenues** decreased by 13.8% in 2017, compared to last year, reflecting fewer minutes of use by residential and business customers as a result of NAS line erosion, technology substitution to wireless and OTT Internet-based services, continued rate pressures in our residential market from customer adoption of premium rate plans and reduced sales of international long distance minutes in our wholesale market, offset in part by the contribution from the acquisition of MTS
- **Other services revenues** increased by 17.0% in 2017, compared to 2016, primarily driven by the contribution from the acquisition of MTS

Bell Wireline product revenues declined by 5.9% in 2017, compared to prior year, driven by lower demand for equipment by large business customers, attributable to market softness and competitive pricing pressures, as well as lower sales of consumer electronics at The Source, partially offset by the favourable contribution from the MTS acquisition.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	\$ CHANGE	% CHANGE
Operating costs	(7,229)	(7,062)	(167)	(2.4%)
Adjusted EBITDA	5,186	5,042	144	2.9%
Adjusted EBITDA margin	41.8%	41.7%		0.1 pts

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, attributable to:

- The acquisitions of MTS and Q9
- Higher programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fleet expenses from higher fuel and refurbishment costs
- Greater marketing and sales expense in our residential market to support subscriber acquisitions

These factors were partially offset by:

- Lower labour costs attributable to workforce reductions and vendor contract savings, as well as fewer call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by fewer sales of international long distance minutes
- Reduced bad debt expense

BELL WIRELINE OPERATING METRICS

DATA

High-speed Internet

	2017	2016	CHANGE	% CHANGE
High-speed Internet net activations	87,860	85,099	2,761	3.2%
High-speed Internet subscribers ^{(1) (2)}	3,790,141	3,476,562	313,579	9.0%

(1) As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet subscriber base increased by 229,470.

(2) Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, and the adjusted EBITDA margin increased to 41.8% in 2017 compared to the 41.7% achieved last year. The year-over-year growth in adjusted EBITDA was driven by:

- The contribution from the MTS and Q9 acquisitions
- Ongoing growth from our Internet and IPTV businesses in a highly competitive environment
- Effective cost management

These factors were partially offset by:

- The continued erosion of voice, satellite TV and legacy data revenues, reflecting ongoing competitive repricing and reduced customer spending in our business market
- Unfavourable CRTC regulatory rulings from 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171

High-speed Internet subscriber net activations increased by 3.2% in 2017, compared to 2016, driven by higher retail gross activations particularly in our FTTH footprint, ramp up in activations from Home Internet service by Virgin Mobile which launched in July 2016, richer promotional offers, a reduced number of retail customers coming off promotional offers and growth from our small business market. This

was partly offset by increased residential churn driven by aggressive offers from cable competitors and competitive pressures in our wholesale market.

High-speed Internet subscribers at December 31, 2017 totaled 3,790,141, up 9.0% from the end of last year, including the subscribers acquired from MTS.

TV

	2017	2016	CHANGE	% CHANGE
Net subscriber (losses) activations	(20,716)	6,413	(27,129)	(423.0%)
IPTV	107,712	155,153	(47,441)	(30.6%)
Total subscribers ⁽¹⁾	2,832,300	2,744,909	87,391	3.2%
IPTV ⁽¹⁾	1,550,317	1,337,944	212,373	15.9%

(1) As a result of the acquisition of MTS on March 17, 2017, our TV subscriber base increased by 108,107 (104,661 IPTV).

IPTV net subscriber activations decreased by 30.6% in 2017, compared to last year, driven by higher deactivations due to aggressive residential offers for service bundles from cable competitors, a greater number of retail customers coming off promotional offers, the impact of maturing Fibe TV markets, reduced footprint expansion in 2017, increased substitution of traditional TV services with OTT services, along with fewer customer migrations from satellite TV. This was mitigated in part by higher activations due to the launch of Fibe Alt TV on May 15, 2017, our application based live TV streaming service, and greater gross activations, particularly in our FTTH footprint.

Satellite TV net customer losses improved by 13.7% in 2017, compared to 2016, driven by lower residential deactivations attributable to a more mature subscriber base, a reduced number of customers coming off promotional offers and fewer migrations to IPTV, offset in part by aggressive residential promotional offers from cable competitors.

Total TV net subscriber activations (IPTV and satellite TV combined) declined by 27,129, compared to 2016, due to lower IPTV net activations, partly offset by fewer satellite TV net losses.

IPTV subscribers at December 31, 2017 totaled 1,550,317, up 15.9% from 1,337,944 subscribers reported at the end of 2016, including the subscribers acquired from MTS.

Satellite TV subscribers at December 31, 2017 totaled 1,281,983, down 8.9% from 1,406,965 subscribers at the end of last year, including the subscribers acquired from MTS.

Total TV subscribers (IPTV and satellite TV combined) at December 31, 2017 were 2,832,300, representing a 3.2% increase since the end of 2016, including the subscribers acquired from MTS.

LOCAL AND ACCESS

	2017	2016	CHANGE	% CHANGE
NAS LINES				
Residential ⁽¹⁾	3,231,308	3,249,739	(18,431)	(0.6%)
Business ⁽¹⁾	3,089,175	3,007,993	81,182	2.7%
Total	6,320,483	6,257,732	62,751	1.0%
NAS NET LOSSES				
Residential	(242,094)	(283,993)	41,899	14.8%
Business	(114,971)	(131,415)	16,444	12.5%
Total	(357,065)	(415,408)	58,343	14.0%

(1) As a result of the acquisition of MTS on March 17, 2017, our NAS subscriber base increased by 419,816 (223,663 residential and 196,153 business) subscribers.

NAS net losses improved by 14.0% in 2017, compared to 2016, due to both lower residential and business net losses.

Residential NAS net losses improved by 14.8% in 2017, compared to last year, driven by greater acquisition of three-product households, increased pull-through from our IPTV service bundle offers, as well as lower customer deactivations, reflecting a reduced number of retail customers coming off of promotional offers. This was offset in part by aggressive competitive offers from cable TV providers, ongoing wireless and Internet-based technology substitution and the inclusion of Bell MTS net losses.

Business NAS net losses decreased by 12.5% in 2017, compared to prior year, as a result of fewer net losses in our small business market, together with lower competitive losses in our wholesale market. This was offset in part by higher net losses in our large business market, driven by greater customer wins in 2016, reduced demand for new access lines and increased migrations to IP-based services, mitigated in part by fewer competitive losses.

NAS subscribers at December 31, 2017 totaled 6,320,483, representing a 1.0% increase compared to the 6,257,732 subscribers reported at the end of 2016, including the subscribers acquired from MTS. This was a significant improvement over the 6.4% subscriber base decrease experienced in 2016.

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

The financial performance of the overall Canadian wireline telecommunications market continues to be impacted by the ongoing declines in legacy voice service revenues resulting from technological substitution to wireless and OTT services, as well as by ongoing conversion to IP-based data services and networks by large business customers. Sustained competition from cable companies also continues to erode traditional telephone providers' market share of residential local telephony. Canada's four largest cable companies had approximately four million telephony subscribers at the end of 2017, representing a national residential market share of approximately 45%. Other non-facilities-based competitors also offer local and long distance VoIP services and resell high-speed Internet services.

Although the residential Internet market is maturing, with over 88% penetration across Canada, subscriber growth is expected to continue over the next several years. At the end of 2017, the four largest cable companies had approximately 6.7 million Internet subscribers, representing 54% of the total Internet market based on publicly reported data⁽¹⁾, while incumbent local exchange carriers (ILECs) held the remaining 46% or 5.8 million subscribers. Bell continues to make market share gains due to the expansion of our fibre optic network and the pull-through of subscribers from our IP-based Fibe TV and Alt TV services.

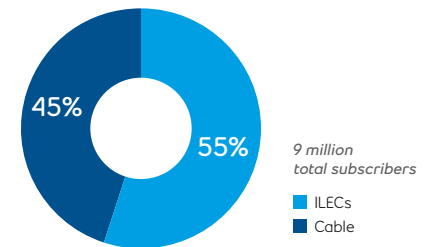
While Canadians still watch traditional TV, digital platforms are playing an increasingly important role in the broadcasting industry. Popular online video services are providing Canadians with more choice about where, when and how to access their video content. In 2017, ILECs offering IPTV service grew their subscriber bases by 6% to reach 2.7 million customers, driven by expanded network coverage, enhanced service offerings, and marketing and promotions focused on IPTV. This growth came at the expense of cable TV and DTH satellite TV subscriber losses. At the end of the year, Canada's four largest cable companies had approximately 5.8 million TV subscribers, or a 55% market share, consistent with 55% at the end of 2016.

In 2017, our primary cable TV competitors, Rogers and Vidéotron, announced agreements with global media and technology company Comcast to adopt Comcast's XFINITY X1 video platform for future commercial deployment. Our IP-based Fibe TV platform continues to have numerous service leadership advantages over this cable platform, including: flexible pricing, plans and packaging available to all customers; picture clarity and quality; content depth and breadth, including 4K content, as well as more HD, video on demand, sports, multicultural and OTT content, such as 4K Netflix and YouTube; and the number of ways customers can access content, including wireless STBs, Restart TV, higher capacity PVR and the Fibe TV app.

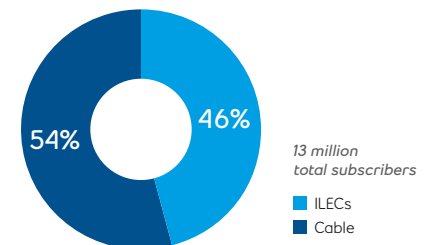
Competitors

- Cable TV providers offering cable TV, Internet and cable telephony services, including:
 - Rogers in Ontario, New Brunswick, Newfoundland and Labrador
 - Vidéotron in Québec
 - Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco) in Ontario and Québec
 - Shaw in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario
 - Shaw Direct, providing DTH satellite TV service nationwide
 - Eastlink in every province except Saskatchewan, where it does not provide cable TV and Internet service
- TELUS provides residential voice, Internet and IPTV services in British Columbia, Alberta and Eastern Québec
- TELUS and Allstream Inc. provide wholesale products and business services across Canada
- Various others (such as TekSawy Solutions, Distributel, VMedia, and Vonage Canada (a division of Vonage Holdings Corp.) (Vonage)) offer resale or VoIP-based local, long distance and Internet services
- OTT voice and video services such as Skype, Netflix, Amazon Prime Video and YouTube
- Digital media streaming devices such as Apple TV, Roku and Google Chromecast
- Other Canadian ILECs and cable TV operators
- Substitution to wireless services, including those offered by Bell
- Customized managed outsourcing solutions competitors, such as systems integrators CGI, EDS (a division of HP Enterprise Services) and IBM
- Wholesale competitors include cable operators, domestic CLECs, U.S. or other international carriers for certain services, and electrical utility-based telecommunications providers
- Competitors for home security range from local to national companies, such as ADT, Chubb Security, Stanley Security, Fluent and MONI Smart Security

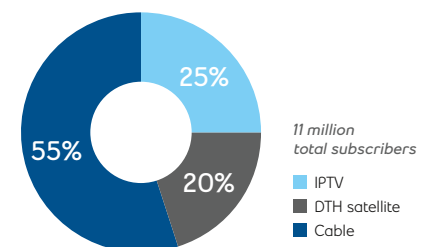
Canadian market share Residential telephony



Internet



TV



(1) Internet services provided by resellers are included as wholesale Internet subscribers for cable companies and ILECs.

INDUSTRY TRENDS

INVESTMENT IN BROADBAND FIBRE DEPLOYMENT

The Canadian ILECs continue to make substantial investments in deploying broadband fibre within their territories, with a focus on direct FTTP access to maintain and enhance their ability to support enhanced IP-based services and higher broadband speeds. Cable TV companies continue to evolve their cable networks with the gradual roll-out of the DOCSIS 3.1 platform. Although this platform increases speeds in the near term and is cost-efficient, it does not offer the same advanced capabilities as FTTP over the longer term. FTTP delivers broadband speeds of up to 1 Gbps currently, with faster speeds expected in the future as equipment evolves to support these higher speeds. Going forward, ILECs are expected to maintain high levels of capital spending for the ongoing expansion of their broadband fibre networks, with an increasing emphasis on upgrading current FTTN networks to FTTP.

ALTERNATIVE TV AND OTT SERVICES

The growing popularity of watching TV and on-demand content anywhere, particularly on handheld devices, is expected to continue as customers adopt services that enable them to view content on multiple screens. Streaming media providers, such as Netflix and Amazon Prime Video, continue to enhance OTT streaming services in order to compete for share of viewership in response to evolving viewing habits and consumer demand. TV providers are monitoring OTT developments and evolving their content and market strategy to compete with these non-traditional offerings. We view OTT as an opportunity to add increased capabilities to our linear and on-demand assets, provide customers with flexible options to choose the content they want and drive greater usage of Bell's high-speed Internet and wireless networks. We continue to enhance our Fibe TV service with additional content and capabilities, including 4K Ultra HD content, the ability to watch recorded content on the go and access to Netflix and YouTube on STBs. Bell also launched Canada's first widely available

app-based live TV service called Fibe Alt TV to address the growing cord-cutting and cord-shaving markets with the ability to consume live and on-demand content on laptops, smartphones, tablets and Apple TV without the need for a traditional TV STB.

TECHNOLOGY SUBSTITUTION

Technology substitution, enabled by the broad deployment of higher speed Internet; the pervasive use of e-mail, messaging and social media as alternatives to voice services; and the growth of wireless and VoIP services, continues to drive legacy voice revenue declines for telecommunications companies. Wireless-only households were estimated to represent approximately 43% of households in Ontario, Québec and Atlantic Canada at the end of 2017, compared to approximately 38% at the end of 2016, while the disconnection of and reduction in spending for traditional TV (cord-cutting and cord-shaving) continues to rise. Although Bell is a key provider of these substitution services, the decline in this legacy business continues as anticipated.

ADOPTION OF IP-BASED SERVICES

The convergence of IT and telecommunications, facilitated by the ubiquity of IP, continues to shape competitive investments for business customers. Telecommunications companies are providing professional and managed services, as well as other IT services and support, while IT service providers are bundling network connectivity with their software as service offerings. In addition, manufacturers continue to bring all-IP and converged (IP plus legacy) equipment to market, enabling ongoing migration to IP-based solutions. The development of IP-based platforms, which provide combined IP voice, data and video solutions, creates potential cost efficiencies that compensate, in part, for reduced margins resulting from the continuing shift from legacy to IP-based services. The evolution of IT has created significant opportunities for our business markets services, such as cloud services and data hosting, that can have a greater business impact than traditional telecommunications services.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

We expect positive revenue and adjusted EBITDA growth in 2018. This reflects a full year of Bell MTS financial contribution compared to approximately nine months in 2017; a stronger broadband Internet and TV subscriber trajectory supported by a fast-growing direct fibre service footprint, mass-market Fibe advertising launch in Toronto, scaling of Alt TV and new innovative features enabled by the new MediaFirst IPTV platform; annual residential price increases; improving year-over-year organic business markets performance; as well as cost reductions to counter competitive repricing pressures and the ongoing decline in voice revenues. With respect to the acquisition of AlarmForce, while helpful in advancing Bell's expansion in the fast-growing Connected Home marketplace, it is too small financially to have any material impact on overall wireline financial results and growth rates in 2018.

TV subscriber growth within our wireline footprint is expected to be driven by continued strong customer adoption of Fibe TV as we increase penetration of existing IPTV-enabled neighbourhoods and drive ongoing innovation in IPTV services. We also intend to seek greater penetration within the multiple-dwelling units (MDU) market, capitalize on our extensive retail distribution network, and leverage our market leadership position in HD and 4K programming and on-demand streaming services to drive incremental subscriber growth and higher revenue per household. Although satellite TV net customer losses will continue in 2018, as a result of aggressive residential promotional offers from cable competitors, they are expected to moderate, due to fewer residential deactivations reflecting a more mature and geographically better suited subscriber base for satellite TV service and reduced customer migrations to IPTV.

Planned Internet subscriber base growth in 2018 is expected to be driven by a growing FTTP service footprint that enables faster Internet speeds and broadband innovation such as smart Whole Home Wi-Fi that ensures stronger signals, as well as by the pull-through of IPTV customer activations, including from Bell's new app-based live TV streaming service Alt TV. This is expected to have an associated positive impact on household ARPU growth and residential customer churn.

In wireline business, although the economy is slowly rebounding, customers continue to look for opportunities to lower costs. As a result, telecom spending by large enterprise customers is expected to be variable and improve at a modest pace. This, combined with ongoing customer migration to IP-based systems and demand for cheaper bandwidth alternatives with faster speeds, will likely continue to negatively impact overall business markets results in 2018. We intend on seeking to minimize the overall revenue decline from legacy services by leveraging our market position to develop unique services and value enhancements, which further improve client experience by providing more features with improved flexibility to support client needs on demand. We intend to use marketing initiatives to slow NAS erosion, while investing in direct fibre expansion and new solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications, and security services. We will continue to deliver network-centric managed and professional services solutions to large and mid-sized businesses that increase the value of connectivity services. Moreover, our acquisition of Q9 in October 2016 has strengthened our service offerings in data hosting, managed services and cloud computing solutions, allowing us to capture improved financial benefits, while enhancing our ability to achieve a higher pull-through of connectivity revenue.

ASSUMPTIONS

- 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
- Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services
- Ongoing deployment of direct fibre and 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
- Accelerating customer adoption of OTT services resulting in downsizing of TV packages
- 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
- No material financial, operational or competitive consequences of changes in regulations affecting our wireline business

We also expect to experience sustained competitive intensity in our mass and mid-sized business markets as cable operators and other telecom competitors maintain their focus on these customer segments. We also intend to introduce service offerings that help drive innovative solutions and value for our mass and mid-sized customers by leveraging Bell's network assets, broadband fibre expansion and service capabilities to expand our relationships with them. We will maintain a focus on overall profitability by seeking to increase revenue per customer and customer retention, as well as through improving our processes to achieve further operating efficiencies and productivity gains.

Operating cost reduction will continue to be a key focus for our Bell Wireline segment, helping to offset costs related to the growth and retention of IPTV, Internet, IP broadband and hosted IP voice subscribers, the ongoing erosion of high-margin wireline voice and other legacy revenues, as well as competitive repricing pressures in our residential, business and wholesale markets. This, combined with further service-level improvements and operating synergies from the integration of Bell MTS, is expected to support our objective of maintaining our consolidated adjusted EBITDA margin relatively stable year over year.

We also plan to increase capital investment in broadband fibre expansion to more homes and commercial locations, upgrades to support our IPTV and residential Internet services, as well as new business solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications and security services. We intend to pursue pricing methods that will assist us in covering the capital costs of upgrading our networks, providing new services and expanding capacity to meet growing data consumption.

KEY GROWTH DRIVERS

- Expanding FTTP footprint
- Increasing IPTV penetration of households
- Higher market share of industry TV and Internet subscribers
- Greater penetration of multi-product households
- Improved residential customer retention
- Increased business customer spending on connectivity services and managed and professional services solutions, as well as greater new business formation as the economy strengthens and employment rates improve
- Expansion of our business customer relationships to drive higher revenue per customer
- Ongoing service innovation and product value enhancements

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks which specifically affect the Bell Wireline segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION

RISK

- The intensity of competitive activity coupled with new product launches (e.g. IoT, connected home systems and devices, newer TV platforms, etc.) from incumbent operators, cable companies, non-traditional players and wholesalers

POTENTIAL IMPACT

- An increase in the intensity level of competitive activity could result in higher churn, increased acquisition and retention expenses, and increased use of promotional competitive offers to acquire and keep customers, all of which would put pressure on Bell Wireline's adjusted EBITDA

REGULATORY ENVIRONMENT

RISK

- The CRTC mandates rates for the new disaggregated wholesale high-speed access service available on FTTP facilities that are materially different from the rates we proposed, and which do not sufficiently account for the investment required in these facilities

POTENTIAL IMPACT

- The mandating of rates for the new disaggregated wholesale high-speed access service available on FTTP facilities that are materially different from the rates we proposed could improve the business position of our competitors and change our investment strategy, especially in relation to investment in next-generation wireline networks in smaller communities and rural areas

CHANGING CUSTOMER BEHAVIOUR

RISK

- The traditional TV viewing model (i.e. the subscription for bundled channels) is challenged by an increasing number of legal and illegal viewing options available in the market offered by traditional, non-traditional and global players, as well as developing cord-cutting and cord-shaving trends
- Changing customer habits further contribute to the erosion of NAS lines

POTENTIAL IMPACT

- Our market penetration and number of TV subscribers could decline as a result of broadcasting distribution undertaking (BDU) offerings and an increasing number of domestic and global unregulated OTT providers. The proliferation of IP-based products, including OTT content offerings directly to consumers, may accelerate the disconnection of TV services or the reduction of TV spending
- The ongoing loss of NAS lines from technological substitution to wireless and Internet-based services and large business customer conversions to IP-based data services challenge our traditional voice revenues and compel us to develop other service offerings

5.3 Bell Media

Bell Media maintained industry leadership in TV and radio even as overall financial performance in 2017 was impacted by general softness in the TV advertising market, viewership decline for traditional linear TV, an ongoing shift in customer spending to online services, as well as escalating programming and content costs.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES



Expand media leadership

2017 PROGRESS

- Maintained CTV's #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus to acquire French-language specialty channels *Séries+* and *Historia*, further enhancing our competitiveness in the Québec media landscape. *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 transaction is subject to approval by the CRTC and the Competition Bureau.
- Grew CraveTV viewership to approximately 1.3 million subscribers at the end of 2017
- Signed an agreement to acquire four FM radio stations in Ontario from Larche. Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media's existing 105 iHeartRadio Canada properties will broaden the network's industry-leading reach across the country
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air a slate of games in the Montreal Canadiens' designated broadcast region, which spans Eastern and Northern Ontario, Québec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games

- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include syndication rights for NFL highlights in Canada, as well as expanded footage and programming rights to further bolster Bell Media's non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks' digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country's largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
 - In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate's future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.
- Grow viewership and scale of CraveTV on-demand TV streaming service
 - In January 2018, we announced that CraveTV's HBO offering would expand throughout 2018 with the addition of *Game of Thrones*, *Girls*, *The Leftovers*, *Silicon Valley*, *Vice Principals*, *Ballers*, *Insecure* and *The Young Pope*

- Develop in-house production and content creation for distribution and use across all screens and platforms
- Expand live and on-demand content through TV Everywhere services
- Build on our OOH leadership position in Canada
- Grow French media properties
- Leverage cross-platform and integrated sales and sponsorship
- Grow revenues through unique partnerships and strategic content investments
- In January 2018, we partnered with Bloomberg Media to create BNN Bloomberg, Canada's leading multi-platform business news brand. Expected to launch in Spring 2018, BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada's business decision makers

- In February 2018, we launched Snackable TV, a mobile-first, short-form video app delivering premium and shareable entertainment targeted at viewers looking to consume snack-size pieces of content, featuring exclusive content from HBO, Comedy Central, Etalk and more



Achieve a competitive cost structure

2018 FOCUS

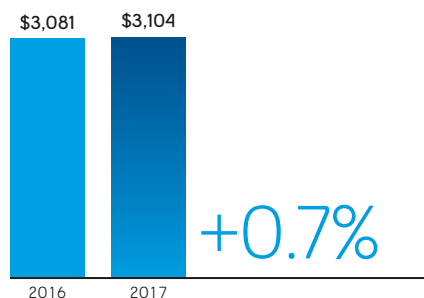
- Optimize operating cost structure to align with revenue results

FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

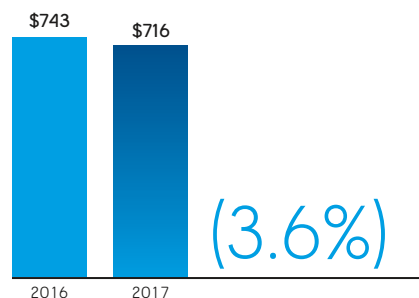
Bell Media Revenues

(in \$ millions)



Bell Media Adjusted EBITDA

(in \$ millions)

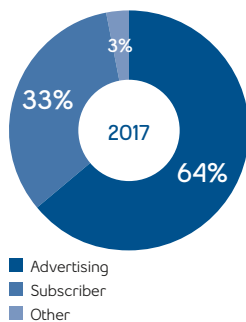
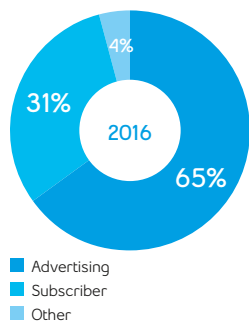


CTV is the most-watched Canadian TV network

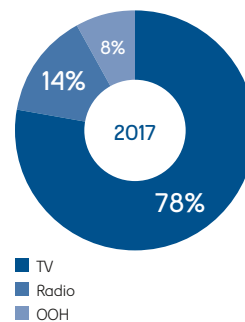
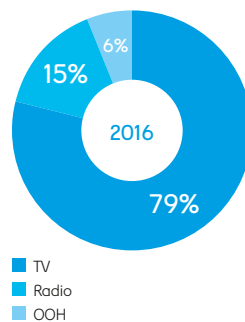
9 of top 20 programs

Nationally among total viewers
2016-2017 broadcast year

Bell Media Revenue mix (product)



Bell Media Revenue mix (line of business)



BELL MEDIA RESULTS

REVENUES

	2017	2016	\$ CHANGE	% CHANGE
Total external revenues	2,676	2,685	(9)	(0.3%)
Inter-segment revenues	428	396	32	8.1%
Total Bell Media revenues	3,104	3,081	23	0.7%

Bell Media operating revenues increased by 0.7% in 2017, compared to 2016, driven by higher subscriber revenues, offset in part by lower advertising revenues.

Subscriber revenues grew in 2017, compared to last year, mainly due to the growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals with TV distributors and the benefit from the expansion of TMN into a national pay TV service in March 2016.

OPERATING COSTS AND ADJUSTED EBITDA

	2017	2016	\$ CHANGE	% CHANGE
Operating costs	(2,388)	(2,338)	(50)	(2.1%)
Adjusted EBITDA	716	743	(27)	(3.6%)
Adjusted EBITDA margin	23.1%	24.1%		(1.0) pts

Bell Media operating costs increased by 2.1% in 2017, compared to last year, mainly due to higher programming and content costs primarily related to the ongoing ramp up of content for CraveTV and pay TV services, deal renewals for specialty TV programming, content costs associated with TMN national expansion, escalating sports rights costs, greater expenses resulting from the Cieslok Media acquisition and the execution of newly awarded contracts in OOH. This was partially mitigated by reduced labour costs driven mainly by workforce reductions.

Bell Media adjusted EBITDA decreased by 3.6% in 2017, compared to the previous year, due to escalating programming and content costs and flow-through of the advertising revenue decline which included the unfavourable impact of the CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl. This was moderated by continued growth in subscriber revenues and lower labour costs.

BELL MEDIA OPERATING METRICS

- CTV maintained its #1 ranking as the most-watched network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics

Advertising revenues decreased in 2017, compared to 2016, reflecting continued market softness and declines in audience levels, which unfavourably impacted advertising revenues across both conventional and specialty TV and radio media platforms. The CRTC's decision to eliminate simultaneous substitution for the NFL Super Bowl also contributed to the year-over-year decline in advertising revenues. These pressures were moderated by growth in OOH advertising revenues as a result of the contribution from newly awarded contracts and the Cieslok Media acquisition in January 2017, as well as by higher year-over-year revenues from digital properties.

- Bell Media's English specialty and pay TV properties reached 82% of all Canadian English specialty and pay TV viewers on an average weekly basis in 2017. Four of the top 10 Canadian English commercial specialty channels among viewers aged 25 to 54 are Bell Media properties (TSN, Space, Discovery and CP24).
- In Québec, Bell Media maintained its leadership position in the French specialty and pay TV market, reaching 72% of French-language TV viewers in the average week. Half of the Top 10 French specialty and pay channels among the key viewers aged 25 to 54 were Bell Media properties (RDS, Super Écran, Canal D, Canal Vie and Z).
- Bell Media continued to rank first in digital media among Canadian broadcast and video network competitors, and sixth among online properties in the country, with 18.9 million unique visitors per month, reaching 60% of the digital audience
- Bell Media remained Canada's top radio broadcaster, reaching 17.4 million listeners who spent 73.6 million hours tuned in each week during 2017
- Astral is one of Canada's leading OOH advertising companies with an offering of five innovative product lines and more than 31,000 at the end of 2017 advertising faces strategically located in the British Columbia, Alberta, Manitoba, Ontario, Québec and Nova Scotia markets

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

Competition in the Canadian media industry has changed in recent years as traditional media assets are increasingly being controlled by a small number of competitors with significant scale and financial resources. Technology has allowed new entrants to become media players in their own right. Some players have become more vertically integrated across both traditional and emerging platforms to better enable the acquisition and monetization of premium content. Global aggregators have also emerged and are competing for both content and viewers.

Bell Media competes in the TV, radio and OOH advertising markets:

- **TV:** The TV market has become increasingly fragmented and this trend is expected to continue as new services and technologies increase the diversity of information and entertainment outlets available to consumers
- **Radio:** Competition within the radio broadcasting industry occurs primarily in discrete local market areas among individual stations
- **OOH:** The Canadian OOH advertising industry is fragmented, consisting of a few large companies as well as numerous smaller and local companies operating in a few local markets

Consumers continue to shift their media consumption towards digital and online media, mobile devices and on-demand content, requiring industry players to increase their efforts in digital content and capabilities in order to compete. This trend is also causing advertisers to direct more of their spending to digital and online rather than traditional media. In addition, the number of competitors has increased as more digital and online media companies, including large global companies, enter the market.

Competitors

TV

- Conventional Canadian TV stations (local and distant signals) and specialty and pay channels, such as those owned by Corus, Rogers, Québecor, Canadian Broadcasting Corporation (CBC)/ Société Radio-Canada (SRC) and Groupe V
- U.S. conventional TV stations and specialty channels
- OTT streaming providers such as Netflix, Amazon Prime Video and DAZN
- Video-sharing websites such as YouTube

RADIO

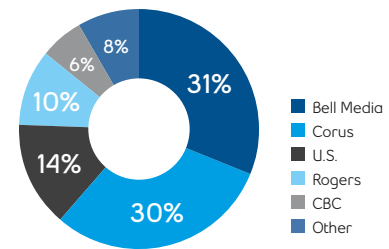
- Large radio operators, such as Rogers, Corus, Cogeco and Newcap Inc. (Newcap) that also own and operate radio station clusters in various local markets
- Radio stations in specific local markets
- Satellite radio provider SiriusXM
- Music streaming services such as Spotify, Apple Music and Google Play Music
- Music downloading services such as Apple's iTunes Store
- Other media such as newspapers, local weeklies, TV, magazines, outdoor advertising and the Internet

OOH ADVERTISING

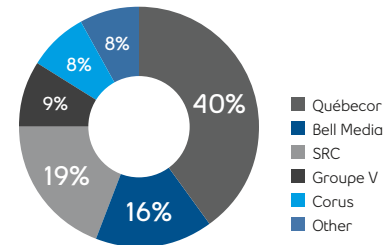
- Large outdoor advertisers, such as Jim Pattison Broadcast Group, Outfront Media, Québecor, Dynamic and Clear Channel Outdoor
- Numerous smaller and local companies operating a limited number of display faces in a few local markets
- Other media such as TV, radio, print media and the Internet

Canadian market share

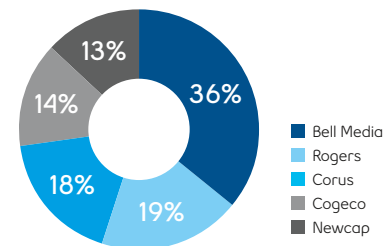
TV viewership⁽¹⁾ English language TV⁽²⁾



TV viewership⁽¹⁾ French language TV



Radio⁽¹⁾ Broadcaster hours tuned



(1) Broadcast year-end at August 31, 2017, 2+ age category, Fall 2017 for radio.

(2) Percentages may not add to 100 due to rounding.

INDUSTRY TRENDS

TECHNOLOGY AND CONSUMER HABITS TRANSFORMING THE WAY TV IS DELIVERED

Technology used in the media industry continues to evolve rapidly, which has led to alternative methods for the distribution, storage and consumption of content. These technological developments have driven and reinforced changes in consumer behaviour as consumers seek more control over when, where and how they consume content. Consumers now have the ability to watch content from a variety of media services on the screen of their choice, including TVs, computers, and mobile devices. The number of Canadian users who are connected to the Internet through their TVs is growing as connection becomes easier and more affordable. Changes in technology and consumer behaviour have resulted in a number of challenges for content aggregators and distributors. Ubiquitous access to content enabled by connected devices introduces risk to traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional content aggregators.

GROWTH OF ALTERNATIVES TO TRADITIONAL LINEAR TV

Consumers have improved access to online entertainment and information alternatives that did not previously exist. While traditional

linear TV was the only way to access entertainment programming in the past, the increase in alternative entertainment options has led to a fragmentation in consumption habits. Traditional linear TV still remains the most common form of video consumption and people are increasingly consuming content on their own terms. In particular, today's viewers are consuming more content online, watching less scheduled programming live, time-shifting original broadcasts through PVRs, viewing more TV on mobile devices, and catching up on past programming on-demand. In addition, a growing number of consumers are spending considerable time viewing online alternatives to traditional TV. This is evident in the growing number and popularity of OTT video services like Netflix and Amazon Prime Video. To date, these OTT services have largely complemented existing TV services, with the majority of subscribers adding an OTT service subscription to complement their traditional linear package. In recognition of changing consumer behaviour, media companies are evolving their content and launching their own solutions to better compete with these non-traditional offerings through services such as Bell Media's CraveTV on-demand TV streaming service and authenticated TV Everywhere services such as CTV GO, TSN GO, RDS GO, Discovery GO and TMN GO.

ESCALATING CONTENT COSTS AND SHIFTS IN ADVERTISING

Viewership and usage trends suggest that online and mobile Internet video consumption is increasing rapidly. Changing content consumption patterns and growth of alternative content providers could exert downward pressure on advertising revenues for traditional media broadcasters. However, premier content, live sports and special events should continue to draw audiences and advertisers, which is expected to result in pricing pressure on future broadcasting rights. Additionally, while access to premium content has become increasingly important to media companies in attracting viewers and advertisers, there is now increased competition for these rights from global competitors, including Netflix, Amazon, and DAZN. This has resulted in higher TV program rights costs, which is a trend that is expected to continue into the future.

ALTERNATIVE DELIVERY OF LIVE SPORTS CONTENT

Access to live sports and other premium content has become even more important for acquiring and retaining audiences that in turn attract advertisers and subscribers. Ownership of content and/or long-term agreements with content owners has, therefore, also become increasingly important to media companies. Leagues, teams, and networks are also experimenting with the delivery of live sports content through online, social, and virtual platforms, while non-traditional sports are also growing in mindshare.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

Revenue performance is expected to reflect Bell Media's broadcast of the 2018 FIFA World Cup, further growth in CraveTV, higher outdoor advertising revenue at Astral and the financial contribution from the pending acquisition of radio stations from Larche. However, the effects of shifting media consumption towards OTT and digital platforms, further TV cord-shaving and cord-cutting, as well as the financial impact of higher content costs for sports broadcast rights and premium programming content will continue to weigh on adjusted EBITDA in 2018. We also intend to continue controlling costs by leveraging assets, achieving productivity gains and pursuing operational efficiencies across all of our media properties, while continuing to invest in premium content across all screens and platforms.

While the advertising market is expected to remain soft in 2018, we anticipate that the strength of our programming including the 2018 FIFA World Cup, and continued strong outdoor advertising growth, will offset some advertising pressure resulting from increased competition and declining audiences. Subscriber fee revenues are projected to remain stable, as growth in CraveTV and TV Everywhere is expected to offset subscriber erosion.

In conventional TV, we intend to leverage the strength of our market position combined with enhanced audience targeting to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. Success in this area requires that we focus on a number of factors, including: successfully acquiring highly rated programming and differentiated content; building and maintaining strategic supply arrangements for content across all screens and platforms, producing and commissioning high-quality Canadian content, including market-leading news; and bringing our data-enhanced TV planning tool to market.

Our sports specialty TV offerings are expected to continue to deliver premium content and exceptional viewing experiences to our viewers. Expanded NFL and NHL offerings, combined with the integration of our digital platforms, are integral parts of our strategy to enhance viewership and engagement. Contractual price increases for strategic sports properties are the principal factors driving continued increases in sports rights costs. We will also continue to focus on creating innovative high-quality productions in the areas of sports news and editorial coverage.

In non-sports specialty TV, audiences and advertising revenues are expected to be driven by investment in quality programming and production. As part of our objective to drive revenue growth, we intend to capitalize on our competitive position in key specialty services to improve both channel strength and channel selection.

In pay TV, we will continue to leverage our investments in premium content (including HBO and SHOWTIME) in order to attract subscribers.

In our French-language pay and specialty services, we will continue to optimize our programming to increase our appeal to audiences, including the pending acquisition of French-language specialty channels *Séries+* and *Historia*, which are subject to closing conditions, including approval by the CRTC and the Competition Bureau.

In radio, we intend to leverage the strength of our market position and pending radio station acquisitions from Larche to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. We also plan to leverage our recently enhanced iHeartRadio digital service in Canada that provides access to more than 1,000 live radio stations and some of the most popular podcasts. Additionally, in conjunction with our local TV properties, we will continue to pursue opportunities that leverage our promotional capabilities, provide an expanded platform for content sharing, and offer synergistic co-location and efficiencies.

In our OOH operations, we plan to leverage the strength of our products to provide advertisers with premium opportunities in key Canadian markets. We will also continue to seek new opportunities in digital markets, including converting our premium outdoor structures to digital.

ASSUMPTIONS

- Revenue performance is expected to reflect an improving TV advertising sales trajectory supported by our broadcast of the 2018 FIFA World Cup, further CraveTV subscriber growth and continued growth in outdoor advertising
- 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 lower subscriber levels for many Bell Media TV properties
- No material financial, operational or competitive consequences of changes in regulations affecting our media business

KEY GROWTH DRIVERS

- Leveraging data to better inform media planning, insights, and execution, leading to an enhanced advertiser experience
- Investing in the best content
- Converting premium OOH structures to digital
- Establishing unique partnerships and strategic content investments

PRINCIPAL BUSINESS RISKS

This section discusses certain principal business risks specifically related to the Bell Media segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, *Business risks*.

AGGRESSIVE COMPETITION AND REGULATORY CHANGES

RISK

- The intensity of competitive activity from traditional TV services, as well as from new technologies and alternative distribution platforms such as unregulated OTT content offerings, video on demand, personal video platforms and video services over mobile devices and the Internet, in combination with regulations that require all BDUs to make TV services available à la carte
- Acceleration among non-traditional global players developing more aggressive product and sales strategies in creating and distributing video

POTENTIAL IMPACT

- Adverse impact on the level of subscriptions and/or viewership for Bell Media's TV services and on Bell Media's revenue streams

ADVERTISING AND SUBSCRIPTION REVENUE UNCERTAINTY

RISK

- Advertising is heavily dependent on economic conditions and viewership, as well as on our ability to grow alternative advertising media such as digital and OOH platforms, in the context of a changing and fragmented advertising market. Conventional media is under increasing competitive pressure for advertising spend from non-traditional/global technology companies
- Bell Media has contracts with a variety of BDUs, under which monthly subscription fees for specialty and pay TV services are earned. Agreements with several of these BDUs are expiring in 2018

POTENTIAL IMPACT

- Economic uncertainty could reduce advertisers' spending. Our failure to increase or maintain viewership or capture our share of the changing and fragmented advertising market could result in the loss of advertising revenue
- If we are not successful in renegotiating expiring BDU agreements on favourable terms, it could result in the loss of subscription revenue

RISING CONTENT COSTS AND ABILITY TO SECURE KEY CONTENT

RISK

- Rising content costs, as an increasing number of domestic and global competitors seek to acquire the same content, and the ability to secure key content to drive revenues and subscriber growth

POTENTIAL IMPACT

- Rising programming costs could require us to incur unplanned expenses which could result in negative pressure on adjusted EBITDA
- Our inability to acquire popular programming content could adversely affect Bell Media's viewership and subscription levels and, consequently, advertising and subscription revenues

6 Financial and capital management

This section tells you how we manage our cash and capital resources to carry out our strategy and deliver financial results. It provides an analysis of our financial condition, cash flows and liquidity on a consolidated basis.

6.1 Net debt

	DECEMBER 31, 2017	DECEMBER 31, 2016	\$ CHANGE	% CHANGE
Debt due within one year	5,178	4,887	291	6.0%
Long-term debt	18,215	16,572	1,643	9.9%
Preferred shares ⁽¹⁾	2,002	2,002	–	–
Cash and cash equivalents	(625)	(853)	228	26.7%
Net debt	24,770	22,608	2,162	9.6%

(1) 50% of outstanding preferred shares of \$4,004 million in 2017 and 2016 are classified as debt consistent with the treatment by some credit rating agencies.

The increase of \$1,934 million in total debt, comprised of debt due within one year and long-term debt, was due to:

- the issuance of Series M-40 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of \$700 million, \$1 billion, \$500 million and \$800 million, respectively
- an increase in our debt of \$972 million due to the acquisition of MTS
- an increase in our notes payable (net of repayments) of \$333 million

Partly offset by:

- the repayment of borrowings under our unsecured committed term credit facility of \$480 million
- the early redemption of Series M-22 MTN, M-35 and M-36 debentures in the principal amounts of \$1 billion, \$350 million and \$300 million, respectively
- a net decrease of \$241 million in our finance lease obligations and other debt

The decrease in cash and cash equivalents of \$228 million was due mainly to:

- \$2,639 million of dividends paid on BCE common and preferred shares
- \$4,034 million of capital expenditures
- \$1,649 million paid for business acquisitions mainly related to the acquisitions of MTS and Cieslok Media
- \$224 million for the purchase on the open market of shares for the settlement of share-based payments

Partly offset by:

- \$7,358 of cash from operating activities
- \$691 million of debt issuances (net of repayments)
- \$323 million from the 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.

6.2 Outstanding share data

COMMON SHARES OUTSTANDING	NUMBER OF SHARES	STOCK OPTIONS OUTSTANDING	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding, January 1, 2017	870,706,332	Outstanding, January 1, 2017	10,242,162	52
Shares issued for the acquisition of MTS	27,642,714	Granted	3,043,448	59
Shares issued under employee stock option plan	2,555,863	Exercised ⁽¹⁾	(2,555,863)	45
Shares issued under employee savings plan (ESP)	91,731	Forfeited	(239,498)	58
Outstanding, December 31, 2017	900,996,640	Outstanding, December 31, 2017	10,490,249	55
		Exercisable, December 31, 2017	2,013,983	45

Subsequent to year end, on February 8, 2018, BCE announced its plan to repurchase and cancel up to 3.5 million common shares, subject to a maximum aggregate purchase price of \$175 million over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019 through a NCIB.

(1) The weighted average share price for options exercised in 2017 was \$60.

At March 8, 2018, 899,000,579 common shares and 14,092,467 stock options were outstanding.

6.3 Cash flows

	2017	2016	\$ CHANGE	% CHANGE
Cash flows from operating activities	7,358	6,643	715	10.8%
Capital expenditures	(4,034)	(3,771)	(263)	(7.0%)
Cash dividends paid on preferred shares	(127)	(126)	(1)	(0.8%)
Cash dividends paid by subsidiaries to non-controlling interest	(34)	(46)	12	26.1%
Acquisition and other costs paid	155	126	29	23.0%
Voluntary DB pension plan contribution	100	400	(300)	(75.0%)
Free cash flow	3,418	3,226	192	6.0%
Business acquisitions	(1,649)	(404)	(1,245)	n.m.
Acquisition and other costs paid	(155)	(126)	(29)	(23.0%)
Voluntary DB pension plan contribution	(100)	(400)	300	75.0%
Decrease in investments	6	107	(101)	(94.4%)
Loan to related party	–	(517)	517	100.0%
Disposition of intangibles and other assets	323	–	323	n.m.
Other investing activities	(83)	1	(84)	n.m.
Net issuance of debt instruments	691	719	(28)	(3.9%)
Issue of common shares	117	99	18	18.2%
Repurchase of shares for settlement of share-based payments	(224)	(106)	(118)	n.m.
Cash dividends paid on common shares	(2,512)	(2,305)	(207)	(9.0%)
Other financing activities	(60)	(54)	(6)	(11.1%)
Net (decrease) increase in cash and cash equivalents	(228)	240	(468)	n.m.

n.m.: not meaningful

CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOW

In 2017, BCE's cash flows from operating activities, which included the contributions from the MTS acquisition, increased \$715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased \$192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

CAPITAL EXPENDITURES

	2017	2016	\$ CHANGE	% CHANGE
Bell Wireless	731	733	2	0.3%
<i>Capital intensity ratio</i>	9.3%	10.2%		0.9 pts
Bell Wireline	3,174	2,936	(238)	(8.1%)
<i>Capital intensity ratio</i>	25.6%	24.3%		(1.3) pts
Bell Media	129	102	(27)	(26.5%)
<i>Capital intensity ratio</i>	4.2%	3.3%		(0.9) pts
BCE	4,034	3,771	(263)	(7.0%)
<i>Capital intensity ratio</i>	17.8%	17.4%		(0.4) pts

BCE capital expenditures totaled \$4,034 million in 2017, representing a 7% or \$263 million increase over last year. Capital expenditures as a percentage of revenue (capital intensity ratio) increased to 17.8% in 2017, compared to 17.4% in 2016. The growth in capital spending was driven by increases in our Bell Wireline and Bell Media segments, while spending in our Bell Wireless segment remained relatively stable year over year. The growth in capital expenditures also included the impact from the acquisition and integration of Bell MTS. The higher year-over-year capital spending reflected:

- Greater spending in our wireline segment of \$238 million in 2017 driven by the ongoing deployment of broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibre infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montréal that was announced on March 27, 2017. The increase over last year also included the impact of the MTS acquisition and integration.

- Higher capital spending at Bell Media of \$27 million in 2017, mainly due to the Cieslok Media acquisition, the execution of contract wins in Astral and upgrades to Bell Media broadcast studios and TV production equipment
- Relatively stable spending at Bell Wireless, which declined \$2 million year over year, primarily due to the slower pace of spending compared to 2016, offset in part by the acquisition and integration of MTS. Our capital investments in Wireless included the continued deployment

of the LTE-A mobile network and the substantial completion of our 4G LTE network which reached 87% and 99% of the Canadian population, respectively, at December 31, 2017. Additionally, spending was focused on delivering faster speeds through carrier aggregation, the deployment of small-cell technology to optimize mobile coverage, signal quality and data back-haul, as well as the enhancement of customer experience and the expansion of wireless network capacity to support the growth in subscribers and data consumption.

VOLUNTARY DB PENSION PLAN CONTRIBUTION

In 2017, we made a voluntary contribution of \$100 million, compared to a voluntary contribution of \$400 million in 2016, to fund our post-employment benefit obligation. The voluntary contributions were funded from cash on hand at the end of 2017 and 2016 and will reduce the amount of BCE's future pension funding obligations.

BUSINESS ACQUISITIONS

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.

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.

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 \$158 million, net of cash on hand.

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 consideration of \$218 million, of which \$21 million was paid in 2015.

Subsequent to year end, on January 5, 2018, BCE acquired all of the issued and outstanding shares of AlarmForce for a total consideration of \$182 million, of which \$181 million was paid in cash and the remaining \$1 million through the issuance of 22,531 BCE common shares.

Subsequent to the acquisition of AlarmForce, on January 5, 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta, and Saskatchewan to TELUS for total proceeds of approximately \$67 million subject to customary closing adjustments.

DECREASE IN INVESTMENTS

Decrease in investments of \$107 million in 2016 included proceeds received from one of our equity investments from the sale of a portion of its operations.

LOAN TO A RELATED PARTY

In 2016, prior to closing the acquisition of Q9, Bell Canada provided a loan of \$517 million to Q9 for the repayment of its debt.

DISPOSITION OF INTANGIBLE AND OTHER ASSETS

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 for total proceeds of \$323 million.

DEBT INSTRUMENTS

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of notes payable under commercial paper programs, loans securitized by trade receivables and bank facilities. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt. As at December 31, 2017, all of our debt was denominated in Canadian dollars with the exception of our commercial paper which is denominated in U.S. dollars, all of which has been hedged for foreign currency fluctuations through forward currency contracts.

2017

We issued \$691 million of debt, net of repayments. This included the issuances of Series M-40 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of \$700 million, \$1 billion, \$500 million and \$800 million, respectively and the issuance (net of repayments) of \$333 million of notes payable. These issuances were partly offset by the early redemption of Series M-22 MTN, M-35 and M-36 debentures in the principal amounts of \$1 billion, \$350 million and \$300 million, respectively, payments of finance leases and other debt of \$512 million and the repayment of borrowings under our unsecured committed term credit facility of \$480 million.

2016

We issued \$719 million of debt, net of repayments. This included the issuance of Series M-41 MTN, M-42 MTN and M-43 MTN debentures at Bell Canada with principal amounts of \$750 million, \$850 million and \$650 million, respectively, and the issuance (net of repayments) of \$991 million of notes payable. These issuances were partly offset by the

early debt redemption of Series M-18 MTN, M-19 MTN, M-23 MTN and M-32 debentures, with principal amounts of \$700 million, \$200 million, \$500 million and \$500 million, respectively, the repayment of Series M-38 debentures of \$150 million and payments of finance leases and other debt of \$472 million.

CASH DIVIDENDS PAID ON COMMON SHARES

In 2017, cash dividends paid on common shares of \$2,512 million increased by \$207 million compared to 2016, due to a higher dividend paid in 2017 of \$2.835 per common share compared to \$2.6975 per common share in 2016 and a higher number of outstanding common shares principally as a result of shares issued for the acquisition of MTS.

6.4 Post-employment benefit plans

For the year ended December 31, 2017, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of \$338 million. This was due to a lower actual discount rate of 3.6% at December 31, 2017, compared to 4.0% at December 31, 2016. The loss was partly offset by a higher-than-expected return on plan assets.

For the year ended December 31, 2016, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of \$262 million. This was due to a lower actual discount rate of 4.0% at December 31, 2016, compared to 4.2% at December 31, 2015. The loss was partly offset by a higher-than-expected return on plan assets.

6.5 Financial risk management

Management's objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk, equity price risk and longevity risk. These risks are further described in Note 2, *Significant accounting policies*, Note 8, *Other (expense) income*, Note 22, *Post-employment benefit plans* and Note 24, *Financial and capital management* in BCE's 2017 consolidated financial statements.

The following table outlines our financial risks, how we manage these risks and their financial statement classification.

FINANCIAL RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION
Credit risk	We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position. We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations.	<ul style="list-style-type: none"> Large and diverse customer base Deal with institutions with investment-grade credit ratings Regularly monitor our credit risk and exposure Our trade receivables and allowance for doubtful accounts balances at December 31, 2017 were \$3,138 million and \$55 million, respectively
Liquidity risk	We are exposed to liquidity risk for financial liabilities.	<ul style="list-style-type: none"> Sufficient cash from operating activities, possible capital markets financing and committed bank facilities to fund our operations and fulfill our obligations as they become due Refer to section 6.7, <i>Liquidity – Contractual obligations</i>, for a maturity analysis of our recognized financial liabilities
Foreign currency risk	We are exposed to foreign currency risk related to anticipated transactions and certain foreign currency 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 December 31, 2017 and a gain (loss) of \$133 million recognized in OCI at December 31, 2017, with all other variables held constant. Refer to the following <i>Fair value</i> section for details on our derivative financial instruments.	<ul style="list-style-type: none"> Foreign currency forward contracts on our anticipated transactions and commercial paper maturing in 2018 to 2021 of \$4.0 billion in U.S. dollars (\$5.1 billion in Canadian dollars) at December 31, 2017, to manage foreign currency risk related to anticipated transactions and foreign currency debt For cash flow hedges, changes in the fair value are recognized in OCI, except for any ineffective portion, which is recognized immediately in earnings in <i>Other (expense) income</i>. Realized gains and losses in Accumulated OCI are reclassified to the income statements or as an adjustment to the cost basis of the hedged item in the same periods as the corresponding hedged transactions are recognized. For economic hedges, changes in the fair value are recognized in <i>Other (expense) income</i> In 2017, we settled a cross currency basis swap with a notional amount of \$357 million in U.S. dollars (\$480 million in Canadian dollars) used to hedge borrowings under a credit facility For cross currency basis swaps, changes in the fair value of these derivatives and the related credit facility were recognized in <i>Other (expense) income</i> in the income statements and offset, unless a portion of the hedging relationship was ineffective

FINANCIAL RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION
Interest rate risk	<p>We are exposed to risk on the interest rates of our debt, our post-employment benefit plans and on dividend rate resets on our preferred shares.</p> <p>A 1% increase (decrease) in interest rates would result in a decrease (increase) of \$29 million in net earnings at December 31, 2017.</p> <p>Refer to the following <i>Fair value</i> section for details on our derivative financial instruments.</p>	<ul style="list-style-type: none"> We use interest rate swaps to manage the mix of fixed and floating interest rates of our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares. There were no interest rate swaps and locks outstanding as of December 31, 2017 For our post-employment benefit plans, the interest rate risk is managed using a liability matching approach which reduces the exposure of the DB pension plans to a mismatch between investment growth and obligation growth
Equity price risk	<p>We are exposed to risk on our cash flow related to share-based payment plans.</p> <p>A 5% increase (decrease) in the market price of BCE's common shares at December 31, 2017 would result in a gain (loss) of \$38 million recognized in net earnings for 2017, with all other variables held constant.</p> <p>Refer to the following <i>Fair value</i> section for details on our derivative financial instruments.</p>	<ul style="list-style-type: none"> Equity forward contracts with a fair value of \$45 million at December 31, 2017 on BCE's common shares to economically hedge the cash flow exposure related to share-based payment plans Changes in the fair value are recorded in the income statements in <i>Operating costs</i> for derivatives used to hedge a cash-settled share-based payment plan and <i>Other (expense) income</i> for derivatives used to hedge equity-settled share-based payment plans
Longevity risk	<p>We are exposed to life expectancy risk on our post-employment benefit plans.</p>	<ul style="list-style-type: none"> The Bell Canada pension plan has an investment arrangement to hedge part of its exposure to potential increases in longevity which covers approximately \$5 billion of post-employment benefit obligations

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments

are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, dividends payable, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable and loans secured by trade receivables approximate fair value as they are short-term.

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	DECEMBER 31, 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	111	110	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	124	128	136	145
Debt securities, 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	19,321	21,298	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	FAIR VALUE AT DECEMBER 31			
		CARRYING VALUE OF ASSET (LIABILITY) AT DECEMBER 31	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2) ⁽¹⁾	NON-OBSERVABLE MARKET INPUTS (LEVEL 3) ⁽²⁾
2017					
Available-for-sale (AFS) publicly-traded and privately-held investments ⁽³⁾	Other non-current assets	103	1	–	102
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	(48)	–	(48)	–
MLSE financial liability ⁽⁴⁾	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	60	–	106	(46)
2016					
AFS publicly-traded and privately-held investments ⁽³⁾	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 ⁽⁴⁾	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) Unrealized gains and losses on AFS financial assets are recorded in OCI and are reclassified to Other (expense) income in the income statements when realized or when an impairment is determined.

(4) Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust) 9% interest in 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. The option is exercisable in 2017 and thereafter.

6.6 Credit ratings

Credit ratings generally address the ability of a company to repay principal and pay interest on debt or dividends on issued and outstanding preferred shares.

Our ability to raise financing depends on our ability to access the public equity and debt capital markets as well as the bank credit market. Our ability to access such markets and the cost and amount of funding

available partly depends on the quality of our credit ratings at the time capital is raised. Investment-grade credit ratings usually mean that when we borrow money, we qualify for lower interest rates than companies that have ratings lower than investment grade. A ratings downgrade could result in adverse consequences for our funding capacity or ability to access the capital markets.

The following table provides BCE's and Bell Canada's credit ratings, which are considered investment grade, as at March 8, 2018 from DBRS, Moody's and S&P.

KEY CREDIT RATINGS

MARCH 8, 2018	BELL CANADA ⁽¹⁾		
	DBRS	MOODY'S	S&P
Commercial paper	R-2 (high)	P-2	A-1 (Low) (Canadian scale) A-2 (Global scale)
Long-term debt	BBB (high)	Baa1	BBB+
Subordinated long-term debt	BBB (low)	Baa2	BBB
	BCE ⁽¹⁾		
	DBRS	MOODY'S	S&P
Preferred shares	Pfd-3	–	P-2 (Low) (Canadian scale) BBB- (Global scale)

(1) These credit ratings are not recommendations to buy, sell or hold any of the securities referred to above, and they may be revised or withdrawn at any time by the assigning rating organization. Each credit rating should be evaluated independently of any other credit rating.

As of March 8, 2018, BCE and Bell Canada's credit ratings have stable outlooks from DBRS, Moody's and S&P.

6.7 Liquidity

SOURCES OF LIQUIDITY

Our cash and cash equivalents balance at the end of 2017 was \$625 million. We expect that this balance, our 2018 estimated cash flows from operations, and capital markets financing, including commercial paper, will permit us to meet our cash requirements in 2018 for capital expenditures, post-employment benefit plans funding, dividend payments, the payment of contractual obligations, maturing debt, ongoing operations, and other cash requirements.

Should our 2018 cash requirements exceed our cash and cash equivalents balance, cash generated from our operations, and capital markets financing, we would expect to cover such a shortfall by drawing under committed credit facilities that are currently in place or through new facilities to the extent available.

Our cash flows from operations, cash and cash equivalents balance, capital markets financing and credit facilities should give us flexibility in carrying out our plans for future growth, including business acquisitions and contingencies.

Subsequent to year end, on March 7, 2018, we announced the issuance of 3.35% Series M-47 MTN debentures under Bell Canada's 1997 trust indenture, with a principal amount of \$500 million, which mature on March 12, 2025. The net proceeds of the offering are intended to be used to redeem, prior to maturity, Bell Canada's 5.52% Series M-33 debentures having an outstanding principal amount of \$300 million, which are due on February 26, 2019, and for the repayment of other short-term debt.

The table below is a summary of our total bank credit facilities at December 31, 2017.

DECEMBER 31, 2017	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
Committed credit facilities					
Unsecured revolving credit and expansion facilities ^{(1) (2)}	3,500	–	–	3,116	384
Other	134	–	106	–	28
Total committed credit facilities	3,634	–	106	3,116	412
Total non-committed credit facilities	1,829	–	1,148	–	681
Total committed and non-committed credit facilities	5,463	–	1,254	3,116	1,093

(1) Bell Canada's \$2.5 billion revolving credit facility expires in November 2022 and its \$1 billion expansion credit facility expires in November 2020.

(2) As of December 31, 2017, Bell Canada's outstanding commercial paper included \$2,484 million in U.S. dollars (\$3,116 in Canadian dollars). All of Bell Canada's commercial paper outstanding is included in debt due within one year.

Bell Canada may issue notes under its Canadian and U.S. commercial paper programs up to the maximum aggregate principal amount of \$2.5 billion in either Canadian or U.S. currency provided that at no time shall such maximum amount of notes exceed \$3.5 billion in Canadian currency which equals the aggregate amount available under Bell Canada's supporting committed revolving and expansion credit facilities

as at December 31, 2017. The total amount of the committed revolving and expansion credit facilities may be drawn at any time. Some of our credit agreements require us to meet specific financial ratios and to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada. We are in compliance with all conditions and restrictions under such agreements.

CASH REQUIREMENTS

CAPITAL EXPENDITURES

In 2018, our planned capital spending will be focused on our strategic imperatives, reflecting an appropriate level of investment in our networks and services.

POST-EMPLOYMENT BENEFIT PLANS FUNDING

Our post-employment benefit plans include DB pension and defined contribution (DC) pension plans, as well as other post-employment benefits (OPEBs) plans. The funding requirements of our post-employment benefit plans, resulting from valuations of our plan assets and liabilities, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Our expected funding for 2018 is detailed in the following table and is subject to actuarial valuations that will be completed in mid-2018. Actuarial valuations were last performed for our significant post-employment benefit plans as at December 31, 2016.

2018 EXPECTED FUNDING	TOTAL
DB pension plans – service cost	203
DB pension plans – deficit	7
DB pension plans	210
OPEBs	80
DC pension plans	110
Total net post-employment benefit plans	400

DIVIDEND PAYMENTS

In 2018, the cash dividends to be paid on BCE's common shares are expected to be higher than in 2017 as BCE's annual common share dividend increased by 5.2% to \$3.02 per common share from \$2.87 per common share effective with the dividend payable on April 15, 2018. This increase is consistent with BCE's common share dividend payout policy of a target payout between 65% and 75% of free cash flow. BCE's dividend policy and the declaration of dividends are subject to the discretion of the BCE Board.

CONTRACTUAL OBLIGATIONS

The following table is a summary of our contractual obligations at December 31, 2017 that are due in each of the next five years and thereafter.

	2018	2019	2020	2021	2022	THERE-AFTER	TOTAL
Recognized financial liabilities							
Long-term debt	661	1,541	1,424	2,247	1,714	9,558	17,145
Notes payable	3,151	–	–	–	–	–	3,151
Minimum future lease payments under finance leases	572	501	326	278	248	883	2,808
Loans secured by trade receivables	921	–	–	–	–	–	921
Interest payable on long-term debt, notes payable and loan secured by trade receivables	792	688	628	586	525	5,197	8,416
MLSE financial liability	135	–	–	–	–	–	135
Commitments (off-balance sheet)							
Operating leases	312	264	225	175	119	341	1,436
Commitments for property, plant and equipment and intangible assets	1,039	808	614	516	372	808	4,157
Purchase obligations	865	664	550	498	429	903	3,909
Proposed acquisition of Séries+ and Historia specialty channels	200	–	–	–	–	–	200
Acquisition of AlarmForce ⁽¹⁾	182	–	–	–	–	–	182
Total	8,830	4,466	3,767	4,300	3,407	17,690	42,460

(1) This commitment was settled on January 5, 2018, upon completion of the acquisition of AlarmForce.

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 22 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years. These satellite leases are non-cancellable. Minimum future lease payments under finance leases include future finance costs of \$636 million.

BCE's significant operating leases are for office premises, cellular tower sites, retail outlets, and OOH advertising spaces with lease terms ranging from 1 to 50 years. These leases are non-cancellable. Rental expense relating to operating leases was \$399 million in 2017 and \$353 million in 2016.

Our commitments for property, plant and equipment and intangible assets include program and feature film rights and investments to expand and update our networks to meet customer demand.

Purchase obligations consist of contractual obligations under service and product contracts for operating expenditures and other purchase obligations.

LITIGATION

In the ordinary course of our business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management's assessment of the

INDEMNIFICATIONS AND GUARANTEES (OFF-BALANCE SHEET)

As a regular part of our business, we enter into agreements that provide for indemnifications and guarantees to counterparties in transactions involving business dispositions, sales of assets, sales of services, purchases and development of assets, securitization agreements and operating leases. While some of the agreements specify a maximum potential exposure, many do not specify a maximum amount or termination date.

We cannot reasonably estimate the maximum potential amount we could be required to pay counterparties because of the nature of almost all of these indemnifications and guarantees. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. We have not made any significant payments under indemnifications or guarantees in the past.

merits of the claims and legal proceedings pending at March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements or operations. We believe that we have strong defences and we intend to vigorously defend our positions.

You will find a description of the principal legal proceedings pending at March 8, 2018 in the BCE 2017 AIF.

7 Selected annual and quarterly information

7.1 Annual financial information

The following table shows selected consolidated financial data of BCE for 2017, 2016 and 2015, based on the annual consolidated financial statements, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). We discuss the factors that caused our results to vary over the past two years throughout this MD&A.

	2017	2016	2015
CONSOLIDATED INCOME STATEMENTS			
Operating revenues			
Service	21,143	20,090	19,759
Product	1,576	1,629	1,755
Total operating revenues	22,719	21,719	21,514
Operating costs	(13,541)	(12,931)	(12,963)
Adjusted EBITDA	9,178	8,788	8,551
Severance, acquisition and other costs	(190)	(135)	(446)
Depreciation	(3,037)	(2,877)	(2,890)
Amortization	(813)	(631)	(530)
Finance costs			
Interest expense	(955)	(888)	(909)
Interest on post-employment benefit obligations	(72)	(81)	(110)
Other (expense) income	(102)	21	(12)
Income taxes	(1,039)	(1,110)	(924)
Net earnings	2,970	3,087	2,730
Net earnings attributable to:			
Common shareholders	2,786	2,894	2,526
Preferred shareholders	128	137	152
Non-controlling interest	56	56	52
Net earnings	2,970	3,087	2,730
Net earnings per common share			
Basic	3.12	3.33	2.98
Diluted	3.11	3.33	2.98
RATIOS			
Adjusted EBITDA margin (%)	40.4%	40.5%	39.7%
Return on equity (%) ⁽¹⁾	19.4%	21.8%	21.1%

(1) Net earnings attributable to common shareholders divided by total average equity attributable to BCE shareholders excluding preferred shares.

	2017	2016	2015
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
Total assets	54,263	50,108	47,993
Cash and cash equivalents	625	853	613
Debt due within one year (including notes payable and loans secured by trade receivables)	5,178	4,887	4,895
Long-term debt	18,215	16,572	15,390
Total non-current liabilities	23,993	22,146	20,672
Equity attributable to BCE shareholders	19,160	17,540	17,023
Total equity	19,483	17,854	17,329
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities	7,358	6,643	6,274
Cash flows used in investing activities	(5,437)	(4,584)	(4,114)
Capital expenditures	(4,034)	(3,771)	(3,626)
Business acquisitions	(1,649)	(404)	(311)
Business dispositions	–	18	409
Acquisition of spectrum licences	–	(1)	(535)
Disposition of intangibles and other assets	323	–	–
Loan to related party	–	(517)	–
Cash flows used in financing activities	(2,149)	(1,819)	(2,113)
Issue of common shares	117	99	952
Net issuance (repayment) of debt instruments	691	719	(510)
Common shares issuance cost	–	–	(35)
Cash dividends paid on common shares	(2,512)	(2,305)	(2,169)
Cash dividends paid on preferred shares	(127)	(126)	(150)
Cash dividends paid by subsidiaries to non-controlling interest	(34)	(46)	(41)
Free cash flow	3,418	3,226	2,999
SHARE INFORMATION			
Average number of common shares (millions)	894.3	869.1	847.1
Common shares outstanding at end of year (millions)	901.0	870.7	865.6
Market capitalization ⁽¹⁾	54,402	50,527	46,275
Dividends declared per common share (dollars)	2.87	2.73	2.60
Dividends declared on common shares	(2,564)	(2,374)	(2,213)
Dividends declared on preferred shares	(128)	(137)	(152)
Closing market price per common share (dollars)	60.38	58.03	53.46
Total shareholder return	8.9%	13.7%	5.3%
RATIOS			
Capital intensity (%)	17.8%	17.4%	16.9%
Price to earnings ratio (times) ⁽²⁾	19.35	17.43	17.94
OTHER DATA			
Number of employees (thousands)	52	48	50

(1) BCE's common share price at the end of the year multiplied by the number of common shares outstanding at the end of the year.

(2) BCE's common share price at the end of the year divided by EPS.

7.2 Quarterly financial information

The following table shows selected BCE consolidated financial data by quarter for 2017 and 2016. This quarterly information is unaudited but has been prepared on the same basis as the annual consolidated financial statements. We discuss the factors that caused our results to vary over the past eight quarters throughout this MD&A.

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating revenues								
Service	5,435	5,322	5,335	5,051	5,169	5,025	4,988	4,908
Product	523	356	364	333	533	382	352	362
Total operating revenues	5,958	5,678	5,699	5,384	5,702	5,407	5,340	5,270
Adjusted EBITDA	2,217	2,366	2,381	2,214	2,121	2,236	2,268	2,163
Severance, acquisition and other costs	(47)	(23)	(36)	(84)	(11)	(25)	(57)	(42)
Depreciation	(781)	(765)	(769)	(722)	(719)	(706)	(713)	(739)
Amortization	(209)	(208)	(211)	(185)	(165)	(161)	(156)	(149)
Net earnings	617	817	811	725	699	800	830	758
Net earnings attributable to common shareholders	575	770	762	679	657	752	778	707
Net earnings per common share								
Basic	0.64	0.86	0.84	0.78	0.75	0.87	0.89	0.82
Diluted	0.63	0.86	0.84	0.78	0.75	0.87	0.89	0.82
Average number of common shares outstanding – basic (millions)	900.6	900.4	900.1	875.7	870.5	869.9	869.1	867.1
OTHER INFORMATION								
Cash flows from operating activities	1,658	2,233	2,154	1,313	1,520	1,943	1,890	1,290
Free cash flow	652	1,183	1,094	489	923	951	934	418
Capital expenditures	(1,100)	(1,040)	(1,042)	(852)	(993)	(976)	(950)	(852)

FOURTH QUARTER HIGHLIGHTS

OPERATING REVENUES	Q4 2017	Q4 2016	\$ CHANGE	% CHANGE
Bell Wireless	2,070	1,883	187	9.9%
Bell Wireline	3,222	3,137	85	2.7%
Bell Media	834	845	(11)	(1.3%)
Inter-segment eliminations	(168)	(163)	(5)	(3.1%)
Total BCE operating revenues	5,958	5,702	256	4.5%
ADJUSTED EBITDA	Q4 2017	Q4 2016	\$ CHANGE	% CHANGE
Bell Wireless	736	674	62	9.2%
Bell Wireline	1,310	1,259	51	4.1%
Bell Media	171	188	(17)	(9.0%)
Total BCE adjusted EBITDA	2,217	2,121	96	4.5%

BCE operating revenues increased by 4.5% in Q4 2017, compared to the prior year, driven by growth in both our Bell Wireless and Bell Wireline segments, offset in part by a modest decline in our Bell Media segment.

BCE adjusted EBITDA grew by 4.5% in Q4 2017, compared to Q4 2016, due to year-over-year increases in our Bell Wireless and Bell Wireline segments, moderated by the decline in our Bell Media segment. BCE adjusted EBITDA margin remained unchanged at 37.2% compared to prior year.

Bell Wireless operating revenues increased by 9.9% in Q4 2017, compared to the same period last year, driven by growth in both service revenues of 10.6% and product revenues of 3.5%. The year-over-year increase in service revenue was mainly attributable to a greater postpaid subscriber base combined with higher blended ARPU of 2.4% and the contribution from Bell MTS. The increase in blended ARPU was driven by postpaid ARPU growth reflecting a higher postpaid subscriber mix, the flow-through of 2016 pricing changes, as well as a greater mix of postpaid LTE and LTE-A customers in our subscriber base resulting in greater data consumption and higher demand for larger data plans, offset in part by the unfavourable impact of Telecom Decision CRTC 2016-171 and the increased adoption of all-inclusive rate plans resulting in lower out of bundle usage. Wireless product revenues grew by 3.5%, year over year, mainly from a larger proportion of high end devices in our sales mix, higher gross activations and customer upgrades, along with the contribution from the MTS acquisition, moderated by increased promotional offers in a highly competitive marketplace and lower radio sales.

Bell Wireless adjusted EBITDA grew 9.2% in Q4 2017, compared to the prior year, driven by the flow-through of higher operating revenues, moderated by higher operating expenses primarily from our continued investment in customer retention and acquisition, expense contribution from Bell MTS, higher labour expense to support the growth in the business, greater network operating costs to support expanding capacity and higher advertising costs mainly driven by the recent launch of Lucky Mobile. Adjusted EBITDA margin, based on wireless operating service revenues of 38.9%, decreased 0.4 pts over last year.

Bell Wireline operating revenues in Q4 2017 increased by 2.7%, year over year, driven by higher service revenues of 3.6%, moderated by a decline in product revenues of 4.4%. The growth in service revenues was driven by the contribution from the acquisition of MTS, growth in our Internet and IPTV subscriber bases, higher household ARPU and growth in IP broadband connectivity services. This was offset in part by ongoing erosion in our voice, satellite TV, and legacy data revenues, lower business solution services revenue, increased residential customer acquisition, retention and bundle discounts due to aggressive offers from cable competitors, as well as the unfavourable CRTC regulatory impact from Telecom Decision CRTC 2016-171. The decline in product revenues reflected competitive pricing pressures in our business and wholesale markets and lower consumer electronic sales at The Source, mitigated in part by the contribution from the acquisition of MTS.

Bell Wireline adjusted EBITDA in Q4 2017 increased by 4.1%, year over year, with a corresponding adjusted EBITDA margin increase to 40.7% over the 40.1% experienced in Q4 2016, driven by the contribution from Bell MTS, growth in our Internet and IPTV businesses and continued effective cost containment, offset in part by the decline in our voice, satellite TV, and legacy data, including reduced customer spending and ongoing competitive pricing pressures in our business market.

Bell Media operating revenues decreased by 1.3% in Q4 2017, compared to the same period last year, due to lower advertising revenues driven by continued market softness and lower audience levels, which unfavourably impacted conventional and specialty TV and radio platforms, partially mitigated by higher OOH advertising revenues as a result of the contribution from the Cieslok Media acquisition and newly awarded contracts, as well as higher year-over-year revenue from digital properties. The decline in operating revenues was moderated by higher subscriber revenues driven by the growth in our subscriber base from our TV Everywhere GO Products, Crave TV and pay TV services, and the flow-through of rate increases on contract renewals that occurred earlier in the year.

Bell Media adjusted EBITDA decreased by 9.0% in Q4 2017, compared to the same period last year, due to lower operating revenues coupled with higher programming and content costs primarily related to sports broadcast rights and higher expenses in OOH resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This was partially mitigated by reduced labour costs driven mainly by workforce reductions.

BCE capital expenditures of \$1,100 million in Q4 2017 increased by \$107 million compared to last year, corresponding to an increased capital intensity ratio of 18.5% compared to 17.4% last year. The higher year-over-year capital investment was driven by increased spending across all three of our segments and included the impact from the acquisition and integration of Bell MTS in our wireless and wireline segments. The higher spending in our wireline segment of \$67 million also reflected the continued deployment of broadband fibre directly to more homes and businesses, including the build-out of Gigabit Fibe infrastructure in the city of Toronto and other urban locations and the commencement of the FTTN build-out in the city of Montréal. The increased capital expenditures in our wireless segment of \$25 million was mainly impacted by timing of spend. At Bell Media, spending increased by \$15 million mainly due to the Cieslok Media acquisition, the execution of contract wins in Astral and upgrades to Bell Media broadcast studios, TV production equipment and digital platforms.

BCE severance, acquisition and other costs of \$47 million in Q4 2017 increased by \$36 million, compared to Q4 2016, due in part to higher workforce reduction initiatives and higher other costs.

BCE depreciation of \$781 million in Q4 2017 increased by \$62 million, year over year, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes to useful lives have been applied prospectively, effective January 1, 2017, as described in section 10.1, *Our accounting policies – Critical accounting estimates and key judgments*.

BCE amortization was \$209 million in Q4 2017, up from \$165 million in Q4 2016, due mainly to the acquisition of MTS and a higher asset base.

BCE net earnings attributable to common shareholders of \$575 million in Q4 2017, or \$0.64 per share, were lower than the \$657 million, or \$0.75 per share, reported in Q4 2016. The year-over-year decrease was due mainly to higher depreciation and amortization expense, higher severance, acquisition and other costs and higher other expense which included impairment charges of \$82 million relating to our Bell Media segment, partly offset by higher adjusted EBITDA. Adjusted net earnings increased to \$684 million, from \$667 million in Q4 2016, and adjusted EPS remained flat to prior year.

BCE cash flows from operating activities was \$1,658 million in Q4 2017 compared to \$1,520 million in Q4 2016. The increase is mainly attributable to higher adjusted EBITDA and a lower voluntary DB pension plan contribution made in 2017, partly offset by reduced working capital, higher income taxes paid and higher interest payments, all of which included the contributions from MTS.

BCE free cash flow generated in Q4 2017 was \$652 million, a decrease of \$271 million compared to Q4 2016. This was due to lower cash flows from operating activities excluding a voluntary DB pension plan contribution and higher capital expenditures.

SEASONALITY CONSIDERATIONS

Some of our segments' revenues and expenses vary slightly by season, which may impact quarter-to-quarter operating results.

Bell Wireless operating results are influenced by the timing and richness of promotional activities, the level of overall competitive intensity, and the seasonal effect of higher levels of subscriber additions and handset discounts that may result in higher subscriber acquisition and activation-related expenses in certain quarters. In particular, subscriber activations are typically lowest in the first quarter, while adjusted EBITDA tends to be lower in the third and fourth quarters, due to higher subscriber acquisition and retention costs associated with a greater number of new subscriber activations and upgrades during the back-to-school and Black Friday to Christmas holiday periods. Additionally, wireless ARPU historically has experienced seasonal sequential increases in the second and third quarters, due to higher levels of usage and roaming in the spring and summer months, followed by historical seasonal sequential declines in the fourth and first quarters. However, this seasonal effect on ARPU has moderated, as unlimited voice options and larger usage data plans with higher recurring monthly fees have become more prevalent, resulting in less variability in chargeable data usage.

Bell Wireline revenues tend to be higher in the fourth quarter because of higher data and equipment product sales to business customers and higher consumer electronics equipment sales during the Q4 Christmas holiday period. However, this may vary from year to year depending on the strength of the economy and the presence of targeted sales initiatives, which can influence customer spending. Home Phone, TV and Internet subscriber activity is subject to modest seasonal fluctuations, attributable largely to residential moves during the summer months and the back-to-school period in the third quarter. Targeted marketing efforts conducted during various times of the year to coincide with special events or broad-based marketing campaigns also may have an impact on overall wireline operating results.

Bell Media revenues and related expenses from TV and radio broadcasting are largely derived from the sale of advertising, the demand for which is affected by prevailing economic conditions, as well as cyclical and seasonal variations. Seasonal variations are driven by the strength of TV ratings, particularly during the fall programming season, major sports league seasons and other special sporting events such as the Olympic Games, NHL playoffs and World Cup soccer, as well as fluctuations in consumer retail activity during the year.

8 Regulatory environment

8.1 Introduction

This section describes certain legislation that governs our business and provides highlights of recent regulatory initiatives and proceedings, government consultations and government positions that affect us, influence our business and may continue to affect our ability to compete in the marketplace. Bell Canada and several of its direct and indirect subsidiaries, including Bell Mobility, Bell ExpressVu Limited Partnership (Bell ExpressVu), Bell Media, NorthernTel, Limited Partnership (NorthernTel), Télébec, Limited Partnership (Télébec) and Northwestel, are governed by the *Telecommunications Act*, the *Broadcasting Act*, the *Radiocommunication Act* and/or the *Bell Canada Act*. Our business is affected by regulations, policies and decisions made by various regulatory agencies, including the CRTC, a quasi-judicial agency of the Government of Canada responsible for regulating Canada's telecommunications and broadcasting industries, and other federal government departments, in particular ISED.

The CRTC regulates the prices we can charge for telecommunications services in areas where it determines there is not enough competition to protect the interests of consumers. The CRTC has determined that

competition was sufficient to grant forbearance from retail price regulation under the *Telecommunications Act* for the vast majority of our wireline residential and business telephone services, as well as for our wireless services (except our domestic wholesale wireless roaming service and certain restrictions for retail wireless services set out in the Wireless Code of Conduct (the Wireless Code)) and Internet services (except in certain parts of Northwestel's territory, where the CRTC re-regulated Internet services in 2013). Our TV distribution and our TV and radio broadcasting businesses are subject to the *Broadcasting Act* and are, for the most part, not subject to retail price regulation.

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, ISED, Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. Adverse decisions by regulatory agencies or increasing regulation could have negative financial, operational, reputational or competitive consequences for our business.

8.2 Telecommunications Act

The *Telecommunications Act* governs telecommunications in Canada. It defines the broad objectives of Canada's telecommunications policy and provides the Government of Canada with the power to give general direction to the CRTC on any of its policy objectives. It applies to several of the BCE group of companies and partnerships, including Bell Canada, Bell Mobility, NorthernTel, Télébec and Northwestel.

Under the *Telecommunications Act*, all facilities-based telecommunications service providers in Canada, known as

telecommunications common carriers (TCCs), must seek regulatory approval for all telecommunications services, unless the services are exempt from regulation or forborne from regulation. The CRTC may exempt an entire class of carriers from regulation under the *Telecommunications Act* if the exemption meets the objectives of Canada's telecommunications policy. In addition, a few large TCCs, including the BCE group TCCs, must also meet certain Canadian ownership requirements. BCE monitors and periodically reports on the level of non-Canadian ownership of its common shares.

REVIEW OF BASIC TELECOMMUNICATIONS SERVICES

On December 21, 2016, the CRTC issued Telecom Regulatory Policy CRTC 2016-496, in which it determined broadband Internet to be a basic service and created a new fund designed to complement government investments in expanding access to broadband Internet across Canada. The new fund will collect and distribute \$750 million over a five-year period to support an aspirational goal of bringing broadband Internet with speeds of 50 Mbps to 90% of Canadian households by the end of 2021. The contributions to the new fund will be collected from telecommunications service providers, like those of the BCE group, and distributed through a competitive bidding process to support broadband deployment initiatives. The fund is to start at

\$100 million in its first year and grow by \$25 million each year until it caps out at \$200 million in the fifth year. While we will be required to contribute to the new broadband fund based on our percentage of industry revenues for voice, data and Internet services, the extent of the impact of this new fund on our business is not yet known, as funds contributed may be offset by any funds received should we seek and be awarded funds to deploy broadband services as part of the CRTC's program. The CRTC has launched a proceeding to determine the details of the competitive bidding process and we anticipate that the fund will likely be operational in 2019.

NATIONAL WIRELESS SERVICES CONSUMER CODE

On June 3, 2013, the CRTC issued Telecom Regulatory Policy CRTC 2013-271, which established the Wireless Code. The Wireless Code applies to all wireless services provided to individual and small business consumers (i.e. businesses that on average spend less than \$2,500 per month on telecom services) in all provinces and territories.

The Wireless Code regulates certain aspects of the provision of wireless services. Most notably, the Wireless Code prevents wireless service providers from charging an early cancellation fee after a customer has been under contract for 24 months and requires providers to recover any handset subsidies in two years or less. These requirements have effectively removed contracts with terms greater than two years from the marketplace.

On June 15, 2017, the CRTC issued Telecom Regulatory Policy CRTC 2017-200, making targeted changes to the Wireless Code, effective December 1, 2017, and clarifying existing rules. The revisions to the Wireless Code prevent service providers from selling locked devices, increase voice, text and data usage allowances for customers to try out their services during the mandatory 15-day buyer's trial period for purchased devices, and establish additional controls related to data overage and data roaming charges, among other things. These changes have had an adverse effect on our wireless business.

PROCEEDINGS REGARDING WHOLESALE DOMESTIC WIRELESS SERVICES

In Telecom Regulatory Policy CRTC 2015-177, the CRTC mandated Bell Mobility, Rogers Communications Partnership (now Rogers Communications Canada Inc.) and TELUS to issue tariffs to introduce new domestic wholesale roaming services for purchase by non-national wireless service providers (NNWPs). The terms of our tariff were approved by the CRTC in Telecom Decision CRTC 2017-56 (Decision 2017-56). Approval for the rates that we have proposed remains pending. If the CRTC mandates rates that are materially different from the rates we have proposed, this could improve the business position of our competitors and have a negative impact on our wireless business.

On June 1, 2017, the Federal Cabinet issued an Order to the CRTC directing it to reconsider certain determinations made in Decision 2017-56. In Decision 2017-56, the CRTC determined that Bell Mobility, Rogers Communications Canada Inc. and TELUS were required to provide "incidental" access to their networks and not "permanent" access as part of the mandated roaming service. The CRTC also determined that the

use of generally available public Wi-Fi does not form part of a NNWP's home network for the purpose of establishing what constitutes incidental roaming access, since public Wi-Fi facilities represent infrastructure that is not necessarily owned, operated or controlled by a NNWP. As a result, NNWPs may not rely on the use of public Wi-Fi facilities to be eligible to purchase incidental roaming services. Among other things, the Federal Cabinet has asked the CRTC to consider whether allowing an end-user's connectivity to public Wi-Fi to count as connectivity to a NNWP's home network would make Canadian wireless services more affordable, and whether any affordability gains associated with such a changed rule would outweigh any disincentives for the national carriers to continue to invest in their networks. The Federal Cabinet's Order requires the CRTC to report back to the Cabinet by March 31, 2018. It is unclear what, if any, new rules the CRTC may adopt in reconsidering Decision 2017-56. Moreover, it is unclear what, if any, impact such new rules may have on Bell's wireless business.

MANDATED WHOLESALE ACCESS TO FTTP NETWORKS

On July 22, 2015, in Telecom Regulatory Policy CRTC 2015-326, the CRTC mandated the introduction of a new disaggregated wholesale high-speed access service, including over FTTP facilities, which had previously been exempt from mandated wholesale high-speed access. While this new service is mandated for all major incumbent telephone companies and cable carriers, the first stage of its implementation is to take place only in Ontario and Québec, our two largest markets. This adverse regulatory decision may impact the specific nature, magnitude, location and timing of our future FTTP investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireline networks, particularly in smaller communities and rural areas.

On September 20, 2016, the CRTC issued Telecom Decision CRTC 2016-379, in which it largely adopted our proposals concerning the technical design of our future disaggregated wholesale high-speed access service. On August 29, 2017, in Telecom Order CRTC 2017-312, the CRTC set interim rates for these services. The interim rates determined by the CRTC are essentially similar to those we proposed; however, the final rates remain to be determined. The mandating of final rates that are materially different from the rates we proposed could improve the business position of our competitors and further impact our investment strategy.

PROPOSED EXPANSION OF AGGREGATED WHOLESALE ACCESS REGIME TO FTTP NETWORKS

On March 30, 2017, the Canadian Network Operators Consortium Inc. (CNOC) applied to the CRTC for an expansion of the aggregated wholesale high-speed access regime, which mandates aggregated access to FTTN facilities, to also include aggregated access to FTTP facilities. CNOC argued that aggregated access to FTTP facilities was necessary in order for competitors to offer high-speed services in areas where aggregated FTTN service is not available and only FTTP

facilities are present to support the delivery of high-speed services. On February 2, 2018, the CRTC issued Telecom Decision CRTC 2018-44, in which it rejected CNOC's application. The CRTC found that the exemption of FTTP facilities from aggregated access has limited impacts on competitors' ability to compete in the retail market, and that the adoption of CNOC's proposal would undermine the CRTC's desired transition to a disaggregated access regime.

REVIEW OF WHOLESALE FTTN HIGH-SPEED ACCESS SERVICE RATES

As part of its ongoing review of wholesale Internet rates, on October 6, 2016 the CRTC significantly reduced, on an interim basis, some of the wholesale rates that Bell Canada and other major providers charge for access by ISPs to FTTN or cable networks, as applicable. Should such substantially lowered wholesale rates remain in place in the long-term and, in addition, should the interim rates be made

retroactive, the business position of some of our competitors could improve, adversely affecting our financial performance, and our investment strategy could change, especially in relation to investment in next-generation wireline networks, particularly in smaller communities and rural areas.

CANADA'S TELECOMMUNICATIONS FOREIGN OWNERSHIP RULES

Under the *Telecommunications Act*, there are no foreign investment restrictions applicable to TCCs that have less than a 10% share of the total Canadian telecommunications market as measured by annual revenues. However, foreign investment in telecommunications companies can still

be refused by the government under the *Investment Canada Act*. The absence of foreign ownership restrictions on such small or new entrant TCCs could result in more foreign companies entering the Canadian market, including by acquiring spectrum licences or Canadian TCCs.

8.3 Broadcasting Act

The *Broadcasting Act* outlines the broad objectives of Canada's broadcasting policy and assigns the regulation and supervision of the broadcasting system to the CRTC. Key policy objectives of the *Broadcasting Act* are to protect and strengthen the cultural, political, social and economic fabric of Canada and to encourage the development of Canadian expression.

Most broadcasting activities require a programming or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if it is satisfied that non-compliance will not materially affect the implementation of Canadian broadcasting policy. A corporation

must also meet certain Canadian ownership and control requirements to obtain a broadcasting or broadcasting distribution licence, and corporations must have the CRTC's approval before they can transfer effective control of a broadcasting licensee.

Our TV distribution operations and our TV and radio broadcasting operations are subject to the requirements of the *Broadcasting Act*, the policies and decisions of the CRTC and their respective broadcasting licences. Any changes in the *Broadcasting Act*, amendments to regulations or the adoption of new ones, or amendments to licences, could negatively affect our competitive position or the cost of providing services.

THE TELEVISION SERVICE PROVIDER CODE

On January 7, 2016, the CRTC issued Broadcasting Regulatory Policy CRTC 2016-1, which established the Television Service Provider Code (the TV Code). The TV Code came into force on September 1, 2017 and requires all regulated television service providers, as well as exempt television service providers that are affiliated with a regulated service provider, to observe certain rules concerning their consumer agreements for television services. The TV Code does not apply to other exempt providers, such as OTT providers not affiliated with a regulated service provider.

The TV Code specifically imposes requirements relating to the clarity of offers, the content of contracts, trial periods for persons with disabilities, how consumers can change their programming options, and when services may be disconnected, among other things.

As part of Broadcasting Regulatory Policy CRTC 2016-1, the CRTC also expanded the mandate of the Commissioner for Complaints for Telecommunications Services, now the Commission for Complaints for Telecom-Television Services (CCTS), to include the administration of the TV Code and to enable the CCTS to accept consumer complaints about television services.

CHANGES TO SIMULTANEOUS SUBSTITUTION

In Broadcasting Regulatory Policy CRTC 2015-25, the CRTC announced that it would eliminate simultaneous substitution for the Super Bowl starting in 2017. This decision was implemented in Broadcasting Order CRTC 2016-335 (the Order).

Bell Canada and Bell Media appealed the application of the Order to the Federal Court of Appeal, as did the NFL. Bell Canada and Bell Media argued that the CRTC does not have jurisdiction under the *Broadcasting Act* to ban simultaneous substitution for the Super Bowl and that doing so constitutes unauthorized retrospective regulation and interference with Bell Media's vested economic rights. In a decision rendered on December 18, 2017, the Federal Court of Appeal denied the applications of Bell Media and Bell Canada, and that of the NFL, deferring to the CRTC's discretion as to how competing broadcasting policy objectives should be balanced. On January 3, 2018, Bell Canada and Bell Media filed for leave to appeal the Federal Court of Appeal's decision to the Supreme Court of Canada on an expedited basis. Bell Canada and Bell Media additionally sought a stay of the Order. On January 24, 2018, the

Supreme Court of Canada denied the request for a stay of the Order, but agreed to hear our application for leave, and our appeal should leave be granted, on an expedited basis. We expect a decision on our leave application in the coming months.

On August 1, 2017, BCE filed an application with the CRTC requesting that it rescind the Order, arguing that there have been significant negative economic and cultural impacts resulting from the Order. The application is supported by the NFL along with national union Unifor, the Alliance of Canadian Cinema, Television and Radio Artists, the Association of Canadian Advertisers and the Canadian Media Directors' Council.

The CRTC's decision to eliminate simultaneous substitution for the Super Bowl has had an adverse impact on Bell Media's conventional TV business and financial results, as a result of a reduction in viewership and advertising revenues. Such impacts will continue throughout the duration of our contract term with the NFL unless the CRTC's Order is rescinded.

WHOLESALE CODE

In Broadcasting Regulatory Policy CRTC 2015-438, the CRTC announced it would implement a new Wholesale Code to govern the commercial arrangements between BDUs, programming services and digital media services, including imposing additional restrictions on the sale of TV channels at wholesale and the carriage of TV channels by BDUs. Bell

Canada and Bell Media have appealed the decision to the Federal Court of Appeal, arguing that the CRTC's implementation of the Wholesale Code conflicts with the *Copyright Act* and is outside the CRTC's jurisdiction under the *Broadcasting Act*. The appeal was heard on November 14, 2017, and a decision is expected in 2018.

LICENCE RENEWALS

On May 15, 2017, the CRTC issued decisions in which it renewed the TV licences held by the large English-language and French-language ownership groups, including those owned by Bell Media. The CRTC's decisions were generally positive for Bell Media as no adverse conditions of licence were imposed that could have negatively affected our business and financial performance.

In its renewals for the large English-language ownership groups (Broadcasting Decisions CRTC 2017-148 to 2017-151), the CRTC set symmetrical spending requirements across each licensing group for both Canadian programming (minimum 30% of revenues) and certain categories of programs of national interest (minimum 5% of revenues). Given that the new symmetrical requirements for spending on programs of national interest were lower than the pre-existing requirements for certain ownership groups (including Bell Media), several of the associations that represent creative groups are concerned about what they perceive will be a reduction in spending on this category of programming. Consequently, they filed petitions pursuant to section 28(1) of the *Broadcasting Act*, requesting that the Federal Cabinet set aside the decisions or refer them back to the CRTC for reconsideration.

In its renewals for the large French-language ownership groups (Broadcasting Decisions CRTC 2017-143 to 2017-147), the CRTC set minimum spending requirements for each group on a case-by-case basis, in accordance with recent historical levels. However, the Government of Québec and several of the associations that represent creative groups are concerned that the CRTC did not also set a specific minimum spending requirement relating to original French-language production. Consequently, they also filed petitions pursuant to section 28(1) of the *Broadcasting Act*, requesting that the Federal Cabinet refer the decisions back to the CRTC for reconsideration.

On August 14, 2017, the Federal Cabinet referred the English-language and French-language renewal decisions back to the CRTC for reconsideration to ensure that appropriate contributions are made to the creation and presentation of programs of national interest, original French-language programming and music programming, as well as short films and documentaries. The decisions remain in effect while the CRTC conducts its reconsideration process. Should the CRTC alter the current conditions of licence in an adverse manner, it could have a negative effect on Bell Media's business and financial performance going forward.

CRTC REPORT ON FUTURE PROGRAMMING DISTRIBUTION MODELS

On September 27, 2017, the Governor in Council, at the recommendation of the Minister of Canadian Heritage, issued a direction to the CRTC asking it to examine the distribution model or models of programming that are likely to exist in the future, how Canadians would access that programming, and the extent to which those models will ensure a vibrant domestic market that is capable of supporting the continued creation, production and distribution of Canadian programming, including original

entertainment and information programming. The CRTC launched its public consultation on October 12, 2017, and is required to provide its report no later than June 1, 2018. The Minister of Canadian Heritage indicated that the CRTC's report will be used to inform a future review of the *Broadcasting Act* and the *Telecommunications Act*. At this time, it is unclear how the CRTC's report, or future legislative reviews, may impact our business.

8.4 Radiocommunication Act

ISED regulates the use of radio spectrum under the *Radiocommunication Act* to ensure that radiocommunication in Canada is developed and operated efficiently. All companies wishing to operate a wireless system in Canada must hold a spectrum licence to do so. Under the

Radiocommunication Regulations, companies that are eligible for radio licences, such as Bell Canada and Bell Mobility, must meet the same ownership requirements that apply to companies under the *Telecommunications Act*.

600 MHZ SPECTRUM CONSULTATION

ISED is currently in the process of repurposing the 600 MHz band, which is currently being used primarily by over-the-air TV broadcasters for TV transmission, for mobile use. As part of the transition, TV broadcasters must be moved off the 600 MHz spectrum. In April 2017, ISED released its new digital television allotment plan, developed jointly with the U.S. regulatory authorities. The transition of broadcasters off 600 MHz spectrum will have an impact on Bell Media TV broadcasting stations; however, the extent of such impact is not yet known.

On August 4, 2017, ISED released a consultation paper seeking input regarding a technical, policy and licensing framework to govern the auction of spectrum licences in the 600 MHz band for mobile use. The consultation paper indicates that ISED is proposing to auction 70 MHz of spectrum (30 MHz of which would be set aside for set-aside-eligible

entities) using an auction format similar to that used in the 700 MHz and 2500 MHz spectrum auctions. The set-aside spectrum can only be transferred to set-aside-eligible entities for the first five years. ISED proposes that the auctioned licences will have a 20-year term and be subject to certain deployment requirements requiring licensees to provide network coverage to a certain percentage of the population in each licence area at five, 10 and 20 years following licence issuance. ISED has not yet indicated when the auction will take place.

While the potential overall impact of the proposed auction framework is not known at the present time, the adoption of the set-aside provisions outlined in the consultation paper would limit the amount of spectrum that Bell Mobility can bid on. A decision on the consultation remains pending.

CONSULTATION ON RELEASING MILLIMETRE WAVE SPECTRUM TO SUPPORT 5G

On June 5, 2017, ISED launched a consultation entitled "Consultation on Releasing Millimetre Wave Spectrum to Support 5G". The consultation addresses the use of three key frequency bands, namely 28 GHz, 37-40 GHz and 64-71 GHz for possible 5G deployment. ISED has sought comments on a number of key technical and licensing policy

considerations for the use of the above noted spectrum. As 5G is expected to be the next major advancement in mobile telecommunications standards, access to the millimetre spectrum will be important in order to facilitate the development and adoption of 5G technology. A decision on the consultation remains pending.

RENEWAL OF AWS-1 AND PCS G BLOCK AND I BLOCK SPECTRUM LICENCES

On February 15, 2018, ISED released its spectrum licence renewal process for the AWS-1 and the personal communications services (PCS) G Block and I Block spectrum. These spectrum licences were auctioned in 2008 with a ten-year term and begin to expire in December 2018. In its decision, ISED indicated that, where all conditions of licence have been met, licensees will be eligible for new spectrum licences. Compliant AWS-1 and G Block licensees will be eligible for new licences with a

20-year term and compliant I Block licensees will be eligible for new licences with a 10-year term. As part of the renewal process, ISED set population coverage targets that apply within the first eight years of the new licence term and a second set of population coverage targets that apply by the end of the 20-year licence term. As indicated in the consultation, the population targets are based on smaller geographic licensing areas.

AUCTION OF RESIDUAL SPECTRUM LICENCES

On December 19, 2017, ISED released a decision entitled “Licensing Framework for Residual Spectrum Licences in the 700 MHz, 2500 MHz, 2300 MHz and PCS G Bands”. For residual licences in the 700 MHz and 2500 Mhz bands, ISED will impose the same aggregation limits

that were in place for the primary auctions of these bands in 2014 and 2015, respectively. The licensing framework has set a sealed-bid auction with bids due on May 15, 2018.

CONSULTATION ON THE SPECTRUM OUTLOOK 2018 TO 2022

On October 6, 2017, ISED initiated a consultation entitled “Consultation on the Spectrum Outlook 2018 to 2022”. The outcome of this consultation is intended to provide a roadmap for ISED to follow in making spectrum available over the next five years. As part of this consultation, ISED is

seeking views on how it should change its licensing regime, how much spectrum will be required in the future, and how technology is evolving, among other things. It is unclear what, if any, impacts the results of this consultation could have on our business.

8.5 Bell Canada Act

Among other things, the *Bell Canada Act* limits how Bell Canada voting shares and Bell Canada facilities may be sold or transferred. Specifically, under the *Bell Canada Act*, the CRTC must approve any sale or other disposal of Bell Canada voting shares that are held by BCE, unless the sale or disposal would result in BCE retaining at least

80% of all of the issued and outstanding voting shares of Bell Canada. Except in the ordinary course of business, the sale or other disposal of facilities integral to Bell Canada’s telecommunications activities must also receive CRTC approval.

8.6 Other key legislation

PERSONAL INFORMATION PROTECTION AND ELECTRONIC DOCUMENTS ACT

On June 18, 2015, the *Personal Information Protection and Electronic Documents Act* was amended to include mandatory notification requirements that must be followed in relation to the loss or unauthorized disclosure of personal information held by an organization resulting from a breach of the organization’s security safeguards. Failure to comply with these notification requirements, or to log security breaches, may result in a fine of up to \$100,000 per occurrence. These provisions dealing with notification requirements will come into force when related regulations are brought into force.

On September 28, 2017, the Office of the Privacy Commissioner of Canada (OPC) issued its Notice of Consultation and Call for Comments on Draft Consent Guidance Documents. The specific guidance documents at issue in this consultation are entitled “Draft Guidelines: Obtaining Meaningful Online Consent” and “Draft Guidelines: Inappropriate Data Practices – Interpretation and Application of Subsection 5(3)”. The OPC is expected to issue final guidelines later this year. The OPC’s guidelines could have significant impacts concerning how personal information may be collected, used and disclosed for analytics and marketing purposes.

CANADA’S ANTI-SPAM LEGISLATION

Federal legislation referred to as Canada’s anti-spam legislation (CASL) came into force on July 1, 2014. Pursuant to CASL, commercial electronic messages can be sent only if the recipient has provided prior consent and the message complies with certain formalities, including the ability to unsubscribe easily from subsequent messages. As of January 15, 2015, CASL also requires that an organization have prior informed consent before downloading software to an end-user’s computer. Penalties

for non-compliance include administrative monetary penalties of up to \$10 million.

While CASL is also intended to provide individual Canadians with a private right of action to commence proceedings for statutory damages in relation to instances of non-compliance, these provisions were deferred indefinitely from coming into force by the Federal Cabinet on June 2, 2017.

COPYRIGHT ACT REVIEW

On December 13, 2017, the Federal Government passed a motion in Parliament to formally launch a review of the *Copyright Act*. This review is mandated by the *Copyright Act* itself, which requires that the legislation be examined every five years. The Standing Committee on Industry,

Science and Technology, working in collaboration with the Standing Committee on Canadian Heritage, will lead the process, beginning in early 2018. At this time, the impact of any potential amendments on our business is unknown.

9 Business risks

A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. The actual effect of any event could be materially different from what we currently anticipate. The risks described in this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial position, financial performance, cash flows, business or reputation.

This section describes the principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, and cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements. As indicated in the table below, certain of these principal business risks have already been discussed in other sections of this MD&A, and we refer the reader to those sections for a discussion of such risks. All of the risk discussions set out in the sections referred to in the table below are incorporated by reference in this section 9.

RISKS DISCUSSED IN OTHER SECTIONS OF THIS MD&A

SECTION REFERENCES

RISKS DISCUSSED IN OTHER SECTIONS OF THIS MD&A	SECTION REFERENCES
Competitive environment	Section 3.3, <i>Principal business risks</i> Section 5, <i>Business segment analysis</i> (<i>Competitive landscape and industry trends</i> section for each segment)
Regulatory environment	Section 3.3, <i>Principal business risks</i> Section 8, <i>Regulatory environment</i>
Security management	Section 3.3, <i>Principal business risks</i>
Risks specifically relating to our Bell Wireless, Bell Wireline and Bell Media segments	Section 5, <i>Business segment analysis</i> (<i>Principal business risks</i> section for each segment)

The other principal business risks that could also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation are discussed below.

TECHNOLOGY/INFRASTRUCTURE TRANSFORMATION

The failure to optimize network and IT deployment and upgrade timelines, accurately assess the potential of new technologies, or invest and evolve in the appropriate direction could have an adverse impact on our business and financial results

Globalization, increased competition and ongoing technological advances are driving customer expectations of faster market responses, enhanced user experiences and cost-effective delivery. Meeting these expectations requires the deployment of new service and product technologies that are network-neutral and based on a more collaborative and integrated development environment. Change can be difficult and may present unforeseen obstacles that might impact successful execution, and this transition is made more challenging by the complexity of our multi-product environment, combined with the complexity of our network and IT structures. In addition, new technologies may quickly become obsolete or their launch may be delayed. The failure to optimize network and IT deployment and upgrade timelines, in light of customer demand and competitor activities, to accurately assess the potential of new technologies, or to invest and evolve in the appropriate direction in an environment of changing business models could have an adverse impact on our business and financial results.

In particular, our network and IT evolution activities seek to leverage new as well as evolving and developing technologies, including network functions virtualization, software-defined networks and cloud technologies, and to transform our network and systems to achieve our objectives of becoming more agile in our service delivery and operations as well as providing self-serve and instant-on capabilities for our customers, ensuring best quality and customer experience, and developing a new network infrastructure that enables a competitive cost structure and rapidly growing capacity. These evolution activities require an operational and cultural shift. Alignment across technology,

product development and operations is increasingly critical to ensure appropriate trade-offs and optimization of capital allocation.

If this cannot be achieved in accordance with our deployment schedules while maintaining network availability and performance through the migration process, we may lose customers as a result of poor service performance, which could adversely affect our ability to achieve our operational and financial objectives. Failure to leverage IP across all facets of our network and product and service portfolio could inhibit a fully customer-centric approach, limiting or preventing comprehensive self-serve convenience, real-time provisioning, cost savings and flexibility in delivery and consumption, leading to negative business and financial outcomes.

Parallel to our focus on next-generation investment, adverse regulatory decisions may impact the specific nature, magnitude, location and timing of investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP or wireless networks will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireline and wireless networks, particularly in smaller communities and rural areas. Failure to continue investment in next-generation capabilities in a disciplined and strategic manner, including real-time information-based customer service strategies, could limit our ability to compete effectively and achieve desired business and financial results.

Other examples of risks affecting achievement of our desired technology/infrastructure transformation include:

- Network construction and deployment on municipal or private property requires the issuance of municipal or property owner consents, respectively, for the installation of network equipment, which could cause delays in FTTP rollout

- The increasing dependence on apps for content delivery, sales, customer engagement and service experience drives the need for new and scarce capabilities (sourced internally or externally), which may not be available, as well as the need for associated operating processes integrated into ongoing operations
- New products, services or apps could reduce demand for our existing, more profitable service offerings or cause prices for those services to decline, and could result in shorter estimated useful lives for existing technologies, which could increase depreciation and amortization expense
- As consumption habits evolve and TV viewing alternatives expand, our ability to develop alternative delivery vehicles, which may require

significant software development and network investment, in order to compete in new markets is essential to maintaining customer engagement and revenue streams

- We must be able to leverage new opportunities, such as those introduced by “big data”, which is subject to many challenges, including evolving customer perceptions as well as legal and regulatory developments in order to meet our business objectives. If we cannot build market-leading competencies in this field across sales, service and operational platforms that respect societal values and legal and regulatory requirements, we may miss important opportunities to grow our business through enhanced market intelligence and a more proactive customer service model.

CUSTOMER EXPERIENCE

Driving a positive customer experience in all aspects of our engagement with customers by embracing new approaches and challenging operational limitations is important to avoid adverse impacts on our business and financial performance

As the bar continues to be raised based on customers' evolving expectations of service and value, failure to get ahead of such expectations and build a more robust service experience could hinder products and services differentiation and customer loyalty. With the proliferation of connectivity services, apps and devices, customers are accustomed to doing things when, how and where they want through websites, self-serve options, web chat, call centres, Facebook, Twitter and other social media forums. Failure to embrace these new media in a positive way, incorporate them into multiple elements of our service

delivery and ensure that we understand their potential impact on customer perceptions could adversely affect our reputation and brand value. As the foundation of effective customer service stems from our ability to deliver simple solutions to customers in an expeditious manner, on mutually agreeable terms, complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings may limit our ability to respond quickly to market changes and reduce costs, and may lead to customer confusion or billing errors, which could adversely affect customer satisfaction, acquisition and retention. While speed of service evolution is critical to a competitive differentiation, it must not be achieved at the expense of the quality of our service offerings or of our brand.

OPERATIONAL PERFORMANCE

Our networks, IT systems and data centre assets are the foundation of high-quality consistent services which are critical to meeting service expectations

Our ability to provide consistent wireless, wireline, media broadcasting, satellite and data centre services to customers in a complex and constantly changing operating environment is crucial for sustained success. In particular, network capacity demands for TV and other bandwidth-intensive applications on our Internet and wireless networks have been growing at unprecedented rates. Unexpected capacity pressures on our networks may negatively affect our network performance and our ability to provide services. Issues relating to network availability, speed, consistency and traffic management on our more current as well as our aging networks could have an adverse impact on our business and financial performance.

In addition, we currently use a very large number of interconnected operational and business support systems including for provisioning, networking, distribution, broadcast management, billing and accounting, which may restrain our operational efficiency. If we fail to implement or maintain highly effective customer-facing IT systems supported by an effective governance and operating framework, this may lead to inconsistent performance and dissatisfied customers, which over time could result in higher churn.

Further examples of risks to operational performance that could impact our reputation, business operations and financial performance include the following:

- We may need to incur significant capital expenditures beyond those already anticipated by our capital intensity target in order to provide additional capacity and reduce network congestion on our wireline and

wireless networks, and we may not be able to generate sufficient cash flows or raise the capital we need to fund such capital expenditures, which may result in service degradation

- Corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions may not deliver the benefits contemplated and could adversely impact our ongoing operations
- If we fail to streamline our significant IT legacy system portfolio and proactively improve operating performance, this could adversely affect our business and financial outcomes
- There may be a lack of competent and cost-effective resources to perform the life-cycle management and upgrades necessary to maintain the operational status of legacy networks

Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities

Our operations depend on how well we and our contracted service providers protect our networks and IT systems, as well as other infrastructure and facilities, against damage from fire, natural disaster (including, without limitation, seismic and severe weather-related events such as ice, snow and wind storms, flooding, hurricanes, tornadoes and tsunamis), power loss, building cooling loss, unauthorized access or entry, cyber threats, disabling devices, acts of war or terrorism, sabotage, vandalism, actions of neighbours and other events. Establishing response strategies and business continuity protocols to maintain service consistency if any disruptive event materializes is critical to the achievement of effective customer service. Any of the above-mentioned events, as well as the failure to complete planned and sufficient testing,

maintenance or replacement of our networks, equipment and other facilities, could disrupt our operations (including through disruptions such as network failures, billing errors or delays in customer service), require significant resources and result in significant remediation costs, which in turn could have an adverse effect on our business and financial performance, or impair our ability to keep existing subscribers or attract new ones.

Satellites used to provide our satellite TV services are subject to significant operational risks that could have an adverse effect on our business and financial performance

Pursuant to a set of commercial arrangements between Bell ExpressVu and Telesat Canada (Telesat), we currently have two satellites under contract with Telesat. Telesat operates or directs the operation of these

satellites, which utilize highly complex technology and operate in the harsh environment of space and are therefore subject to significant operational risks while in orbit. These risks include in-orbit equipment failures, malfunctions and other problems, commonly referred to as anomalies, that could reduce the commercial usefulness of a satellite used to provide our satellite TV services. Acts of war or terrorism, magnetic, electrostatic or solar storms, and space debris or meteoroids could also damage such satellites. Any loss, failure, manufacturing defect, damage or destruction of these satellites, of our terrestrial broadcasting infrastructure or of Telesat's tracking, telemetry and control facilities to operate the satellites could have an adverse effect on our business and financial performance and could result in customers terminating their subscriptions to our DTH satellite TV service.

PEOPLE

Our employees and contractors are key resources, and there is a broad and complex range of risks that must be managed effectively to drive a winning corporate culture and outstanding performance

Our business depends on the efforts, engagement and expertise of our management and non-management employees and contractors, who must be able to operate safely and securely based on the tasks they are completing and the environment in which they are functioning. If we fail to achieve this basic expectation, this could adversely affect our organizational culture, reputation and financial results as well as our ability to attract high-performing team members. Competition for highly skilled team members is intense, which makes the development of approaches to identify and secure high-performing candidates for a broad range of job functions, roles and responsibilities essential. Failure to appropriately train, motivate, remunerate or deploy employees on initiatives that further our strategic imperatives, or to efficiently replace retiring employees, could have an adverse impact on our ability to attract and retain talent and drive performance across the organization. The positive engagement of members of our team represented by unions is contingent on negotiating collective agreements that deliver competitive labour conditions and uninterrupted service, both of which are critical to achieving our business objectives. In addition, if the skill sets, diversity and size of the workforce do not match the operational requirements of the business and foster a winning culture, we will likely not be able to sustain our performance.

Other examples of people-related risks include the following:

- The increasing technical and operational complexity of our businesses and the high demand in the market for skilled technical resources create a challenging environment for hiring, retaining and developing such skilled technical resources
- Failure to establish a complete and effective succession plan, including preparation of internal talent and identification of potential external candidates where relevant for key roles, could impair our business until qualified replacements are found
- Approximately 45% of our employees are represented by unions and are covered by collective bargaining agreements. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions, including work stoppages or work slowdowns, which could adversely affect service to our customers and, in turn, our customer relationships and financial performance.
- Ensuring the safety and security of our workforce operating in different environments, including manholes, telephone poles, cell towers, vehicles, foreign news bureaus and war zones, requires focus, effective processes and flexibility to avoid injury, service interruption, fines and reputational impact
- Deterioration in employee morale and engagement resulting from staff reductions, ongoing cost reductions or reorganizations could adversely affect our business and financial results

FINANCIAL MANAGEMENT

If we are unable to raise the capital we need or generate sufficient cash flows from operations, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets

Our ability to meet our cash requirements, fund capital expenditures and provide for planned growth depends on having access to adequate sources of capital and on our ability to generate cash flows from operations, which is subject to various risks, including those described in this MD&A.

Our ability to raise financing depends on our ability to access the public equity, debt capital and money markets, as well as the bank credit market. Our ability to access such markets and the cost and amount of funding available depend largely on prevailing market conditions and the outlook for our business and credit ratings at the time capital is raised.

Risk factors such as capital market disruptions, political, economic and financial market instability in Canada or abroad, government policies, central bank monetary policies, changes to bank capitalization or other regulations, reduced bank lending in general or fewer banks as a result of reduced activity or consolidation, could reduce capital available or increase the cost of such capital. In addition, an increased level of debt borrowings could result in lower credit ratings, increased borrowing costs and a reduction in the amount of funding available to us, including through equity offerings. Business acquisitions could also adversely affect our outlook and credit ratings and have similar adverse consequences. In addition, participants in the public capital and bank credit markets have internal policies limiting their ability to invest in, or extend credit to, any single entity or entity group or a particular industry.

Our bank credit facilities, including credit facilities supporting our commercial paper program, are provided by various financial institutions. While it is our intention to renew certain of such credit facilities from time to time, there are no assurances that these facilities will be renewed on favourable terms or in similar amounts.

Differences between BCE's actual or anticipated financial results and the published expectations of financial analysts, as well as events affecting our business or operating environment, may contribute to volatility in BCE's securities. A major decline in the capital markets in general, or an adjustment in the market price or trading volumes of BCE's securities, may negatively affect our ability to raise debt or equity capital, retain senior executives and other key employees, make strategic acquisitions or enter into joint arrangements.

If we cannot access the capital we need or generate cash flows to implement our business plan or meet our financial obligations on acceptable terms, we may have to limit our ongoing capital expenditures and our investment in new businesses or try to raise additional capital by selling or otherwise disposing of assets. Any of these could have an adverse effect on our cash flows from operations and on our growth prospects.

We cannot guarantee that BCE's dividend policy will be maintained or that dividends will be declared

From time to time, the BCE Board reviews the adequacy of BCE's dividend policy with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders. Under the current dividend policy, increases in the common share dividend are directly linked to growth in BCE's free cash flow. BCE's dividend policy and the declaration of dividends on any of its outstanding shares are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE's dividend policy will be maintained or that dividends will be declared. The declaration of dividends by the BCE Board is ultimately dependent on BCE's operations and financial results which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

We are exposed to various credit, liquidity and market risks

Our exposure to credit, liquidity and market risks, including equity price, interest rate and currency fluctuations, is discussed in section 6.5, *Financial risk management* of this MD&A and in Note 24 of BCE's 2017 consolidated financial statements.

Our failure to identify and manage our exposure to changes in interest rates, foreign exchange rates (especially the weakening of the Canadian dollar), BCE's share price and other market conditions could lead to missed opportunities, reduced profit margins, cash flow shortages, inability to complete planned capital expenditures, reputational damage, equity and debt securities devaluations and challenges in raising capital on market-competitive terms.

The economic environment, pension rules or ineffective governance could have an adverse effect on our pension obligations, liquidity and financial performance, and we may be required to increase contributions to our post-employment benefit plans in the future

With a large pension plan membership and DB pension plans that are subject to the pressures of the global economic environment and changing regulatory and reporting requirements, our pension obligations are exposed to potential volatility. Failure to recognize and manage economic exposure and pension rule changes or to ensure that effective governance is in place for management and funding of pension plan assets and obligations could have an adverse impact on our liquidity and financial performance.

The funding requirements of our post-employment benefit plans, based on valuations of plan assets and obligations, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Changes in these factors could cause future contributions to significantly differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future and, therefore, could have a negative effect on our liquidity and financial performance.

There is no assurance that the assets of our post-employment benefit plans will earn their assumed rate of return. A substantial portion of our post-employment benefit plans' assets is invested in public equity and debt securities. As a result, the ability of our post-employment benefit plans' assets to earn the rate of return that we have assumed depends significantly on the performance of capital markets. Market conditions also impact the discount rate used to calculate our solvency obligations and could therefore also significantly affect our cash funding requirements.

Our expected funding for 2018 is in accordance with the latest post-employment benefit plan valuations as of December 31, 2016, filed in June 2017, and takes into account voluntary contributions of \$100 million in 2017.

Income and commodity tax amounts may materially differ from the expected amounts

Our complex business operations are subject to various tax laws, and the adoption of new tax laws, or regulations or rules thereunder, or changes thereto or in the interpretation thereof, could result in higher tax rates, new taxes or other adverse tax implications. In addition, while we believe that we have adequately provided for all income and commodity taxes based on all of the information that is currently available, the calculation of income taxes and the applicability of commodity taxes in many cases require significant judgment in interpreting tax rules and regulations. Our tax filings are subject to government audits that could result in material changes to the amount of current and deferred income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

The failure to reduce costs as well as unexpected increases in costs could adversely affect our ability to achieve our strategic imperatives and our financial results

Our objectives for targeted cost reductions continue to be aggressive but there is no assurance that we will be successful in reducing costs, especially since incremental cost savings are more difficult to achieve on an ongoing basis. Our cost reduction objectives require aggressive negotiations with our suppliers and there can be no assurance that such negotiations will be successful or that replacement products or services provided will not lead to operational issues.

Examples of risks to our ability to reduce costs or of potential cost increases include:

- Achieving timely cost reductions while moving to an IP-based network is dependent on disciplined network decommissioning, which can be delayed by customer contractual commitments, regulatory considerations and other unforeseen obstacles
- Fluctuations in energy prices are partly influenced by government policies to address climate change which, combined with growing data demand that increases our energy requirements, could increase our energy costs beyond our current expectations
- Failure to successfully deliver on our contractual commitments, whether due to security events, operational challenges or other reasons, may result in financial penalties and loss of revenues

The failure to evolve practices to effectively monitor and control fraudulent activities could result in financial loss and brand degradation

As a public company with a range of desirable and valuable products and services and 51,679 employees at the end of 2017, fraud requires a disciplined program covering governance, exposure identification and assessment, prevention, detection and reporting that considers corruption, misappropriation of assets and intentional manipulation of financial statements by employees and/or external parties. Fraud events can result in financial loss and brand degradation.

Specific examples relevant to us include:

- Subscription fraud on accounts established with a false identity or paid with a stolen credit card

- Network usage fraud such as call/sell operations using our wireline or wireless networks
- Copyright theft and other forms of unauthorized use that undermine the exclusivity of Bell Media's content offerings, which could potentially divert users to unlicensed or otherwise illegitimate platforms, thus impacting our ability to derive distribution and advertising revenues
- TV distributors including Bell Canada and Bell ExpressVu are subject to ongoing efforts to steal their services through compromise or circumvention of signal security systems, causing revenue loss

DEPENDENCE ON THIRD-PARTY SUPPLIERS

We depend on third-party suppliers, outsourcers and consultants, some of which are critical, to provide an uninterrupted supply of the products and services we need to operate our business and to comply with various obligations

We depend on key third-party suppliers and outsourcers, over which we have no operational or financial control, for products and services, some of which are critical to our operations. If there are gaps in our supplier governance and oversight models established to ensure full risk transparency at point of purchase and throughout the relationship, including any contract renegotiations, there is the potential for a breakdown in supply, which could impact our ability to make sales, service customers and achieve our business and financial objectives. Some of our third-party suppliers and outsourcers are located in foreign countries, which increases the potential for a breakdown in supply due to the risks of operating in foreign jurisdictions with different laws, geo-political environments, cultures and the potential for localized natural disasters. The outsourcing of services generally involves transfer of risk, and we must take appropriate steps to ensure that the outsourcers' approach to risk management is aligned with our own standards in order to maintain continuity of supply and brand strength. Further, as cloud-based supplier models continue to evolve, our procurement and vendor management practices must also continue to evolve to fully address associated risk exposures.

In addition, certain company initiatives rely heavily upon professional consulting services provided by third parties, and a failure of such third parties may not be reasonably evident until their work is delivered or delayed. Depending on the size, complexity and level of third-party dependence, remedial strategies may be difficult to implement in respect of any professional consulting services provided by third-parties that are not performed in a proper or timely fashion. Any such difficulty when implementing remedial strategies could result in an adverse effect on our ability to comply with various obligations, including applicable legal and accounting requirements.

Other examples of risks associated with our dependence on third-party suppliers include the following:

- Demand for products and services available from only a limited number of suppliers, some of which dominate their global market, may lead to decreased availability, increased costs or delays in the delivery of such products and services, since suppliers may choose to favour global competitors that are larger than we are and, accordingly, purchase a larger volume of products and services. In addition, production issues affecting any such suppliers, or other suppliers, could result in decreased quantities, or a total lack, of supply of products or services.

Any of these events could adversely impact our ability to meet customer commitments and demand.

- Cloud-based solutions may increase the risk of security and data leakage exposure if security control protocols affecting our suppliers are bypassed
- Failure to maintain strong discipline around vendor administration (especially around initial account setup) may mask potential financial or operational risks and complicate future problem resolutions
- If products and services important to our operations have manufacturing defects or do not comply with applicable government regulations and standards (including product safety practices), our ability to sell products and provide services on a timely basis may be negatively impacted. We work with our suppliers to identify serious product defects (including safety incidents) and develop appropriate remedial strategies. Remedial strategies may include a recall of products. To the extent that a supplier does not actively participate in, and/or bear primary financial responsibility for, a recall of its products, our ability to perform such recall programs at a reasonable cost and/or in a timely fashion may be negatively impacted. Any of the events referred to above could have an adverse effect on our operations and financial results.
- Products, services, software and other elements of our business supplied to us or used in our business operations may contain security issues including, but not limited to, latent security issues that would not be apparent upon an inspection. When any such security issue is discovered, we seek to identify and develop remedial strategies both internally and with our suppliers. Should we or a supplier fail to correct a security issue in a timely fashion, there could be an adverse effect on our business and financial performance.
- Temporary or permanent operational failures or service interruptions of the networks of other telecommunications carriers and suppliers on which we rely to deliver services could adversely affect our ability to provide services using such carriers' and suppliers' networks and could, consequently, have an adverse effect on our business and financial performance
- BCE depends on call centre and technical support services provided by a number of external suppliers and outsourcers, some of which are located in foreign countries. These vendors have access to customer and internal BCE information necessary for the support services that they provide. Information access and service delivery issues that are not managed appropriately may have an adverse impact on our reputation, the quality and speed of services provided to customers, and our ability to address technical issues.

LITIGATION AND LEGAL OBLIGATIONS

Legal proceedings, changes in applicable laws and the failure to proactively address our legal and regulatory obligations could have an adverse effect on our business and financial performance

We become involved in various claims and legal proceedings as part of our business. Plaintiffs are able to launch and obtain certification of class actions on behalf of a large group of people with increasing ease, and securities laws facilitate the introduction of class action lawsuits by secondary market investors against public companies for alleged misrepresentations in public disclosure documents and oral statements. Changes in laws or regulations, or in how they are interpreted, and the adoption of new laws or regulations, as well as pending or future litigation, including an increase in certified class actions which, by their nature, could result in sizeable damage awards and costs relating to litigation, could have an adverse effect on our business and financial performance.

Examples of legal and regulatory obligations that we must comply with include those resulting from:

- As discussed in more detail in section 8, *Regulatory environment*, decisions, policies and other initiatives of the CRTC, ISED, the Competition Bureau and other governmental agencies, as well as laws of a regulatory nature
- Consumer protection and privacy legislation
- Tax legislation
- Corporate and securities legislation
- IFRS requirements
- Environmental protection and health and safety laws
- Payment card industry standards for protection against customer credit card infractions

The failure to comply with any of the above or other legal or regulatory obligations could expose us to litigation, including pursuant to class actions, and significant fines and penalties, as well as result in reputational harm.

For a description of the principal legal proceedings involving us, please see the section entitled *Legal proceedings* contained in the BCE 2017 AIF.

HEALTH AND ENVIRONMENTAL CONCERNS

Health concerns about radiofrequency emissions from wireless communication devices, as well as epidemics and other health risks, could have an adverse effect on our business

Many studies have been performed or are ongoing to assess whether wireless phones, networks and towers pose a potential health risk. While some studies suggest links to certain conditions, others conclude there is no established causation between mobile phone usage and adverse health effects. In 2011, the International Agency for Research on Cancer (IARC) of the World Health Organization classified radiofrequency electromagnetic fields from wireless phones as possibly carcinogenic to humans, but also indicated that chance, bias or confounding could not be ruled out with reasonable confidence. The IARC also called for additional research into long-term heavy use of mobile phones.

ISED is responsible for approving radiofrequency equipment and performing compliance assessments and has chosen Health Canada's Safety Code 6, which sets the limits for safe exposure to radiofrequency emissions at home or at work, as its exposure standard. This code also outlines safety requirements for the installation and operation of devices that emit radiofrequency fields such as mobile phones, Wi-Fi technologies and base station antennas. ISED has made compliance to Safety Code 6 mandatory for all proponents and operators of radio installations.

Our business is heavily dependent on radiofrequency technologies, which could present significant challenges to our business and financial performance, such as the following:

- We face current and potential lawsuits relating to alleged adverse health effects on customers, as well as to our marketing and disclosure practices in connection therewith, and the likely outcome of such lawsuits is unpredictable and may change over time

- Changes in scientific evidence and/or public perceptions could lead to additional government regulations and costs for retrofitting infrastructure and handsets to achieve compliance
- Public concerns could result in a slower deployment of, or in our inability to deploy, infrastructure necessary to maintain and/or expand our wireless network as required by market evolution

In addition, epidemics, pandemics and other health risks could occur, which could adversely affect our ability to maintain operational networks and provide services to our customers. Any of these events could have an adverse effect on our business and financial performance.

Climate change and other environmental concerns could have an adverse effect on our business

Global climate change could exacerbate certain of the threats facing our business, including the frequency and severity of weather-related events referred to in *Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities* in this section 9. Several areas of our operations further raise environmental considerations such as fuel storage, greenhouse gas emissions, disposal of hazardous residual materials, and recovery and recycling of end-of-life electronic products we sell or lease. Failure to recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, missed opportunities, additional regulatory scrutiny or harm our brand and reputation.

10 Financial measures, accounting policies and controls

10.1 Our accounting policies

This section discusses key estimates and assumptions that management has made and how they affect the amounts reported in the financial statements and notes. It also describes key changes in accounting standards and our accounting policies, and how they affect our financial statements.

We have prepared our consolidated financial statements using IFRS. Other significant accounting policies, not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See Note 2, *Significant accounting policies*, in BCE's 2017 consolidated financial statements for more information about the accounting principles we used to prepare our consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGMENTS

When preparing financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

We consider the estimates and judgments described in this section to be an important part of understanding our financial statements because they require management to make assumptions about matters that were highly uncertain at the time the estimates and judgments were made, and changes to these estimates and judgments could have a material impact on our financial statements and our segments.

Our senior management has reviewed the development and selection of the critical accounting estimates and judgments described in this section with the Audit Committee of the BCE Board.

Any sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Our more significant estimates and judgments are described below.

ESTIMATES

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

We review our estimates of the useful lives of property, plant and equipment and finite-life intangible assets on an annual basis and adjust depreciation or amortization on a prospective basis, if needed.

Property, plant and equipment represent a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

The estimated useful lives of property, plant and equipment and finite-life intangible assets are determined by internal asset life studies, which take into account actual and expected future usage, physical wear and tear, replacement history and assumptions about technology evolution. When factors indicate that assets' useful lives are different from the prior assessment, we depreciate or amortize the remaining carrying value prospectively over the adjusted estimated useful lives.

CHANGE IN ACCOUNTING ESTIMATE

In 2017 and 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2017 and January 1, 2016, and did not have a significant impact on our financial statements.

POST-EMPLOYMENT BENEFIT PLANS

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The actuarial valuation uses management's assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect post-employment benefit obligations and future net post-employment benefit plans cost.

We account for differences between actual and expected results in benefit obligations and plan performance in OCI, which are then recognized immediately in the deficit.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.

A discount rate is used to determine the present value of the future cash flows that we expect will be needed to settle post-employment benefit obligations.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company's specific experience.

A lower discount rate and a higher life expectancy result in a higher net post-employment benefit obligation and a higher current service cost.

SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

	CHANGE IN ASSUMPTION	IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2017 – INCREASE (DECREASE)		IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2017 – INCREASE (DECREASE)	
		INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.5%	(70)	62	(1,636)	1,746
Life expectancy at age 65	1 year	33	(31)	834	(808)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed.

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate. When impairment charges occur they are recorded in *Other (expense) income*.

In 2017, we recorded impairment charges of \$82 million, of which \$70 million was allocated to indefinite-life intangible assets, and \$12 million to finite-life intangible assets. The impairment charges relate to our music TV channels and two small market radio station CGUs within our Bell Media segment. These impairments were the result of revenue and profitability declines from lower audience levels. The charges were determined by comparing the carrying value of the CGUs to their fair value less costs of disposal. We estimated the fair value of the CGUs using both discounted cash flows and market-based valuation models, which include five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2018 to December 31, 2022, using a discount rate of 8.5% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of these CGUs was \$67 million at December 31, 2017.

GOODWILL IMPAIRMENT TESTING

We perform an annual test for goodwill impairment in the fourth quarter for each of our CGUs or groups of CGUs to which goodwill is allocated, and whenever there is an indication that goodwill might be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in *Other (expense) income* in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE's CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4, *Segmented information*, in BCE's 2017 consolidated financial statements.

Any significant change in each of the estimates used could have a material impact on the calculation of the recoverable amount and resulting impairment charge. As a result, we are unable to reasonably quantify the changes in our overall financial performance if we had used different assumptions.

We cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values we have reported.

We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless or Bell Wireline groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

There were no goodwill impairment charges in 2016 or 2017.

DEFERRED TAXES

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax assets and liabilities are estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

If the final resolution of a legal or regulatory matter results in a judgment against us or requires us to pay a large settlement, it could have a material adverse effect on our consolidated financial statements in the period in which the judgment or settlement occurs.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under a contract exceed the expected benefits to be received under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

JUDGMENTS

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when setting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

MULTIPLE-ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple-element arrangements requires judgment to establish the separately identifiable components and the allocation of the total price between those components.

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

We accrue a potential loss if we believe a loss is probable and an outflow of resources is likely and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in *Trade payables and other liabilities* or *Other non-current liabilities*. Any payment as a result of a judgment or cash settlement would be deducted from cash from operating activities. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2017, we adopted the following amended accounting standard.

STANDARD	DESCRIPTION	IMPACT
Amendments to IAS 7 – Statement of Cash Flows	Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.	The required enhanced disclosures have been provided in Note 27, <i>Additional cash flow information</i> .

FUTURE CHANGES TO ACCOUNTING STANDARDS

The following new or amended standards and interpretation issued by the IASB have an effective date after December 31, 2017 and have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
IFRS 15 – Revenue from Contracts with Customers	<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"> 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation <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 and how we classify revenues between product and service in our Bell Wireless segment. IFRS 15 will also affect how we account for costs to obtain a contract.</p> <ul style="list-style-type: none"> • Under multiple-element arrangements, revenue allocated to a satisfied performance obligation will no longer be limited to the amount that is not contingent upon the satisfaction of additional performance obligations. Although the total revenue recognized during the term of a contract will be largely unaffected, revenue recognition may be accelerated and reflected ahead of the associated cash inflows. This will result in the recognition of a contract asset on the balance sheet, corresponding to the amount of revenue recognized and not yet billed to a customer. The contract asset will be realized over the term of the customer contract. • As revenues allocated to a satisfied performance obligation are no longer limited to the non-contingent amount, a greater proportion of the total revenue recognized during the term of certain customer contracts will be attributed to a delivered product, resulting in a corresponding decrease in service revenue. • Sales commissions and any other incremental costs of obtaining a contract with a customer will be recognized on the balance sheet and amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services, except as noted below. <p>Under IFRS 15, certain practical expedients are permitted both on transition and on an ongoing basis.</p> <ul style="list-style-type: none"> • On transition, completed contracts that begin and end within the same annual reporting period and those completed before January 1, 2017 are not restated. Similarly, contracts modified prior to January 1, 2017 are not restated. • When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we will recognize revenue in the amount to which we have a right to invoice. • Costs of obtaining a contract that would be amortized within one year or less will be immediately expensed. <p>We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes, and systems of internal control are being completed. A dedicated project team that leverages key resources throughout the company is in place to effect the necessary changes.</p> <p>While our testing and data validation process is ongoing, we expect that the impact of the new standard will be most pronounced in our Bell Wireless segment.</p> <ul style="list-style-type: none"> • Although total revenue recognized over the term of a customer contract is not expected to change significantly, our preliminary estimate of the impact of adopting IFRS 15 is a decrease in 2017 service revenues within the range of \$1.2 billion to \$1.4 billion, with a corresponding increase in product revenue. • Total operating revenues less operating costs in 2017 is estimated to increase by approximately \$0.1 billion. • Total assets on our January 1, 2017 statement of financial position will increase as we record contract assets and costs to obtain a contract. We currently estimate the value of the gross contract assets to be in the range of \$1.1 billion to \$1.3 billion and an increase in costs to obtain a contract of approximately \$0.3 billion to \$0.4 billion, both of which would be recognized through an adjustment to opening retained earnings. • Total liabilities will increase mainly to reflect a resulting \$0.4 billion deferred tax liability, also recognized through an adjustment to opening retained earnings. • We do not expect that IFRS 15 will impact our cash flows from operating activities. 	<p>Annual periods beginning on or after January 1, 2018, using a full retrospective approach for all periods presented in the period of adoption.</p>

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
Amendments to IFRS 2 – Share-based Payment	Clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled.	The amendments to IFRS 2 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 9 – Financial Instruments	Sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and modifies the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard.	The amendments to IFRS 9 will not have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2018.
IFRS 16 – Leases	Eliminates the distinction between operating and finance leases for lessees, requiring instead that leases be capitalized by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, an entity recognizes a financial liability representing its obligation to make future lease payments. A depreciation charge for the lease asset is recorded within operating costs and an interest expense on the lease liability is recorded within finance costs. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets, nor does it substantially change lease accounting for lessors.	We continue to make progress towards adoption of IFRS 16 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes and systems of internal control are being designed and tested. It is not yet possible to make a reliable estimate of the impact of the new standard on our financial statements.	Annual periods beginning on or after January 1, 2019, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.
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, using either a full retrospective or a modified retrospective approach.

10.2 Non-GAAP financial measures and key performance indicators (KPIs)

This section describes the non-GAAP financial measures and KPIs we use in this MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable IFRS financial measures.

In Q1 2017, we updated our definition of adjusted net earnings and adjusted EPS to also exclude impairment charges as they may affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. There was no impact to previously reported results as a result of this change.

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The terms adjusted EBITDA and adjusted EBITDA margin do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted EBITDA as operating revenues less operating costs, as shown in BCE's consolidated income statements. Adjusted EBITDA for BCE's segments is the same as segment profit as reported in Note 4, *Segmented information*, in BCE's 2017 consolidated financial statements. We define adjusted EBITDA margin as adjusted EBITDA divided by operating revenues.

We use adjusted EBITDA and adjusted EBITDA margin to evaluate the performance of our businesses as they reflect their ongoing profitability. We believe that certain investors and analysts use adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the telecommunications industry. We believe that certain investors and analysts also use adjusted EBITDA and adjusted EBITDA margin to evaluate the performance of our businesses. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Adjusted EBITDA and adjusted EBITDA margin have no directly comparable IFRS financial measure. Alternatively, the following table provides a reconciliation of net earnings to adjusted EBITDA.

	2017	2016
Net earnings	2,970	3,087
Severance, acquisition and other costs	190	135
Depreciation	3,037	2,877
Amortization	813	631
Finance costs		
Interest expense	955	888
Interest on post-employment benefit obligations	72	81
Other expense (income)	102	(21)
Income taxes	1,039	1,110
Adjusted EBITDA	9,178	8,788
<i>BCE operating revenues</i>	22,719	21,719
Adjusted EBITDA margin	40.4%	40.5%

ADJUSTED NET EARNINGS AND ADJUSTED EPS

The terms adjusted net earnings and adjusted EPS do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs. We define adjusted EPS as adjusted net earnings per BCE common share.

We use adjusted net earnings and adjusted EPS, and we believe that certain investors and analysts use these measures, among other ones, to assess the performance of our businesses without the effects of severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs, net of tax and non-controlling interest (NCI). We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

The most comparable IFRS financial measures are net earnings attributable to common shareholders and EPS. The following table is a reconciliation of net earnings attributable to common shareholders and EPS to adjusted net earnings on a consolidated basis and per BCE common share (adjusted EPS), respectively.

	2017		2016	
	TOTAL	PER SHARE	TOTAL	PER SHARE
Net earnings attributable to common shareholders	2,786	3.12	2,894	3.33
Severance, acquisition and other costs	143	0.16	104	0.12
Net losses on investments	29	0.03	3	–
Early debt redemption costs	15	0.02	8	0.01
Impairment charges	60	0.06	–	–
Adjusted net earnings	3,033	3.39	3,009	3.46

FREE CASH FLOW AND DIVIDEND PAYOUT RATIO

The terms free cash flow and dividend payout ratio do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define free cash flow as cash flows from operating activities, excluding acquisition and other costs paid (which include significant litigation costs) and voluntary pension funding, less capital expenditures, preferred share dividends and dividends paid by subsidiaries to NCI. We exclude acquisition and other costs paid and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

We consider free cash flow to be an important indicator of the financial strength and performance of our businesses because it shows how much cash is available to pay dividends, repay debt and reinvest in our company. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets and to evaluate the financial strength and performance of our businesses. The most comparable IFRS financial measure is cash flows from operating activities.

We define dividend payout ratio as dividends paid on common shares divided by free cash flow. We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the sustainability of the company's dividend payments.

The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis.

	2017	2016
Cash flows from operating activities	7,358	6,643
Capital expenditures	(4,034)	(3,771)
Cash dividends paid on preferred shares	(127)	(126)
Cash dividends paid by subsidiaries to NCI	(34)	(46)
Acquisition and other costs paid	155	126
Voluntary defined benefit pension plan contribution	100	400
Free cash flow	3,418	3,226

NET DEBT

The term net debt does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define net debt as debt due within one year plus long-term debt and 50% of preferred shares, less cash and cash equivalents, as shown in BCE's consolidated statements of financial position. We include 50% of outstanding preferred shares in our net debt as it is consistent with the treatment by certain credit rating agencies.

We consider net debt to be an important indicator of the company's financial leverage because it represents the amount of debt that is not covered by available cash and cash equivalents. We believe that certain investors and analysts use net debt to determine a company's financial leverage.

Net debt has no directly comparable IFRS financial measure, but rather is calculated using several asset and liability categories from the statements of financial position, as shown in the following table.

	2017	2016
Debt due within one year	5,178	4,887
Long-term debt	18,215	16,572
50% of outstanding preferred shares	2,002	2,002
Cash and cash equivalents	(625)	(853)
Net debt	24,770	22,608

NET DEBT LEVERAGE RATIO

The net debt leverage ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the net debt leverage ratio as a measure of financial leverage.

The net debt leverage ratio represents net debt divided by adjusted EBITDA. For the purposes of calculating our net debt leverage ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA.

ADJUSTED EBITDA TO NET INTEREST EXPENSE RATIO

The ratio of adjusted EBITDA to net interest expense does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio represents adjusted EBITDA divided by net interest expense. For the purposes of calculating our adjusted EBITDA to net interest expense ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA. Net interest expense is twelve-month trailing net interest expense as shown in our statements of cash flows, plus 50% of declared preferred share dividends as shown in our income statements.

KPIs

In addition to the non-GAAP financial measures described previously, we use a number of KPIs to measure the success of our strategic imperatives. These KPIs are not accounting measures and may not be comparable to similar measures presented by other issuers.

KPI	DEFINITION
ARPU	Average revenue per user (ARPU) or subscriber is a measure used to track our recurring revenue streams. Wireless blended ARPU is calculated by dividing certain service revenues by the average subscriber base for the specified period and is expressed as a dollar unit per month.
Capital intensity	Capital expenditures divided by operating revenues.
Churn	Churn is the rate at which existing subscribers cancel their services. It is a measure of our ability to retain our customers. Wireless churn is calculated by dividing the number of deactivations during a given period by the average number of subscribers in the base for the specified period and is expressed as a percentage per month.
Subscriber unit	<p>Wireless subscriber unit is comprised of an active revenue-generating unit (e.g. mobile device, tablet or wireless Internet products), with a unique identifier (typically International Mobile Equipment Identity (IMEI) number), that has access to our wireless networks. We report wireless subscriber units in two categories: postpaid and prepaid. Prepaid subscriber units are considered active for a period of 120 days following the expiry of the subscriber's prepaid balance.</p> <p>Wireline subscriber unit consists of an active revenue-generating unit with access to our services, including Internet, satellite TV, IPTV, and/or NAS. A subscriber is included in our subscriber base when the service has been installed and is operational at the customer premise and a billing relationship has been established.</p> <ul style="list-style-type: none">• Internet, IPTV and satellite TV subscribers have access to stand-alone services, and are primarily represented by a dwelling unit• NAS subscribers are based on a line count and are represented by a unique telephone number

10.3 Effectiveness of internal controls

DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including BCE's President and CEO and Executive Vice-President and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

As at December 31, 2017, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the U.S. *Securities Exchange Act of 1934*, as amended, and under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

The CEO and CFO have limited the scope of their design and evaluation of our disclosure controls and procedures to exclude the disclosure controls and procedures of MTS, which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, at December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities, respectively. The design and evaluation of the disclosure controls and procedures of MTS will be completed for the first quarter of 2018. Further details related to the acquisition of MTS is disclosed in Note 3, *Business acquisitions and dispositions*, in BCE's 2017 consolidated financial statements.

Based on that evaluation, which excluded the disclosure controls and procedures of MTS, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13(a)-15(f) under the U.S. *Securities Exchange Act of 1934*, as amended, and under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO, and effected by the Board, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The CEO and CFO have limited the scope of their design and evaluation of our internal control over financial reporting to exclude the internal control over financial reporting of MTS.

Based on that evaluation, which excluded the internal control over financial reporting of MTS, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2017.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the year ended December 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The adoption of IFRS 15–*Revenue from Contracts with Customers*, required the implementation of new

accounting processes, which changed the Company's internal controls over revenue recognition, contract acquisition costs and financial reporting. We are in the process of completing the design of these controls. We do not expect significant changes to our internal control over financial reporting due to the adoption of this new standard in 2018.