

Consolidated financial statements

Consolidated income statements

FOR THE PERIOD ENDED JUNE 30 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) (UNAUDITED)	NOTE	THREE MONTHS		SIX MONTHS	
		2020	2019	2020	2019
Operating revenues	4	5,354	5,889	10,994	11,578
Operating costs	4, 5	(3,023)	(3,317)	(6,245)	(6,624)
Severance, acquisition and other costs	6	(22)	(39)	(38)	(63)
Depreciation		(869)	(879)	(1,727)	(1,752)
Amortization		(234)	(220)	(464)	(437)
Finance costs					
Interest expense		(280)	(279)	(557)	(560)
Interest on post-employment benefit obligations	13	(11)	(15)	(23)	(31)
Impairment of assets	7	(449)	(1)	(456)	(5)
Other (expense) income	8	(80)	(54)	(127)	51
Income taxes		(96)	(275)	(339)	(565)
Net earnings from continuing operations		290	810	1,018	1,592
Net earnings from discontinued operations	3	4	7	9	16
Net earnings		294	817	1,027	1,608
Net earnings from continuing operations attributable to:					
Common shareholders		233	754	908	1,485
Preferred shareholders		34	38	72	76
Non-controlling interest		23	18	38	31
Net earnings from continuing operations		290	810	1,018	1,592
Net earnings attributable to:					
Common shareholders		237	761	917	1,501
Preferred shareholders		34	38	72	76
Non-controlling interest		23	18	38	31
Net earnings		294	817	1,027	1,608
Net earnings per common share – basic and diluted	9				
Continuing operations		0.26	0.84	1.00	1.65
Discontinued operations	3	–	0.01	0.01	0.02
Net earnings per common share – basic and diluted		0.26	0.85	1.01	1.67
Weighted average number of common shares outstanding – basic (millions)		904.3	899.5	904.2	898.9

Consolidated statements of comprehensive (loss) income

FOR THE PERIOD ENDED JUNE 30 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	NOTE	THREE MONTHS		SIX MONTHS	
		2020	2019	2020	2019
Net earnings from continuing operations		290	810	1,018	1,592
Other comprehensive (loss) income from continuing operations, net of income taxes					
Items that will be subsequently reclassified to net earnings					
Net change in value of publicly-traded and privately-held investments, net of income taxes of nil for the three and six months ended June 30, 2020 and 2019, respectively		(4)	–	(7)	–
Net change in value of derivatives designated as cash flow hedges, net of income taxes of \$40 million and (\$4) million for the three months ended June 30, 2020 and 2019, respectively and (\$76) million and \$16 million for the six months ended June 30, 2020 and 2019, respectively		(111)	10	207	(44)
Items that will not be reclassified to net earnings					
Actuarial (losses) gains on post-employment benefit plans, net of income taxes of \$594 million and \$84 million for the three months ended June 30, 2020 and 2019, respectively, and (\$40) million and \$118 million for the six months ended June 30, 2020 and 2019, respectively ⁽¹⁾	13	(1,621)	(227)	110	(320)
Net change in value of derivatives designated as cash flow hedges, net of income taxes of \$9 million and \$4 million for the three months ended June 30, 2020 and 2019, respectively, and (\$12) million and \$8 million for the six months ended June 30, 2020 and 2019, respectively		(24)	(10)	33	(22)
Other comprehensive (loss) income from continuing operations		(1,760)	(227)	343	(386)
Net earnings from discontinued operations attributable to common shareholders		4	7	9	16
Total comprehensive (loss) income		(1,466)	590	1,370	1,222
Total comprehensive (loss) income attributable to:					
Common shareholders		(1,520)	535	1,258	1,118
Preferred shareholders		34	38	72	76
Non-controlling interest		20	17	40	28
Total comprehensive (loss) income		(1,466)	590	1,370	1,222

(1) The discount rate used to value our post-employment benefit obligations at June 30, 2020 was 2.8% compared to 4.2% at March 31, 2020 and 3.1% at December 31, 2019. The discount rate used to value our post-employment benefit obligations at June 30, 2019 was 3.0% compared to 3.3% at March 31, 2019 and 3.8% at December 31, 2018.

Consolidated statements of financial position

(IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	NOTE	JUNE 30, 2020	DECEMBER 31, 2019
ASSETS			
Current assets			
Cash		1,297	141
Cash equivalents		250	4
Trade and other receivables	10	2,812	3,038
Inventory		445	427
Contract assets		921	1,111
Contract costs		399	415
Prepaid expenses		301	194
Other current assets		212	190
Assets held for sale	3	825	–
Total current assets		7,462	5,520
Non-current assets			
Contract assets		328	533
Contract costs		341	368
Property, plant and equipment		26,840	27,636
Intangible assets		12,897	13,352
Deferred tax assets		123	98
Investments in associates and joint ventures		718	698
Other non-current assets	11	1,931	1,274
Goodwill		10,551	10,667
Total non-current assets		53,729	54,626
Total assets		61,191	60,146
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		3,341	3,954
Contract liabilities		723	683
Interest payable		229	227
Dividends payable		766	729
Current tax liabilities		287	303
Debt due within one year		2,584	3,881
Liabilities held for sale	3	205	–
Total current liabilities		8,135	9,777
Non-current liabilities			
Contract liabilities		216	207
Long-term debt	12	25,024	22,415
Deferred tax liabilities		3,765	3,561
Post-employment benefit obligations	13	1,980	1,907
Other non-current liabilities		934	871
Total non-current liabilities		31,919	28,961
Total liabilities		40,054	38,738
EQUITY			
Equity attributable to BCE shareholders			
Preferred shares		4,004	4,004
Common shares		20,386	20,363
Contributed surplus		1,155	1,178
Accumulated other comprehensive income		386	161
Deficit		(5,142)	(4,632)
Total equity attributable to BCE shareholders		20,789	21,074
Non-controlling interest		348	334
Total equity		21,137	21,408
Total liabilities and equity		61,191	60,146

Consolidated statements of changes in equity

FOR THE PERIOD ENDED JUNE 30, 2020 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	ATTRIBUTABLE TO BCE SHAREHOLDERS						NON-CONTROL-LING INTEREST	TOTAL EQUITY
	PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL		
Balance at December 31, 2019	4,004	20,363	1,178	161	(4,632)	21,074	334	21,408
Net earnings	–	–	–	–	989	989	38	1,027
Other comprehensive income	–	–	–	231	110	341	2	343
Total comprehensive income	–	–	–	231	1,099	1,330	40	1,370
Common shares issued under employee stock option plan	–	23	(1)	–	–	22	–	22
Other share-based compensation	–	–	(22)	–	(31)	(53)	–	(53)
Dividends declared on BCE common and preferred shares	–	–	–	–	(1,578)	(1,578)	–	(1,578)
Dividends declared by subsidiaries to non-controlling interest	–	–	–	–	–	–	(26)	(26)
Settlement of cash flow hedges transferred to the cost basis of hedged items	–	–	–	(6)	–	(6)	–	(6)
Balance at June 30, 2020	4,004	20,386	1,155	386	(5,142)	20,789	348	21,137

FOR THE PERIOD ENDED JUNE 30, 2019 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)	ATTRIBUTABLE TO BCE SHAREHOLDERS						NON-CONTROL-LING INTEREST	TOTAL EQUITY
	PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL		
Balance at December 31, 2018	4,004	20,036	1,170	90	(4,937)	20,363	326	20,689
Adoption of IFRS 16	–	–	–	–	(19)	(19)	(1)	(20)
Balance at January 1, 2019	4,004	20,036	1,170	90	(4,956)	20,344	325	20,669
Net earnings	–	–	–	–	1,577	1,577	31	1,608
Other comprehensive loss	–	–	–	(64)	(319)	(383)	(3)	(386)
Total comprehensive (loss) income	–	–	–	(64)	1,258	1,194	28	1,222
Common shares issued under employee stock option plan	–	67	(3)	–	–	64	–	64
Common shares issued under employee savings plan (ESP)	–	40	–	–	–	40	–	40
Other share-based compensation	–	1	(2)	–	4	3	–	3
Dividends declared on BCE common and preferred shares	–	–	–	–	(1,501)	(1,501)	–	(1,501)
Dividends declared by subsidiaries to non-controlling interest	–	–	–	–	–	–	(39)	(39)
Settlement of cash flow hedges transferred to the cost basis of hedged items	–	–	–	(12)	–	(12)	–	(12)
Other	–	–	–	–	–	–	15	15
Balance at June 30, 2019	4,004	20,144	1,165	14	(5,195)	20,132	329	20,461

Consolidated statements of cash flows

FOR THE PERIOD ENDED JUNE 30 (IN MILLIONS OF CANADIAN DOLLARS) (UNAUDITED)		THREE MONTHS		SIX MONTHS	
	NOTE	2020	2019	2020	2019
Cash flows from operating activities					
Net earnings from continuing operations		290	810	1,018	1,592
Adjustments to reconcile net earnings from continuing operations to cash flows from operating activities					
Severance, acquisition and other costs	6	22	39	38	63
Depreciation and amortization		1,103	1,099	2,191	2,189
Post-employment benefit plans cost	13	75	73	162	157
Net interest expense		275	271	545	547
Impairment of assets	7	449	1	456	5
Losses on investments	8	–	–	–	4
Income taxes		96	275	339	565
Contributions to post-employment benefit plans		(71)	(70)	(150)	(151)
Payments under other post-employment benefit plans		(12)	(19)	(29)	(37)
Severance and other costs paid		(13)	(33)	(48)	(99)
Interest paid		(240)	(269)	(556)	(534)
Income taxes paid (net of refunds)		6	(127)	(227)	(416)
Acquisition and other costs paid		(11)	(21)	(20)	(50)
Net change in operating assets and liabilities		576	42	255	(273)
Cash from discontinued operations	3	17	22	39	47
Cash flows from operating activities		2,562	2,093	4,013	3,609
Cash flows used in investing activities					
Capital expenditures		(900)	(967)	(1,677)	(1,815)
Business acquisitions		(23)	(50)	(23)	(50)
Other investing activities		(13)	32	(19)	8
Cash used in discontinued operations	3	(8)	(5)	(15)	(7)
Cash flows used in investing activities		(944)	(990)	(1,734)	(1,864)
Cash flows used in financing activities					
(Decrease) increase in notes payable		(1,204)	277	(1,434)	844
(Decrease) increase in securitized trade receivables		(400)	–	–	31
Issue of long-term debt	12	1,975	1,405	5,256	1,405
Repayment of long-term debt	12	(2,221)	(1,597)	(2,930)	(1,800)
Issue of common shares		–	44	22	64
Purchase of shares for settlement of share-based payments		(75)	(10)	(169)	(86)
Cash dividends paid on common shares		(753)	(712)	(1,469)	(1,390)
Cash dividends paid on preferred shares		(33)	(37)	(69)	(63)
Cash dividends paid by subsidiaries to non-controlling interest		(12)	(12)	(26)	(39)
Other financing activities		(25)	(33)	(55)	(39)
Cash used in discontinued operations	3	(2)	(2)	(3)	(3)
Cash flows used in financing activities		(2,750)	(677)	(877)	(1,076)
Net increase in cash		354	173	1,156	294
Cash at beginning of period		943	546	141	425
Cash at end of period		1,297	719	1,297	719
Net (decrease) increase in cash equivalents		(1,486)	253	246	375
Cash equivalents at beginning of period		1,736	122	4	–
Cash equivalents at end of period		250	375	250	375

Notes to consolidated financial statements

These consolidated interim financial statements (financial statements) should be read in conjunction with BCE's 2019 annual consolidated financial statements, approved by BCE's board of directors on March 5, 2020.

These notes are unaudited.

We, us, our, BCE and the company mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates.

Note 1 Corporate Information

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

Note 2 Basis of presentation and significant accounting policies

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), under International Accounting Standard (IAS) 34 – Interim Financial Reporting and were approved by BCE's board of directors on August 5, 2020. These financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2, *Significant accounting policies* in our consolidated financial statements for the year ended December 31, 2019, except as noted below and as described in Note 3, *Discontinued Operations*.

These financial statements do not include all of the notes required in annual financial statements.

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

ESTIMATES AND KEY JUDGMENTS

When preparing the financial statements, management makes estimates and judgments relating to reported amounts of revenues and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. We base our estimates on a number of factors, including historical experience, current events including but not limited to the COVID-19 pandemic 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.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2020, we adopted the following amended accounting standards.

STANDARD	DESCRIPTION	IMPACT
IFRIC Agenda Decision on IFRS 16 – Leases	International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying the determination of the lease term for cancellable or renewable leases under IFRS 16.	This agenda decision did not have a significant impact on our financial statements.
Definition of a Business, Amendments to IFRS 3 – Business Combinations	These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition.	These amendments did not have any impact on our financial statements. They may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

FUTURE CHANGES TO ACCOUNTING STANDARDS

The following amendments to standards issued by the IASB have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
COVID-19 – Related Rent Concessions, Amendment to IFRS 16 – Leases	This amendment provides an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.	We are currently assessing the impact of this amendment, if we adopt the optional relief.	Effective for annual reporting periods beginning on or after June 1, 2020. Early application is permitted.
Onerous Contracts – Cost of Fulfilling a Contract, Amendments to IAS 37 – Provisions	These amendments clarify which costs should be included in determining the cost of fulfilling a contract when assessing whether a contract is onerous.	We are currently assessing the impact of these amendments.	Effective for annual reporting periods beginning on or after January 1, 2022. Early application is permitted.

Note 3 Discontinued operations

On June 1, 2020, BCE announced that it had entered into an agreement to sell substantially all of its data centre operations in an all-cash transaction valued at \$1.04 billion. The transaction is expected to close in the second half of 2020, subject to customary closing conditions. As a result, we have reclassified amounts related to the announced sale for the previous periods to discontinued operations in our consolidated income statements and consolidated statements of cash flows to make them consistent with the presentation for the current period. We have also reclassified the assets and liabilities of the data centre operations to be sold as held for sale in our consolidated statements of financial position at June 30, 2020, measured at their carrying amount, which is lower than the estimated fair value less costs to sell. Property, plant and equipment and intangible assets included in assets held for sale are no longer depreciated or amortized effective June 1, 2020.

The following table summarizes the carrying value of the assets and liabilities that are classified as held for sale at June 30, 2020.

	JUNE 30, 2020
Contract assets	1
Contract costs	3
Property, plant and equipment	479
Intangible assets	227
Goodwill	115
Total assets held for sale	825
Long-term debt	115
Deferred tax liabilities	82
Other non-current liabilities	8
Total liabilities held for sale	205
Net assets held for sale	620

The following tables summarize the income statements and statements of cash flows of our discontinued operations for the three and six months ended June 30, 2020 and 2019.

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
Operating revenues	39	41	79	86
Operating costs	(19)	(18)	(35)	(36)
Depreciation	(8)	(9)	(18)	(18)
Amortization	(3)	(3)	(7)	(7)
Interest expense	(2)	(2)	(4)	(4)
Other income	(1)	(1)	(2)	(1)
Income taxes	(2)	(1)	(4)	(4)
Net earnings attributable to common shareholders	4	7	9	16

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
Cash flows from operating activities	17	22	39	47
Cash flows used in investing activities	(8)	(5)	(15)	(7)
Cash flows used in financing activities	(2)	(2)	(3)	(3)
Net increase in cash	7	15	21	37

Note 4 Segmented information

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

To align with changes in how we manage our business and assess performance, the operating results of our public safety land radio network business are now included within our Bell Wireline segment effective January 1, 2020, with prior periods restated for comparative purposes. Previously, these results were included within our Bell Wireless segment. Our public safety land radio network business, which builds and manages land mobile radio networks primarily for the government sector, is now managed by our Bell Business Markets team in order to better serve our customers with end-to-end communications solutions.

As a result of our agreement to sell substantially all of our data centre operations, the financial results of these data centre operations, which were previously included in our Bell Wireline segment, are now presented as a discontinued operation. See Note 3, *Discontinued operations*, for additional details.

The following tables present financial information by segment for the three month periods ended June 30, 2020 and 2019.

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2020	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		1,909	2,963	482	–	5,354
Inter-segment		13	80	97	(190)	–
Total operating revenues		1,922	3,043	579	(190)	5,354
Operating costs	5	(1,043)	(1,764)	(406)	190	(3,023)
Segment profit⁽¹⁾		879	1,279	173	–	2,331
Severance, acquisition and other costs	6					(22)
Depreciation and amortization						(1,103)
Finance costs						
Interest expense						(280)
Interest on post-employment benefit obligations	13					(11)
Impairment of assets	7					(449)
Other expense	8					(80)
Income taxes						(96)
Net earnings from continuing operations						290
Net earnings from discontinued operations						4
Net earnings						294

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

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2019	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		2,146	3,006	737	–	5,889
Inter-segment		14	67	105	(186)	–
Total operating revenues		2,160	3,073	842	(186)	5,889
Operating costs	5	(1,192)	(1,723)	(588)	186	(3,317)
Segment profit⁽¹⁾		968	1,350	254	–	2,572
Severance, acquisition and other costs	6					(39)
Depreciation and amortization						(1,099)
Finance costs						
Interest expense						(279)
Interest on post-employment benefit obligations	13					(15)
Impairment of assets	7					(1)
Other expense	8					(54)
Income taxes						(275)
Net earnings from continuing operations						810
Net earnings from discontinued operations						7
Net earnings						817

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

The following tables present financial information by segment for the six month periods ended June 30, 2020 and 2019.

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		3,931	5,923	1,140	–	10,994
Inter-segment		26	156	191	(373)	–
Total operating revenues		3,957	6,079	1,331	(373)	10,994
Operating costs	5	(2,150)	(3,465)	(1,003)	373	(6,245)
Segment profit⁽¹⁾		1,807	2,614	328	–	4,749
Severance, acquisition and other costs	6					(38)
Depreciation and amortization						(2,191)
Finance costs						
Interest expense						(557)
Interest on post-employment benefit obligations	13					(23)
Impairment of assets	7					(456)
Other expense	8					(127)
Income taxes						(339)
Net earnings from continuing operations						1,018
Net earnings from discontinued operations						9
Net earnings						1,027

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

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTERSEGMENT ELIMINATIONS	BCE
Operating revenues						
External customers		4,210	5,991	1,377	–	11,578
Inter-segment		27	134	210	(371)	–
Total operating revenues		4,237	6,125	1,587	(371)	11,578
Operating costs	5	(2,377)	(3,450)	(1,168)	371	(6,624)
Segment profit⁽¹⁾		1,860	2,675	419	–	4,954
Severance, acquisition and other costs	6					(63)
Depreciation and amortization						(2,189)
Finance costs						
Interest expense						(560)
Interest on post-employment benefit obligations	13					(31)
Impairment of assets	7					(5)
Other income	8					51
Income taxes						(565)
Net earnings from continuing operations						1,592
Net earnings from discontinued operations						16
Net earnings						1,608

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

REVENUES BY SERVICES AND PRODUCTS

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
Services⁽¹⁾				
Wireless	1,481	1,580	3,016	3,108
Wireline data	1,916	1,914	3,807	3,780
Wireline voice	863	897	1,735	1,804
Media	482	737	1,140	1,377
Other wireline services	58	62	120	121
Total services	4,800	5,190	9,818	10,190
Products⁽²⁾				
Wireless	428	566	915	1,102
Wireline data	113	123	236	265
Wireline equipment and other	13	10	25	21
Total products	554	699	1,176	1,388
Total operating revenues	5,354	5,889	10,994	11,578

(1) Our service revenues are generally recognized over time.

(2) Our product revenues are generally recognized at a point in time.

Note 5 Operating costs

FOR THE PERIOD ENDED JUNE 30	NOTE	THREE MONTHS		SIX MONTHS	
		2020	2019	2020	2019
Labour costs					
Wages, salaries and related taxes and benefits		(994)	(1,085)	(2,035)	(2,139)
Post-employment benefit plans service cost (net of capitalized amounts)	13	(64)	(58)	(139)	(126)
Other labour costs ⁽¹⁾		(236)	(257)	(463)	(486)
Less:					
Capitalized labour		248	270	494	513
Total labour costs		(1,046)	(1,130)	(2,143)	(2,238)
Cost of revenues ⁽²⁾		(1,471)	(1,706)	(3,125)	(3,444)
Other operating costs ⁽³⁾		(506)	(481)	(977)	(942)
Total operating costs		(3,023)	(3,317)	(6,245)	(6,624)

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

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

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

Note 6 Severance, acquisition and other costs

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
Severance	(2)	(20)	(10)	(27)
Acquisition and other	(20)	(19)	(28)	(36)
Total severance, acquisition and other costs	(22)	(39)	(38)	(63)

SEVERANCE COSTS

Severance costs consist of charges related to involuntary and voluntary employee terminations.

ACQUISITION AND OTHER COSTS

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations, litigation costs, when they are significant, and other costs.

Note 7 Impairment of assets

During the second quarter of 2020, we identified indicators of impairment for certain of our Bell Media TV services and radio markets, notably declines in advertising revenues, lower subscriber revenues and overall increases in discount rates resulting from the economic impact of the COVID-19 pandemic. Accordingly, impairment testing was required for certain groups of cash-generating units (CGUs) as well as for goodwill.

Impairment charges for the three and six months ended June 30, 2020 of \$449 million and \$456 million, respectively, related primarily to \$452 million of charges for our English and French TV services as well as various radio markets within our Bell Media segment. These charges included \$291 million allocated to indefinite-life intangible assets for broadcast licenses, \$146 million allocated to finite-life intangible assets, mainly for program and feature film rights, and \$15 million to property, plant and equipment for network and infrastructure and equipment. They were determined by comparing the carrying value of the CGUs to their fair value less cost 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 July 1, 2020 to December 31, 2025, using discount rates of 8.0% to 9.5% and a perpetuity growth rate of (1.0)% to nil as well as market multiple data from public companies and market transactions. The carrying value of these CGUs was \$942 million at June 30, 2020.

There was no impairment of Bell Media goodwill. For the Bell Media group of CGUs, a decrease of (0.6)% in the perpetuity growth rate or an increase of 0.4% in the discount rate would have resulted in its recoverable amount being equal to its carrying value.

Note 8 Other (expense) income

FOR THE PERIOD ENDED JUNE 30	NOTE	THREE MONTHS		SIX MONTHS	
		2020	2019	2020	2019
Losses on retirements and disposals of property, plant and equipment and intangible assets		(54)	(1)	(70)	(6)
Net mark-to-market (losses) gains on derivatives used to economically hedge equity settled share-based compensation plans		(9)	12	(37)	112
Early debt redemption costs	12	–	(18)	(17)	(18)
Equity gains (losses) from investments in associates and joint ventures					
Gain (loss) on investment		11	(53)	21	(53)
Operations		(24)	(6)	(15)	5
Losses on investments		–	–	–	(4)
Other		(4)	12	(9)	15
Total other (expense) income		(80)	(54)	(127)	51

LOSSES ON RETIREMENTS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In Q2 2020, we recorded a loss of \$45 million due to a change in strategic direction related to the ongoing development of some of our TV platform assets under construction.

EQUITY GAIN (LOSS) FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

We recorded a gain on investment of \$11 million and \$21 million for the three and six months ended June 30, 2020, respectively, and a loss on investment of (\$53) million for the three and six months ended June 30, 2019, related to equity gains (losses) on our share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. The obligation is marked to market each reporting period and the gain or loss on investment is recorded as equity gains or losses from investments in associates and joint ventures.

Note 9 Earnings per share

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

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
Net earnings from continuing operations attributable to common shareholders – basic	233	754	908	1,485
Net earnings from discontinued operations attributable to common shareholders – basic	4	7	9	16
Net earnings attributable to common shareholders – basic	237	761	917	1,501
Dividends declared per common share (in dollars)	0.8325	0.7925	1.6650	1.5850
Weighted average number of common shares outstanding (in millions)				
Weighted average number of common shares outstanding – basic	904.3	899.5	904.2	898.9
Assumed exercise of stock options ⁽¹⁾	0.1	0.8	0.2	0.5
Weighted average number of common shares outstanding – diluted (in millions)	904.4	900.3	904.4	899.4

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 14,358,128 for the second quarter of 2020 and 9,554,587 for the first half of 2020, compared to 3,379,952 for the second quarter of 2019 and 6,349,240 for the first half of 2019.

Note 10 Trade and other receivables

	NOTE	JUNE 30, 2020	DECEMBER 31, 2019
Trade receivables		2,789	2,981
Allowance for revenue adjustments		(133)	(104)
Allowance for doubtful accounts	14	(104)	(62)
Current tax receivable		32	23
Other accounts receivable		228	200
Total trade and other receivables		2,812	3,038

Note 11 Other non-current assets

	NOTE	JUNE 30, 2020	DECEMBER 31, 2019
Net assets of post-employment benefit plans	13	765	558
Derivative assets	14	539	200
Long-term receivables		235	142
Investments ⁽¹⁾	14	147	128
Publicly-traded and privately-held investments	14	122	129
Other		123	117
Total other non-current assets		1,931	1,274

(1) These amounts have been pledged as security related to obligations for certain employee benefits and are not available for general use.

Note 12 Debt

On May 14, 2020, Bell Canada issued 2.50% Series M-52 medium term note (MTN) debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on May 14, 2030.

On May 14, 2020 and February 13, 2020, Bell Canada issued 3.50% Series M-51 MTN debentures under its 1997 trust indenture, with a principal amount of \$500 million and \$750 million, respectively, which mature on September 30, 2050.

During the first half of 2020, Bell Canada drew \$1,450 million in U.S. dollars (\$2,035 million in Canadian dollars) under its \$4 billion Canadian dollar committed credit facilities. In Q2 2020, Bell Canada repaid all of the U.S. dollar borrowings under such facilities. The borrowings, which were included in long-term debt, were hedged for foreign currency fluctuations through foreign exchange forward contracts. Accordingly, in Q2 2020, the forward contracts used to hedge these borrowings were settled. See Note 14, *Financial assets and liabilities*, for additional details.

On March 25, 2020, Bell Canada issued 3.35% Series M-47 MTN debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on March 12, 2025.

On March 16, 2020, Bell Canada redeemed, prior to maturity, its 4.95% Series M-24 MTN debentures, having an outstanding principal amount of \$500 million, which were due on May 19, 2021. We incurred early debt redemption charges of \$17 million, which were recorded in *Other (expense) income* in the income statement.

Note 13 Post-employment benefit plans

POST-EMPLOYMENT BENEFIT PLANS COST

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

COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS SERVICE COST

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
DB pension	(55)	(48)	(109)	(96)
DC pension	(26)	(25)	(62)	(58)
OPEBs	–	–	(1)	(1)
Less:				
Capitalized benefit plans cost	17	15	33	29
Total post-employment benefit plans service cost	(64)	(58)	(139)	(126)

COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
DB pension	(2)	(5)	(5)	(10)
OPEBs	(9)	(10)	(18)	(21)
Total interest on post-employment benefit obligations	(11)	(15)	(23)	(31)

FUNDED STATUS OF POST-EMPLOYMENT BENEFIT PLANS COST

The following table shows the funded status of our post-employment benefit obligations.

FOR THE PERIOD ENDED	FUNDED		PARTIALLY FUNDED ⁽¹⁾		UNFUNDED ⁽²⁾		TOTAL	
	JUNE 30, 2020	DECEMBER 31, 2019	JUNE 30, 2020	DECEMBER 31, 2019	JUNE 30, 2020	DECEMBER 31, 2019	JUNE 30, 2020	DECEMBER 31, 2019
Present value of post-employment benefit obligations	(25,790)	(24,961)	(1,964)	(1,918)	(308)	(300)	(28,062)	(27,179)
Fair value of plan assets	26,493	25,474	374	376	–	–	26,867	25,850
Plan surplus (deficit)	703	513	(1,590)	(1,542)	(308)	(300)	(1,195)	(1,329)

(1) The partially funded plans consist of supplementary executive retirement plans (SERPs) for eligible employees and certain OPEBs. The company partially funds the SERPs through letters of credit and a retirement compensation arrangement account with the Canada Revenue Agency. Certain paid-up life insurance benefits are funded through life insurance contracts.

(2) Our unfunded plans consist of certain OPEBs, which are paid as claims are incurred.

In Q2 2020, we recorded a decrease in our post-employment benefit plans and a loss, before taxes, in *Other comprehensive (loss) income from continuing operations* of (\$2,215) million due to an increase in the present value of our post-employment benefit obligations of (\$4,673) million as a result of a decrease in the discount rate to 2.8% at June 30, 2020, compared to 4.2% at March 31, 2020, partly offset by an increase in the fair value of plan assets of \$2,458 million as a result of an actual gain on plan assets of 10.7%.

During the first half of 2020, we recorded an increase in our post-employment benefit plans and a gain, before taxes, in *Other comprehensive (loss) income from continuing operations* of \$150 million due to an increase in the fair value of plan assets of \$1,207 million as a result of an actual gain on plan assets of 6.5%, partly offset by an increase in the present value of our post-employment benefit obligations of (\$1,057) million as a result of a decrease in the discount rate to 2.8% at June 30, 2020, compared to 3.1% at December 31, 2019.

Note 14 Financial assets and liabilities

FAIR VALUE

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

	CLASSIFICATION	FAIR VALUE METHODOLOGY	JUNE 30, 2020		DECEMBER 31, 2019	
			CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Trade payables and other liabilities and other non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	12	12	29	29
CRTC deferral account obligation	Trade payables and other liabilities and other non-current liabilities	Present value of estimated future cash flows discounted using observable market interest rates	82	86	82	85
Debt securities and other debt	Debt due within one year and long-term debt	Quoted market price of debt	21,517	25,068	18,653	20,905

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

	CLASSIFICATION	CARRYING VALUE OF ASSET (LIABILITY)	FAIR VALUE		
			QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2) ⁽¹⁾	NON-OBSERVABLE MARKET INPUTS (LEVEL 3) ⁽²⁾
June 30, 2020					
Publicly-traded and privately-held investments	Other non-current assets	122	2	–	120
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	522	–	522	–
Maple Leaf Sports & Entertainment Ltd. (MLSE) financial liability ⁽³⁾	Trade payables and other liabilities	(138)	–	–	(138)
Other	Other non-current assets and liabilities	91	2	147	(58)
December 31, 2019					
Publicly-traded and privately-held investments	Other non-current assets	129	2	–	127
Derivative financial instruments	Other current assets, trade payables and other liabilities, other non-current assets and liabilities	165	–	165	–
MLSE financial liability ⁽³⁾	Trade payables and other liabilities	(135)	–	–	(135)
Other	Other non-current assets and liabilities	71	1	128	(58)

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

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

(3) Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust Fund) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust Fund exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recognized in Other (expense) income in the consolidated income statements. The option has been exercisable since 2017.

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. The concentration of credit risk from our customers is minimized because we have a large and diverse customer base. There was minimal credit risk relating to derivative instruments at June 30, 2020 and December 31, 2019. We deal with institutions that have investment-grade credit ratings, and as such we expect that they will be able to meet their obligations. We regularly monitor our credit risk and credit exposure.

The following table provides the change in allowance for doubtful accounts for trade receivables, which reflects an increase for the period ended June 30, 2020, mainly as a result of the impact of the COVID-19 pandemic.

	NOTE	
Balance, January 1, 2020		(62)
Additions		(90)
Usage		48
Balance, June 30, 2020	10	(104)

In many instances, trade receivables are written off directly to bad debt expense if the account has not been collected after a predetermined period of time.

The following table provides further details on trade receivables, net of allowance for doubtful accounts.

	JUNE 30, 2020	DECEMBER 31, 2019
Trade receivables not past due	1,926	2,082
Trade receivables past due		
Under 60 days	395	541
60 to 120 days	252	232
Over 120 days	112	64
Trade receivables, net of allowance for doubtful accounts	2,685	2,919

MARKET RISK

CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated purchases and sales and certain foreign currency debt.

During the first half of 2020, we entered into foreign exchange forward contracts with a notional amount of \$1,453 million in U.S. dollars (\$2,039 million in Canadian dollars) to hedge the foreign currency risk associated with amounts drawn under our \$4 billion Canadian dollar committed credit facilities. These foreign exchange contracts have matured at June 30, 2020. A loss of \$30 million and \$14 million, for the three and six months ended June 30, 2020, respectively, relating to these foreign exchange forward contracts is recognized in *Other (expense) income* in the consolidated income statements, which offsets the foreign currency gain on the repayment of drawdowns under the credit facilities.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of \$1 million (\$55 million) recognized in net earnings from continuing operations at June 30, 2020 and a gain (loss) of \$228 million recognized in *Other comprehensive (loss) income from continuing operations* at June 30, 2020, with all other variables held constant.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the Philippines Peso would result in a gain (loss) of \$2 million in *Other comprehensive (loss) income from continuing operations* at June 30, 2020, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts and options as at June 30, 2020.

TYPE OF HEDGE	BUY CURRENCY	AMOUNT TO RECEIVE	SELL CURRENCY	AMOUNT TO PAY	MATURITY	HEDGED ITEM
Cash flow	USD	200	CAD	279	2020	Commercial paper
Cash flow	USD	370	CAD	480	2020	Anticipated transactions
Cash flow	PHP	1,012	CAD	26	2020	Anticipated transactions
Cash flow	USD	588	CAD	768	2021	Anticipated transactions
Economic	USD	26	CAD	36	2021	Anticipated transactions
Economic – put options	USD	209	CAD	284	2020	Anticipated transactions
Economic – put options	USD	214	CAD	284	2021	Anticipated transactions
Economic – call options	USD	149	CAD	201	2020	Anticipated transactions
Economic – call options	CAD	87	USD	60	2020	Anticipated transactions
Economic – call options	USD	47	CAD	65	2021	Anticipated transactions
Economic – call options	CAD	68	USD	47	2021	Anticipated transactions
Economic – options ⁽¹⁾	USD	60	CAD	81	2020	Anticipated transactions
Economic – options ⁽¹⁾	USD	120	CAD	161	2021	Anticipated transactions

(1) Foreign currency options with a leverage provision and a profit cap limitation.

INTEREST RATE EXPOSURES

During Q1 2020, we entered into a series of interest rate options to economically hedge the dividend rate resets on \$582 million of our preferred shares having varying reset dates in 2021. The fair value of these interest rate options at June 30, 2020 was a net liability of \$5 million, recognized in *Other current assets, Trade payables and other liabilities, Other non-current assets and Other non-current liabilities* in the consolidated statements of financial position. A loss of \$3 million and \$5 million for the three and six months ended June 30, 2020, respectively, relating to these interest rate options is recognized in *Other (expense) income* in the consolidated income statements.

A 1% increase (decrease) in interest rates would result in a decrease (increase) of \$31 million (\$38 million) in net earnings from continuing operations at June 30, 2020.

EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE's common shares to economically hedge the cash flow exposure related to the settlement of equity settled share-based compensation plans and the equity price risk related to a cash-settled share-based payment plan. The fair value of our equity forward contracts at June 30, 2020 was a net liability of \$39 million, recognized in *Other current assets, Trade payables and other liabilities, Other non-current assets and Other non-current liabilities* in the consolidated statements of financial position. The fair value of our equity forward contracts at December 31, 2019 was an asset of \$40 million recognized in *Other current assets and Other non-current assets* in the consolidated statements of financial position. A loss of \$9 million and \$37 million for the three and six months ended June 30, 2020, respectively, relating to these equity forward contracts is recognized in *Other (expense) income* in the consolidated income statements.

A 5% increase (decrease) in the market price of BCE's common shares at June 30, 2020 would result in a gain (loss) of \$40 million recognized in net earnings from continuing operations, with all other variables held constant.

COMMODITY PRICE EXPOSURE

In Q1 2020, we entered into fuel swaps to economically hedge the purchase cost of fuel in 2020 and 2021. The fair value of our fuel swaps at June 30, 2020 was an asset of \$2 million included in *Other current assets* and *Other non-current assets* in the consolidated statements of financial position. A gain of \$6 million and \$2 million for the three and six months ended June 30, 2020, respectively, is recognized in *Other (expense) income* in the consolidated income statements.

A 25% increase (decrease) in the market price of fuel at June 30, 2020 would result in a gain (loss) of \$4 million recognized in net earnings from continuing operations, with all other variables held constant.

Note 15 Share-based payments

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

FOR THE PERIOD ENDED JUNE 30	THREE MONTHS		SIX MONTHS	
	2020	2019	2020	2019
ESP	(8)	(8)	(16)	(15)
Restricted share units (RSUs) and performance share units (PSUs)	(13)	(11)	(29)	(31)
Other ⁽¹⁾	(2)	(2)	(5)	(6)
Total share-based payments	(23)	(21)	(50)	(52)

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

The following tables summarize the change in unvested ESP contributions and outstanding RSUs/PSUs, DSUs and stock options for the period ended June 30, 2020.

ESP

	NUMBER OF ESP SHARES
Unvested contributions, January 1, 2020	1,124,198
Contributions ⁽¹⁾	316,202
Dividends credited	29,520
Vested	(274,732)
Forfeited	(50,017)
Unvested contributions, June 30, 2020	1,145,171

(1) The weighted average fair value of the shares contributed during the six months ended June 30, 2020 was \$58.

RSUs/PSUs

	NUMBER OF RSUs/PSUs
Outstanding, January 1, 2020	2,915,118
Granted ⁽¹⁾	861,582
Dividends credited	79,152
Settled	(923,059)
Forfeited	(21,307)
Outstanding, June 30, 2020	2,911,486

(1) The weighted average fair value of the RSUs/PSUs granted during the six months ended June 30, 2020 was \$63.

DSUs

	NUMBER OF DSUs
Outstanding, January 1, 2020	4,623,099
Issued ⁽¹⁾	62,996
Settlement of RSUs/PSUs	90,435
Dividends credited	128,403
Settled	(595,189)
Outstanding, June 30, 2020	4,309,744

(1) The weighted average fair value of the DSUs issued during the six months ended June 30, 2020 was \$62.

STOCK OPTIONS

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding, January 1, 2020	12,825,541	57
Granted	3,410,150	65
Exercised ⁽¹⁾	(419,546)	53
Forfeited	(41,845)	60
Outstanding, June 30, 2020	15,774,300	59
Exercisable, June 30, 2020	5,299,256	58

(1) The weighted average market share price for options exercised during the six months ended June 30, 2020 was \$64.

ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

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

	2020
Weighted average fair value per option granted	\$1.55
Weighted average share price	\$63
Weighted average exercise price	\$65
Expected dividend growth	5%
Expected volatility	12%
Risk-free interest rate	1%
Expected life (years)	4

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

Note 16 COVID-19

Although our telecommunications, media and broadcasting operations have been recognized by Canadian governments as essential services, our business has nonetheless, in the second quarter of 2020, been negatively impacted by the emergency measures adopted to combat the spread of COVID-19 and the resulting adverse economic conditions. All of our segments have been adversely affected, but we have seen a more pronounced impact on media advertising revenues, wireless product sales and outbound roaming revenues. Given that emergency measures taken to address the COVID-19 pandemic remained in place for most or all, as the case may be, of the second quarter and that certain of these measures gradually started being eased only in the latter part of the second quarter, such measures had a more significant impact on our second quarter financial results than on our first quarter financial results. Depending on the severity and duration of COVID-19 disruptions, including possible resurgences in the number of COVID-19 cases, our operations and financial results could continue to be significantly and negatively impacted in future periods. It is not possible at this time to estimate the magnitude of such future impacts.