BCE INC
Form 6-K
February 02, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934

For the month of: **February 2005** Commission File Number: **1-8481**

BCE Inc.
(Translation of Registrant s name into English)

1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec H3B 4Y7, (514) 397-7000
(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F______ Form 40-F___X___

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes______ No___X___

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82-_____.

Notwithstanding any reference to BCE s Web site on the World Wide Web in the documents attached hereto, the information contained in BCE s site or any other site on the World Wide Web referred to in BCE s site is not a part of this Form 6-K and, therefore, is not filed with the Securities and Exchange Commission.

News Release

For immediate release

(All figures are in Cdn$, unless otherwise indicated)

BCE REPORTS 2004 YEAR-END AND FOURTH QUARTER RESULTS

Montréal, Québec, February 2, 2005 For the full year 2004 BCE Inc. (TSX, NYSE: BCE) reported revenue of $19.2 billion, up 2.4 per cent and EBITDA[(1)] of $7.6 billion, an increase of 2.1 per cent over the full year 2003. For the fourth quarter of 2004, the company reported revenue of $5.0 billion, up 3.5 per cent, and EBITDA of $1.8 billion, down 0.9 per cent when compared to the same period last year. In 2004, before restructuring BCE achieved its free cash flow[(2)] target of approximately $1 billion and earnings per share (EPS)[3] of $2.02 which was up 6.3 per cent.

The past year was important for BCE as we laid the foundation to position Bell Canada for a new era of communications, said Michael Sabia, President and Chief Executive Officer of BCE Inc. We delivered on our key strategic initiatives and met our guidance for financial performance in 2004. Overall, our progress in the year gives us confidence in the forward momentum of the company as outlined at our annual investor conference in mid-December.

The company s performance in 2004 and the outlook for 2005 and beyond were among the factors that led BCE in December to increase its common share annual dividend by $0.12, or 10 per cent.

In the fourth quarter, the company s revenue growth rate continued to improve. The quarter saw continued subscriber growth in wireless, video and DSL. In the year, the company added nearly one million new subscribers for its digital services. The growth in sales of bundles to consumers and value-added solutions to business customers continued during the quarter. Bell s voluntary separation program, which saw a staff reduction of over 5,000, was largely completed during the quarter. This will contribute to improving the company s competitiveness going forward.

There were several events in the fourth quarter that had an impact on results. The most significant of these were the trailing impact of the implementation of a new billing system at Mobility and the residual impact of the strike at Aliant.

Reflecting on 2004, our challenge was to continue transitioning Bell to a new business model while at the same time delivering financial performance and operational progress, said Mr. Sabia. Through the course of 2004 we believe we met that goal.

BCE s progress in 2004 included:

- BCE s rate of revenue growth during the year increased in each consecutive quarter
- Bell s Galileo program began to have a growing impact across the company, simplifying operations. Galileo is targeted to produce $1 to $1.5 billion in annual savings by the end of 2006.
- Bell began the rollout of its Fibre-to-the-Node program to bring abundant bandwidth to customers in the Quebec City to Windsor corridor.
- Bell Bundles continue to be well received by customers: 368,000 bundles were sold in 2004, and 430,000 have been sold since the inception of the offer.
- In the business sector, value-added solutions (VAS), many based on Internet Protocol, are helping build strong relationships with customers beyond the standard connectivity Bell traditionally provides.

We set out a clear plan of action for 2004 and the metrics by which we would measure our progress. said Mr. Sabia. Throughout the year, we made progress despite operating challenges and an industry and market that continues to change rapidly. In 2005, we will continue to execute on that plan. We are satisfied that our progress in 2004 has established the underlying trajectory of the business that will lead to profitable growth going forward, concluded Mr. Sabia.

BCE Financial Performance

On a full year basis, excluding restructuring items as well as net gains on investments[(4)], operating income reached $4.2 billion. Earnings per share (EPS) was $2.02, an increase of 6.3 per cent over the previous year. On the same basis for the quarter, BCE s operating income was $961 million, and EPS was $0.45, representing an EPS increase of 7.1 per cent over the fourth quarter of 2003.

The most significant of the one-time restructuring items taken during the year was a charge of $985 million ($647 million after tax) in the third quarter, reflecting the cost of Bell s Voluntary Employee Departure Program. The departures, representing 10 per cent of Bell s workforce, are expected to provide annual savings of approximately $390 million going forward.

On a full-year basis including the restructuring items and net gains on investments, operating income decreased by 27.8 per cent to $3.0 billion. EPS was $1.65, a decrease of 13.2 per cent. On the same basis operating income in the fourth quarter was $835 million and EPS was $0.45, representing an EPS increase of 9.8 per cent from the same period last year.

Key Operational Achievements

Wireless

Despite challenges presented by the migration to a new billing platform, the company s wireless subscriber base grew by 513,000 subscribers in 2004, matching the growth recorded in 2003. We added 217,000 subscribers in the quarter, exceeding last year s fourth quarter level of net activations by 15 per cent.

Revenue for the full year was $2.8 billion, a 14.5 per cent increase over the previous year, driven by subscriber growth. Revenue in the quarter reached $742 million, an increase of 13 per cent over the fourth quarter of 2003.

EBITDA performance rose 29 per cent on a full year basis and by 20 per cent in the fourth quarter over the same periods last year. EBITDA margin increased to 41.5 per cent for the full year, up 5 points from 2003.

Wireless churn for the full year was 1.3 per cent, reflecting a 0.1 percentage point improvement compared to full year 2003. Churn for the fourth quarter was 1.4 per cent, unchanged from the same period last year.

The wireless unit is past the peak of the billing challenge. Bills are currently being sent on time, call volumes are substantially reduced and efforts are being made to return service to the high levels that Bell customers have come to expect.

Also during the quarter, Bell announced plans for the launch of a next-generation wireless data network that will feature speeds six times that which is currently available. Known as Evolution, Data Optimized (EVDO) the network will enable wireless services such as video mail, gaming, videoconference and digital streaming and telematics.

Video

Bell reached a significant milestone at the end of 2004, signing on its 1.5 millionth video customer.

For the full year, 116,000 new video customers were added, an increase of 40 per cent over 2003. Bell added 43,000 new video customers in the fourth quarter, 23 per cent better than the growth achieved in the fourth quarter in 2003.

For the full year, the increase in customers drove double-digit revenue growth for video, augmented by stronger marketing programs, solid churn at 1 per cent (0.8 per cent for the fourth quarter) and a $3 improvement in average revenue per user (ARPU). Bell has also seen a quarter-over-quarter downward trend in its video cost of acquisition.

Bell ended the year having signed access agreements with 335 multi-dwelling unit (MDU) buildings for its very high-speed DSL (VDSL) service, well ahead of its target for the year of 300 buildings. More than half of new VDSL customers are also signing up for Sympatico High Speed service.

High-Speed Internet (DSL)

The company s digital subscriber line (DSL) high-speed Internet business ended 2004 with 1.8 million customers, an increase of 24 per cent over the previous year. On a full year basis, 350,000 new customers were added slightly less than in 2003. During the fourth quarter, 91,000 new customers were added, slightly above last year.

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Growth of value added services (VAS) sold to Sympatico DSL customers increased significantly during the full year and the fourth quarter. The year ended with a total of 624,000 subscriptions, more than double year end 2003 and there were 337,000 net VAS additions in the fourth quarter alone. Nearly one out of every four DSL customers takes at least one VAS.

The Sympatico.msn.ca site continues to be a leading portal in the country with 16 million unique visitors every month. Revenue from the portal increased by nearly 50 per cent in 2004 compared to the previous year. Demonstrating that the way customers are using the feature-rich site is changing, there has been a three-fold increase (2004 vs. 2003) in the use of video streaming. In 2004, customers downloaded 7.4 million video streams, compared to just 2.4 million in 2003.

Consumer

The consumer segment achieved profitable growth, revenues were up 4.2 per cent and operating income increased 5 per cent for the year. The segment focused on establishing and deepening long-term relationships with customers across all its product lines.

Adoption of the Bell Digital Bundle (a combination of video, wireless and high-speed Internet services) continued to accelerate through 2004 and in the fourth quarter. For the full year, customers purchased 368,000 new bundles. In the fourth quarter, customers purchased 118,000 new bundles and 49 per cent of these customers added at least one new service.

Since the inception of the offering, the company has sold 430,000 Bell Bundles. In the coming months, Bell will continue to drive Bell Bundle growth levels toward its target of 1 million bundles sold by the end of 2005.

Also driving the growth in bundle sales is a special long distance offer introduced by Bell in June of 2004. The offer is a $5/month long distance calling plan for 1,000 minutes of calling anywhere in Canada and the United States, exclusively available to Bell Bundle customers. By the end of 2004, 229,000 customers had signed up for the long distance offer.

Business

In the Business Segment, the company continued to make progress in the adoption of its VAS and Internet Protocol (IP)-based services. Operating income in the Business Segment increased by 15 per cent in 2004, compared to 2003.

Small and Medium Business

The Small and Medium Business (SMB) segment continues to move forward with its strategy to become the trusted technology advisor the Virtual CIO for small and medium businesses. The new capabilities we are adding to the business are revitalizing the group and delivering growth. The opportunity in SMB market for integrated IT and Telecom solutions is solidly increasing.

In this area, customers are rapidly gaining awareness of Bell s expertise and offerings. At the end of 2004, subscriptions to the group s Value-Added Solutions had reached 83,000, compared to a total of 13,000 in 2003 more than a 6 fold increase. As well, the volume of business referrals from newly acquired Charon Systems is tracking well above expectations with over 200 joint deals in the sales funnel and revenues up 20% year-over-year totaling $36.1 million in 2004, evidence of its overall strategic fit within the group.

The SMB group is also closing a growing number of deals that are significantly increasing the size of existing accounts. Customers are now moving from plain connectivity or legacy products to Managed (IP-VPN) virtual private network, combined with managed applications and hosted Internet.

In early December, Bell announced an offer to purchase all outstanding shares of Nexxlink Technologies, a Montréal-based provider of information technology solutions. Nexxlink has particular expertise in business operation automation software, outsourcing solutions, consulting and technical solutions, and infrastructure solutions. In January, Bell announced that 86.3 per cent of the aggregate number of common shares outstanding (fully diluted) had been purchased under the offer.

Additionally, Bell s SMB segment announced in mid-December that it is collaborating with Microsoft to develop a new integrated services portfolio offering greater productivity, security and reliability to SMBs.

Enterprise

The migration of Bell customers to IP accelerated throughout the year. The Group doubled the data and VAS revenue delivered over IP as a percentage of total data revenues from 22 per cent in 2003 to 43 per cent in 2004.

Since the beginning of the New Year, Bell has joined with several leading Canadian organizations to announce large-scale IP implementation projects. A significant sales achievement for the quarter is the agreement signed with IBM Canada Ltd. through which Bell will restructure and upgrade the bandwidth of IBM s IP VPN (Virtual Private Network) Network. The network will continue to link IBM s various processing centres in Canada and the United States but with 600 Mbps of bandwidth. Bell also won a five-year $5.8 million contract with La Senza Inc. for an IP VPN network with 280 sites.

Last week, Bell announced an $84 million contract with BMO Financial Group for the implementation of a national IP network that will see 1100 branches convert to the new technology. Several days earlier, the Université du Québec à Montréal (UQAM) launched its Bell-provided Convergence Network , the province s largest University IP Network with 4000 lines.

These contracts represent major sales for Bell and signal growing customer adoption of IP-based solutions. They closely follow another major IP contract signed with Manulife Financial in December 2004. The company now has 145,000 voice IP lines in service.

The Value Added Solutions portfolio continues to experience significant growth and 65 per cent of Bell s large Enterprise customers now use at least one element of the VAS portfolio.

Significant VAS contract sales in the fourth quarter included a three-year $66 million contract with the Fédération des Caisses Desjardins du Québec for a managed point of sale solution supporting debit/credit transactions on a national basis.

Bell West

In 2004, Bell in the west has focused on providing a full suite of wireline, wireless and satellite solutions to business customers throughout British Columbia and Alberta. The company has adopted an integrated sales model where wireline and wireless sales are offered and managed through a single point of contact, something not currently offered by its primary competitor in this market.

Mechanical construction of the Supernet was completed in December and Bell is developing advanced IP applications that will run over this state-of-the-art network.

The closing of Bell s purchase of 360networks Corporation was completed in November, greatly augmenting the company s on-net capabilities in the two provinces and significantly expanding its customer base.

Telesat Canada

Revenue at Telesat for the full year reached $362 million, an increase of 4.9 per cent over 2003. Full year operating income of $141 million was up 13.7 per cent over 2003. In the fourth quarter, revenue totaled $102 million, representing a 3 per cent increase versus the comparable quarter in 2003. Operating income for the quarter reached $37 million, an increase of 12.1 per cent.

Telesat s Anik F2 satellite began commercial operation and became the world s first satellite to commercialize the Ka band. This frequency band delivers two-way broadband services enabling highspeed satellite service to consumers and businesses in Canada and the United States.

Telesat also has two satellites pending launch. The Anik F1-R has been constructed and is now in testing phase with launch planned for this summer and commercial service to begin in the fall. Anik F3 is currently under construction for a planned launch in the latter half of 2006.

Bell Globemedia

Revenue at Bell Globemedia for the full year reached $1.4 billion, an increase of 4.2 per cent over 2003. Full year operating income of $240 million was up 43.7 per cent over 2003. In the quarter, revenue increased by 8 per cent to reach $405 million and operating income in the quarter reached $103 million, an increase of 56.1 per cent.

With 16 of the top 20 regularly-scheduled programs in the country last fall, CTV saw its television advertising revenue grow by 8 per cent for the full year. Another contributing factor was the NHL lockout, which led hockey sponsors to seek alternate advertising opportunities on CTV.

At The Globe and Mail, print revenue was solid in the quarter with national advertising up 27 per cent over the same period in 2003. There was also double-digit growth in revenues from the newspaper s on-line properties. The latest NADBank release shows solid increases in readership in the core target audience and The Globe and Mail now has double The National Post s weekday readership.

Outlook

BCE Inc. confirmed its 2005 guidance which was issued at its 2005 business review on December 15, 2004.

Bell Canada Financial Performance

Bell Canada s financial performance was also affected this quarter and throughout the year by the five-month strike at Aliant and by the restructuring programs mentioned earlier in this release. Bell s performance both excluding and including these factors is discussed below.

Full Year 2004

Excluding the impact of the labour disruption at Aliant and the restructuring items[4], Bell Canada s full year revenue increased by 1.3 per cent to reach $16.8 billion and operating income increased 3.4 per cent to $4.0 billion.

Including these factors, Bell Canada s revenue for the year was $16.8 billion, an increase of 1 per cent and operating income was $2.7 billion, decreasing 29.7 per cent from $3.8 billion.

Fourth Quarter 2004

Excluding the impact of the labour disruption at Aliant and the restructuring items[4], Bell Canada s fourth quarter revenue increased by 1.7 per cent to reach $4.3 billion, operating income decreased to $867 million and operating income margin decreased from 22.2 per cent to 20.1 per cent.

Including these factors, Bell Canada s revenue for the quarter was $4.3 billion, an increase of 1.3 per cent. Operating income decreased 21.4 per cent to $731 million. Operating margin was 17 per cent, down from 21.9 per cent the previous year.

Revenue and EBITDA

In terms of revenue, the process of migrating to the new Mobility billing system placed emphasis on maintaining service levels at the expense of revenue-generating activities, with corresponding impacts on EBITDA and operating income. As well, in the Business segment operating income declined for the quarter compared to 2003 mainly due to the completion of the Hydro Quebec contract in 2003 and wireless billing issues.

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Furthermore, growth in key services increased Bell s cost of acquisition and the marketing and advertising expenses required to achieve that growth. While these measures will provide for future growth, they negatively impacted Bell s EBITDA this quarter.

For additional details on the company s financial performance for the full year and the fourth quarter, see the Management s Discussion and Analysis (MD&A) which forms a part of this news release.

BELL CANADA STATUTORY RESULTS

Bell Canada statutory includes Bell Canada, and Bell Canada s interests in Aliant, Bell ExpressVu (at 52%), and other Canadian Telco s.

For the full year, Bell Canada s reported statutory revenue was $16.8 billion in 2004, up 1 per cent compared to 2003, and net earnings applicable to common shares were $1.5 billion in 2004, compared to $2.2 billion in 2003, a decrease of 32 per cent. In the fourth quarter, Bell Canada s reported statutory revenue was $4.3 billion, up 1.3 per cent compared to the same period last year. Net earnings applicable to common shares were $465 million in the fourth quarter of 2004, compared to net earnings applicable to common shares of $670 million for the same period last year, a decrease of 30.6 per cent.

ABOUT BCE

BCE is Canada s largest communications company. Through its 27 million customer connections, BCE provides the most comprehensive and innovative suite of communication services to residential and business customers in Canada. Under the Bell brand, the company s services include local, long distance and wireless phone services, high speed and wireless Internet access, IP-broadband services, value-added business solutions and direct-to-home satellite and VDSL television services. Other BCE businesses include Canada s premier media company, Bell Globemedia, and Telesat Canada, a pioneer and world leader in satellite operations and systems management. BCE shares are listed in Canada, the United States and Europe.

BCE 2004 Fourth Quarter Financial Information:

BCE s 2004 Fourth Quarter Shareholder Report (which contains BCE s 2004 fourth quarter MD&A and unaudited consolidated financial statements) and other relevant financial materials are also available at www.bce.ca/en/investors, under Investor Briefcase . BCE s 2004 Fourth Quarter Shareholder Report is also available on the Web sites maintained by the Canadian securities regulators at www.sedar.com and by the U.S. Securities and Exchange Commission at www.sec.gov. It is also available upon request from BCE s Investor Relations Department (e-mail: investor.relations@bce.ca, tel.: 1 800 339-6353; fax: (514) 786-3970).
BCE s 2004 Fourth Quarter Shareholder Report will be sent to BCE s shareholders who have requested to receive it on or about February 7, 2005.

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Call with Financial Analysts:

BCE will hold a teleconference/Webcast (audio only) for financial analysts to discuss its fourth quarter and year-end results on Wednesday, February 2, 2005 at 8:00 a.m. (Eastern). *The media is welcome to participate on a listen-only basis.* Michael Sabia, President and Chief Executive Officer, Siim Vanaselja, Chief Financial Officer, and other senior executives of the company will be present for the teleconference.

Interested participants are asked to dial (416) 405-9310 or 1 877-211-7911 between 7:50 a.m. and 7:58 a.m. (Eastern). If you are disconnected from the call, simply redial the number. If you need assistance during the teleconference, you can reach the operator by pressing 0". This teleconference will also be Webcast live (audio only) on our Web site at www.bce.ca. An archive of this call will remain on the company s web site until 5:00 PM, Tuesday, May 3, 2005.

Call with the Media:

BCE will hold a teleconference/Webcast (audio only) for media to discuss its fourth quarter results on Wednesday, February 2, 2005 at 2:00 p.m. (Eastern). Michael Sabia will be present for this teleconference.

Interested participants are asked to dial (416) 405-9310 or 1 877-211-7911 between 1:50 p.m. and 1:58 p.m. If you are disconnected from the call, simply redial the number. If you need assistance during the teleconference, you can reach the operator by pressing 0". This teleconference will also be Webcast live (audio only) on our Web site at www.bce.ca. And archive of this call will remain on the company s web site until 5:00 PM, Tuesday, May 3, 2005.
Notes:

1 The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). Please refer to the section of BCE Inc. s 2004 Fourth Quarter MD&A entitled *Non-GAAP Financial Measures* included in this news release for more details on EBITDA including reconciliation to operating income.

2 We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities. Free cash flow does not have any standardized meaning prescribed by GAAP. Please refer to the section of BCE Inc. s 2004 Fourth Quarter MD&A entitled Non-GAAP Financial Measures included in this news release for more details on free cash flow and to the section of the MD&A entitled Financial and Capital Management for a reconciliation of free cash flow to cash from operating activities. For 2005, we expect to generate approximately $700 million to $900 million in free cash flow. This amount reflects expected cash from operating activities of approximately $5.9 billion to $6.1 billion less capital expenditures, total dividends and other investing activities.

3 Earnings per share of $2.02 has been computed excluding the restructuring and other items and net gains on investments described in note 4 below. Including those restructuring and other items and net gains on investments earnings per share was $1.65, a decrease of 13.2 per cent compared to last year. Refer to note 4 for a description of the nature and amounts of such restructuring and other items and net gains on investments.

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4 In Q4 2004, operating income was affected by restructuring and other items of $126 million and the labour disruption at Aliant which had an estimated negative impact of $13 million. The restructuring and other items consisted of $67 million related to Aliant s employee departure program and other charges of $59 million consisting primarily of closure costs for excess facilities, various asset write-downs and other provisions. The net earnings and earnings per share were affected by net gains on investments of $62 million (or $0.06 per share) relating primarily to the extraordinary gain on the purchase of the Canadian operations of 360networks Corporation, which were offset by after-tax restructuring and other items of $62 million (or negative $0.06 per share). In Q4 2003, operating income was affected by restructuring and other items of $13 million and net earnings and earnings per share were affected by the after-tax restructuring and other items of $9 million and net losses on investments of $10 million, for a total impact of negative $0.01 per share.

For the full year of 2004, operating income was affected by restructuring and other items of $1.2 billion and the labour disruption at Aliant which had an estimated negative impact of $68 million. The restructuring and other items consisted of $996 million related to Bell Canada s employee departure program, $67 million related to Aliant s employee departure program and other charges of $161 million consisting primarily of closure costs for excess facilities, various asset write-downs and other provisions. The net earnings and earnings per share were affected by net losses of $349 million (or $0.37 per share) consisting of the after-tax restructuring and other items of $772 million (or negative $0.83 per share) and net gains on investments of $423 million (or $0.46 per share) relating primarily to the extraordinary gain on the purchase of the Canadian operations of 360networks Corporation and the sales of our investments in BCE Emergis Inc., Manitoba Telecom Services Inc. and YPG General Partner Inc. For the full year of 2003, operating income was affected by restructuring and other items of $14 million and net earnings and earnings per share were affected by the after-tax restructuring and other items of $3 million and net losses on investments of $2 million, for a nominal impact per share.

Caution Concerning Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the statements appearing under the Outlook section, and other statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These 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 the date hereof. For a description of risks that could cause actual results or events to differ materially from current expectations please refer to the section entitled Risks That Could Affect Our Business contained in BCE Inc. s 2004 Fourth Quarter MD&A dated February 1, 2005, included in this news release and filed by BCE Inc. with the Canadian securities commissions (available at www.bce.ca or on SEDAR at www.sedar.com) and with the U.S. Securities and Exchange Commission under Form 6-K (available on EDGAR at www.sec.gov). The forward-looking statements contained in this news release represent our expectations as of February 2, 2005 and, accordingly, are subject to change after such date. However, we disclaim any intention or obligation to update any forward-looking statements, whether as a result of new information or otherwise.

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Management s Discussion and Analysis

In this MD&A, *we*, *us*, *our* and BCE mean BCE Inc., its subsidiaries and joint ventures.

All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted.

Please refer to the unaudited consolidated financial statements for the fourth quarter of 2004 when reading this MD&A. We also encourage you to read BCE Inc. s MD&A for the year ended December 31, 2003 dated March 10, 2004 (2003 MD&A).

You will find more information about BCE, including BCE Inc. s Annual Information Form for the year ended December 31, 2003 (2003 AIF) and recent financial reports, on BCE Inc. s website at www.bce.ca, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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 may include words such as *anticipate, believe*, *could*, *expect*, *goal*, *guidance*, *intend*, *may*, *objective*,

This management s discussion and analysis of financial condition and results of operations (MD&A) comments on BCE s operations, financial condition and cash flows for the three months (Q4) and twelve months ended December 31, 2004 and 2003.

ABOUT FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company s future prospects and make informed investment decisions.

This MD&A contains forward-looking statements about BCE s objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are forward-looking because they are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment and our ability to attract and retain customers and to manage network assets and operating costs.

It is important to know that:

- forward-looking statements in this MD&A describe our expectations on February 1, 2005
- our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.
- forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.
- we disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Risks that could cause our actual results to materially differ from our current expectations are discussed in this MD&A including, in particular, in *Risks That Could Affect Our Business*.

outlook, *plan*, *seek*, strive, *target* and *will*.

NON-GAAP FINANCIAL MEASURES

EBITDA

We define EBITDA as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans cost, and restructuring and other items.

The term, EBITDA (earnings before interest, taxes, depreciation and amortization), does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). It is therefore unlikely to be comparable to similar measures presented by other companies. EBITDA is presented on a consistent basis from period to period.

We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense, net benefit plans cost, and restructuring and other items. We exclude amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital assets and the fund performance of a company s pension plans. We exclude restructuring and other items because they are transitional in nature.

EBITDA allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use EBITDA to measure a company s ability to service debt and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry.

EBITDA should not be confused with net cash flows from operating activities. The most comparable Canadian GAAP financial measure is operating income which is discussed in the *Financial Results Analysis* section of this MD&A. The tables below are reconciliations of EBITDA to operating income on a consolidated basis for BCE and Bell Canada.

BCE	**Q4 2004**	**Q4 2003**	**FY 2004**	**FY 2003**
EBITDA	**1,831**	**1,847**	**7,564**	**7,410**
Amortization expense	(803)	(775)	(3,108)	(3,100)
Net benefit plans cost	(67)	(46)	(256)	(175)
Restructuring and other items	(126)	(13)	(1,224)	(14)
Operating income	**835**	**1,013**	**2,976**	**4,121**

Bell Canada	**Q4 2004**	**Q4 2003**	**FY 2004**	**FY 2003**
EBITDA	**1,679**	**1,731**	**7,111**	**7,001**
Amortization expense	(763)	(742)	(2,962)	(2,970)
Net benefit plans cost	(62)	(46)	(235)	(181)
Restructuring and other items	(123)	(13)	(1,219)	(14)
Operating income	**731**	**930**	**2,695**	**3,836**

FREE CASH FLOW

We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities.

The term, free cash flow, does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies. Free cash flow is presented on a consistent basis from period to period.

We consider free cash flow to be an important indicator of the financial strength and performance of our business because it shows how much cash is available to repay debt and to reinvest in our company. We believe that certain investors and analysts use free cash flow when valuing a business and its underlying assets.

The most comparable Canadian GAAP financial measure is cash from operating activities. You will find a reconciliation of free cash flow to cash from operating activities on a consolidated basis in *Financial and Capital Management*.

About our Business

BCE is Canada s largest communications company. Starting in the first quarter of 2004, we report our results of operations under five segments: Consumer, Business, Aliant, Other Bell Canada and Other BCE. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance. Therefore, in addition to discussing our consolidated operating results in this MD&A, we discuss the operating results of each of our segments. See Note 2 to the unaudited consolidated financial statements for information about our segments.

Video services are television services provided to customers through our direct-to-home (DTH) satellites or by very high-speed digital subscriber line (VDSL) equipment.

The Consumer segment provides local telephone, long distance, wireless, Internet access, video and other services to Bell Canada s residential customers mainly in Ontario and Québec. Wireless services are also offered in Western Canada and video services are provided nationwide.

The Business segment provides local telephone, long distance, wireless, data, including Internet access, and other services to Bell Canada s small and medium-sized businesses (SMB) and large enterprise customers in Ontario and Québec, as well as business customers in Western Canada.

The Aliant segment provides local telephone, long distance, wireless, data, including Internet access, and other services to residential and business customers in Atlantic Canada and represents the operations of our subsidiary, Aliant Inc. (Aliant).

The Other Bell Canada segment includes Bell Canada's wholesale business, and the financial results of Télébec Limited Partnership (Télébec), NorthernTel Limited Partnership (NorthernTel) and Northwestel Inc. (Northwestel). Our wholesale business provides local telephone, long distance, wireless, data and other services to competitors who resell these services. Télébec, NorthernTel and Northwestel provide telecommunications services to less populated areas in Québec, Ontario and Canada s northern territories.

The Other BCE segment includes the financial results of our media, satellite and information technology (IT) businesses, as well as the costs incurred by our corporate office. This segment includes Bell Globemedia Inc. (Bell Globemedia), Telesat Canada (Telesat) and CGI Group Inc. (CGI).

In classifying our operations for planning and measuring performance, all restructuring and other items at Bell Canada and its subsidiaries (excluding Aliant) are included in the Other Bell Canada segment.

In Q2 2004, we took another step forward in simplifying our operations by selling our 64% interest in BCE Emergis Inc. (Emergis) by way of a secondary public offering. Effective May 2004, we started presenting the financial results of Emergis as discontinued operations. Emergis was presented previously in the Other BCE segment.

In Q3 2004, we acquired full ownership of Bell West Inc. (Bell West) by completing the purchase of Manitoba Telecom Services Inc s (MTS) 40% interest in Bell West.

On November 19, 2004, we completed the acquisition of the Canadian operations of 360networks Corporation (360networks), as well as certain related interconnected U.S. network assets. Following the purchase, Bell Canada sold the retail customer operations in central and eastern Canada to Call-Net Enterprises Inc. This acquisition gives us an extensive fiber network across major cities in Western Canada. Financial results for the retail portion of this acquisition will be included in the Business segment and the wholesale portion will be included in the Other Bell Canada segment.

The products and services we provide and our objectives and strategy remain substantially unchanged from those described in the BCE 2003 MD&A.

The Year in Review

This section reviews the key measures we use to assess our performance and how our results in 2004 compare to our results in 2003.

The results for 2004 demonstrate steady progress on our strategic objectives. We set a solid foundation for future growth, simplification of our customers experience and the transformation of our cost structure.

In the Consumer segment, we achieved solid revenue and operating income growth, while maintaining strong levels of customer acquisitions and loyalty. Bundle subscriptions significantly exceeded our expectations for the year.

In the Business segment, we grew our base of IP-based services and value-added solutions (VAS) within our SMB and Enterprise markets and expanded our presence in Western Canada. Overall, Business revenues grew modestly, despite increased competitive pressures, significant impacts from our exit from the low-margin cabling business, the completion of the Hydro-Québec outsourcing contract and lower revenues from Bell West s contract with the Government of Alberta (GOA) for the construction of the SuperNet. The improved momentum in our IP-connectivity and VAS business, combined with strong cost containment, led to operating income growth.

In the Other Bell Canada segment, market challenges persisted throughout the year for our wholesale business. While full year revenues declined, this was in part due to our decision in the fourth quarter of 2003 to exit certain low-margin contracts and promotional offers for international switched minutes. In the last three quarters of the year, the rate of decline stabilized.

In the Other BCE segment, Bell Globemedia delivered strong revenue and operating performance compared to last year, largely driven by higher television advertising revenue. Higher advertising revenue resulted from CTV Inc. (CTV) s programming line-up which included the majority of the top 20 programs

in each season. The improvement in revenue, combined with cost savings, contributed to significantly higher operating performance compared to 2003. Telesat s revenues improved in 2004 as an increase in telecommunications revenue more than offset declines in consulting fees. CGI s revenues also increased due to its acquisition of American Management Systems Incorporated (AMS) in May 2004.

CUSTOMER CONNECTIONS

- **Wireless** Our total cellular and PCS subscriber base grew by 513,000 in 2004, or 11.6%, to 4,925,000 reflecting a similar level of net additions as 2003. We also improved blended and postpaid churn by 0.1 and 0.2 percentage points, respectively, over 2003.
- **High-Speed Internet** Our DSL high-speed Internet business added 350,000 customers in 2004, increasing our DSL customer base by 24% to 1,808,000. The additions achieved in 2004 were slightly lower than the 358,000 subscribers acquired in 2003. We also more than doubled our subscriptions to Sympatico value-added solutions over Q4 2003, to reach an end of period count of 624,000.
- **Video** We gained momentum in our video business in 2004, ending the year with over 1.5 million subscribers, growing by 8.4% over 2003. During the year, we had 116,000 net activations, an increase of 40% over 2003. Bell ExpressVu achieved its target in the deployment of VDSL to multiple-dwelling units (MDUs), signing 335 buildings by year end.
- **Network Access Services (NAS)** Our NAS levels declined by 146,000, or 1.1%, a similar rate of decline as in the prior year.

OPERATING REVENUES

Revenues of $19,193 million for the year increased 2.4% over last year, a rate of growth which exceeded our 2003 performance. Bell Canada contributed most of the increase despite the trailing effects of the implementation of a new wireless billing system and a prolonged labour disruption at Aliant. Bell Canada s revenue growth reflects improved performance in the Consumer segment stemming from stronger wireless, Internet access and video services, along with higher IP-connectivity and VAS revenues in the Business segment. Revenue growth was enhanced further by higher revenues at CGI, resulting from the AMS acquisition, and at Bell Globemedia, resulting from higher television advertising revenues due to strong ratings performance.

OPERATING INCOME AND EBITDA

Operating income for the year of $2,976 million was $1,145 million lower than last year, mainly as a result of restructuring and other items of $1,224 million during 2004. The cost of the employee departure programs announced at Bell Canada in June of this year, encompassing a total of 5,052 employees, and at Aliant, announced in the fourth quarter this year encompassing a total of 693 employees, amounted to $1,063 million. In addition, the labour disruption at Aliant had an estimated negative impact of $68 million on operating income. Operating income before restructuring and other items for the year of $4,200 million was $65 million higher than last year despite the estimated negative impact of $68 million of the Aliant labour disruption. This increase reflects the EBITDA growth, partially offset by higher net benefit plans cost.

EBITDA grew to $7,564 million this year, or 2.1% higher compared to 2003 EBITDA (3.0% excluding the estimated negative impact of $71 million from the Aliant labour disruption). EBITDA growth at Bell Canada was driven by continued improvement in wireless, Internet access and video services growth engines. Wireless EBITDA grew significantly, driving a 5.2 percentage point margin improvement despite adverse impacts of the implementation of a new billing system.

Margin erosion in our legacy services was offset by a continued focus on productivity as well as EBITDA contributions from IP-connectivity, VAS and Virtual Chief Information Officer (VCIO) revenue gains in our Business segment.

The Other BCE units also contributed to the overall EBITDA growth. Bell Globemedia s EBITDA improvement reflects a higher level of television advertising revenue and benefits from cost savings. CGI reflects the benefit of the AMS acquisition.

Our EBITDA margin for the year was 39.4%, down 0.1 percentage points from 2003, reflecting a lower EBITDA margin at CGI and higher corporate expenses, which more than offset margin improvement at Bell Canada. Bell Canada s EBITDA margin of 42.4% reflected a 0.3 percentage point improvement over last year. We achieved this by better managing acquisition costs per gross activation, particularly in the wireless business, and by placing a greater emphasis on more profitable contracts within the Enterprise and wholesale markets. The negative impact of the Aliant employee strike and the cost of the billing system migration partly offset the improvement at Bell Canada.

NET EARNINGS / EARNINGS PER SHARE

ROE (return on common shareholders equity) is calculated as net earnings applicable to common shares as a percentage of average common shareholders equity.

Net earnings applicable to common shares for 2004 were $1,523 million, or $1.65 per common share. This compared to net earnings of $1,744 million, or $1.90 per common share in 2003. ROE was 12.5% in 2004, compared to 15.1% last year. Included in 2004 net earnings were net losses of $349 million, or $0.37 per common share, consisting primarily of:

- restructuring and other items of $772 million after tax or $0.83 per share, mainly relating to the employee departure programs announced at Bell Canada ($647 million) and Aliant ($24 million)

partly offset by:

- net gains of $423 million from the sales of our 15.96% investment in MTS and our remaining interest in YPG General Partner Inc., the sale of our interest in Emergis and a $69 million extraordinary gain on the purchase of 360networks reflecting the excess of the fair value of the net assets acquired over the purchase price.

This compared to net losses of $5 million included in 2003 net earnings due to the loss on sale of Emergis U.S. Health operations, which was partly offset by a gain on sale of an interest in YPG General Partner Inc.

Excluding the impact of these items, net earnings grew 7.0% to $1,872 million, or $2.02 per share in 2004, an increase of $123 million, or $0.12 per share, yielding an ROE of 15.2%, which is similar to last year. This increase reflected the improvement in operating income and lower interest expense.

CAPITAL EXPENDITURES

For the full year, capital expenditures of $3,364 million were $197 million, or 6.2% higher than 2003. Capital spending as a percentage of revenues this year was 17.5%, compared to 16.9% last year. Capital intensity at Bell Canada also increased from 17.4% to 18.0% . Bell Canada capital spending in 2004 reflected a mix of higher investment in the growth areas of the business and reduced expenditures in legacy areas. Our key strategic investments this year included the migration to one national IP-Multi-Protocol Label System (MPLS) network, our VDSL deployment strategy, our DSL footprint expansion facilitated through the deployment of new high-density remotes, and productivity enhancement initiatives. Higher spending related to satellite builds at Telesat also contributed to the increase.

CASH FROM OPERATING ACTIVITIES AND FREE CASH FLOW

Cash from operating activities for 2004 totalled $5,519 million, down $449 million compared to last year. The decline resulted mainly from cash tax refunds of $440 million received in 2003 that did not recur this year, higher cash payments related to the employee departure programs and higher working capital requirements, partly offset by the receipt of $75 million from the settlement of lawsuits against MTS and Allstream Inc.

We generated free cash flow for the year totalling $898 million or $1,092 million before restructuring and other items. Compared to 2003, free cash flow was down $691 million, mainly reflecting the $449 million decline in cash from operating activities and higher capital expenditures of $197 million.

Our net debt to total capitalization ratio improved to 42.8% at December 31, 2004, from 44.0% at the end of last year. The improvement reflects a reduction in net debt of $610 million, which was driven by $898 million of free cash flow, cash proceeds of approximately $1 billion on our sales of MTS, YPG General Partner Inc. and Emergis, less $1.3 billion of business acquisitions including Bell West and 360networks. This was complemented by an increase in shareholders equity, which reflects the excess of net earnings over dividends of approximately $400 million.

EXECUTING ON OUR PRIORITIES

Setting the Standard in Internet Protocol (IP)

In December 2003, we announced our multi-year plan to lead change in the industry and set the standard in the IP world. At that time, we identified two key objectives and during 2004, we made significant progress on each of those objectives.

The first of these objectives is to have 100% of our core traffic moved to a pervasive national IP MPLS network by the end of 2006.

- At the end of 2004, 61% of the traffic on our core network was IP based
- During 2004, we began the process of discontinuing several legacy data services by announcing that we would stop selling these services to customers who do not use them currently. This list of legacy services now includes Frame Relay, ATM, Megastream, Bell Electronic Business Network services, some business long distance services from the VNet portfolio and some packet services from the Datapac portfolio.

Our second objective is for 90% of customers to have access to a full suite of IP services by the end of 2006.

- At the end of 2004, our DSL footprint in Ontario and Québec reached 83% of homes and business lines passed compared to 80% at the end of 2003. This increase was in part due to the deployment of new high-density remotes which began in April of 2004. By year end, we had deployed 376 of these remotes.
- Throughout 2004, we enhanced our suite of IP services by:
  - Upgrading our Sympatico DSL services by increasing our High Speed Edition to 3 Mbps from 1.5 Mbps and our Ultra service from 3 Mbps to 4 Mbps

- Launching our Global IP suite of network services, including the Global IP VPN service
- Launching our Managed IP Telephony service for Enterprise customers
- Launching ProConnect for small and medium businesses (SMBs)
- By year end, Bell Canada had sold over 145,000 IP enabled lines on customer premises equipment (CPE).

Simplicity and Service

During 2004, we continued to make progress in simplifying the customer experience and in delivering simple and innovative services to our customers.

In our Consumer segment, we gained 118,000 subscriptions to The Bell Bundle (a combination of wireless, Internet and video services in one offer) in the fourth quarter bringing our total sales since our launch in September of last year to 431,000. Over the year, 48% of new Bundle activations, 49% of Q4 activations and 51% of December activations included the sale of at least one new service. Our $5 Long Distance bundle introduced in June was also extremely successful with approximately 229,000 customers by year-end.

During the year, Bell ExpressVu announced a major overhaul of its service to stimulate growth and invigorate the business. This included program repackaging and All-in-One pricing principles. Bell ExpressVu also initiated service on Nimiq 3, a high powered direct broadcast satellite to boost capacity and to enhance signal quality. Bell ExpressVu made solid progress in the deployment of VDSL to MDUs. By the end of the year, we had signed access agreements with 335 buildings.

On December 15, 2004, we announced the launch of a five year, $1.2 billion program to extend the reach and speed of our broadband network to some 4.3 million households, or approximately 85% of urban households in the Québec City to Windsor corridor, by 2008. This will give us the capability to deliver terrestrial video service to these households. Earlier in Q4, we received CRTC approval for our broadcast licence application to deliver video services terrestrially to single family units (SFUs).

In wireless, Bell Mobility completed the migration of all customer accounts to a new billing platform that will enable the consolidation of all services into our single bill. Delays in billing during this migration prompted many enquiries to call centres from customers in the third and the fourth quarters. Despite the employment of over 600 additional call centre representatives, the high volume of calls meant customers experienced service disruptions in these quarters. Call centre volume has been reducing during the quarter, although average handling time per call still remains higher than normal. In addition, we announced a joint venture with the Virgin Group which will offer wireless services to the key youth market under the dynamic Virgin brand.

Bell Mobility maintained its leadership in innovation in 2004 with its launch of leading-edge wireless location-based services and phone-to-phone video messaging service. We announced that we will trial technology that will seamlessly integrate services across Bell Mobility s wireless network with Bell Sympatico s DSL wireless home network. We are also trialing Canada s first Evolution, Data Optimized (EVDO) network, providing wireless broadband speeds up to six times faster than data speeds available today.

Our Sympatico unit enhanced the customer experience this year with:

- The launch of Sympatico.MSN.ca, a single portal combining the best features and Internet tools of MSN Canada Co. with the broadband content and innovative services of Sympatico.ca
- The introduction of MSN Premium
- The launch of Sympatico Home Networking (an integrated wireless high-speed modem and router solution)

We also made significant advancements in improving the customer experience in our corporate stores. A 30% reduction in activation time helped generate an increase of 15% in average revenue per store.

As part of our strategy to become the technology advisor of choice to SMB customers, we:

- Launched Productivity Pak (a self-serve bundle of tools that enable SMB customers to more easily access and share information) and ProConnect (a fully managed service enabling the sharing of information easily, securely and affordably across the most extensive private

IP-based network in Canada)

- Acquired IT solutions provider Charon Systems Inc. (Charon) and, on January 27, 2005, an 86% interest in IT solutions provider Nexxlink Technologies Inc. (Nexxlink)
- Announced an initiative with Microsoft Canada Co. on December 14, 2004, whereby Bell Canada will combine telecommunications services and Microsoft software-based solutions to bring SMB customers reliable, secure, productivity enhancing services at affordable prices.

For Enterprise customers, we launched our Managed IP Telephony service. We also enhanced our portfolio of value-added services through the acquisitions of:

- Infostream Technologies Inc. (Infostream), a systems and storage technology firm, to address customer needs for secure and reliable information storage and redundant back-up capabilities
- Approximately 76% of Elix Inc. (Elix), a provider of call routing and management systems, IT application integration, and design and implementation of electronic voice-driven response systems
- The security business of Emergis

Telesat s Anik F2 satellite began commercial operation in October and became the world s first satellite to commercialize the Ka frequency band. This frequency band delivers two-way broadband services enabling high-speed satellite services to consumers and businesses in Canada and the U.S.

New labour agreements

During the year, Bell Canada reached a new four-year agreement with approximately 7,100 technicians represented by the Communications, Energy and Paperworkers Union of Canada (CEP). This agreement will expire in November 2007.

Aliant reached an agreement with approximately 4,300 unionized employees represented by the Council of Atlantic Telecommunications Unions (CATU), ending a lengthy labour disruption. This agreement will expire in December 2007.

Rewarding Shareholders

On December 15, 2004, having achieved, by the end of 2004, strong sustainable free cash flow generation, a solid capital structure and traction on our strategic initiatives, we announced a 10% or $0.12 per share increase in our annual dividend on BCE Inc. common shares.

The Quarter at a Glance

This section reviews the key measures we use to assess our performance and how our results in Q4 2004 compare to our results in Q4 2003.

We delivered Q4 revenue growth of 3.5% at BCE and 1.3% at Bell Canada, an improvement in our rate of growth for the fourth consecutive quarter. Consolidated operating income at BCE this quarter was down 17.6% driven by restructuring and other items mainly related to Aliant s employee departure program, costs associated with the new wireless billing platform, the residual impact of the Aliant labour disruption, higher costs of acquisition in our Consumer segment and cost pressures in the Business and Wholesale segments.

In our Consumer business, in the fourth quarter, due to the holiday season, customer acquisitions are typically higher. This quarter, customer acquisitions and bundle sales increased compared to last year and grew our Consumer revenues by 2.3% . Operating income was down 1.5%, impacted by higher costs of acquisition driven by increased customer wins particularly in wireless services. Working through the remaining effects of our wireless billing conversion had a negative impact on both Consumer revenues and operating expenses.

In our Business segment, while competitive pricing pressures persisted, we continued to grow within the SMB market and to increase our IP-based connectivity and VAS within the Enterprise market.

Bell Globemedia continued to demonstrate strong financial performance, driven by advertising revenues that reflected strong television ratings as CTV Television held 16 of the top 20 regularly scheduled programs during the fall season.

CUSTOMER CONNECTIONS

- **Wireless** We grew our wireless subscriber base by 217,000 customers this quarter, outpacing Q4 2003 net activations by 14.8%. Blended churn of 1.4% and postpaid churn of 1.2% for the fourth quarter were stable year over year.
- **High-Speed Internet** Our DSL high-speed Internet business added 91,000 customers this quarter. Subscriptions to Sympatico s value-added solutions more than doubled compared to Q4 2003, to reach an end of year count of 624,000.
- **Video** Net additions of 43,000 in our video business were 23% higher than the net additions achieved in Q4 last year.
- **Network Access Services (NAS)** Our NAS in service declined by 57,000 this quarter and by 1.1% compared to Q4 2003, a similar rate of decline to previous quarters.

OPERATING REVENUES

We achieved revenues of $4,989 million this quarter, reflecting a year-over-year increase of 3.5% and a fourth consecutive quarter of improved growth rates. This growth reflected higher revenue performance at Bell Canada driven primarily by increases in wireless, Internet and video services and revenues stemming from the acquisition in November of 360networks included in our Wholesale unit. These increases were partly offset by the negative impact of the Aliant strike. Higher revenues at CGI resulting from the AMS acquisition and stronger advertising revenues at Bell Globemedia also contributed to the overall revenue growth.

OPERATING INCOME AND EBITDA

Operating income for the quarter was $835 million, down $178 million compared to the same period last year. This decrease resulted from the recognition of restructuring and other items in the amount of $126 million in the quarter related to Aliant s employee departure program and costs related to the relocation of employees and the closure of excess real estate facilities at Bell Canada. Operating income before restructuring and other items for the quarter was $961 million, down $65 million compared to the same period last year reflecting the impacts of:

- new wireless billing system implementation costs, particularly call centre costs
- residual effects of the Aliant strike
- higher cost of acquisition expense from higher wireless gross activations
- completion of the Hydro-Québec contract and other cost pressures in Enterprise.

This quarter s results also reflect a higher net benefit plans cost compared to last year and accelerated depreciation expense related to our wireless legacy prepaid platform replacement.

Our EBITDA for the fourth quarter of 2004 totalled $1,831 million, down slightly from $1,847 million in the fourth quarter of last year.

This decrease was partially offset by growth in the other BCE units, principally Bell Globemedia from high television advertising revenues and cost savings.

Our EBITDA margin declined to 36.7%, which was 1.6 percentage points lower than Q4 2003.

NET EARNINGS / EARNINGS PER SHARE

Net earnings applicable to common shares for Q4 2004 were $417 million, or $0.45 per common share. This compared to net earnings of $386 million, or $0.41 per common share, in the fourth quarter last year. Included in this quarter s net earnings were a $69 million extraordinary gain on the purchase of the Canadian operations of 360networks which was offset by costs of $69 million mainly for the employee departure program at Aliant and other restructuring and other items. This compared to net losses of $19 million in Q4 2003. In 2003, the loss on the sale of Emergis U.S. Health operations was partly offset by the gain on the sale of an interest in YPG General Partner Inc.

Excluding the impact of these items, net earnings were $417 million, or $0.45 per common share for the quarter, up $0.03 per common share representing an increase of 7.1% over Q4 2003. The increase stemmed mainly from lower interest expense and a $0.04 charge in Q4 last year relating to an increase in our net future income tax liability when the Ontario government increased corporate income tax rates.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Final Level of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

Quarter Ending	Quarter High	Quarter Low	Quarter Close	Quarter Ending	Quarter High	Quarter Low	Quarter Close
March 31, 2008	1,447.16	1,273.37	1,322.70	September 28, 2012	1,465.77	1,334.76	1,440.67
June 30, 2008	1,426.63	1,278.38	1,280.00	December 31, 2012	1,461.40	1,353.33	1,426.19
September 30, 2008	1,305.32	1,106.39	1,166.36	March 28, 2013	1,569.19	1,457.15	1,569.19
December 31, 2008	1,161.06	752.44	903.25	June 28, 2013	1,669.16	1,541.61	1,606.28
March 31, 2009	934.70	676.53	797.87	September 30, 2013	1,725.52	1,614.08	1,681.55
June 30, 2009	946.21	811.08	919.32	December 31, 2013	1,848.36	1,655.45	1,848.36
September 30, 2009	1,071.66	879.13	1,057.08	March 31, 2014	1,878.04	1,741.89	1,872.34
December 31, 2009	1,127.78	1,025.21	1,115.10	June 30, 2014	1,962.87	1,815.69	1,960.23
March 31, 2010	1,174.17	1,056.74	1,169.43	September 30, 2014	2,011.36	1,909.57	1,972.29
June 30, 2010	1,217.28	1,030.71	1,030.71	December 31, 2014	2,090.57	1,862.49	2,058.90
September 30, 2010	1,148.67	1,022.58	1,141.20	March 31, 2015	2,117.39	1,992.67	2,067.89
December 31, 2010	1,259.78	1,137.03	1,257.64	June 30, 2015	2,130.82	2,057.64	2,063.11
March 31, 2011	1,343.01	1,256.88	1,325.83	September 30, 2015	2,128.28	1,867.61	1,920.03
June 30, 2011	1,363.61	1,265.42	1,320.64	December 31, 2015	2,109.79	1,923.82	2,043.94
September 30, 2011	1,353.22	1,119.46	1,131.42	March 31, 2016	2,063.95	1,829.08	2,059.74
December 30, 2011	1,285.09	1,099.23	1,257.60	June 30, 2016	2,119.12	2,000.54	2,098.86
March 30, 2012	1,416.51	1,277.06	1,408.47	September 30, 2016	2,190.15	2,088.55	2,168.27
June 29, 2012	1,419.04	1,278.04	1,362.16	November 30, 2016*	2,213.35	2,085.18	2,198.81

*This preliminary pricing supplement includes information for the fourth quarter of 2016 for the period October 1, 2016 through November 30, 2016. Accordingly, the "Quarterly High," "Quarterly Low" and "Quarterly Close" data indicated are for this shortened period only and do not reflect complete data for the fourth calendar quarter of 2016.

The graph below illustrates the performance of the Reference Asset from January 2, 2006 to November 30, 2016.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Supplemental Discussion of U.S. Federal Income Tax Consequences

General. The following is a general description of the U.S. federal tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisors as to the consequences under the tax laws of the country of which they are a resident for tax purposes and the tax laws of the U.S. and Canada of acquiring, holding and disposing of the Notes and receiving payments under the Notes. This discussion is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

The U.S. federal income tax consequences of your investment in the Notes are uncertain. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion in "Supplemental Discussion of U.S. Federal Income Tax Consequences" of the product prospectus supplement and discuss the tax consequences of your particular situation with your tax advisor.

Tax Treatment. There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as the Notes. Pursuant to the terms of the Notes, the Bank and you agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize your Notes as a pre-paid derivative contract with respect to the Reference Asset. If your Notes are so treated, you should generally recognize gain or loss upon the sale, exchange, redemption or maturity of your Notes, which should be long-term if you hold your Notes for more than one year, in an amount equal to the difference between the amount you receive at such time and the amount you paid for your Notes (otherwise such gain or loss should be short-term capital gain or loss if held for one year or less). The deductibility of capital losses is subject to limitations.

In the opinion of our counsel, Cadwalader, Wickersham & Taft LLP, it would be reasonable to treat your Notes in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Notes, it is possible that your Notes could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization, such that the timing and character of your income from the Notes could differ materially from the treatment described above, as described further under "Supplemental Discussion of U.S. Federal Income Tax Consequences — Alternative Treatments" of the product prospectus supplement. The risk that the Notes may be recharacterized for U.S. federal income tax purposes as instruments giving rise to current ordinary income (even before receipt of any cash) and short-term capital gain or loss (even if held for more than one year), is higher than with other equity-linked securities that do not guarantee full repayment of principal.

The Internal Revenue Service ("IRS"), for example, might assert that the Notes should be recharacterized for U.S. federal income tax purposes as instruments giving rise to current ordinary income (even before receipt of any cash), or that you should be required to recognize taxable gain on any rebalancing or rollover of the Reference Asset.

Possible Change in Law. The IRS released a notice that may affect the taxation of holders of the Notes. According to Notice 2008-2, the IRS and the Treasury Department are actively considering whether the holder of an instrument similar to the Notes should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Notes will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether non-U.S. holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Internal Revenue Code of 1986, as amended (the “Code”) should be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. Except to the extent otherwise required by law, TD intends to treat your Notes for U.S. federal income tax purposes in accordance with the treatment described above and under “Supplemental Discussion of U.S. Federal Income Tax Consequences” of the product prospectus supplement, unless and until such time as the Treasury Department and the IRS determine that some other treatment is more appropriate.

Medicare Tax on Net Investment Income. U.S. holders that are individuals, estates, and certain trusts are subject to an additional 3.8% tax on all or a portion of their “net investment income,” which may include any income or gain realized with respect to the Notes, to the extent of their net investment income that when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), or $125,000 for a married individual filing a separate return. The 3.8% Medicare tax is determined in a different manner than the income tax. U.S. holders should consult their tax advisors with respect to their consequences with respect to the 3.8% Medicare tax.

Specified Foreign Financial Assets. Certain U.S. holders that own “specified foreign financial assets” may be subject to reporting obligations with respect to such assets with their tax returns, especially if such assets are held outside the custody of a U.S. financial institution. You are urged to consult your tax advisor as to the application of this legislation to your ownership of the Notes.

Non-U.S. Holders. Subject to Section 871(m) of the Code and “FATCA” (discussed below), if you are not a U.S. holder you should generally not be subject to U.S. withholding tax with respect to payments on your Notes or to generally applicable information reporting and backup withholding requirements with respect to payments on your Notes if you comply with certain certification and identification requirements as to your foreign status (by providing us (and/or the applicable withholding agent) with a fully completed and duly executed applicable IRS Form W-8). Subject to Section 897 of the Code, discussed below, gain from the sale, exchange, redemption or maturity of a Note or settlement at maturity generally should not be subject to U.S. tax unless such gain is effectively connected with a trade or business conducted by the non-U.S. holder in the United States or unless the non-U.S. holder is a non-resident alien individual and is present in the U.S. for 183 days or more during the taxable year of such sale, exchange or settlement and certain other conditions are satisfied, or has certain other present or former connections with the U.S.

Section 897. We will not attempt to ascertain whether the issuer of any Reference Asset Constituent would be treated as a "United States real property holding corporation" ("USRPHC") within the meaning of Section 897 of the Code. We also have not attempted to determine whether the Notes should be treated as "United States real property interests" as defined in Section 897 of the Code. If any underlying equity issuer and the Notes were so treated, certain adverse U.S. federal income tax consequences could possibly apply, including subjecting any gain to a non-U.S. holder in respect of a Note upon a sale, exchange, redemption, maturity or other taxable disposition of the Note to the U.S. federal income tax on a net basis, and the proceeds from such a taxable disposition to a 15% withholding tax. Non-U.S. holders should consult their tax advisors regarding the potential treatment of an underlying equity issuer as a USRPHC and the Notes as United States real property interests.

Section 871 (m). Section 871(m) of the Code requires withholding (up to 30%, depending on whether a treaty applies) on certain financial instruments to the extent that the payments or deemed payments on the financial instruments are contingent upon or determined by reference to U.S.-source dividends. Under U.S. Treasury Department regulations, certain payments or deemed payments to non-U.S. holders with respect to certain equity-linked instruments ("specified ELIs") that reference indices containing U.S. stocks may be treated as dividend equivalents ("dividend equivalents") that are subject to U.S. withholding tax at a rate of 30% (or lower treaty rate). Under these regulations, withholding may be required even in the absence of any actual dividend related payment or adjustment made pursuant to the terms of the instrument. Withholding under these regulations generally will not apply to specified ELIs entered into before January 1, 2017. Accordingly, non-U.S. holders of the Notes should not be subject to tax under Section 871(m). However, it is possible that such withholding tax could apply to the Notes under these rules if the non-U.S. holder enters into certain subsequent transactions in respect of the Reference Asset. If withholding is required, we (or the applicable paying agent) would be entitled to withhold such taxes without being required to pay any additional amounts with respect to amounts so withheld. Non-U.S. holders should consult with their tax advisors regarding the application of Section 871(m) and the regulations thereunder in respect of their acquisition and ownership of the Notes.

Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act ("FATCA") was enacted on March 18, 2010, and imposes a 30% U.S. withholding tax on "withholdable payments" (i.e., certain U.S.-source payments, including interest (and original issue discount), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S.-source interest or dividends) and "passthru payments" (i.e., certain payments attributable to withholdable payments) made to certain foreign financial institutions (and certain of their affiliates) unless the payee foreign financial institution agrees (or is required), among other things, to disclose the identity of any U.S. individual with an account of the institution (or the relevant affiliate) and to annually report certain information about such account. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or do not certify that they do not have any substantial U.S. owners) to withhold tax at a rate of 30%. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

Pursuant to final and temporary Treasury regulations and other IRS guidance, the withholding and reporting requirements under FATCA will generally apply to certain “withholdable payments” made on or after July 1, 2014, certain gross proceeds on a sale or disposition occurring after December 31, 2018, and certain foreign passthru payments made after December 31, 2018 (or, if later, the date that final regulations defining the term “foreign passthru payment” are published). In addition, withholding tax under FATCA would not be imposed on withholdable payments solely because the relevant obligation is treated as giving rise to a dividend equivalent (pursuant to Section 871(m) and the regulations thereunder) where such obligation is executed on or before the date that is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents. If, however, withholding is required, we (and/or the applicable paying agent) will not be required to pay additional amounts with respect to the amounts so withheld. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions (or if they hold their Notes through a non-U.S. entity) under the FATCA rules.

Proposed Legislation. In 2007, legislation was introduced in Congress that, if enacted, would have required holders of Notes purchased after the bill was enacted to accrue interest income over the term of the Notes despite the fact that there will be no interest payments over the entire term of the Notes. It is not possible to predict whether a similar or identical bill will be enacted in the future, or whether any such bill would affect the tax treatment of your Notes.

Furthermore, in 2013, the House Ways and Means Committee released in draft form certain proposed legislation relating to financial instruments. If enacted, the effect of this legislation generally would be to require instruments such as the Notes to be marked to market on an annual basis with all gains and losses to be treated as ordinary, subject to certain exceptions. You are urged to consult your tax advisor regarding the draft legislation and its possible impact on you.

Prospective purchasers of the Notes are urged to consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations, as well as any tax consequences of the purchase, beneficial ownership and disposition of the Notes arising under the laws of any state, local, non- U.S. or other taxing jurisdiction.

Supplemental Plan of Distribution (Conflicts of Interest)

We have appointed TDS, an affiliate of TD, as the Agent for the sale of the Notes. Pursuant to the terms of a distribution agreement, the Agent will purchase the Notes from TD at the public offering price less the underwriting discount set forth on the cover page of this pricing supplement for distribution to other registered broker-dealers, or will offer the Notes directly to investors. The Agent may resell the Notes to other registered broker-dealers at the public offering price less a concession not in excess of $20.00 (2.00%) per Note. The Issuer expects to enter into swap agreements or related hedge transactions with an unaffiliated hedge counterparty in connection with the sale of the Notes, and the hedge counterparty may earn income as a result of payments pursuant to the swap, or the related hedge transactions. The Agent or other registered broker-dealers will offer the Notes at the public offering price set forth on the cover page of this pricing supplement. Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The price for investors purchasing the Notes in these accounts may be as low as $980.00 (98.00%) per Note. TD will reimburse TDS for certain expenses in connection with its role in the offer and sale of the Notes, and TD will pay TDS a fee in connection with its role in the offer and sale of the Notes.

We expect that delivery of the Notes will be made against payment for the Notes on or about December 30, 2016, which is the third (3^{rd}) Business Day following the Pricing Date (this settlement cycle being referred to as “T+3”). See “Plan of Distribution” in the prospectus.

Conflicts of Interest. TDS is an affiliate of TD and, as such, has a ‘‘conflict of interest’’ in this offering within the meaning of Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5121. In addition, TD will receive the net proceeds from the initial public offering of the Notes, thus creating an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of FINRA Rule 5121. TDS is not permitted to sell Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

We, TDS or third parties may use this pricing supplement in the initial sale of the Notes. In addition, we, TDS or third parties may use this pricing supplement in a market-making transaction in the Notes after their initial sale. **If a purchaser buys the Notes from us, TDS or a third party, this pricing supplement is being used in a market-making transaction unless we, TDS or a third party informs such purchaser otherwise in the confirmation of sale.**