

BCE INC  
Form 6-K  
February 06, 2004

**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 2004**

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

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

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

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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.

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*Fourth Quarter 2003*  
*Supplementary Financial Information*

For further information,  
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**BCE Consolidated (1)**  
**Consolidated Operational Data**

<i>(\$ millions, except per share amounts)</i>	<b>Q4 2003</b>	Q4 2002	\$ change	% change	<b>Total 2003</b>	Total 2002	\$ change	% change
<b>Operating revenues</b>	<b>4,910</b>	5,045	(135)	(2.7%)	<b>19,056</b>	19,186	(130)	(0.7%)
Operating expenses	<b>(3,056)</b>	(3,238)	182	5.6%	<b>(11,630)</b>	(11,831)	201	1.7%
<b>EBITDA (2)</b>	<b>1,854</b>	1,807	47	2.6%	<b>7,426</b>	7,355	71	1.0%
Amortization expense	<b>(786)</b>	(773)	(13)	(1.7%)	<b>(3,147)</b>	(3,082)	(65)	(2.1%)
Net benefit plans (cost) credit	<b>(46)</b>	8	(54)	n.m	<b>(175)</b>	33	(208)	n.m
Restructuring and other charges	<b>(51)</b>	(395)	344	87.1%	<b>(52)</b>	(887)	835	94.1%
<b>Operating income</b>	<b>971</b>	647	324	50.1%	<b>4,052</b>	3,419	633	18.5%
Other income (expense)	<b>136</b>	2,245	(2,109)	(93.9%)	<b>213</b>	2,433	(2,220)	(91.2%)
Impairment charge	-	(765)	765	n.m	-	(765)	765	n.m
Interest expense	<b>(263)</b>	(341)	78	22.9%	<b>(1,093)</b>	(1,124)	31	2.8%
<b>Earnings from continuing operations before income taxes and non-controlling interest</b>	<b>844</b>	1,786	(942)	(52.7%)	<b>3,172</b>	3,963	(791)	(20.0%)
Income taxes	<b>(340)</b>	(732)	392	53.6%	<b>(1,136)</b>	(1,583)	447	28.2%
Non-controlling interest	<b>(46)</b>	(261)	215	82.4%	<b>(191)</b>	(602)	411	68.3%
<b>Earnings from continuing operations</b>	<b>458</b>	793	(335)	(42.2%)	<b>1,845</b>	1,778	67	3.8%
Discontinued operations	<b>(58)</b>	919	(977)	n.m	<b>(30)</b>	629	(659)	n.m
<b>Net earnings</b>	<b>400</b>	1,712	(1,312)	(76.6%)	<b>1,815</b>	2,407	(592)	(24.6%)
Dividends on preferred shares	<b>(14)</b>	(16)	2	12.5%	<b>(64)</b>	(59)	(5)	(8.5%)
Premium on redemption of preferred shares	-	-	-	n.m	<b>(7)</b>	(6)	(1)	(16.7%)
<b>Net earnings applicable to common shares</b>	<b>386</b>	1,696	(1,310)	(77.2%)	<b>1,744</b>	2,342	(598)	(25.5%)
<b>Net earnings (loss) per common share - basic</b>								
Continuing operations	<b>\$ 0.48</b>	\$ 0.87	\$ (0.39)	(44.8%)	<b>\$ 1.93</b>	\$ 2.00	\$ (0.07)	(3.5%)
Discontinued operations	<b>\$ (0.07)</b>	\$ 1.01	\$ (1.08)	n.m	<b>\$ (0.03)</b>	\$ 0.66	\$ (0.69)	n.m
Net earnings	<b>\$ 0.41</b>	\$ 1.88	\$ (1.47)	(78.2%)	<b>\$ 1.90</b>	\$ 2.66	\$ (0.76)	(28.6%)
<b>Net earnings (loss) per common share - diluted</b>								
Continuing operations	<b>\$ 0.48</b>	\$ 0.86	\$ (0.38)	(44.2%)	<b>\$ 1.92</b>	\$ 1.98	\$ (0.06)	(3.0%)
Discontinued operations	<b>\$ (0.07)</b>	\$ 0.99	\$ (1.06)	n.m	<b>\$ (0.03)</b>	\$ 0.64	\$ (0.67)	n.m
Net earnings	<b>\$ 0.41</b>	\$ 1.85	\$ (1.44)	(77.8%)	<b>\$ 1.89</b>	\$ 2.62	\$ (0.73)	(27.9%)
<b>Dividends per common share</b>	<b>\$ 0.30</b>	\$ 0.30	\$ -	0.0%	<b>\$ 1.20</b>	\$ 1.20	\$ -	-
<b>Average number of common shares outstanding - basic (millions)</b>	<b>923.4</b>	909.1			<b>920.3</b>	847.9		

**The following items are included in net earnings:**

Net gains on sale of investments and dilution gains

Continuing operations	<b>84</b>	1,230	<b>84</b>	1,353
Discontinued operations	<b>(73)</b>	911	<b>(65)</b>	658

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Restructuring and other charges	(30)	(251)	(24)	(504)
Impairment charge	-	(527)	-	(527)
<b>Total</b>	<b>(19)</b>	<b>1,363</b>	<b>(5)</b>	<b>980</b>
<b>Impact on net earnings per share</b>	<b>\$ (0.01)</b>	<b>\$ 1.49</b>	<b>\$ -</b>	<b>\$ 1.02</b>

n.m. : not meaningful

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<b>BCE Consolidated (1)</b>										
<b>Consolidated Operational Data - Historical Trend</b>										
<i>(\$ millions, except per share amounts)</i>	<b>Total 2003</b>	<b>Q4 03</b>	<b>Q3 03</b>	<b>Q2 03</b>	<b>Q1 03</b>	<b>Total 2002</b>	<b>Q4 02</b>	<b>Q3 02</b>	<b>Q2 02</b>	<b>Q1 02</b>
<b>Operating revenues</b>	<b>19,056</b>	<b>4,910</b>	4,702	4,748	4,696	19,186	5,045	4,677	4,797	4,667
Operating expenses	<b>(11,630)</b>	<b>(3,056)</b>	(2,803)	(2,848)	(2,923)	(11,831)	(3,238)	(2,792)	(2,898)	(2,903)
<b>EBITDA (2)</b>	<b>7,426</b>	<b>1,854</b>	1,899	1,900	1,773	7,355	1,807	1,885	1,899	1,764
Amortization expense	<b>(3,147)</b>	<b>(786)</b>	(813)	(786)	(762)	(3,082)	(773)	(755)	(796)	(758)
Net benefit plans (cost) credit	<b>(175)</b>	<b>(46)</b>	(44)	(43)	(42)	33	8	7	12	6
Restructuring and other charges	<b>(52)</b>	<b>(51)</b>	(1)	-	-	(887)	(395)	(79)	(413)	-
<b>Operating income</b>	<b>4,052</b>	<b>971</b>	1,041	1,071	969	3,419	647	1,058	702	1,012
Other income (expense)	<b>213</b>	<b>136</b>	19	7	51	2,433	2,245	(4)	190	2
Impairment charge	-	-	-	-	-	(765)	(765)	-	-	-
Interest expense	<b>(1,093)</b>	<b>(263)</b>	(267)	(285)	(278)	(1,124)	(341)	(280)	(253)	(250)
<b>Earnings from continuing operations before income taxes and non-controlling interest</b>	<b>3,172</b>	<b>844</b>	793	793	742	3,963	1,786	774	639	764
Income taxes	<b>(1,136)</b>	<b>(340)</b>	(285)	(271)	(240)	(1,583)	(732)	(304)	(244)	(303)
Non-controlling interest	<b>(191)</b>	<b>(46)</b>	(50)	(57)	(38)	(602)	(261)	(117)	(104)	(120)
<b>Earnings from continuing operations</b>	<b>1,845</b>	<b>458</b>	458	465	464	1,778	793	353	291	341
Discontinued operations	<b>(30)</b>	<b>(58)</b>	6	13	9	629	919	12	(271)	(31)

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<b>Net earnings</b>	<b>1,815</b>	<b>400</b>	464	478	473	2,407	1,712	365	20	310
Dividends on preferred shares	(64)	(14)	(18)	(17)	(15)	(59)	(16)	(16)	(14)	(13)
Premium on redemption of preferred shares	(7)	-	-	-	(7)	(6)	-	-	-	(6)
<b>Net earnings applicable to common shares</b>	<b>1,744</b>	<b>386</b>	446	461	451	2,342	1,696	349	6	291
<b>Net earnings (loss) per common share - basic</b>										
Continuing operations	\$ 1.93	\$ 0.48	\$ 0.48	\$ 0.49	\$ 0.48	\$ 2.00	\$ 0.87	\$ 0.39	\$ 0.34	\$ 0.40
Discontinued operations	\$ (0.03)	\$ (0.07)	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.66	\$ 1.01	\$ 0.01	\$ (0.33)	\$ (0.03)
Net earnings	\$ 1.90	\$ 0.41	\$ 0.49	\$ 0.50	\$ 0.50	\$ 2.66	\$ 1.88	\$ 0.40	\$ 0.01	\$ 0.37
<b>Net earnings (loss) per common share - diluted</b>										
Continuing operations	\$ 1.92	\$ 0.48	\$ 0.47	\$ 0.49	\$ 0.48	\$ 1.98	\$ 0.86	\$ 0.39	\$ 0.34	\$ 0.39
Discontinued operations	\$ (0.03)	\$ (0.07)	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.64	\$ 0.99	\$ 0.01	\$ (0.33)	\$ (0.03)
Net earnings	\$ 1.89	\$ 0.41	\$ 0.48	\$ 0.50	\$ 0.50	\$ 2.62	\$ 1.85	\$ 0.40	\$ 0.01	\$ 0.36
<b>Dividends per common share</b>	<b>\$ 1.20</b>	<b>\$ 0.30</b>	\$ 0.30	\$ 0.30	\$ 0.30	\$ 1.20	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
<b>Average number of common shares outstanding - basic (millions)</b>	<b>920.3</b>	<b>923.4</b>	921.5	919.3	917.1	847.9	909.1	864.1	808.7	808.6
<b>The following items are included in net earnings:</b>										
Net gains on sale of investments and dilution gains										
Continuing operations	84	84	-	-	-	1,353	1,230	12	111	-
Discontinued operations	(65)	(73)	8	-	-	658	911	-	(253)	-
Restructuring and other charges	(24)	(30)	6	-	-	(504)	(251)	(37)	(216)	-
Impairment charge	-	-	-	-	-	(527)	(527)	-	-	-
<b>Total</b>	<b>(5)</b>	<b>(19)</b>	14	-	-	980	1,363	(25)	(358)	-
<b>Impact on net earnings per share</b>	<b>-</b>	<b>\$ (0.01)</b>	\$ 0.01	\$ -	\$ -	\$ 1.02	\$ 1.49	\$ (0.03)	\$ (0.44)	\$ -

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BCE Consolidated <sup>(1)</sup>  
Segmented Data

<i>(\$ millions, except where otherwise indicated)</i>	Q4 2003	Q4 2002	\$ change	% change	Total 2003	Total 2002	\$ change	% change
<b>Revenues</b>								
Bell Canada Segment	4,281	4,450	(169)	(3.8%)	16,698	17,102	(404)	(2.4%)
Bell Globemedia	375	379	(4)	(1.1%)	1,363	1,290	73	5.7%
Advertising	283	284	(1)	(0.4%)	978	913	65	7.1%
Subscriber	69	72	(3)	(4.2%)	291	287	4	1.4%
Production and Sundry	23	23	-	0.0%	94	90	4	4.4%
BCE Emergis	77	86	(9)	(10.5%)	316	346	(30)	(8.7%)
eFinance Solutions	60	68	(8)	(11.8%)	249	264	(15)	(5.7%)
eHealth Solutions	17	18	(1)	(5.6%)	67	82	(15)	(18.3%)
BCE Ventures	316	282	34	12.1%	1,218	1,064	154	14.5%
CGI	211	185	26	14.1%	849	709	140	19.7%
Telesat	99	95	4	4.2%	345	327	18	5.5%
Other	6	2	4	n.m	24	28	(4)	(14.3%)
Corporate and other (including inter-segment eliminations)	(139)	(152)	13	8.6%	(539)	(616)	77	12.5%
<b>Total revenues</b>	<b>4,910</b>	<b>5,045</b>	<b>(135)</b>	<b>(2.7%)</b>	<b>19,056</b>	<b>19,186</b>	<b>(130)</b>	<b>(0.7%)</b>
<b>EBITDA</b>								
Bell Canada Segment	1,731	1,690	41	2.4%	7,001	7,079	(78)	(1.1%)
Bell Canada (including Aliant)	1,752	1,752	-	0.0%	7,046	7,255	(209)	(2.9%)
Bell ExpressVu	(21)	(62)	41	66.1%	(45)	(176)	131	74.4%
Bell Globemedia	83	72	11	15.3%	233	180	53	29.4%
BCE Emergis	6	10	(4)	(40.0%)	15	(29)	44	n.m
BCE Ventures	91	71	20	28.2%	347	287	60	20.9%
CGI	33	25	8	32.0%	131	99	32	32.3%
Telesat	55	47	8	17.0%	206	184	22	12.0%
Other	3	(1)	4	n.m	10	4	6	n.m
Corporate and other (including inter-segment eliminations)	(57)	(36)	(21)	(58.3%)	(170)	(162)	(8)	(4.9%)
<b>Total EBITDA</b>	<b>1,854</b>	<b>1,807</b>	<b>47</b>	<b>2.6%</b>	<b>7,426</b>	<b>7,355</b>	<b>71</b>	<b>1.0%</b>

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EBITDA margin (%)	<b>37.8%</b>	35.8%		<b>39.0%</b>	38.3%
EBITDA : Interest expense	<b>7.05</b>	5.30		<b>6.79</b>	6.54

**Net earnings applicable to common shares**

Bell Canada Segment	<b>493</b>	1,360	(867)	(63.8%)	<b>1,773</b>	2,334	(561)	(24.0%)
Bell Canada (including Aliant)	<b>530</b>	1,433	(903)	(63.0%)	<b>1,900</b>	2,521	(621)	(24.6%)
Bell ExpressVu	<b>(37)</b>	(73)	36	49.3%	<b>(127)</b>	(187)	60	32.1%
Bell Globemedia	<b>39</b>	(493)	532	n.m	<b>51</b>	(492)	543	n.m
BCE Emergis	<b>(27)</b>	2	(29)	n.m	<b>(26)</b>	(93)	67	72.0%
BCE Ventures	<b>28</b>	31	(3)	(9.7%)	<b>135</b>	129	6	4.7%
CGI	<b>12</b>	14	(2)	(14.3%)	<b>55</b>	43	12	27.9%
Telesat	<b>11</b>	19	(8)	(42.1%)	<b>68</b>	56	12	21.4%
Other	<b>5</b>	(2)	7	n.m	<b>12</b>	30	(18)	(60.0%)
Corporate and other (including inter-segment eliminations)	<b>(89)</b>	(123)	34	27.6%	<b>(159)</b>	(165)	6	3.6%
Discontinued operations	<b>(58)</b>	919	(977)	n.m	<b>(30)</b>	629	(659)	n.m
<b>Total net earnings applicable to common shares</b>	<b>386</b>	1,696	(1,310)	(77.2%)	<b>1,744</b>	2,342	(598)	(25.5%)

**Proportionate EBITDA, net debt and preferreds**

As at December 31, 2003

**Proportionate EBITDA**

	BCE Ownership (%)	Proportionate EBITDA					12-Mth Trailing	Proportionate net debt and preferreds
		Q4 03	Q3 03	Q2 03	Q1 03			
Bell Canada Segment								
Bell Canada (excl. Aliant & ExpressVu)	100%	1,535	1,593	1,536	1,507	6,171	10,969	(a)
Aliant	53.5%	116	125	125	103	469	437	
ExpressVu	100%	(21)	(9)	(9)	(6)	(45)	(3)	(b)
Total Bell Canada Segment		1,630	1,709	1,652	1,604	6,595	11,403	
Bell Globemedia	68.5%	50	18	45	21	134	109	
BCE Emergis	63.9%	4	3	3	-	10	(64)	
BCE Ventures								
CGI	29.8%	33	32	35	31	131	41	
Telesat	100%	55	51	50	50	206	443	
Other	100%	3	2	3	2	10	2	
Total BCE Ventures		91	85	88	83	347	486	
Corporate	100%	(57)	(43)	(30)	(40)	(170)		
Perpetual Preferred Shares							1,670	
Debt due within one year							351	(c)
Long term debt							2,000	

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less:							
Cash and cash equivalents							(133)
Nortel common shares at market							(77)
Total Corporate							3,811
<b>Total</b>	1,718	1,772	1,758	1,668	6,916		15,745

n.m. : not meaningful

- (a) Net of \$498 million of intersegment debt.
- (b) Net of \$422 million of intersegment debt.
- (c) Represents \$351 million of retractable preferred shares

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**BCE Consolidated <sup>(1)</sup>  
Segmented Data - Historical Trend**

<i>(\$ millions, except where otherwise indicated)</i>	<b>Total 2003</b>	<b>Q4 03</b>	<b>Q3 03</b>	<b>Q2 03</b>	<b>Q1 03</b>	<b>Total 2002</b>	<b>Q4 02</b>	<b>Q3 02</b>	<b>Q2 02</b>	<b>Q1 02</b>
<b>Revenues</b>										
Bell Canada Segment	16,698	4,281	4,169	4,145	4,103	17,102	4,450	4,219	4,276	4,157
Bell Globemedia	1,363	375	296	357	335	1,290	379	273	326	312
Advertising	978	283	201	259	235	913	284	180	230	219
Subscriber	291	69	73	75	74	287	72	72	70	73
Production and Sundry	94	23	22	23	26	90	23	21	26	20
BCE Emergis	316	77	78	82	79	346	86	86	91	83
eFinance Solutions	249	60	63	64	62	264	68	65	66	65
eHealth Solutions	67	17	15	18	17	82	18	21	25	18
BCE Ventures	1,218	316	295	304	303	1,064	282	258	261	263
CGI	849	211	205	214	219	709	185	177	176	171
Telesat	345	99	84	83	79	327	95	77	78	77
Other	24	6	6	7	5	28	2	4	7	15
Corporate and other (including inter-segment eliminations)	(539)	(139)	(136)	(140)	(124)	(616)	(152)	(159)	(157)	(148)

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<b>Total revenues</b>	<b>19,056</b>	<b>4,910</b>	4,702	4,748	4,696	19,186	5,045	4,677	4,797	4,667
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**EBITDA**

Bell Canada Segment	<b>7,001</b>	<b>1,731</b>	1,817	1,760	1,693	7,079	1,690	1,849	1,816	1,724
Bell Canada (including Aliant)	<b>7,046</b>	<b>1,752</b>	1,826	1,769	1,699	7,255	1,752	1,888	1,841	1,774
Bell ExpressVu	<b>(45)</b>	<b>(21)</b>	(9)	(9)	(6)	(176)	(62)	(39)	(25)	(50)
Bell Globemedia	<b>233</b>	<b>83</b>	36	77	37	180	72	17	58	33
BCE Emergis	<b>15</b>	<b>6</b>	4	5	-	(29)	10	(3)	(3)	(33)
BCE Ventures	<b>347</b>	<b>91</b>	85	88	83	287	71	66	73	77
CGI	<b>131</b>	<b>33</b>	32	35	31	99	25	21	28	25
Telesat	<b>206</b>	<b>55</b>	51	50	50	184	47	44	46	47
Other	<b>10</b>	<b>3</b>	2	3	2	4	(1)	1	(1)	5
Corporate and other (including inter-segment eliminations)	<b>(170)</b>	<b>(57)</b>	(43)	(30)	(40)	(162)	(36)	(44)	(45)	(37)
<b>Total EBITDA</b>	<b>7,426</b>	<b>1,854</b>	1,899	1,900	1,773	7,355	1,807	1,885	1,899	1,764

<b>EBITDA margin (%)</b>	<b>39.0%</b>	<b>37.8%</b>	40.4%	40.0%	37.8%	38.3%	35.8%	40.3%	39.6%	37.8%
<b>EBITDA : Interest expense</b>	<b>6.79</b>	<b>7.05</b>	7.11	6.67	6.38	6.54	5.30	6.73	7.51	7.06

**Net earnings applicable to common shares**

Bell Canada Segment	<b>1,773</b>	<b>493</b>	439	415	426	2,334	1,360	325	340	309
Bell Canada (including Aliant)	<b>1,900</b>	<b>530</b>	471	446	453	2,521	1,433	357	375	356
Bell ExpressVu	<b>(127)</b>	<b>(37)</b>	(32)	(31)	(27)	(187)	(73)	(32)	(35)	(47)
Bell Globemedia	<b>51</b>	<b>39</b>	(1)	15	(2)	(492)	(493)	(11)	11	1
BCE Emergis	<b>(26)</b>	<b>(27)</b>	5	(2)	(2)	(93)	2	2	(73)	(24)
BCE Ventures	<b>135</b>	<b>28</b>	30	38	39	129	31	15	59	24
CGI	<b>55</b>	<b>12</b>	12	13	18	43	14	7	11	11
Telesat	<b>68</b>	<b>11</b>	15	22	20	56	19	8	16	13
Other	<b>12</b>	<b>5</b>	3	3	1	30	(2)	-	32	-
Corporate and other (including inter-segment eliminations)	<b>(159)</b>	<b>(89)</b>	(33)	(18)	(19)	(165)	(123)	6	(60)	12
Discontinued operations	<b>(30)</b>	<b>(58)</b>	6	13	9	629	919	12	(271)	(31)
<b>Total net earnings applicable to common shares</b>	<b>1,744</b>	<b>386</b>	446	461	451	2,342	1,696	349	6	291

**BCE Consolidated (1)**  
**Consolidated Balance Sheet Data**

*(\$ millions, except where otherwise indicated)*

	<b>December 31 2003</b>	December 31 2002
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	714	263
Accounts receivable	2,077	2,181
Other current assets	745	731
Current assets of discontinued operations	45	257
<b>Total current assets</b>	<b>3,581</b>	3,432
<b>Capital assets</b>	<b>21,189</b>	20,380
<b>Other long-term assets</b>	<b>3,550</b>	3,789
<b>Indefinite-life intangible assets</b>	<b>2,910</b>	900
<b>Goodwill</b>	<b>7,825</b>	9,471
<b>Non-current assets of discontinued operations</b>	<b>276</b>	1,134
<b>Total assets</b>	<b>39,331</b>	39,106
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,691	3,712
Debt due within one year	1,537	1,957
Current liabilities of discontinued operations	27	191
<b>Total current liabilities</b>	<b>5,255</b>	5,860
<b>Long-term debt</b>	<b>12,393</b>	13,117
<b>Other long-term liabilities</b>	<b>4,699</b>	3,650
<b>Non-current liabilities of discontinued operations</b>	<b>1</b>	280
<b>Total liabilities</b>	<b>22,348</b>	22,907
<b>Non-controlling interest</b>	<b>3,403</b>	3,584
<b>SHAREHOLDERS' EQUITY</b>		
<b>Preferred shares</b>	<b>1,670</b>	1,510
<b>Common shareholders' equity</b>		
Common shares	16,749	16,520

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Contributed surplus	1,037	1,010
Deficit	(5,830)	(6,435)
Currency translation adjustment	(46)	10
<b>Total common shareholders' equity</b>	<b>11,910</b>	<b>11,105</b>
<b>Total shareholders' equity</b>	<b>13,580</b>	<b>12,615</b>
<b>Total liabilities and shareholders' equity</b>	<b>39,331</b>	<b>39,106</b>
<b>Number of common shares outstanding</b>	<b>924.0</b>	<b>915.9</b>

**Capital Structure**

<b>Net debt : Total Capitalization</b>	<b>43.8%</b>	<b>48.4%</b>
<b>Net debt : Trailing 12 month EBITDA</b>	<b>1.78</b>	<b>2.06</b>

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(\$ millions, except where otherwise indicated)	<b>BCE Consolidated <sup>(1)</sup> Consolidated Cash Flow Data</b>					
	<b>Q4 2003</b>	<b>Q4 2002</b>	<b>\$ change</b>	<b>Total 2003</b>	<b>Total 2002</b>	<b>\$ change</b>
<b>Cash flows from operating activities</b>						
Earnings from continuing operations	458	793	(335)	1,845	1,778	67
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:						
Amortization expense	786	773	13	3,147	3,082	65
Net benefit plans cost (credit)	46	(8)	54	175	(33)	208
Restructuring and other charges (non-cash portion)	49	333	(284)	44	805	(761)
Impairment charge	-	765	(765)	-	765	(765)
Net gains on investments	(101)	(2,254)	2,153	(76)	(2,414)	2,338
Future income taxes	217	570	(353)	433	518	(85)
Non-controlling interest	46	261	(215)	191	602	(411)
Contributions to employee benefit plans and other benefit plan payments	(110)	(29)	(81)	(247)	(97)	(150)
Other items	(31)	46	(77)	(90)	(12)	(78)
Change in non-cash working capital	250	(112)	362	593	(616)	1,209
	<b>1,610</b>	<b>1,138</b>	<b>472</b>	<b>6,015</b>	<b>4,378</b>	<b>1,637</b>

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Capital expenditures	(1,083)	(1,066)	(17)	(3,179)	(3,731)	552
Other items	(7)	(1)	(6)	64	13	51
Cash preferred dividends and cash dividends paid by subsidiaries to non-controlling interest	(69)	(160)	91	(245)	(511)	266
<b>Free Cash Flow from operations, before common dividends (2)</b>	<b>451</b>	<b>(89)</b>	<b>540</b>	<b>2,655</b>	<b>149</b>	<b>2,506</b>
Cash common dividends	(259)	(271)	12	(1,029)	(999)	(30)
<b>Free Cash Flow from operations, after common dividends (2)</b>	<b>192</b>	<b>(360)</b>	<b>552</b>	<b>1,626</b>	<b>(850)</b>	<b>2,476</b>
Business acquisitions	(42)	(5,078)	5,036	(119)	(6,471)	6,352
Business dispositions	-	2,758	(2,758)	55	3,190	(3,135)
Decrease (increase) in investments accounted for under the cost and equity methods	151	(13)	164	164	(86)	250
<b>Free Cash Flow after investments and divestitures</b>	<b>301</b>	<b>(2,693)</b>	<b>2,994</b>	<b>1,726</b>	<b>(4,217)</b>	<b>5,943</b>
<b>Other financing activities</b>						
Decrease in notes payable and bank advances	(53)	(633)	580	(295)	(213)	(82)
Issue of long-term debt	105	2,509	(2,404)	1,986	4,908	(2,922)
Repayment of long-term debt	(1,538)	(2,068)	530	(3,515)	(2,720)	(795)
Issue of common shares	5	303	(298)	19	2,693	(2,674)
Issue of preferred shares	-	-	-	510	510	-
Redemption of preferred shares	-	-	-	(357)	(306)	(51)
Costs relating to the issuance of common shares	-	-	-	-	(78)	78
Issue of equity securities and convertible debentures by subsidiaries to non-controlling interest	19	4	15	130	93	37
Redemption of equity securities by subsidiaries	(34)	-	(34)	(108)	-	(108)
Other items	(42)	(9)	(33)	(44)	(44)	-
	(1,538)	106	(1,644)	(1,674)	4,843	(6,517)
Cash provided by (used in) continuing operations	(1,237)	(2,587)	1,350	52	626	(574)
Cash provided by (used in) discontinued operations	342	23	319	364	(889)	1,253
Net increase (decrease) in cash and cash equivalents	(895)	(2,564)	1,669	416	(263)	679
Cash and cash equivalents at beginning of period	1,617	2,870	(1,253)	306	569	(263)
<b>Cash and cash equivalents at end of period</b>	<b>722</b>	<b>306</b>	<b>416</b>	<b>722</b>	<b>306</b>	<b>416</b>
Consists of:						
Cash and cash equivalents of continuing operations	714	263	451	714	263	451
Cash and cash equivalents of discontinued operations	8	43	(35)	8	43	(35)
<b>Total</b>	<b>722</b>	<b>306</b>	<b>416</b>	<b>722</b>	<b>306</b>	<b>416</b>

**Other information**

Capital expenditures as a percentage of revenues	22.1%	21.1%	(1.0) pts	16.7%	19.4%	2.7pts
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Cash flow per share <sup>(3)</sup>	\$ 0.57	\$ 0.08	\$ 0.49	\$ 3.08	\$ 0.76	\$ 2.32
Annualized cash flow yield <sup>(4)</sup>	6.8%	(1.2%)	8.0pts	9.9%	0.6%	9.3pts
Common dividend payout	67.1%	16.0%	51.1pts	59.0%	42.7%	16.3pts

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(\$ millions, except where otherwise indicated)	BCE Consolidated <sup>(1)</sup>									
	Consolidated Cash Flow Data - Historical Trend									
	Total 2003	Q4 03	Q3 03	Q2 03	Q1 03	Total 2002	Q4 02	Q3 02	Q2 02	Q1 02
<b>Cash flows from operating activities</b>										
Earnings from continuing operations	1,845	458	458	465	464	1,778	793	353	291	341
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:										
Amortization expense	3,147	786	813	786	762	3,082	773	755	796	758
Net benefit plans cost (credit)	175	46	44	43	42	(33)	(8)	(7)	(12)	(6)
Restructuring and other charges (non-cash portion)	44	49	(5)	-	-	805	333	67	405	-
Impairment charge	-	-	-	-	-	765	765	-	-	-
Net gains on investments	(76)	(101)	25	-	-	(2,414)	(2,254)	(12)	(148)	-
Future income taxes	433	217	134	102	(20)	518	570	103	(136)	(19)
Non-controlling interest	191	46	50	57	38	602	261	117	104	120
Contributions to employee benefit plans and other benefit plan payments	(247)	(110)	(68)	(42)	(27)	(97)	(29)	(24)	(22)	(22)
Other items	(90)	(31)	(12)	(91)	44	(12)	46	(55)	(16)	13
Change in non-cash working capital	593	250	429	60	(146)	(616)	(112)	145	(88)	(561)
	<b>6,015</b>	<b>1,610</b>	1,868	1,380	1,157	4,378	1,138	1,442	1,174	624
Capital expenditures	(3,179)	(1,083)	(794)	(708)	(594)	(3,731)	(1,066)	(896)	(924)	(845)
Other items	64	(7)	156	(45)	(40)	13	(1)	26	15	(27)
Cash preferred dividends and cash dividends paid by subsidiaries to non-controlling interest	(245)	(69)	(52)	(69)	(55)	(511)	(160)	(146)	(127)	(78)
<b>Free Cash Flow from operations, before common dividends</b>	<b>2,655</b>	<b>451</b>	1,178	558	468	149	(89)	426	138	(326)
Cash common dividends	(1,029)	(259)	(259)	(254)	(257)	(999)	(271)	(243)	(242)	(243)

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<b>Free Cash Flow from operations, after common dividends (2)</b>	<b>1,626</b>	<b>192</b>	919	304	211	(850)	(360)	183	(104)	(569)
Business acquisitions	(119)	(42)	(7)	(7)	(63)	(6,471)	(5,078)	(1,378)	-	(15)
Business dispositions	55	-	55	-	-	3,190	2,758	-	306	126
Decrease (increase) in investments accounted for under the cost and equity methods	164	151	7	(1)	7	(86)	(13)	(8)	(8)	(57)
<b>Free Cash Flow after investments and divestitures</b>	<b>1,726</b>	<b>301</b>	974	296	155	(4,217)	(2,693)	(1,203)	194	(515)
<b>Other financing activities</b>										
Decrease in notes payable and bank advances	(295)	(53)	(73)	(56)	(113)	(213)	(633)	(58)	600	(122)
Issue of long-term debt	1,986	105	17	72	1,792	4,908	2,509	1,104	43	1,252
Repayment of long-term debt	(3,515)	(1,538)	(147)	(1,464)	(366)	(2,720)	(2,068)	(291)	(261)	(100)
Issue of common shares	19	5	5	4	5	2,693	303	2,381	7	2
Issue of preferred shares	510	-	-	-	510	510	-	-	-	510
Redemption of preferred shares	(357)	-	-	-	(357)	(306)	-	-	-	(306)
Costs relating to the issuance of common shares	-	-	-	-	-	(78)	-	(78)	-	-
Issue of equity securities and convertible debentures by subsidiaries to non-controlling interest	130	19	24	14	73	93	4	44	38	7
Redemption of equity securities by subsidiaries	(108)	(34)	(39)	(16)	(19)	-	-	-	-	-
Other items	(44)	(42)	56	(56)	(2)	(44)	(9)	(39)	10	(6)
	<b>(1,674)</b>	<b>(1,538)</b>	(157)	(1,502)	1,523	4,843	106	3,063	437	1,237
Cash provided by (used in) continuing operations	52	(1,237)	817	(1,206)	1,678	626	(2,587)	1,860	631	722
Cash (provided by) used in discontinued operations	364	342	4	14	4	(889)	23	20	(533)	(399)
Net increase (decrease) in cash and cash equivalents	416	(895)	821	(1,192)	1,682	(263)	(2,564)	1,880	98	323
Cash and cash equivalents at beginning of period	306	1,617	796	1,988	306	569	2,870	990	892	569
<b>Cash and cash equivalents at end of period</b>	<b>722</b>	<b>722</b>	1,617	796	1,988	306	306	2,870	990	892
Consists of:										
Cash and cash equivalents of continuing operations	714	714	1,552	735	1,941	263	263	2,850	990	359
Cash and cash equivalents of discontinued operations	8	8	65	61	47	43	43	20	-	533
<b>Total</b>	<b>722</b>	<b>722</b>	1,617	796	1,988	306	306	2,870	990	892

**Other information**

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Capital expenditures as a percentage of revenues	<b>16.7%</b>	<b>22.1%</b>	16.9%	14.9%	12.6%	19.4%	21.1%	19.2%	19.3%	18.1%
Cash flow per share <sup>(3)</sup>	<b>\$ 3.08</b>	<b>\$ 0.57</b>	\$ 1.17	\$ 0.73	\$ 0.61	\$ 0.76	\$ 0.08	\$ 0.63	\$ 0.31	\$ (0.27)
Annualized cash flow yield <sup>(4)</sup>	<b>9.9%</b>	<b>6.8%</b>	17.6%	8.0%	7.6%	0.6%	(1.2%)	6.8%	2.4%	(5.6%)
Common dividend payout	<b>59.0%</b>	<b>67.1%</b>	58.1%	55.1%	57.0%	42.7%	16.0%	69.6%	n.m.	83.5%

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(\$ millions, except where otherwise indicated)	<b>Bell Canada Segment <sup>(1)</sup> Operational Data</b>							
	<b>Q4 2003</b>	Q4 2002	\$ change	% change	<b>Total 2003</b>	Total 2002	\$ change	% change
<b>Revenues</b>								
Local and access	<b>1,563</b>	1,564	(1)	(0.1%)	<b>6,105</b>	6,129	(24)	(0.4%)
Long distance	<b>602</b>	635	(33)	(5.2%)	<b>2,487</b>	2,579	(92)	(3.6%)
Wireless	<b>674</b>	581	93	16.0%	<b>2,526</b>	2,203	323	14.7%
Data	<b>972</b>	1,024	(52)	(5.1%)	<b>3,791</b>	3,770	21	0.6%
Bell ExpressVu	<b>201</b>	176	25	14.2%	<b>761</b>	638	123	19.3%
Terminal sales and other	<b>269</b>	379	(110)	(29.0%)	<b>1,028</b>	1,282	(254)	(19.8%)
Directory advertising	<b>-</b>	91	(91)	n.m	<b>-</b>	501	(501)	n.m
	<b>4,281</b>	4,450	(169)	(3.8%)	<b>16,698</b>	17,102	(404)	(2.4%)
<b>Cash operating expenses</b>	<b>(2,550)</b>	(2,760)	210	7.6%	<b>(9,697)</b>	(10,023)	326	3.3%
<b>EBITDA</b>	<b>1,731</b>	1,690	41	2.4%	<b>7,001</b>	7,079	(78)	(1.1%)
Bell Canada (including Aliant)	<b>1,752</b>	1,752	-	0.0%	<b>7,046</b>	7,255	(209)	(2.9%)
Bell ExpressVu	<b>(21)</b>	(62)	41	66.1%	<b>(45)</b>	(176)	131	74.4%
<b>EBITDA margin (%)</b>	<b>40.4%</b>	38.0%		2.4pts	<b>41.9%</b>	41.4%		0.5pts
Amortization expense	<b>(742)</b>	(734)	(8)	(1.1%)	<b>(2,970)</b>	(2,894)	(76)	(2.6%)
Net benefit plans (cost) credit	<b>(46)</b>	9	(55)	n.m	<b>(181)</b>	38	(219)	n.m
Restructuring and other charges	<b>(13)</b>	(302)	289	95.7%	<b>(14)</b>	(675)	661	97.9%
<b>Operating income</b>	<b>930</b>	663	267	40.3%	<b>3,836</b>	3,548	288	8.1%
Interest expense	<b>(231)</b>	(293)	62	21.2%	<b>(945)</b>	(1,108)	163	14.7%
Other income (expense)	<b>134</b>	2,284	(2,150)	(94.1%)	<b>194</b>	2,434	(2,240)	(92.0%)

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Impairment charge	-	(50)	50	n.m	-	(50)	50	n.m
<b>Earnings before income taxes and non-controlling interest</b>								
non-controlling interest	833	2,604	(1,771)	(68.0%)	3,085	4,824	(1,739)	(36.0%)
Income taxes	(316)	(766)	450	58.7%	(1,127)	(1,609)	482	30.0%
Non-controlling interest	(15)	(20)	5	25.0%	(102)	(101)	(1)	(1.0%)
<b>Earnings from continuing operations</b>								
Discontinued operations	53	(3)	56	n.m	59	14	45	n.m
<b>Net earnings</b>								
Dividends on preferred shares	(9)	(15)	6	40.0%	(58)	(63)	5	7.9%
Interest on equity settled notes	-	(15)	15	n.m	(25)	(59)	34	57.6%
<b>Net earnings applicable to common shares</b>								
	546	1,785	(1,239)	(69.4%)	1,832	3,006	(1,174)	(39.1%)

**The following items are included in net earnings:**

Net gains on sale of investments and dilution gains								
Continuing operations	86	1,655			92	1,848		
Discontinued operations	48	(6)			56	5		
Restructuring and other charges	(9)	(190)			(9)	(426)		
Impairment charge	-	(26)			-	(26)		
Other	-	-			-	(18)		
<b>Total</b>	<b>125</b>	<b>1,433</b>			<b>139</b>	<b>1,383</b>		

**Other information**

Capital expenditures	991	974	(17)	(1.7%)	2,892	3,390	498	14.7%
Capital expenditures as a percentage of revenues (%)	23.1%	21.9%		(1.2) pts	17.3%	19.8%		2.5pts

**Net debt and preferreds**

<i>At December 31, 2003</i>	Bell Canada	Aliant	Bell ExpressVu	Bell Canada Consolidated	Inter-company eliminations	Bell Canada Segment
Bank indebtedness / (cash and cash equivalents)	(30)	(365)	(3)	(398)	-	(398)
Long term debt	8,743	889	392	10,024	(392)	9,632
Debt due within one year	1,015	120	30	1,165	(30)	1,135
	(498)	-	-	(498)	498	-

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Long-term note receivable from BCH						
PPA fair value increment <sup>(5)</sup>						141
<b>Net debt</b>	<b>9,230</b>	<b>644</b>	<b>419</b>	<b>10,293</b>	<b>76</b>	<b>10,510</b>
Preferred shares - Bell Canada <sup>(6)</sup>	1,100	-	-	1,100	-	1,100
Preferred shares - Aliant <sup>(6)</sup>	-	172		172	-	172
<b>Net debt and preferreds</b>	<b>10,330</b>	<b>816</b>	<b>419</b>	<b>11,565</b>	<b>76</b>	<b>11,782</b>

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**Bell Canada Segment <sup>(1)</sup>**  
**Operational Data - Historical Trend**

<i>(\$ millions, except where otherwise indicated)</i>	<b>Total 2003</b>	<b>Q4 03</b>	<b>Q3 03</b>	<b>Q2 03</b>	<b>Q1 03</b>	<b>Total 2002</b>	<b>Q4 02</b>	<b>Q3 02</b>	<b>Q2 02</b>	<b>Q1 02</b>
<b>Revenues</b>										
Local and access	6,105	1,563	1,530	1,512	1,500	6,129	1,564	1,519	1,527	1,519
Long distance	2,487	602	631	608	646	2,579	635	651	645	648
Wireless	2,526	674	661	621	570	2,203	581	570	548	504
Data	3,791	972	931	955	933	3,770	1,024	908	933	905
Bell ExpressVu	761	201	192	191	177	638	176	156	155	151
Terminal sales and other	1,028	269	224	258	277	1,282	379	275	330	298
Directory advertising	-	-	-	-	-	501	91	140	138	132
	<b>16,698</b>	<b>4,281</b>	<b>4,169</b>	<b>4,145</b>	<b>4,103</b>	<b>17,102</b>	<b>4,450</b>	<b>4,219</b>	<b>4,276</b>	<b>4,157</b>
<b>Cash operating expenses</b>	<b>(9,697)</b>	<b>(2,550)</b>	<b>(2,352)</b>	<b>(2,385)</b>	<b>(2,410)</b>	<b>(10,023)</b>	<b>(2,760)</b>	<b>(2,370)</b>	<b>(2,460)</b>	<b>(2,433)</b>
<b>EBITDA</b>	<b>7,001</b>	<b>1,731</b>	<b>1,817</b>	<b>1,760</b>	<b>1,693</b>	<b>7,079</b>	<b>1,690</b>	<b>1,849</b>	<b>1,816</b>	<b>1,724</b>
Bell Canada (including Aliant)	7,046	1,752	1,826	1,769	1,699	7,255	1,752	1,888	1,841	1,774
Bell ExpressVu	(45)	(21)	(9)	(9)	(6)	(176)	(62)	(39)	(25)	(50)
<b>EBITDA margin (%)</b>	<b>41.9%</b>	<b>40.4%</b>	<b>43.6%</b>	<b>42.5%</b>	<b>41.3%</b>	<b>41.4%</b>	<b>38.0%</b>	<b>43.8%</b>	<b>42.5%</b>	<b>41.5%</b>
Amortization expense	(2,970)	(742)	(758)	(747)	(723)	(2,894)	(734)	(711)	(746)	(703)
	(181)	(46)	(46)	(45)	(44)	38	9			

Net benefit plans (cost)  
credit

&R="0"  
CELLPADDING="0"  
CELLSPACING="0"  
WIDTH="100%">(8) Aggregate  
number of option awards  
outstanding held by  
Ms. Mather at 12/31/11 is  
3,849.

### Equity Compensation Plan Information

The following table summarizes the Company's equity compensation plans as of December 31, 2011.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)(1)
Equity compensation plans or arrangements approved by security holders	2,881,254(2)	\$ 68.32	9,799,229(3)
Equity compensation plans or arrangements not approved by security holders	76,500	\$ 1.50	(4)
<b>Total</b>	<b>2,957,754</b>	<b>\$ 66.59</b>	<b>9,799,229</b>

- (1) Excludes securities reflected in column entitled "Number of securities to be issued upon exercise of outstanding options, warrants and rights."
- (2) Weighted average life is 6.44 years.
- (3) Includes 2,785,721 shares of the Company's common stock reserved under its 2002 Employee Stock Purchase Plan, as amended, for future issuance. Under the ESPP, certain employees of the Company may elect to purchase shares of Company stock through payroll deductions. The price per share paid by each employee currently is 85% of the fair market value of the Company's shares at the beginning of a six-month offering period or at the end of the period, whichever is lower. Each employee generally may purchase no more than \$25,000 worth of shares in any year. The ESPP is intended to qualify under section 423 of the Internal Revenue Code. The Plan permits employees to purchase shares of Company stock through payroll deductions. In 2010, the Company suspended payroll contributions to the ESPP and ended purchases of shares by employees. The Company currently does not expect to resume contributions or purchases for the foreseeable future.
- Includes 1,313,508 shares of the Company's common stock reserved under its 2002 Stock Plan, as amended, that may be issued as stock options under the 2002 Stock Plan to employees, non-employee directors and consultants. The 2002 Stock Plan is administered by the Compensation Committee of the Board of Directors. Only stock options may be granted under the 2002 Stock Plan. All options have an exercise price at least equal to 100% of the fair market value of shares on the grant date and have a term of 10 years or less. Options that are forfeited may be returned to the Plan but any shares that actually are issued under the Plan may not be returned to the Plan and the share reserve is reduced by the gross number of shares as to which the options are exercised. No right to vote shares or receive dividends is created until shares actually are issued following the exercise of an option. The 2002 Stock Plan expired in February 2012 and no new options will be granted under the Plan after its expiration.
- Includes 5,700,000 shares of the Company's common stock reserved under its 2011 Stock Plan that may be issued as stock options under the 2011 Stock Plan to employees, non-employee directors and consultants. The 2011 Stock Plan is administered by the Compensation Committee of the Board of Directors. Stock options, stock appreciation rights, restricted stock and restricted stock units may be granted under the 2011



Stock Plan. All options have an exercise price at least equal to 100% of the fair market value of shares on the grant date and have a term of 10 years or less. Options that are forfeited may be returned to the Plan but any shares that actually are issued under the Plan may not be returned to the Plan and the share reserve is reduced by the gross number of shares as to which the options are exercised. No right to vote shares or receive dividends is created until shares actually are issued following the exercise of an option.

- (4) Reflects the grant of stock options made on February 27, 2002 to Reed Hastings, the Company's Chief Executive Officer, President and Chairman of the Board, exercisable for shares of the Company's common stock pursuant to the Stand-Alone Stock Option Agreement. Options are currently fully vested and are exercisable at a price of \$1.50 (adjusted for stock splits), until the earlier of three months following termination of service or ten years from the grant date. The Stand-Alone Stock Option Agreement is filed as Exhibit 10.7 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 24, 2002.

**Non-executive Compensation Policies**

The Company's compensation policies for non-executive salaried employees are the same as those outlined for its Named Executive Officers. Given the design of our compensation structure, as detailed in the foregoing Compensation Discussion and Analysis, we do not believe that our compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

**Code of Ethics**

The Company has adopted a Code of Ethics for its directors, officers and other employees. A copy of the Code of Ethics is available on the Company's Investor Relations Web site at <http://ir.netflix.com/documentdisplay.cfm>. Any waivers of the Code of Ethics will be posted at that Web site.

**Section 16(a) Beneficial Ownership Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of the Company's common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by the SEC rules to furnish the Company with copies of all Forms 3, 4 and 5 they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during fiscal year 2011 all of the Section 16(a) filing requirements applicable to the Company's officers, directors and greater than 10% stockholders were followed in a timely manner, with the exception that a report on Form 4 relating to the acquisition and disposition of shares by Reed Hastings on May 19, 2011 was filed one day late.

**REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Compensation Committee of the Board of Directors

Timothy M. Haley

Jay C. Hoag

A. George (Skip) Battle

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee engages and supervises the Company's independent registered public accounting firm and oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the preparation of financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in the Company's annual report on Form 10-K for the year ended December 31, 2011 with management, including a discussion of the quality of the accounting principles, the reasonableness of significant judgments made by management and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with KPMG LLP, the Company's independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of the Company's audited financial statements with accounting principles generally accepted in the United States of America, its judgments as to the quality of the Company's accounting principles and the other matters required to be discussed with the Audit Committee under the auditing standards generally accepted in the United States of America, including the matters required by the Codification of Statements on Auditing Standards No. 61. In addition, the Audit Committee has discussed with KPMG LLP its independence from management and the Company, including the written disclosures and the letter regarding its independence as required by Independence Standards Board Standard No. 1, *Independence Discussions with the Audit Committees*.

The Audit Committee also reviewed the fees paid to KPMG LLP during the year ended December 31, 2011 for audit and non-audit services, which fees are described under the heading *Principal Accountant Fees and Services*. The Audit Committee has determined that the rendering of all non-audit services by KPMG LLP were compatible with maintaining its independence.

The Audit Committee discussed with KPMG LLP the overall scope and plans for its audit. The Audit Committee met with KPMG LLP, with and without management present, to discuss the results of its examinations, its evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the annual report on Form 10-K for the year ended December 31, 2011, for filing with the Securities and Exchange Commission

Audit Committee of the Board of Directors

Charles Giancarlo

Timothy M. Haley

Ann Mather

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## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Agreements with Directors and Executive Officers

The Company has entered into indemnification agreements with each of its directors and executive officers. These agreements require the Company to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with the Company.

### Procedures for Approval of Related Party Transactions

The Company has a written policy concerning the review and approval of related party transactions. Potential related party transactions are identified through an internal review process that includes a review of payments made in connection with transactions in which related persons may have had a direct or indirect material interest. Those transactions that are determined to be related party transactions under Item 404 of Regulation S-K issued by the SEC are submitted for review by the Audit Committee for approval and to conduct a conflicts-of-interest analysis. The individual identified as the related party may not participate in any review or analysis of the related party transaction.

### Transactions with TCV

In November 2011, the Company issued \$200.0 million aggregate principal amount of zero coupon senior convertible notes due on December 1, 2018 (the Convertible Notes) in a private placement offering to TCV VII, L.P., TCV VII(A), L.P., and TCV Member Fund, L.P. Jay Hoag, general partner of these funds also serves on the Company's board of directors, and as such, the issuance of the notes is considered a related party transaction. The Convertible Notes are the Company's general, unsecured obligations and are effectively subordinated to all of the Company's existing and future secured debt, to the extent of the assets securing such debt, and are structurally subordinated to all liabilities of the Company's subsidiaries, including trade payables. The Convertible Notes do not bear interest, except in specified circumstances. The initial conversion rate for the Convertible Notes is 11.6553 shares of the Company's common stock, par value \$0.001 per share, per \$1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately \$85.80 per share of common stock. Holders may surrender their notes for conversion at any time prior to the close of business on the day immediately preceding the maturity date of the notes. The Convertible Notes are repayable in whole or in part upon the occurrence of a change of control, at the option of the holders, at a purchase price in cash equal to 120% of the principal amount. At any time following May 28, 2012, the Company may elect to cause the conversion of the Convertible Notes into shares of the Company's common stock when specified conditions are satisfied, including that the daily volume weighted average price of the Company's common stock is equal or greater than \$111.54 for at least 50 trading days during a 65 trading day period prior to the conversion date.

In connection with the issuance and sale of the Notes, the Company entered into a registration rights agreement with TCV (the Registration Rights Agreement), dated November 28, 2011. Under the Registration Rights Agreement, TCV has certain registration rights with respect to the shares of Common Stock issuable upon conversion of the Notes (Registrable Securities). The Company was obligated to file a shelf registration statement covering the resale of the Registrable Securities, which was filed on March 23, 2012, and will have the ability to suspend the distribution of Registrable Securities by TCV in certain circumstances, including during a black-out period under the Company's insider trading policy.

**STOCKHOLDERS SHARING AN ADDRESS**

Stockholders sharing an address with another stockholder may receive only one Notice of Internet Availability of Proxy Materials at that address unless they have provided contrary instructions. Any such stockholder who wishes to receive a separate Notice of Internet Availability of Proxy Materials now or in the future may write or call Broadbridge to request a separate copy from:

Householding Department

Broadbridge

51 Mercedes Way, Edgewood, NY 11717

(800) 542-1061

Broadbridge will promptly, upon written or oral request, deliver a Notice of Internet Availability of Proxy Materials, or if requested, a separate copy of its annual report or this Proxy Statement to any stockholder at a shared address to which only a single copy was delivered.

Similarly, stockholders sharing an address with another stockholder who have received multiple copies of the Company's Notice of Internet Availability of Proxy Materials may write or call the above address and phone number to request delivery of a single copy in the future.

**OTHER MATTERS**

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy intend to vote on those matters in accordance with their best judgment.

By Order of the Board of Directors

David Hyman

General Counsel and Secretary

April 20, 2012

Los Gatos, California

**FORM OF PROXY**

**NETFLIX, INC.**

**ANNUAL MEETING OF STOCKHOLDERS**

**JUNE 1, 2012**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned stockholder of Netflix, Inc. (the Company) hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April 2, 2012 and hereby appoints Reed Hastings and David Wells, and each of them, with full power of substitution, as Proxy or Proxies to vote all shares of the Company's common stock of the undersigned at the Annual Meeting of Stockholders of Netflix, Inc. to be held on June 1, 2012, and at any adjournments thereof, upon the proposals set forth in this and described in the Proxy Statement, and in their discretion with respect to such other matters as may be properly brought before the meeting or any adjournments thereof.

**If this proxy is properly executed and returned, this proxy will be voted for the specifications made below or if no direction is made, this proxy will be voted for the nominee for Class I director set forth below (item 1), for items 2 and 3 and against items 4 and 5.**

Either of such Proxies or substitutes shall have and may exercise all of the powers of said Proxies hereunder.

1. To elect one Class I director to hold office until the 2015 Annual Meeting of Stockholders  
Richard N. Barton

.. FOR

.. WITHHELD

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012

.. FOR

.. AGAINST

.. ABSTAIN

3. Advisory approval of the Company's executive officer compensation

.. FOR

.. AGAINST

.. ABSTAIN

4. Consideration of a stockholder proposal if properly brought before the meeting to repeal the Company's classified board

.. FOR

.. AGAINST

.. ABSTAIN

5. Consideration of a stockholder proposal if properly brought before the meeting regarding special shareholders meetings

.. FOR

.. AGAINST

.. ABSTAIN

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Mark box at right if an address change or comment has been noted on this card "

This Proxy should be marked, dated and signed by the stockholder or stockholders exactly as the stockholder s or stockholders names appear hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary or representative capacity should so indicate. If shares are held by joint tenants, as community property or otherwise by more than one person, all should sign.

Signature:

Date:

Signature:

Date: