

BCE INC
Form 40-F
March 11, 2005

2004

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 40-F

____ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

X ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2004** Commission File Number: **1-8481**

BCE Inc.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

4813

(Primary Standard Industrial Classification Code Number (if applicable))

98-0134477

(I.R.S. Employer Identification Number (if applicable))

1000 rue de La Gauchetière Ouest, Bureau 3700, Montreal, Quebec, Canada H3B 4Y7, (514) 397-7000

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, N.Y. 10011, (212) 894-8940

(Name, address (including zip code) and telephone number (including area code) of agents for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class **Common shares** Name of each exchange on which registered **New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form

X Annual information form

X Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At December 31, 2004, 925,935,682 common shares and 66,000,000 First Preferred Shares were issued and outstanding.

Indicate by check mark whether the Registrant by filing 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 (the Exchange Act). If Yes is

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marked, indicate the file number assigned to the Registrant in connection with such Rule.

YES: _____ NO: _____

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days:

YES: _____ NO: _____

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PRIOR FILINGS MODIFIED AND SUPERSEDED

BCE Inc. s annual report on Form 40-F for the year ended December 31, 2004, at the time of filing with the U.S. Securities and Exchange Commission (the SEC or Commission), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the Exchange Act for purposes of any offers or sales of any securities after the date of such filing pursuant to any registration statement or prospectus filed pursuant to the Securities Act of 1933 which incorporates by reference such annual report on Form 40-F. Other than BCE Inc. s Annual Information Form for the year ended December 31, 2004 (the AIF) included herein, and BCE Inc. s annual audited consolidated financial statements for the year ended December 31, 2004 and related management s discussion and analysis of financial condition and results of operations, incorporated by reference herein, no other information from the Exhibits attached hereto is to be incorporated by reference in a registration statement or prospectus filed pursuant to the Securities Act of 1933.

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT S DISCUSSION AND ANALYSIS

A. Annual Audited Consolidated Financial Statements

For BCE Inc. s annual audited consolidated financial statements for the year ended December 31, 2004 (the Financial Statements), including the auditor s report with respect thereto, see pages 82 to 121 and part of page 82, respectively, of the BCE Inc. 2004 Annual Report to shareholders attached hereto as Exhibit 99.1, which pages are incorporated herein by reference. See Note 27 of the Notes to the Financial Statements on pages 118 to 121 of the BCE Inc. 2004 Annual Report to shareholders, reconciling the significant differences between Canadian and United States generally accepted accounting principles.

The above referenced auditor s report is expressed in accordance with standards of reporting generally accepted in Canada which do not require a reference to changes in accounting principles in the auditor s report when the changes are properly accounted for and adequately disclosed in the financial statements. In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the financial statements, such as the changes described in Note 1 to the Financial Statements, or when there is a retroactive restatement such as described in Note 1 to the Financial Statements.

B. Management s Discussion and Analysis

For management s discussion and analysis of financial condition and results of operations, see pages 32 to 81 of the BCE Inc. 2004 Annual Report to shareholders attached hereto as Exhibit 99.1, which pages are incorporated herein by reference.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this annual report on Form 40-F, an evaluation was carried out by BCE Inc. s management, under the supervision, and with the participation, of BCE Inc. s President and Chief Executive Officer (the CEO) and Chief Financial Officer (the CFO), of the effectiveness of BCE Inc. s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the CEO and CFO concluded that such disclosure controls and

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procedures were adequate and effective and designed to ensure that material information relating to BCE Inc. and its consolidated subsidiaries would be made known to them by others within those entities.

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CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2004, there were no changes in BCE Inc.'s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, BCE Inc.'s internal control over financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

BCE Inc.'s board of directors has determined that the Chairman of the audit committee, Mr. T.C. O'Neill, qualifies as an "audit committee financial expert" and that Mr. T.C. O'Neill is independent under the listing standards of the New York Stock Exchange.

CODE OF ETHICS

All of BCE Inc.'s employees, directors and officers must follow BCE Inc.'s Code of Business Conduct (the Bell Canada Enterprises Code), which provides guidelines for ethical behaviour. The Bell Canada Enterprises Code includes additional guidelines for BCE Inc.'s President and Chief Executive Officer, Chief Financial Officer, Controller and Treasurer. The Bell Canada Enterprises Code is available in the Governance section of BCE Inc.'s website at www.bce.ca.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditor's fees

The table below shows the fees that Deloitte & Touche LLP (Deloitte & Touche), BCE Inc.'s external auditor, billed to BCE Inc. and its subsidiaries for various services for each year in the past two fiscal years.

	2004	2003 ¹
(Can. \$ millions)		
Audit fees	11.4	13.3
Audit-related fees	3.1	2.2
Tax fees	1.9	2.6
Other fees		1.1
Total	16.4	19.2

¹ Figures for 2003 have been restated to eliminate the fees paid by CGI Group Inc. in the calculation of our aggregate fees paid and reclassify translation services from Other fees to Audit fees so they can be compared to 2004 fees.

Audit fees

These fees include professional services provided by the external auditor for the review of the interim financial statements, statutory audits of the annual financial statements, the review of prospectuses, consulting on financial accounting and reporting standards, other regulatory audits and filings and translation services.

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Audit-related fees

These fees relate to non-statutory audits, *Sarbanes-Oxley Act of 2002* initiatives, pension plan audits and consulting on prospective financial accounting and reporting standards.

Tax fees

These fees include professional services for administering our compliance with our conflict of interest policy, tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and commodity tax returns.

Since November 2004, we generally do not engage the external auditor to perform tax planning and consulting services.

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Other fees

These fees include professional services provided for the redesign of product introduction and new applications for account management, inventory programming, promotion and research processes. This work started in 2002 and was completed in early 2003.

In 2004, Deloitte & Touche has not been engaged to design any information system or provide implementation services (IS/IT) or other consulting services to BCE Inc. or its subsidiaries.

Auditor independence policy

BCE Inc.'s auditor independence policy is a comprehensive policy governing all aspects of BCE Inc.'s relationship with the external auditor, including:

- establishing a process for determining whether various audit and other services provided by the external auditor affect its independence;
- identifying the services that the external auditor may and may not provide to BCE Inc. and its subsidiaries;
- pre-approving all services to be provided by the external auditor of BCE Inc. and its subsidiaries; and
- establishing a process outlining procedures (as part of a separate policy) when hiring current or former personnel of the external auditor in a financial oversight role to ensure auditor independence is maintained.

In particular, the policy specifies that:

- the external auditor cannot be hired to provide any services falling within the prohibited services category, such as bookkeeping, financial information system design and implementation and legal services;
- for all audit or non-audit services falling within the permitted services category (such as prospectus work, due diligence and non-statutory audits), a request for approval must be submitted to the audit committee by the Chief Financial Officer prior to engaging the auditors;
- specific permitted services however are pre-approved quarterly by the audit committee and consequently only require approval by the Chief Financial Officer prior to engaging the external auditor; and
- at each regularly scheduled audit committee meeting, a consolidated summary of all fees paid to the external auditor by service type is presented. This summary includes a breakout of fees incurred within the pre-approved amounts.

In 2004, BCE Inc.'s audit committee did not approve any audit-related, tax or other services pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

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Please see the section entitled *Off-Balance Sheet Arrangements* of BCE Inc.'s management's discussion and analysis of financial condition and results of operations (which is incorporated by reference in BCE Inc.'s AIF) and Notes 11 and 25, entitled *Accounts receivable* and *Guarantees*, respectively, of the Financial Statements, all contained in BCE Inc.'s 2004 Annual Report to shareholders attached hereto as Exhibit 99.1, for a discussion of offbalance sheet arrangements.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Please see the section entitled *Contractual Obligations* of BCE Inc.'s management's discussion and analysis of financial condition and results of operations (which is incorporated by reference in BCE Inc.'s AIF), contained in BCE Inc.'s 2004 Annual Report to shareholders attached hereto as Exhibit 99.1, for a tabular disclosure and discussion of contractual obligations.

IDENTIFICATION OF THE AUDIT COMMITTEE

BCE Inc. has a separately designated standing audit committee established in accordance with section 3(a)(58) (A) of the Exchange Act. BCE Inc.'s audit committee is comprised of five independent members: Mr. T.C. O'Neill (Chair), Mr. A. Bérard, Mrs. J. Maxwell, Mr. R.C. Pozen and Mr. V.L. Young.

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UNDERTAKING

BCE Inc. undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file this annual report on Form 40-F arises; or transactions in said securities.

WEB SITE INFORMATION

Notwithstanding any reference to BCE Inc.'s website on the World Wide Web in the AIF or in the documents attached as Exhibits hereto, the information contained in BCE Inc.'s website or any other site on the World Wide Web referred to in BCE Inc.'s website is not a part of this Form 40-F and, therefore, is not filed with the Commission.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

BCE Inc. has made in the documents filed as part of this annual report on Form 40-F, and from time to time may otherwise make, forward-looking statements and related assumptions concerning its operations, economic performance and financial matters. BCE Inc. is under no duty to update any of these forward-looking statements or related assumptions. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of factors. Reference is made to the section entitled *About forward-looking statements* on page 3 of the AIF and to the section entitled *Risks That Could Affect Our Business* on pages 32 to 41 of the AIF for a discussion of certain of such factors. Reference is also made to the various risk factors discussed throughout BCE Inc.'s management's discussion and analysis of financial condition and results of operations (which is incorporated by reference in BCE Inc.'s AIF), contained in BCE Inc.'s 2004 Annual Report to shareholders attached hereto as Exhibit 99.1.

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Annual Information Form

BCE Inc.

For the year ended December 31, 2004
March 2, 2005

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ABOUT THIS ANNUAL INFORMATION FORM

This Annual Information Form (AIF) contains important information that will help you make informed decisions about investing in BCE Inc. It describes the company and its operations, its prospects, risks and other factors that affect its business.

In this AIF, *we, us, our* and *BCE* mean BCE Inc., its subsidiaries and joint ventures. Bell Canada, Aliant Inc. (Aliant) and their subsidiaries are referred to as the Bell Canada companies.

All dollar figures are in Canadian dollars, unless stated otherwise. The information in this AIF is as of March 2, 2005, unless stated otherwise, and except for information in documents incorporated by reference that have a different date.

Documents incorporated by reference

The document in the table below contains information that is incorporated by reference into this AIF.

Document	Where it is incorporated in this AIF
BCE Inc. 2004 annual report <i>Management s discussion and analysis</i> , pages 32 to 80	<i>Management s discussion and analysis</i> , page 41

Any other trademarks, or corporate, trade or domain names used in this AIF are the property of their owners. We believe that our trademarks and domain names are very important to our success. Our exclusive trademark rights are perpetual provided that their registrations are timely renewed and that the trademarks are used in commerce by us or our licensees. We take appropriate measures to protect, renew and defend our trademarks. We also spend considerable time and resources overseeing, registering, renewing, licensing and protecting our trademarks and prosecuting those who infringe on them. We take great care not to infringe on the intellectual property and trademarks of others.

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About forward-looking statements

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

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 AIF 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 AIF describe our expectations at March 2, 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 dispositions, 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. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business.
- 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 throughout this AIF and, in particular, in *Risks that could affect our business*.

ABOUT BCE

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BCE is Canada's largest communications company. Our primary focus is Bell Canada, which represents the largest component of our business. We report Bell Canada's results of operations in four segments. Each reflects a distinct customer group: *Consumer, Business, Aliant and Other Bell Canada*. All of our other activities are reported in the *Other BCE segment*. Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance.

In 2004, we had consolidated operating revenues of \$19.2 billion. We had total assets of \$39.1 billion and approximately 61,700 employees at December 31, 2004.

The table below shows the operating revenues that each segment contributed to total operating revenues for the year ended December 31, 2004.

Operating revenues (in \$ millions)

Consumer	\$	7,502
Business	\$	5,851
Aliant	\$	2,033
Other Bell Canada	\$	1,939
Inter-segment eliminations	\$	(538)
<hr/>		
Bell Canada	\$	16,787
Other BCE	\$	2,861
Inter-segment eliminations	\$	(455)
<hr/>		
Total operating revenues	\$	19,193

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.

Local telephone and long distance services are sold under the Bell brand, wireless services through Bell Mobility Inc. (Bell Mobility), Internet access under the Sympatico brand and video services through Bell ExpressVu Limited Partnership (Bell ExpressVu).

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 (Enterprise) customers in Ontario and Québec, as well as business customers in Western Canada.

In 2004, Bell Canada acquired several small specialized service companies, allowing us to quickly enhance our value-added services (VAS) product suite for both SMB and Enterprise customers. See *Business Highlights* for information about these business acquisitions.

In the third quarter of 2004, we enhanced our competitive position in Western Canada by acquiring 100% ownership of Bell West Inc. (Bell West), our competitive local exchange carrier (CLEC) in Alberta and British Columbia, by completing the purchase of Manitoba Telecom Services Inc.'s (MTS) interest in Bell West.

In the fourth quarter of 2004, we further enhanced our competitive position in Western Canada by completing the acquisition of the Canadian operations of 360networks Corporation (360networks) as well as certain U.S. network assets. This acquisition increases our customer base and gives us an extensive fibre network across major cities in Western Canada. See *Business Highlights* for information about this acquisition.

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 Aliant.

At December 31, 2004, Bell Canada owned 53% of Aliant. The remaining 47% was publicly held.

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.

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(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 of Québec, Ontario and Canada's northern territories.

Following the purchase of 360networks, Bell Canada sold 360networks' retail customer operations in Central and Eastern Canada to Call-Net Enterprises Inc. (Call-Net). As part of the sale, Bell Canada will provide to Call-Net, for a share of the revenues, network facilities and other operations and support services.

At December 31, 2004, Bell Canada owned 100% of Northwestel and 63% of Télébec and NorthernTel. The Bell Nordiq Income Fund owned the remaining 37%.

In classifying our operations for planning and measuring performance, all restructuring and other items at Bell Canada and its subsidiaries except for Aliant are included in the Other Bell Canada segment and not allocated to the Consumer or Business segments.

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).

Bell Globemedia provides information and entertainment services to Canadian customers and access to distinctive Canadian content. It includes CTV Inc. (CTV), Canada's leading private broadcaster, and The Globe and Mail, Canada's leading national newspaper. BCE Inc. owns 68.5% of Bell Globemedia. The Woodbridge Company Limited and affiliates own the remaining 31.5%.

Telesat is a pioneer in satellite communications and systems management and is an experienced consultant in establishing, operating and upgrading satellite systems worldwide. BCE Inc. owns 100% of Telesat.

CGI is one of Canada's largest IT services companies. It provides a full range of IT services and business solutions including outsourcing, systems development and integration and consulting. CGI is publicly traded. BCE Inc. owns 29% of CGI.

BCE Inc. was incorporated in 1970 and was continued under the *Canada Business Corporations Act* in 1979. It is governed by a Certificate and Articles of Amalgamation dated August 1, 2004.

BCE Inc.'s head and registered offices are at 1000, rue de La Gauchetière Ouest, Suite 3700, Montréal, Québec H3B 4Y7.

BCE Inc.'s auditors are Deloitte & Touche LLP.

Our strategic priorities

The telecommunications industry continues to evolve rapidly as the industry moves from multiple service-specific networks to Internet Protocol (IP)-based integrated communications networks where text, video, sound and voice all travel on a single network. While IP-based communications is creating a new competitive landscape with reduced barriers to entry, it also unleashes new growth opportunities and the ability to achieve significant cost savings.

In 2004, we embarked on our strategy to deliver unrivalled integrated communications to customers across Canada with the overall objective of taking a leadership position in setting the standard in IP for the industry and for our customers. Leveraging the opportunities created by IP-based communications should allow us to deliver on the guiding principles of our strategy of customer simplification, innovation and efficiency. This strategy is founded on three priorities:

1. Deliver an enhanced customer experience with the objective of enabling a significantly lower cost structure at Bell Canada.

A year ago we announced a far-reaching, company-wide program called Galileo (Galileo) designed to simplify and enhance the customer experience. In the Consumer segment, Galileo aims to unify the customer experience across all product lines, and eliminate the costs of complexity associated with multiple systems and processes. In the Business segment, Galileo aims to deliver to customers a streamlined service offer based on IP, thereby eliminating the costs of multiple data networks and their related processes.

In 2004, we made significant progress on our Galileo initiatives in both our Consumer and Business segments.

In our consumer segment:

- we gained 369,000 subscriptions to the Bell bundle (a combination of wireless, Internet and video services in one offer), bringing our total sales to 431,000 since it was launched in September of 2003. Over the year, 48% of new bundle activations, 49% of fourth quarter activations and 51% of December activations included the sale of at least one new service.
- the \$5 Long Distance Bundle that we introduced in June 2004, was extremely successful, gaining approximately 229,000 customers by year end
- we completed a major overhaul of Bell ExpressVu's service offerings to stimulate growth and invigorate the business. This included repackaging programs and simpler pricing.
- we completed the migration of all Bell Mobility postpaid customer accounts to a new billing platform that will enable us to consolidate all of a customer's services onto a single bill
- we also made significant advancements in improving the customer experience in our corporate stores.

In our Business segment:

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- we made significant progress on our key objective of having 100% of our core traffic moved to a pervasive national IP multi-protocol label switching (IP-MPLS) network by the end of 2006. At the end of 2004, 61% of the traffic on our core network was IP-based.
- we also began the process to discontinue several legacy data services by announcing in 2004 that we would not sell these services to customers who do not use them currently. This list of legacy services includes Frame Relay, asynchronous transfer mode (ATM), Megastream, Bell Electronic Business Network, some business long distance services from the VNet portfolio (virtual corporate network services for large companies) and some packet services from the Datapac portfolio.

In 2005, we will continue to work on both of these areas.

In Consumer, we will continue to deliver on our strategy to win the broadband home. In particular we:

- aim to significantly increase the number of customers on the Bell bundle

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- will launch a redesigned Bell.ca site, with the objective of increasing online sales
- will rollout a new, simpler bill for our customers.

In Business we will:

- continue the process of discontinuing legacy data services by expanding the list of services that will no longer be sold to customers who do not currently use them and by beginning to stop selling these services to existing customers
- continue to actively encourage customers to adopt new IP-based services as well as to migrate from legacy services to new IP-based services
- increase the adoption of self-serve and web-based interfaces by Enterprise customers
- eliminate network elements and standardize core operating processes.

By the end of 2006, through our Galileo initiatives we are targeting to remove between \$1 billion and \$1.5 billion in annual costs from our current cost structure.

2. *Deliver abundant bandwidth to enable all the services of the future with the reliability and security that customers require.*

Over the next four years, we plan to make a significant investment to expand the reach and amount of bandwidth available to customers. We are aiming to be able to deliver by 2008 up to 26 megabits per second (Mbps) to 85% of urban households in the Québec City to Windsor corridor, or approximately 4.3 million households. Four million of these households will be single family units (SFUs) that will be served using a fibre-to-the-node (FTTN) architecture capable of delivering IPTV service (video over Internet protocol). The remaining 300,000 households will be multiple-dwelling units (MDUs) served using very high-bit-rate DSL (VDSL).

In 2004, we began our FTTN rollout by deploying new high-density remotes in 376 neighbourhoods. Although not yet capable of providing video services, these remotes did enable the expansion of our high-speed Internet access footprint in Ontario and Québec to 83% of homes and business lines passed, compared to 80% at the end of 2003. We also made solid progress in the deployment of VDSL to MDUs. By the end of the year, we had signed access agreements with 335 buildings.

In 2005, we plan to continue our FTTN rollout and conduct trials of our IPTV service. By year end, we expect to have deployed new high-density remotes to 2,500 neighbourhoods, representing a footprint of approximately 1.1 million households. We plan to also continue our VDSL expansion into the MDU markets of Toronto, Montréal and Ottawa.

We were also the first in Canada to announce plans to deploy the third generation (3G) of wireless mobile communications. Through our investment in Evolution, Data Optimized (EVDO), we will offer wireless broadband speeds of up to 2.4 Mbps, six times faster than the speeds that exist today. We intend to deploy EVDO in major urban centres across Canada in 2005 and 2006.

3. *Create the next-generation services to drive future growth.*

We continue to leverage our network capabilities, customer base and market knowledge to deliver innovative next-generation services. We plan to develop applications together with our wide array of partners, integrate them into useful services and bring these services to market using our strong brand, customer reach and channels.

In 2004, our Consumer segment provided next-generation services with:

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- the launch of Sympatico-MSN.ca, a single portal combining the best features and Internet tools of MSN Canada Co. (MSN Canada) 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)
- the launch of leading-edge wireless location-based services
- the launch of wireless phone-to-phone video messaging service.

For Enterprise customers, we launched our Managed IP Telephony service. By year end, Bell Canada had sold more than 145,000 IP-enabled lines on customer premises equipment (CPE). We also enhanced our portfolio of value-added services through the acquisitions of:

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

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 enables 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. and, by February 21, 2005, an 89% interest in IT solutions provider Nexxlink Technologies Inc. (Nexxlink)
- on December 14, 2004, announced an initiative with Microsoft Canada Co. whereby Bell Canada will combine telecommunications services and Microsoft software-based solutions to bring SMB customers reliable, secure, productivity-enhancing services at affordable prices.

In 2005, we plan to introduce Internet telephony service for consumers. In the Enterprise unit, we are targeting to increase the proportion of our customers in the Enterprise market purchasing value-added solutions. In the SMB market, we intend to reinvent the way information technology and telecom are integrated with the objective of increasing the number of SMB customers that view Bell Canada as their virtual Chief Information Officer (VCIO).

We will exploit the IP capability to achieve inter-operability between wireless and wireline platforms. For instance, in 2005 we are targeting to bring to market an integrated single-voice mailbox for both cellular and land lines to allow customer access to voicemail messages through a single voicemail system.

Our corporate structure

The table below shows our main subsidiaries, where they are incorporated or registered, and the percentage of voting and non-voting securities or partnership interest that we beneficially own or that we directly or indirectly exercise control or direction over.

We have other subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. These other subsidiaries together represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues at December 31, 2004.

Our corporate structure

100%

- (1) We do not own any outstanding non-voting securities issued by these subsidiaries.
- (2) All of the voting securities of Bell Canada are owned by Bell Canada Holdings Inc. (BCH), a wholly-owned subsidiary of BCE Inc.
- (3) These subsidiaries represent 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. We have included them to provide a better understanding of our overall corporate structure.

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- (4) This subsidiary is indirectly wholly-owned by BCE Inc. 52% is indirectly held by Bell Canada.

Our directors and officers

At December 31, 2004, BCE Inc.'s directors and officers as a group beneficially owned, directly or indirectly, or exercised control or direction over:

- approximately 1,549,314 or 0.1673% of the common shares of BCE Inc.
- approximately 3,000 or 0.0023% of the common shares of Aliant
- approximately 460 or 0.0012% of the common shares of Bell Canada International Inc. (BCI)
- approximately 6,000 or 0.0067% of the units of the Bell Nordiq Income Fund.

Directors

The table on the next page lists BCE Inc.'s directors, where they lived and their principal occupation on March 2, 2005.

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Directors

<i>Name and municipality of residence</i>	<i>Date elected or appointed to the board</i>	<i>Current principal occupation</i>
André Bérard, <i>Montréal, Québec</i>	January 2003	Corporate director
Ronald A. Brenneman, <i>Calgary, Alberta</i>	November 2003	President and Chief Executive Officer and a director, Petro-Canada (petroleum company), since January 2000
Richard J. Currie, ⁽¹⁾ <i>Toronto, Ontario</i>	May 1995	Chair of the board, BCE Inc. and Bell Canada, since April 2002
Anthony S. Fell, ⁽¹⁾ <i>Toronto, Ontario</i>	January 2002	Chairman of the board, RBC Dominion Securities Limited (investment bank), since December 1999
Donna Soble Kaufman, <i>Toronto, Ontario</i>	June 1998	Lawyer and corporate director
Thomas E. Kierans, ⁽¹⁾ <i>Toronto, Ontario</i>	April 1999	Chair, CSI Global Education Inc. (financial educator), since October 2004
Brian M. Levitt, <i>Montréal, Québec</i>	May 1998	Co-Chair, Osler, Hoskin & Harcourt LLP (law firm), since January 2001
The Honourable Edward C. Lumley, ⁽²⁾ <i>South Lancaster, Ontario</i>	January 2003	Vice-Chairman, BMO Nesbitt Burns Inc. (investment bank), since 1991
Judith Maxwell, <i>Ottawa, Ontario</i>	January 2000	President, Canadian Policy Research Networks Inc. (non-profit organization conducting research on work, family, health, social policy and public involvement), since 1995
John H. McArthur, <i>Wayland, Massachusetts</i>	May 1995	Senior advisor to the President, The World Bank Group (development bank), since March 1996
Thomas C. O'Neill, <i>Don Mills, Ontario</i>	January 2003	Chartered Accountant and corporate director

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James A. Pattison, ⁽³⁾ <i>Vancouver, British Columbia</i>	February 2005	Chairman and Chief Executive Officer, The Jim Pattison Group, since 1961
Robert C. Pozen, <i>Boston, Massachusetts</i>	February 2002	Chairman of the board, MFS Investment Management (global investment manager), since February 2004
Michael J. Sabia, ⁽¹⁾ <i>Montréal, Québec</i>	October 2002	President and Chief Executive Officer (since April 2002) and a director, BCE Inc., and Chief Executive Officer (since May 2002) and a director, Bell Canada
Paul M. Tellier, <i>Montréal, Québec</i>	April 1999	Corporate director
Victor L. Young, <i>St. John s, Newfoundland and Labrador</i>	May 1995	Corporate director

- (1) Was a director or executive officer of Teleglobe Inc. or certain of its affiliates on or during the year preceding May 15, 2002, the date when Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.
- (2) Was a director or executive officer of Air Canada on or during the year preceding April 1, 2003, the date when Air Canada filed for court protection under insolvency statutes in Canada and the United States.
- (3) Was a director or executive officer of Livent Inc. on or during the year preceding November 18 and 19, 1998, the dates when Livent Inc. and its United States subsidiaries filed for court protection under insolvency statutes in Canada and the United States, respectively.

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Past occupation

Under BCE Inc.'s by-laws, each director holds office until the next annual shareholder meeting or until his or her successor is elected. All of BCE Inc.'s directors have held the positions listed in the table on the previous page or other executive positions with the same or associated firms or organizations during the past five years or more, except for the people listed in the table below.

Past occupation

<i>Director</i>	<i>Past occupation</i>
Mr. A. Bérard	<ul style="list-style-type: none"> • Chairman of the board of National Bank of Canada (chartered bank) from March 2002 to March 2004 • Chairman of the board and Chief Executive Officer of National Bank of Canada from 1990 to March 2002 and a director of National Bank of Canada from 1985 to March 2004
Mr. R.A. Brenneman	<ul style="list-style-type: none"> • Before January 2000, General Manager – Corporate Planning of Exxon Corporation (petroleum company)
Mr. R.J. Currie	<ul style="list-style-type: none"> • President of George Weston Limited (food distribution, retail and production) from 1996 to May 2002 and a director from 1975 to May 2002 • President of Loblaw Companies Limited (grocery chain) from 1976 to January 2001 and a director from 1973 to May 2001
Mr. T.E. Kierans	<ul style="list-style-type: none"> • Chairman of the board of Canadian Institute for Advanced Research (conducts basic research programs in the social and natural sciences) from September 1999 to October 2004 • Chairman of the board of Moore Corporation Limited (management and distribution of print and digital information) from 1977 to

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Mr. B.M. Levitt	<ul style="list-style-type: none"> • March 2001 • Chairman of the board of Petro-Canada from 1996 to January 2000
Mr. T.C. O Neill	<ul style="list-style-type: none"> • President and Chief Executive Officer of Imasco Limited (consumer products and services company) from 1995 to February 2000 • Chief Executive Officer of PricewaterhouseCoopers Consulting (provider of management consulting and technology services) from January 2002 to May 2002 and then Chairman of the board from May 2002 to October 2002 • Chief Operating Officer of PricewaterhouseCoopers LLP global organization (professional services firm in accounting, auditing, taxation and financial advisory) from July 2000 to January 2002 • Chief Executive Officer of PricewaterhouseCoopers LLP (accounting firm) in Canada from 1998 to July 2000
Mr. R.C. Pozen	<ul style="list-style-type: none"> • Vice-chairman of the board of Fidelity Investments from June 2000 to December 2001 • President and a director of Fidelity Management and Research Company (provider of financial services and investment resources) from 1997 to June 2001
Mr. P.M. Tellier	<ul style="list-style-type: none"> • President and Chief Executive Officer and a director of Bombardier .Inc. (manufacturer of business jets, regional aircraft and rail transportation equipment) from January 2003 to December 2004 • President, Chief Executive Officer and a Director of Canadian National Railway Company from 1992 to December 2002
Mr. V.L. Young	<ul style="list-style-type: none"> • Chairman of the board and Chief Executive Officer of Fishery Products International Limited (frozen seafood products company) from 1984 to May 2001

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Committees of the board

The table below lists the committees of our board of directors and their members. As a public company, we are required by law to have an audit committee.

<i>Committee</i>	<i>Members</i>
Audit	T.C. O Neill (Chair) A. Bérard J. Maxwell R.C. Pozen V.L. Young
Corporate governance	D. Soble Kaufman (Chair) A.S. Fell T.E. Kierans The Honourable E.C. Lumley J.H. McArthur
Management resources and compensation	R.J. Currie (Chair) R.A. Brenneman A.S. Fell J.H. McArthur V.L. Young

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Pension fund	R.C. Pozen (Chair) T.E. Kierans B.M. Levitt P.M. Tellier
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Past occupation

All of our officers have held their present positions or other executive positions with BCE Inc. or one or more of our subsidiaries or affiliated companies during the past five years or more, except for:

- Mr. Bilodeau who was Senior Vice-President, Compensation Practice of AON Consulting (consulting company) before April 2002
- Ms. Brooks who was Vice-President and Controller of Enbridge Inc. (pipeline company) before July 2003
- Mr. Bruneau who was Founder and Chairman Emeritus of Adventis (a strategy and management consultancy to the global telecommunications industry) before December 2004
- Mr. Daniel who was Senior Vice-President of Canadian International Development Agency (CIDA) (industrial co-operation program that provides financial support to Canadian firms) before October 2003
- Ms. Gibson who was Vice-President, Marketing of WorldLinx Telecommunications Inc. (telecommunications company) before February 2001
- Mr. Houle who was Senior Vice-President, Corporate Human Resources of Alcan Inc. (packaging and aluminum company) before June 2001
- Mr. Hunter who was a partner with Stikeman Elliott LLP (law firm) before March 2003
- Mr. Wickramasinghe who was Senior Vice-President of Canadian Imperial Bank of Commerce (CIBC) (chartered bank) and Chief Financial and Administrative Officer of Amicus Financial (CIBC's e-commerce division) before August 2003. He was also Senior Vice-President and Chief Administrative Officer of CIBC Retail and Small Business Banking from June 2001 to February 2002 and Vice-President Audit & Chief Security Officer of CIBC before June 2001.

Officers

The table below lists BCE Inc.'s officers, where they lived and the office that they held at BCE Inc. on March 2, 2005.

Officers

<i>Name</i>	<i>Municipality of residence</i>	<i>Office held at BCE Inc.</i>
Michael J. Sabia ⁽¹⁾	Montréal, Québec	President and Chief Executive Officer
William D. Anderson ⁽¹⁾	Montréal, Québec	President, BCE Ventures Inc.
Alain Bilodeau	Montréal, Québec	Senior Vice-President, BCE Inc. and President, BCE Corporate Services Inc.
Michael T. Boychuk ⁽¹⁾	Montréal, Québec	Senior Vice-President and Treasurer
Karyn A. Brooks	Montréal, Québec	Vice-President and Controller
Mark R. Bruneau	Montréal, Québec	Executive Vice-President and Chief Strategy Officer
Peter Daniel	Ottawa, Ontario	Executive Vice-President Communications and Corporate Marketing
Lib Gibson	Toronto, Ontario	Corporate Advisor
Leo W. Houle	Montréal, Québec	Chief Talent Officer
Lawson A.W. Hunter	Ottawa, Ontario	Executive Vice-President
Patricia A. Olah	Montréal, Québec	Corporate Secretary
Barry W. Pickford	Toronto, Ontario	Senior Vice-President Taxation
Stephen P. Skinner ⁽¹⁾	Montréal, Québec	Senior Vice-President – Finance – Bell Canada
Martine Turcotte	Montréal, Québec	Chief Legal Officer
Siim A. Vanaselja	Montréal, Québec	Chief Financial Officer

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Stephen G. Wetmore	Mississauga, Ontario	Executive Vice-President
Mahes S. Wickramasinghe	Mississauga, Ontario	Senior Vice-President Audit and Risk Management

- (1) Was a director or executive officer of Teleglobe Inc. or certain of its affiliates on or during the year preceding May 15, 2002, the date when Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.

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Approximately 41% of our employees are represented by unions and are covered by collective agreements. The following important collective agreements have expired:

- the collective agreements between CTV Television Inc. (CTV Television) and its employees in Calgary and Edmonton, representing approximately 150 employees, which expired on September 30, 2004
- the collective agreement between CTV Television and its employees in Ottawa, representing approximately 65 employees, which expired on December 31, 2004.

Negotiations continue regarding the renewal of both collective agreements.

The following important collective agreements expire on or before December 31, 2005:

- the collective agreement between the Canadian Telecommunications Employees Association (CTEA) and Bell Canada representing approximately 10,000 clerical and associated employees, which expires on May 31, 2005. Negotiations began in March 2005.
- certain collective agreements, representing approximately 170 CTV Television employees, that expire as follows:
 - ◆ Sault Ste. Marie on April 8, 2005
 - ◆ RDS Montréal on April 15, 2005
 - ◆ Cape Breton, New Brunswick, North Bay and Saskatoon on August 31, 2005.
- the collective agreement representing approximately 395 Globe and Mail employees, which expires on July 1, 2005.

On January 21, 2005, the Communications Energy and Paper Workers Union of Canada (CEP) filed a common employer application between Bell Canada, Bell West, Smiston Communications (Smiston) and GT Group Telecom Services Corporation (Group Telecom) to represent the craft and services employees of Bell West, Smiston and Group Telecom.

On October 22, 2004, the CTEA filed a common employer application between Bell Canada and Bell West with the Canadian Industrial Relations Board (CIRB), to represent the clerical and sale employees of Bell West.

Our capital structure

BCE Inc. Securities

The BCE Inc. articles of amalgamation provide for an unlimited number of common shares, an unlimited number of first preferred shares issuable in series, an unlimited number of second preferred shares also issuable in series and unlimited number of Class B shares. In addition, BCE Inc. has issued debt securities in the form of notes. This section describes BCE Inc.'s securities, the ratings that certain rating agencies have attributed to such securities and the trading of such securities on the Toronto Stock Exchange (TSX).

Debt securities

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BCE Inc. has issued long-term debt securities in the form of Series A, B and C Notes, as summarized in the table below.

Debt securities

All Series A, B and C Notes issued by BCE Inc. are unsecured. BCE Inc. has the option to redeem the Series B and C Notes (in the principal amount of \$1.7 billion) at any time.

BCE Inc. has a shelf prospectus providing for the issue of up to \$1.0 billion of medium term notes (MTNs). BCE Inc. has not issued any MTNs under its current shelf prospectus which expires in February 2006.

The indentures governing the Series A, B and C Notes and the MTNs contain certain covenants including, but not limited to, a negative pledge, and certain events of default including, but not limited to, a cross-default with respect to Bell Canada's indebtedness for borrowed money in certain circumstances for as long as BCE Inc. controls Bell Canada. The indenture governing the Series A, B and C Notes contains, in particular, a provision stating that in the event BCE Inc. disposes of voting shares of Bell Canada in such a number as to hold, directly or indirectly, less than 75% of the voting rights attaching to the outstanding voting shares of Bell Canada, unless the Series A, B and C Notes have an approved rating from each of certain rating agencies on each day of a rating period, BCE Inc. shall have the obligation to make an offer to purchase all of the Series A, B and C Notes at 100% of their face value together with accrued and unpaid interest to the purchase date.

BCE Inc. may issue notes under its commercial paper program up to the amount of its supporting committed lines of credit. The total amount of its supporting committed lines of credit was \$331 million at December 31, 2004. BCE Inc. had no commercial paper outstanding at December 31, 2004. BCE Inc. can also issue Class E notes under its commercial paper program. These notes are not supported by committed lines of credit and may be extended in certain circumstances. BCE Inc. may issue up to \$360 million of Class E notes. BCE Inc. had no Class E notes outstanding at December 31, 2004.

BCE Inc. is in compliance with all conditions and restrictions attaching to the debt securities described above.

Share capital

Preferred shares

BCE Inc.'s articles of amalgamation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The terms set out in the articles authorize BCE Inc.'s directors to issue the shares in one or more series and to set the number of shares and conditions for each series.

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Voting rights

All of the issued and outstanding preferred shares at December 31, 2004 were non-voting, except under special circumstances, for example if BCE Inc. failed to make dividend payments, when the holders are entitled to one vote per share.

Entitlement to dividends

Holders of Series R, Z, AA and AC shares are entitled to fixed cumulative quarterly dividends. The dividend rate on these shares is reset every five years, as set out in BCE Inc.'s articles of amalgamation.

Holders of Series S and Y shares are entitled to floating adjustable cumulative monthly dividends.

If Series Q, AB and AD shares are issued, their holders will be entitled to floating adjustable cumulative monthly dividends.

If Series T shares are issued, their holders will be entitled to fixed cumulative quarterly dividends.

Conversion features

All of the issued and outstanding BCE Inc. preferred shares at December 31, 2004 are convertible at the holder's option into another associated series of preferred shares on a one-for-one basis as per the terms set out in BCE Inc.'s articles of amalgamation.

Redemption features

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BCE Inc. may redeem Series R, Z, AA and AC shares on the redemption date and every five years after that date.

If Series T shares are issued, BCE Inc. may redeem them on the redemption date and every five years after that date.

BCE Inc. may redeem Series S and Y shares at any time at \$25.50 per share (being a 2% premium to the issue price). If Series Q, AB and AD shares are issued, BCE Inc. may redeem them at any time.

Liquidation, dissolution or winding up

The first preferred shares of all series rank on a parity with each other and in priority to all other shares of BCE Inc. with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BCE Inc., whether voluntary or involuntary, or any other distribution of assets for the purpose of winding up its affairs.

The second preferred shares of all series rank on a parity with each other and after the first preferred shares and in priority to all other shares of BCE Inc. with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BCE Inc., whether voluntary or involuntary, or any other distribution of assets for the purpose of winding up its affairs.

Common shares and Class B shares

BCE Inc.'s articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares. Each common share entitles its holder to one vote at any meeting of shareholders. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE Inc. is liquidated, dissolved or wound up, after payments due to the holders of preferred shares.

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The table below provides details about the outstanding common shares of BCE Inc. at December 31, 2004. No Class B shares were outstanding at December 31, 2004 and 2003.

There are ownership constraints on BCE Inc.'s common shares. For more details, see *The regulatory environment we operate in* - *Legislation that governs our business*.

Ratings for BCE Inc. securities

Ratings generally address the ability of a company to repay principal and interest or dividends on securities.

BCE Inc.'s securities are rated by the following rating agencies:

- Dominion Bond Rating Service Limited (DBRS)
- Moody's Investors Service, Inc. (Moody's)
- Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P)
- Fitch Ratings Ltd. (Fitch).

This section describes the credit ratings that BCE Inc. has received for its securities. These ratings provide investors with an independent measure of credit quality of an issue of securities. Each rating should be evaluated independently.

These credit ratings are not recommendations to purchase, hold or sell any of the securities discussed above, or a comment on the market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn in the future by a rating agency.

Commercial paper and extendible commercial notes

The table below shows the range of credit ratings that each rating agency assigns to short-term debt instruments.

The DBRS short-term debt rating scale indicates DBRS' assessment of the risk that a borrower will not fulfill its near-term debt obligation in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

An S&P commercial paper rating indicates S&P's assessment of whether the company can meet the financial commitments of a specific commercial paper program or other short-term financial instrument, compared to the debt servicing and repayment capacity of other companies in Canada's financial markets. Credit ratings are based on current information provided by the issuers or obtained by S&P from other sources it considers reliable. S&P does not perform an audit when it assigns a credit rating.

Moody's short-term ratings indicate Moody's assessment of the ability of issuers to meet short-term financial obligations. It may assign ratings to issuers, short-term programs or to individual short-term debt instruments. These short-term obligations generally have an original maturity of 13 months or less, unless stated otherwise.

BCE Inc. has received the following credit ratings for commercial paper and extendible commercial notes.

	Short-term debt credit rating
DBRS	R-1 (low)
Moody's	P-2
S&P	A-1 (mid)

The R-1 (low) rating for short-term debt ranks third among the 10 credit ratings given by DBRS, and, according to DBRS, indicates:

- satisfactory credit quality
- respectable overall strength and outlook for key liquidity, debt and profitability ratios, but not as favourable as higher rating categories
- any qualifying negative factors that exist are considered manageable, and the company is normally of sufficient size to have some influence in its industry.

The A-1 (mid) rating ranks second among the eight short-term credit ratings given by S&P and, according to S&P, indicates a strong capacity to meet its financial commitment on the short-term obligations. Obligations rated A-1(mid) on the commercial paper rating scale would qualify for a rating of A-1 on S&P's global short-term rating scale.

The P-2 rating provided for BCE Inc. commercial paper ranks second among the three short-term credit ratings given by Moody's and according to Moody's, indicates a strong ability to repay short-term debt obligations.

Long-term debt (Senior notes Series A, B and C)

The table below shows the range of ratings that each rating agency assigns to long-term debt instruments.

The DBRS long-term debt rating scale indicates the risk that a company may not meet its obligations to pay interest and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

S&P's credit rating is a current assessment of the creditworthiness of the company in meeting a specific financial obligation, a specific class of financial obligations, or a specific financial program. It takes into consideration:

- the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation
- the currency that the obligation is denominated in
- current information provided by the company or obtained by S&P from other reliable sources
- unaudited financial information from time to time, as S&P does not perform an audit

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- the likelihood of payment capacity and willingness of the company in meeting its financial commitment on an obligation according to the terms of the obligation
- the nature of and provisions of the obligation
- the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Moody's long-term obligation ratings are an assessment of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honoured as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Fitch's international long-term credit ratings assess the capacity to meet foreign or local currency commitments. Both foreign and local currency ratings are internationally comparable assessments. The local currency rating measures the probability of payment only within the sovereign state's currency and jurisdiction.

BCE Inc. has received the following credit ratings for the long-term debt it has issued:

The DBRS A rating on long-term debt ranks sixth among the 26 long-term debt credit ratings given by DBRS. According to DBRS, a company with long-term debt rated A by DBRS:

- is satisfactory credit quality
- protection of interest and principal is still substantial, but the degree of strength is less than that of AA.

While A is a respectable rating, companies that fall into this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.

The A- rating ranks seventh among the 22 long-term debt credit ratings given by S&P. According to S&P, an obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the company still has a strong capacity to meet its financial commitment on the obligation.

The Baa1 rating ranks eighth among the 21 long-term debt credit ratings given by Moody's. According to Moody's, obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and may have certain speculative characteristics.

The A- rating ranks seventh among the 24 long-term ratings given by Fitch. According to Fitch, A ratings denote high credit quality and a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Preferred Shares

The table below describes the range of ratings that each rating agency assigns to preferred share instruments.

The DBRS preferred share rating scale indicates their assessment of the risk that a borrower may not be able to meet its full obligation to pay dividends and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

S&P's preferred share rating is a current assessment of the credit worthiness of a company in meeting a specific preferred share obligation issued in the market, compared to preferred shares issued by other issuers in the market.

BCE Inc. has received the following ratings for the first preferred shares it issued.

	Preferred share credit rating
DBRS	Pfd-2
S&P	P-2 (high)

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The Pfd-2 rating for preferred shares ranks fifth among the 16 preferred share credit ratings given by DBRS. According to DBRS, a company with preferred shares rated Pfd-2 by DBRS:

- is satisfactory credit quality
- protection of dividends and principal is still substantial, but earnings, balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies. Generally, companies with Pfd-2 ratings have senior bond rated in the A category.

The P-2 (high) rating ranks fourth among the 18 preferred share credit ratings given by S&P. A P-2 (high) rating on the Canadian scale is equivalent to a BBB+ rating on the global scale. According to S&P, an obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the company's ability to meet its financial commitment on the obligation.

Trading of our Securities

Common and preferred shares of BCE Inc. are traded on the TSX. In addition, BCE Inc.'s common shares are listed on the New York Stock Exchange (NYSE) and the SWX Swiss Exchange. The tables below and on the next page show the range in share price per month and volume traded on the TSX for each class of BCE Inc. securities.

BCE Inc. common shares

2004	High	Low	Volume traded
December	\$29.33	\$27.98	38,078,817
November	\$29.22	\$27.15	39,003,863
October	\$28.65	\$27.20	32,534,161
September	\$28.64	\$27.20	40,438,523
August	\$28.02	\$26.80	30,876,533
July	\$28.00	\$25.72	43,927,935
June	\$27.47	\$25.64	43,339,921
May	\$28.30	\$26.39	43,029,353
April	\$28.86	\$26.51	42,365,543
March	\$29.39	\$27.34	58,954,468
February	\$29.98	\$28.36	54,902,306
January	\$30.28	\$28.49	71,498,934

BCE Inc. preferred shares Series R

2004	High	Low	Volume traded
December	\$26.45	\$25.85	129,560
November	\$26.35	\$25.50	160,734
October	\$26.50	\$26.10	62,550
September	\$26.24	\$26.05	123,314
August	\$26.24	\$26.00	342,326
July	\$26.35	\$25.76	675,660
June	\$26.38	\$26.01	42,442
May	\$27.00	\$26.00	442,086
April	\$27.00	\$26.22	527,668

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March	\$27.00	\$26.55	86,810
February	\$27.12	\$26.60	74,155
January	\$27.11	\$26.25	542,102

BCE Inc. Preferred shares Series S

2004	High	Low	Volume traded
December	\$25.53	\$24.80	171,504
November	\$25.15	\$24.76	502,032
October	\$25.00	\$24.75	222,724
September	\$25.00	\$24.55	256,451
August	\$25.00	\$24.55	119,881
July	\$25.50	\$24.60	48,456
June	\$25.20	\$24.71	96,518
May	\$25.55	\$24.95	101,558
April	\$25.48	\$24.80	78,291
March	\$25.34	\$24.75	122,817
February	\$25.45	\$25.01	150,295
January	\$25.70	\$25.00	151,366

BCE Inc. Preferred shares Series Y

2004	High	Low	Volume traded
December	\$25.25	\$24.85	1,405
November	\$25.25	\$24.43	7,100
October	\$25.00	\$24.27	23,260
September	\$25.35	\$24.60	17,580
August	\$26.00	\$24.65	4,250
July	\$25.69	\$24.52	8,075
June	\$25.50	\$24.76	55,850
May	\$25.80	\$24.87	25,417
April	\$25.50	\$25.00	7,200
March	\$25.55	\$25.00	16,600
February	\$26.00	\$25.20	60,760
January	\$25.45	\$25.02	6,230

BCE Inc. Preferred shares Series Z

2004	High	Low	Volume traded
December	\$27.15	\$26.45	597,730
November	\$27.15	\$26.51	373,967
October	\$27.19	\$26.65	34,139
September	\$27.15	\$26.55	406,071
August	\$26.85	\$26.50	663,166
July	\$26.89	\$26.00	108,244
June	\$26.64	\$26.00	150,334
May	\$26.70	\$25.95	969,709
April	\$27.30	\$26.00	177,069
March	\$27.70	\$26.65	159,892
February	\$27.75	\$27.00	42,244
January	\$27.49	\$26.65	256,691

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BCE Inc. Preferred shares – Series AA

2004	High	Low	Volume traded
December	\$27.25	\$26.75	136,094
November	\$27.10	\$26.55	242,880
October	\$27.00	\$26.65	83,330
September	\$27.00	\$26.65	348,885
August	\$26.80	\$26.45	492,111
July	\$26.74	\$26.00	221,942
June	\$27.58	\$25.65	137,176
May	\$26.64	\$25.80	274,923
April	\$27.40	\$26.40	576,896
March	\$27.70	\$26.32	415,501
February	\$27.15	\$26.60	204,475
January	\$27.29	\$26.69	248,144

Our dividend policy

On December 15, 2004, we announced a 10% or \$0.12 per share increase in our annual dividend on BCE Inc. common shares.

Subject to being declared by the board of directors, we pay quarterly dividends on common shares at a rate of \$1.32 per year, according to the current dividend policy approved by the board of directors in December 2004.

Subject to being declared by the board of directors, BCE Inc. pays dividends on its preferred shares every quarter, except for

dividends on Series S and Series Y preferred shares, which BCE Inc. pays monthly.

The board of directors regularly reviews BCE Inc.'s dividend policy against our actual operating and financial performance and performance we anticipate in the future.

The table below shows the amount of cash dividends declared per share of each class of BCE Inc. shares for 2002, 2003 and 2004.

ABOUT OUR BUSINESSES

We report Bell Canada's results of operations in four segments. Each reflects a distinct customer group: *Consumer*, *Business*, *Aliant*, and *Other Bell Canada*. All of our other activities are reported in the *Other BCE* segment. This section describes our products and services and competitors for each of our businesses.

Bell Canada

Bell Canada is Canada's leading provider of wireline and wireless communications services, Internet access, data services and video services to residential and business customers. Bell Canada's major lines of business, which include our Consumer, Business, Aliant and Other Bell Canada segments, are described below.

Some of Bell Canada's revenues vary slightly by season. For example, Business segment revenues tend to be higher in the fourth quarter because of higher levels of voice and data equipment sales. The Aliant segment wireless revenues tend to peak in the third quarter due to increased air-time, long distance and roaming during summer vacations. Other revenues of the Aliant segment, such as directory and IT service and fulfillment revenues, also experience seasonality. Our operating income can also vary slightly by season. For example, Consumer segment operating income tends to be lower in the fourth quarter due to the higher acquisition costs related to higher subscriber gains in the holiday season.

Products and services

Local and access services

Bell Canada operates an extensive local access network that provides local telephone services to:

- residential customers mainly in Québec and Ontario through our Consumer segment
- business customers in Ontario, Québec and Western Canada through our Business segment
- Atlantic Canada through our Aliant segment
- Less populated areas of Québec, Ontario and Canada's northern territories through Télébec, NorthernTel and Northwestel, which form part of our Other Bell Canada segment
- Competitors who resell these services.

The 12.9 million local telephone lines, or network access services (NAS), we provide for our customers are key in establishing customer relationships and are the foundation for the other products and services we offer.

Local telephone service is the main source of local and access revenues. Other sources of local and access revenues include:

- value-added services, such as call display, call waiting and voicemail
- services provided to competitors accessing our local network
- connections to and from our local telephone service customers for competing long distance companies
- subsidies from the National Contribution Fund to support local service in high-cost areas.

Rates for local telephone and value-added services in our incumbent territories are regulated by the Canadian Radio-television and Telecommunications Commission (CRTC).

The local telephone services market became more competitive in 2004 when several companies launched voice over Internet protocol (VoIP) services. In 2004, we launched our own VoIP service for Enterprise customers and are currently conducting trials of a version for residential customers. Several major cable companies recently entered, or announced their intention to enter, the

local telephone services market in 2005 with VoIP offerings of their own.

Long distance services

We supply long distance voice services to business and residential customers. We also receive settlement payments from other carriers for completing their customers' long distance calls in our territory. Long distance services are provided through the same segments as local and access services.

Prices for long distance services have been declining since this market was opened to competition. In 2004, the long distance services market became more competitive with the emergence of non-traditional suppliers (i.e., prepaid card, dial-around and VoIP providers).

Wireless services

We offer a full range of wireless communications services to business and residential customers, including cellular, personal communications services (PCS) and paging. Wireless services are provided through the same segments as local and access services. PCS customers can get wireless access to the Internet through our Mobile Browser service or send text messages. We also provide value-added services, such as call display and voicemail, and roaming services with other wireless service providers. Customers can choose to pay for their cellular and PCS services through a monthly rate plan (postpaid) or in advance (prepaid). At the end of 2004, we had more than 5.3 million cellular, PCS and paging customers.

The wireless division of each of our incumbent telephone companies provides wireless communications in its home territory, except for Bell Mobility, which provides these services in its home territory as well as Alberta and British Columbia.

Our wireless network provides voice services and data services at typical transmission speeds of approximately 120 Kbps. At the end of 2004, our wireless network covered:

- 95% of the population in Ontario and Québec, which is equivalent to our analogue coverage in this region
- 88% of the population in Atlantic Canada
- Calgary, Edmonton and Vancouver in Western Canada.

In December 2004, we announced we were in trials for Canada's first EVDO network, which will provide wireless broadband speeds up to six times faster than data speeds available today. We expect to deploy EVDO in major urban centres across Canada in 2005 and 2006.

We also announced a joint venture with the Virgin Group to offer wireless services to the key youth market under the dynamic Virgin brand. See *Business Highlights* for more details.

Data services

High-speed Internet access service provided through digital subscriber line (DSL) technology for residential and SMB customers is a growth area for Bell Canada. Data services are provided through the same segments as local and access services, with the Consumer segment offering internet access to our residential customers. At the end of 2004, we had over 1.8 million high-speed Internet customers.

We expanded our DSL footprint in Ontario and Québec to 83% of homes and business lines passed at the end of 2004, compared to 80% at the end of 2003. This was partly due to the deployment of new high-speed remotes that began in April 2004. In Atlantic Canada, DSL was available to 72% of homes and 79% of businesses at the end of 2004, compared to 65% and 75%, respectively, at the end of 2003.

During 2004, we upgraded our Sympatico DSL services by increasing our High Speed Edition to up to 3 Mbps from 1.5 Mbps and our Ultra service from 3 Mbps to up to 4 Mbps.

We offer a full range of data services to business customers, including Internet access, IP-based services, VAS and equipment sales. While we still offer legacy data services such as frame relay and ATM, we began the process of discontinuing legacy data services by announcing in 2004 that we would not sell several of these services to customers who do not use them currently.

Video services

We are Canada's largest digital television provider, broadcasting nationally more than 400 video and CD-quality audio channels, including up to 25 high definition channels and unique interactive television services. Video services are provided through our Consumer segment. At the end of 2004, we provided video services to more than 1.5 million customers. We currently distribute our video services to customers in one of two ways:

- direct-to-home (DTH) satellite: we have been offering DTH video services nationally since 1997. We use three satellites, Nimiq 1, Nimiq 2, and Nimiq 3. We added Nimiq 3 in 2004 to improve signal strength and reliability while increasing capacity.

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- VDSL: In 2003, we began expanding our reach to the Toronto MDU market through the use of VDSL. The MDU market represents approximately 40% of all households in Toronto. In 2004, we increased our penetration of the Toronto MDU market and also began deploying VDSL in the MDU markets in Montréal and Ottawa.

In the future, we plan to also provide an IPTV service terrestrially to urban households in the Québec City to Windsor corridor. In 2004, we received CRTC approval of our broadcast licence application to deliver

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video services terrestrially to SFUs. We plan to conduct trials of our IPTV service in 2005.

Signal piracy continues to be a major issue facing all segments of the Canadian broadcasting industry. During the year, we intensified our ongoing efforts against television signal theft with several new initiatives. These included:

- initiating a smart card swap on a phased-in basis for its authorized digital receivers which is expected to be completed by late 2005
- an electronic countermeasure program that transmits electronic signals to disable set top boxes with illegal cards
- the use of new sophisticated set top box tracking systems and implementation of specific point-of-sale practices, such as obtaining customer photo identification and credit card information, and requiring customers to pre-register online, to ensure that set top boxes are being used by legitimate subscribers
- aggressive measures to investigate and initiate legal action against persons engaged in the manufacture, sale and distribution of signal theft technology
- implementation of policies with authorized retailers to combat piracy including a zero tolerance policy for activities related to signal theft.

Terminal Sales and Other

This category includes revenues from a number of other sources, including:

- renting, selling and maintaining business terminal equipment
- wireless handset and video set top box sales
- network installation for third parties
- IT services provided by Aliant.

Terminal sales and other revenues are derived by the segments that form Bell Canada.

Wholesale business

The Wholesale business that forms part of our Other Bell Canada segment provides local telephone, long distance, wireless, data and other services to customers who in many cases are also Bell Canada's competitors. These wholesale customers, who are located principally in Ontario and Québec and may also be in Western Canada and the United States, resell these services or use them in combination with their own network capabilities.

Marketing and distribution channels

The Consumer segment delivers its products and services through:

- over 9,000 call centre service representatives
- 380 Bell World/Espace Bell and Bell Mobility retail locations, of which 140 are corporately owned stores with dealers owning the rest
- over 2,400 retail points of presence through both national retailers such as Future Shop, Best Buy, Radio Shack, Wireless Wave (wireless only) and regional retailers in both the West such as London Drugs and Visions and in Québec such as Audiotronics/Dumoulin
- the bell.ca website.

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Customers can buy our full range of products through the call centres, retail stores, sales representatives and our web portals.

The Consumer segment's large wireline customer base and its ability to cross-sell through a variety of distribution channels are key competitive advantages. Cross-selling provides value for our customers, which increases the amount they spend with us. It also allows us to simplify our product offering and to compete aggressively. Our ability to cross-sell enhances revenue per customer, reduces churn and improves productivity.

We will continue to focus on cross-selling and bundling our products and services, including Internet access, wireless and DTH satellite television, to residential customers. See *Our Objectives and Strategy* for more information on bundling of our products and services.

Bundles provide customers with value for consolidating all their services with Bell Canada. Currently the value is provided through discounts. However, this is evolving to include product cross functionality that will only be available with a bundle and which enhances the customer's experience. Customers also get the convenience of One Bill for their Bell ExpressVu and Sympatico Internet access services as well as a single point of contact for service. We expect to include wireless services in our single bill during 2005.

Communications products and services for Bell Canada's SMB customers are delivered by Bell Canada's SMB group. They are sold through web portals, call centres and dedicated sales representatives. We will continue to focus on increasing the number of products per customer in this market by cross-selling Internet access, wireless, gateways, conferencing, and network architecture and consulting services. We will also continue to simplify our processes and the overall experience for our customers.

Communications products and services for Bell Canada's large Enterprise customers are delivered by Bell Canada's Enterprise group. They are sold through our web portals, call centres, dedicated sales representatives, as well as through competitive bids that we win. In addition to basic communications services, the Enterprise group bundles products, services and professional services into fully managed, end-to-end, network-based business solutions for its customers. It also partners with third parties to bid on and sell complex business solutions. We are focusing on increasing the number of customers that buy business solutions. These offer more value, strengthen relationships with customers and help reduce churn.

Aliant sells its telecommunications products and services through approximately 1,500 call centre representatives, approximately 250 independent dealer stores, 51 stores through its acquisition of DownEast Ltd. and the aliant.net website. Aliant facilitates customer payments through over 250 payment agencies. During 2004, Aliant made process improvements to simplify and speed-up various types of customer interactions and introduced online ordering on its website.

Communications products and services for Bell Canada's Wholesale business are delivered by Bell Canada's Carrier Services Group. They are sold through our dedicated sales representatives, web portals and call centres.

Networks

The telecommunications industry continues to evolve rapidly as the industry moves from multiple service-specific networks to IP-based integrated communications networks where text, video, sound and voice all travel on a single network. Bell Canada and Aliant are working with Nortel Networks Corporation (Nortel Networks), to establish a national multi-service IP-enabled network. See *Our objectives and strategy* for more information related to our IP strategy. See *Business Highlights 2003*

Highlights for more information related to agreements with Nortel Networks and Cisco Systems Canada in relation with our IP networks.

Bell Canada's communications networks provide voice, data, wire-line and wireless services to customers across Canada and in limited areas of the United States.

Bell Canada's infrastructure includes:

- national transport for voice and data, including Internet traffic
- urban and rural infrastructures for delivering services to customers
- national wireless networks that provide voice and data services
- satellite and VDSL delivery of video services to customers.

The national voice and data network consists of more than 11,500 route miles of optical fibre, which is configured as multiple rings for redundancy and fault protection. It reaches all major metropolitan centres and many smaller ones in Canada, as well as New York, Chicago, Washington, Atlanta, Dallas, Los Angeles, San Francisco and Seattle in the United States, at a speed of 10 gigabits per second.

Bell Canada's networks in major Canadian cities provide state-of-the-art high-speed access at gigabit speeds based on IP technology, while continuing to be a key provider of traditional voice and data services. The national data network has more than

750 gigabits per second of capacity and transports more than 150 gigabits per second of Internet traffic to Canadian customers every day.

In total, Bell Canada's wireless infrastructure covered 95% of Ontario's and Québec's population at December 31, 2004. Bell Canada's wireless network also covers major cities in the provinces of Alberta and British Columbia. In 2002, Bell Canada launched state-of-the-art 1xRTT technology that allows customers to send data at speeds of up to 163.2 kilobits per second.

To reach high value business customers, Bell Canada has installed more than 520,000 strand miles of optical fibre in most cities in Ontario, Québec and the Atlantic provinces, and in Vancouver, Victoria, Edmonton and Calgary, as well as virtually every municipality in Alberta on the Government of Alberta Super Net project. This optical fibre also carries Internet traffic to and from high speed customers.

Bell Canada has extensive copper and voice-switching networks that provide local and interexchange voice services to all of its business and residential customers in Ontario, Québec and the Atlantic provinces.

Aliant's network provides voice, data, wireline and wireless services to customers throughout Atlantic Canada.

Aliant is collaborating with customers through the launch of VoIP demonstration centres in 2004, the launch of an Atlantic Canadian based SMB Innovation Centre in collaboration with Bell Canada in the first quarter of 2005 and a fibre-to-the-home trial project launched in January 2005.

In 2004, Aliant doubled the speed of its 1xRTT network and expanded its coverage to mirror its digital wireless network. As at December 31, 2004, approximately 88% of Atlantic Canada's population had access to Aliant's digital wireless voice and data network.

Aliant also expanded its high-speed Internet service to pass 72% of homes and 79% of businesses in Atlantic Canada as at December 31, 2004.

Competition

Since the local services market was opened to competition in 1998, almost all of the markets that Bell Canada operates in are competitive. We face intense competition from traditional competitors, as well as from new entrants to the markets in which we operate. We compete not only with other telecommunications and television service providers, but also with other businesses and industries. These include cable, software and Internet companies, a variety of companies that offer network services, such as providers of business information systems, system integrators, and other companies that deal with, or have access to, customers through various communications networks.

Competition in Atlantic Canada is intense. Virtually every aspect of Aliant's business is subject to competition. Competitive factors are similar to those identified in our Consumer and Business segments. Competition includes not only Bell Canada's major national competitors but also competitive activity and competitors unique to Atlantic Canada, such as Eastlink Communications (Eastlink), especially for local service.

Atlantic Canada is the only market in Canada where residential local service is more competitive than business. The CRTC recognizes that the two most competitive local residential markets in Canada are in Atlantic Canada. Competition continues to increase as the largest competitive local exchange carrier in Atlantic Canada continues to expand into new areas in Nova Scotia, Prince Edward Island and parts of New Brunswick and partners with a wireless provider to add cellular service as an option in its bundled offerings which already consist of local, long distance, Internet and cable television. In addition, a long distance competitor has begun offering local service, using both traditional wireline and VoIP in Aliant's largest urban market, Halifax. As technology advances, competition for local service is expected to continue to grow as VoIP becomes more widely accepted in the market.

The CRTC regulates the prices we can charge for basic access services. See *The regulatory environment we operate in* for more information.

Technology substitution, and VoIP in particular, has reduced barriers to entry in the industry. This has allowed competitors with far lower investments in financial, marketing, personnel and technological resources to rapidly launch new products and services and gain market share. Certain VoIP technology implementations do not require service providers to own or rent physical networks, which gives other competitors increased access to this market.

Contracts for long distance services to large business customers are very competitive. Customers may choose to switch to competitors that offer lower prices to gain market share and that are less concerned about the quality of service or impact on their earnings.

Wireline

Our main competitors in local and access services are:

- Allstream (a division of MTS Allstream Inc.)
- Call-Net
- Telus Corporation (Telus)
- Eastlink, in the Maritime Provinces
- Futureway Communications Inc. (Futureway), in the greater Toronto area.

Competition in the long distance services market has been based primarily on price, which has led to flat-rate pricing in the residential market. We experience significant competition in the provision of long distance service from dial-around providers, prepaid card providers, VoIP service providers and others, and from traditional competitors such as inter-exchange carriers and resellers. We also face increasing cross-platform competition as customers replace traditional services with new technologies. For example, our wireline business competes with VoIP, wireless and Internet services, including chat services, instant messaging and e-mail. We also expect to face competitive pressure from cable companies as they implement voice services over their networks and from other emerging competitors such as electrical utilities.

These alternative technologies, products and services are now making significant inroads in our legacy services, which typically represent our higher margin business.

Our major competitors in long distance are:

- Telus
- Allstream
- Call-Net
- prepaid long distance providers, such as Group of Goldline
- Primus Telecommunications Canada Inc. (Primus)
- dial-around providers, such as Yak and Looney Call, which are divisions of YAK Communications (Canada) Inc.
- Eastlink, in the Maritime provinces.

Wireless

The Canadian wireless telecommunications industry is highly competitive. We compete directly with other wireless service providers that aggressively introduce, price and market their products and services, and with wireline service providers. We expect competition to intensify as new technologies, products and services are developed.

Bell Mobility competes for cellular and PCS customers, dealers and retail distribution outlets directly with:

- Rogers Wireless Inc. (including the recently acquired Microcell Telecommunications Inc. (Fido))
- Telus Mobility (a business unit of Telus)

Competition for subscribers to wireless services is based on price, services and enhancements, technical quality of the cellular and PCS system, customer service, distribution, coverage and capacity.

Data

Bell Canada faces intense competitive pressure in the data services market. Cable companies and independent Internet service providers (ISPs) have increased competition in the broadband and Internet access services business. In particular, competition from cable companies has focused on increased bandwidth and discounted pricing on bundles. Competition has led to pricing for Internet access in Canada that is among the lowest in the world.

In addition, service providers that are funded by regional electrical utilities may continue to develop and market services that compete directly with Bell Canada's Internet access and broadband services. Developments in wireless broadband services may also result in increased competition in certain geographic areas.

In the high-speed Internet access services market, the Consumer segment competes with large cable companies, such as:

- Rogers Cable Inc. (Rogers)
- Le Groupe Vidéotron Ltée (Vidéotron)

- Cogeco Cable Inc. (Cogeco)
- Eastlink, in the Maritime provinces.

In the dial-up market, the Consumer segment competes with America Online, Inc., Primus and more than 900 ISPs.

Video

Competition for subscribers is based on the number and kinds of channels offered, quality of the signal, set top box features, availability of service in the region, price and customer service. Bell ExpressVu competes directly with Star Choice Television Network Inc., another DTH satellite television provider, and with cable companies across Canada. These cable companies have upgraded their networks, operational systems and services, which could improve their competitiveness.

Bell Canada offers video services through DTH satellite and VDSL. It has also received a licence to offer video on a wireline basis. See *The regulatory environment we operate in* for more information on Bell Canada's licence.

Bell ExpressVu continues to face competition from unregulated U.S. DTH satellite television services that are illegally sold in Canada. Bell ExpressVu's competitors also include Canadian cable television providers, such as:

- Rogers
- Shaw Communications Inc.
- Vidéotron
- Cogeco
- Eastlink, in the Maritime provinces.

Wholesale

Our Wholesale business' main competitors include traditional carriers and emerging carriers. Traditional, facilities-based competitors include Allstream, Telus and Call-Net who may wholesale some or all of the same products and services as Bell Canada. Emerging competitors include utility-based telecommunications providers, cable operators and US-based carriers for certain services.

Competitive activity for tariffed services (e.g. Centrex and digital private line services) is moderate, with facilities-based carriers providing the primary threat in regulated voice and data access products. Competition is greatest in the unregulated areas, especially for toll minutes and forborne data services. For example, in the data market for private line, frame and ATM products, we face continued price pressure as well as the ongoing threat of customers evolving to IP-based services. Our resale DSL market, however, continues to grow. The recent growth of end-user technologies such as VoIP is also expected to increase pressure on some legacy product lines.

Other BCE Segment

The Other BCE segment includes our other media, satellite and IT activities. This segment includes Bell Globemedia, Telesat and CGI.

Revenues for the Other BCE segment tend to be highest in the fourth quarter and lowest in the third quarter because of seasonal patterns in advertising spending in the fall and summer respectively.

Bell Globemedia

Bell Globemedia provides information and entertainment services to Canadian customers and access to distinctive Canadian content. It includes CTV, Canada's leading private broadcaster, and The Globe and Mail, Canada's leading national newspaper.

Bell Globemedia's revenues mainly come from selling advertising through its TV and print businesses. Revenues also come from subscriptions to The Globe and Mail's newspaper and online businesses, and subscription fees that cable and DTH satellite television companies pay for carrying Bell Globemedia's specialty TV channels, such as TSN, RDS and Discovery Channel.

See *The regulatory environment we operate in - Broadcasting Act* for information about regulations that affect Bell Globemedia.

CTV

CTV is Canada's leader in conventional and specialty television. It operates the CTV Television Network, a private English-language national television network that reaches almost all English-speaking Canadians.

CTV has ownership interests in and/or manages several analogue and digital specialty television channels in Canada. These include CTV News-net, The Comedy Network, Outdoor Life Network, Talk TV, ROB TV and CTV Travel. Through its

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approximate 70.1% economic interest in CTV Specialty Television Inc., CTV has ownership interests in and/or manages the specialty television channels, TSN, RDS and Discovery Channel, and a number of digital specialty television channels, which include ESPN Classic Canada, Animal Planet, Discovery Civilization Channel and the NHL Network, as well as RIS Info Sports which was launched in October 2004. CTV also produces and distributes television programs.

The Globe and Mail

Founded in 1844, The Globe and Mail is Canada's National Newspaper. It circulates an English-language edition six days a week in every province and territory. Globeandmail.com provides around the clock news coverage. For the 12 months ended September 30, 2004, total circulation was 316,438 copies a day, Monday to Friday, and 394,260 copies on Saturday. This was 27% higher on weekdays and 46% higher on Saturdays than its main competitor, the National Post. Total readership can exceed one million people a day.

Competition

While CTV's broadcast operations have a significant market share in their broadcast areas, they face substantial competition for viewers and advertising revenues from CanWest Global Communications Corp. (CanWest), CHUM Limited, Alliance Atlantis Communications Inc., Corus Entertainment Inc., Canadian Broadcasting Corporation and other companies, including owners of specialty channels.

The Globe and Mail competes with a broad range of print media for circulation and advertising revenues. Competition has intensified since the National Post was launched in 1998 and several commuter papers were launched in the past few years in the key Toronto market. The Globe and Mail also competes for readers and advertisers with The Toronto Star, which is owned by Torstar Inc., Québecor Inc.'s Sun Media newspaper chain and CanWest's many local daily newspapers across Canada.

Telesat

In 1972, Telesat launched the world's first commercial domestic geo-stationary satellite system, established to provide satellite-based telecommunications services for Canada. Today, Telesat provides a wide variety of video and two-way data services as well as various consulting services dealing with all aspects of the satellite business.

It owns and operates five satellites, and leases a sixth satellite. These satellites provide broadcast distribution and telecommunication services to customers in North America and South America. Three of these satellites, Nimiq 1, Nimiq 2 and Nimiq 3, provide capacity and back-up capability for Bell ExpressVu's DTH satellite television services. Telesat also has two satellites under construction, which are expected to be launched in 2005 and 2006.

CGI

Founded in 1976, CGI now ranks among the largest independent IT and business process services firms in North America. CGI has consistently achieved profitable growth through a balance of organic growth and acquisitions. CGI currently employs approximately 25,000 professionals and has offices in Canada, the United States, Europe and Asia Pacific, as well as centers of excellence in India, the US, Canada and Europe. CGI combines global scale and scope with a strong local presence in all of its geographic markets, enabling it to build strong client partnerships. At December 31, 2004, BCE Inc. owned 28.9% of CGI.

CGI focuses on five market segments consisting of industries that make strategic use of IT to enhance their competitive position: financial services, manufacturing, retail and distribution, governments and health-care, and utilities and telecommunications.

CGI is a publicly traded company. Its Class A shares are listed on the TSX and the NYSE.

In 2004, 62% of CGI's total revenue was from long-term outsourcing contracts. Approximately 47% of this was from IT services and 15% was from business process services. 38% of its total revenue was from systems integration and consulting projects.

See *Business highlights*, *2003 highlights* and *Agreements with CGI* for more information.

Discontinued operations

In the past two years, we have disposed of or approved formal plans for disposing of a number of our businesses. These include:

- Aliant's emerging business segment. Its assets were sold in 2003
- Aliant's remote communications segment, which consisted mainly of Aliant's investment in Stratos Global Corporation (Stratos). Stratos was sold in December 2003.
- Emergis' US Health operations, which were sold in March 2004
- Emergis, which was sold in May 2004.

All of these business dispositions were treated as discontinued operations.

In treating business dispositions as discontinued operations, we restated the financial results of all previous years to exclude the results of these businesses.

OUR POLICY ON THE ENVIRONMENT

On November 2, 2004, BCE Inc. adopted an environmental policy that affirms:

- our commitment to environmental protection
- our belief that environmental protection is an integral part of doing business, and needs to be managed systematically under a continuous improvement process.

The policy contains principles that support our commitment, varying from exercising due diligence to meet or exceed the environmental legislation that applies to us, to preventing pollution and promoting cost-effective initiatives that minimize resources and waste.

We have instructed subsidiaries subject to this policy to support these principles, and have established a management-level committee to oversee the implementation of the policy.

Bell Canada monitors its operations to ensure that it complies with environmental requirements and standards, and takes action to prevent and correct problems, when needed. It has had an environmental management and review system in place since 1993, that:

- provides early warning of potential problems
- identifies management and cost saving opportunities
- establishes a course of action
- ensures ongoing improvement through regular monitoring and reporting.

One of its key tools is the corporate environmental action plan, which outlines the environmental activities of Bell Canada's various business units. The plan identifies funding requirements, accountabilities and deliverables, and monitors Bell Canada's progress in meeting its objectives. As of December 31, 2004, Bell Canada has integrated the following entities into its corporate environmental action plan: Bell Canada, Bell Mobility, Bell ExpressVu, Bell West, BCE Nexxia Corp., Expertech, Télébec, NorthernTel, Northwestel and Telesat.

For the year ended December 31, 2004, Bell Canada spent \$12.8 million on environmental activities. 73% of this was for expenses and 27% was for capital expenditures. For 2005, Bell Canada has budgeted \$14.7 million (73% for expenses and 27% for capital expenditures) to ensure that its environmental policy is applied properly and its environmental risks are minimized.

In addition to its extensive environmental management system, Bell Canada is an active member of the Global e-Sustainability Initiative (GeSI), an international organization that promotes sustainable development in the information and communications technology (ICT) industry. Partners of the GeSI acknowledge the need for the ICT industry to take a leadership role in:

- better understanding the impact and opportunities offered by its evolving technology in a fast growing information society
- providing individuals, businesses and institutions with sustainable solutions to the challenges they face in attempting to maintain a balance between economy, ecology and society.

Aliant has established environmental processes that are similar to Bell Canada's. In 2005, it is anticipated that Bell Canada will be integrating Aliant into its Environmental Management and Review System.

Bell Globemedia monitors its operations to ensure that it complies with environmental requirements and standards. Its business units have established environmental practices, which they follow, and have measures in place to manage environmental risks and to correct problems, when needed.

We are committed to supporting sustainable development by integrating our business activities with environmental, social and economic responsibilities, minimizing, where we can, any negative impact these activities may generate. In support of these principles, in 2004 we produced our first Corporate Social Responsibility Report using the Global Reporting Initiative guidelines.

BUSINESS HIGHLIGHTS

This section describes significant events in the past three years that have influenced our business.

2004 highlights

Key acquisitions and dispositions

Sale of interest in Yellow Pages Group

On February 10, 2004, Bell Canada exchanged its 3.24% indirect interest in YPG LP and YPG General Partner Inc. (Yellow Pages Group) for units of the Yellow Pages Income Fund. On July 21, 2004, Bell Canada sold its remaining interest in the Yellow Pages Income Fund for net cash proceeds of \$123 million.

Virgin Mobile

On March 30, 2004, Bell Canada and The Virgin Group announced plans to launch mobile voice and data services in Canada through a jointly-owned entity, Virgin Mobile Canada.

The new entity will focus on introducing Virgin's unique style of wireless communications services and handsets to younger Canadian consumers under the Virgin Mobile brand. Virgin Mobile Canada launched its services through a national rollout using our 1X digital wireless network on March 1, 2005.

Acquisition of American Management Systems Incorporated (AMS) by CGI

On May 3, 2004, CGI completed the acquisition of AMS. AMS is a business and technology consulting firm to government and to the healthcare, financial services and telecommunications industries. CGI acquired AMS' business with associated revenue of more than \$900 million for a net cash consideration of \$584 million. Our 28.9% proportionate share of the cash paid for CGI's acquisition of AMS was \$171 million.

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Sale of interest in Manitoba Telecom Services

On May 20, 2004, Bell Canada filed a lawsuit against MTS after MTS announced it would purchase Allstream. Bell Canada sought damages and an injunction that would prevent MTS from breaching the terms and conditions of the commercial agreements it had with Bell Canada. On June 3, 2004, Bell Canada also filed a lawsuit against Allstream seeking damages related to the same announcement.

On June 30, 2004, BCE Inc. reached an agreement with MTS to settle the lawsuits. The terms of the settlement included:

- a payment of \$75 million by MTS to Bell Canada received on August 3, 2004 for unwinding various commercial agreements
- the removal of contractual competitive restrictions to allow Bell Canada and MTS to compete freely with each other, effective June 30, 2004
- the orderly disposition of our interest in MTS. Our voting rights in MTS were waived after receiving the \$75 million payment.
- a premium payment to us by MTS if there is a change of control of MTS before 2006 and if there is an appreciation in MTS' share price from the time of our divestiture to the time of any takeover transaction.

On August 1, 2004, the MTS shares held by Bell Canada were transferred to BCE Inc. In late September, BCE Inc. disposed of its 15.96% non-strategic interest in MTS. Total net cash proceeds from this transaction were \$584 million.

Acquisition of Infostream

On May 21, 2004, Bell Canada acquired 100% of the outstanding shares of Infostream, a systems and storage technology firm.

Purchase of Canadian operations of 360networks

On May 26, 2004, Bell Canada announced an agreement to purchase the Canadian operations of Vancouver-based 360networks, a telecommunications service provider, for \$293 million (including acquisition costs) in cash. The transaction was completed on November 19, 2004. The purchase included the shares of 360networks' subsidiary, Group Telecom, and 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. For a share of the revenues, Bell Canada now provides to Call-Net network facilities and other operations and support services so Call-Net can service its new customer base.

This transaction gave Bell Canada an extensive fibre network that includes leading-edge local facilities in Vancouver, Victoria, Calgary, Edmonton and other cities in Western Canada. Bell Canada also gained access to almost 200 office buildings in Western Canada.

Acquisition of Emergis' Security business

In June 2004, Bell Canada acquired Emergis' security business. This business provides organizations with the security infrastructure for their electronic service delivery needs to help ensure data is secure and viewed only by the appropriate individuals.

Sale of Emergis interest

On June 16, 2004, BCE Inc. completed the sale of its 63.9% interest in Emergis for net cash proceeds of \$315 million. Emergis was presented previously as a separate segment.

Acquisition of full ownership of Bell West

On August 3, 2004, Bell Canada assumed 100% ownership of Bell West by purchasing the 40% interest held by MTS for \$646 million.

Acquisition of Nexxlink

On December 9, 2004, Bell Canada announced that it intended to offer to acquire all of the outstanding shares of Nexxlink, a provider of integrated IT solutions, at a price of \$6.05 per share. As of February 21, 2005, Bell Canada had bought 89% of all the outstanding shares of Nexxlink for \$59 million in cash. Bell Canada intends to buy the remaining shares in a subsequent transaction by way of amalgamation, which is expected to be approved at a shareholders' meeting on April 7, 2005.

Acquisition of Entourage Solutions Technologiques Inc. (Entourage)

On February 22, 2005, Bell Canada announced that it had reached an agreement to purchase 57% of Entourage and manage its front-line residential installation and repair services in Ontario and Québec. Bell Canada currently owns 33% of Entourage and intends to acquire the remaining 10% interest. Entourage would then become a wholly-owned subsidiary of Bell Canada.

Alliance with Clearwire Corporation (Clearwire)

On March 8, 2005, Bell Canada announced an alliance with Clearwire, a privately held company led by Mr. Craig O. McCaw, through which Bell Canada will become Clearwire's exclusive strategic partner for VoIP and certain other value-added IP services and applications in the United States. Bell Canada will also become Clearwire's preferred provider of these services and applications in markets beyond North America.

Clearwire offers advanced IP-based wireless broadband communications services in the United States and other international markets. Its core offering is a non line-of-sight (NLOS) wireless broadband data service that uses technology provided by NextNet Wireless, Inc., a Clearwire subsidiary, to allow customers' nomadic Internet access. Nomadic refers to the ability to access the Internet from any place within the service area that has a power supply. As Clearwire's VoIP partner, Bell Canada will manage the deployment and operation of Clearwire's United States VoIP offering.

In addition to being Clearwire's partner for VoIP, Bell Canada will invest U.S. \$100 million in Clearwire and Mr. Michael Sabia will join Clearwire's board of directors.

Bell Canada also announced it will become a shareholder in NR Communications, which, together with Microcell, is one of the two partners in the Inukshuk Joint Venture (Inukshuk). Inukshuk was launched in 2003 to provide wireless high speed Internet access across Canada using spectrum in the 2.5 GHz range.

Closing of these transactions is subject to customary conditions, as well as applicable regulatory approvals.

Key Developments

Premier National Partner for 2010 Vancouver Olympic Games

On October 18, 2004, Bell Canada was selected by the Vancouver Organizing Committee as its Premier National Partner for the 2010 Olympic and Paralympic Winter Games. The partnership continues through to 2012, securing the Canadian Olympic Team sponsorship rights to Torino in 2006, Beijing in 2008, Vancouver in 2010, the 2012 Summer Games

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(in a city to be determined), and for two Pan-American Games. It provides Bell Canada with the opportunity to build its brand by associating with one of the world's strongest and most recognized brands.

Canadian broadcast media rights for Olympics

On February 7, 2005, the International Olympic Committee (IOC) awarded the Canadian broadcast media rights for the Vancouver 2010 Winter Games and the 2012 Summer Games (in a city to be determined) to a consortium comprised of CTV and Rogers Media Inc. The total fees payable by the consortium to the IOC for such rights is US\$153 million.

Launch of Sympatico-MSN.ca

On June 9, 2004, Bell Canada launched Sympatico-MSN.ca in partnership with Microsoft Corporation (Microsoft). Sympatico-MSN.ca is a single portal combining the best features and Internet tools of MSN Canada with the broadband content and innovative services of Sympatico.ca. At the same time, Bell Canada introduced Sympatico with MSN premium, a custom-built version of the software featuring tools that enable a safer online experience, including pop-up ad blocking, spam filtering and parental controls. This announcement is another example of the benefits of the partnership with Microsoft, an industry leader in software innovation.

Other developments

Labour agreements

On August 16, 2004, Bell Canada reached a new four-year agreement with approximately 7,100 technicians represented by the CEP. This agreement will expire in November 2007.

On September 16, 2004, Aliant's subsidiary, Aliant Telecom Inc. (Aliant Telecom) reached a new agreement with its approximately 4,300 unionized employees, represented by the Council of Atlantic Telecommunication Unions (CATU). They voted to accept a new collective agreement that expires in December 2007, ending a labour disruption that began in April 2004.

Employee departure program

In June 2004, Bell Canada announced an employee departure program that consisted of two phases. The first phase was an early retirement plan and the second phase was a departure plan. Under the early retirement plan, eligible employees chose to receive a package that included a cash allowance, immediate pension benefits, an additional guaranteed pension payable up to 65 years of age, career transition services and post-employment benefits. Under the early departure plan, employees chose to receive a special cash allowance.

Of the 7,000 eligible employees, 3,965 decided to take advantage of the early retirement plan, and another 1,087 employees decided to take advantage of the early departure plan. A total of 5,052 employees are leaving the company, which represents approximately 11% of Bell Canada's total employee base (excluding Aliant). Almost all of the employees who chose to take advantage of the program left Bell Canada in 2004. The rest will leave during 2005.

In October 2004, Aliant offered a voluntary early retirement incentive program (ERIP) to eligible employees, which was accepted by 693 employees, including 654 employees or 11% of the workforce of Aliant Telecom. Approximately 400 of the ERIP participants retired effective January 1, 2005, and the remainder are scheduled to leave during 2005.

2003 highlights

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The following events influenced our business in 2003 or were referred to in our 2003 AIF.

- On December 17, 2003, Bell Canada announced that it had completed the sale of a 3.66% interest in the Yellow Pages Group to the YPG Trust. Twelve million limited partnership units and 12 million common shares were sold to YPG Trust for a net cash consideration of \$135 million.
- In December 2003, Aliant completed the sale of its 53.2% interest in Stratos. Aliant received \$340 million (\$320 million net of selling costs) in cash for the sale.
- On July 24, 2003, BCE Inc. and CGI cancelled the shareholders' agreement they had entered into on July 1, 1998 and signed a new agreement. As a result, the put rights of CGI's three majority individual shareholders and BCE Inc.'s call rights relating to the CGI shares held by these majority shareholders were cancelled. We converted all of our 7,027,606 CGI Class B multiple voting shares into CGI Class A single voting shares on a one-for-one basis.
- On July 24, 2003, Bell Canada also entered into certain agreements with CGI. These included:
 - ◆ amendments to their information systems (IS/IT) outsourcing agreement. The term of this agreement was extended to June 30, 2012.
 - ◆ a renewed and expanded commercial alliance agreement that names Bell Canada as CGI's preferred provider of telecom services. The term of this agreement was extended to June 30, 2012.
 - ◆ a network services memorandum of agreement where CGI and Bell Canada agreed to enter into a network services outsourcing agreement. Under this agreement, Bell Canada will provide internal telecommunications network and related services to CGI, and manage the telecommunications network that CGI uses to provide services to its customers. The term of this agreement will end on June 30, 2012.

Bell Mobility also made amendments to its IS/IT outsourcing agreement with CGI and extended the term to June 30, 2012.

- On July 2, 2003, Bell Canada sold its 89.9% ownership interest in Certen Inc. to a subsidiary of Amdocs Limited for \$89 million in cash.
- CGI acquired 100% of the outstanding common shares of Cognicase for a consideration of \$329 million in the first quarter of 2003. It issued Class A subordinate s