

2007 Bell Aliant Business Review Conference

Transcript – February 20, 2007

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ZEDA REDDEN (*Vice-President, Investor Relations*): Good morning. For those of you who I haven't met yet, I am Zeda Redden, Vice President of Investor Relations, and I'm very pleased to welcome you here today on behalf of Bell Aliant. We're very pleased with our turnout today. We have I would say probably about 100 people here and many more participating in the webcast. So thank you for joining us.

Everyone would have in front of them a binder with some information in it, included in that are the presentations that we will be going through today, as well as all of our recent press releases, and also included in that package is an introductory page introducing you to some of the senior management employees that are here today from Bell Aliant.

In terms of our agenda, we're trying to wrap up the presentations by quarter after eleven, so we'd have about 45 minutes for question-and-answer. We do plan to take a break around 10:00, after the first two speakers.

And as always, we'd like to remind you of our cautionary statement regarding forward-looking information. Besides what is posted here, we have also posted on SEDAR and on our website our notice concerning forward-looking information which is a detailed document explaining the risks and the underlying assumptions associated with our 2007 guidance.

And with that out of the way, I will turn it over to our President and Chief Executive Officer, Stephen Wetmore.

STEPHEN WETMORE (*President and Chief Executive Officer, Bell Aliant*): Thank you, Zeda, and good morning, everyone. And a very special welcome for all of you joining our webcast. It's a pleasure to be here this morning and to have the opportunity to discuss our organization and hopefully provide all of you with a much deeper insight as we move into our first full year of operations. As the agenda indicates, we have a substantial amount of material to cover with you in a relatively short amount of time. But I'm pleased to introduce my colleagues who will share the podium here with me today. Firstly, Frank Fagan, our Chief Operating Officer; Glen LeBlanc, who will finish the day and take you through our detailed guidance numbers, our Chief Financial Officer; and Heather Tulk will follow me, our Senior Vice-President of Marketing. So with that, let me get started.

While our territories have been receiving telecommunication services from us for over 100 years, our legal entity and the assets, which have been combined to form Bell Aliant, have only been operating in this structure since July of 2006. And anyone who is listening to our presentation today should visit our website to ensure that you have all the reference materials and all the detailed public disclosures that we have made over the past six

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months. It's a vast territory, vast geography, which we have broken down into 39 distinct regions to focus on from unique marketing and sales to specific customer service initiatives. The more we understand our regions the more opportunity we see which proves the business model supporting Bell Aliant. 60 percent of our revenue is generated from voice services, which will be the focus of much of our discussion during the course of today.

The business premise or the business model of Bell Aliant is a unique combination of scale, both from our size and very importantly through access to Bell Canada scale, coupled with the unique focus on the communities that we do business in. We have decades of experience in designing products and services to meet our customer's needs and we must turn up the heat even higher to achieve an unparalleled customer experience. You'll hear more examples of our business model at work during the course of today, but in summary, I'm extremely pleased of the progress that we've made in such a short amount of time. Knowing our customers and knowing our communities is allowing us to execute on a very unique model, Progress, like our PC purchase program, which is unique to the Atlantic Canadian marketplace, is a perfect example of designing products to take advantage of our marketplace, scale with customer focus we hope is a winning business model in the coming years ahead.

As we mentioned on our quarterly calls, it was an imperative that Bell Aliant came out of the gates at full speed to meet the expectations of our unitholders. And with the obvious exception of the rather devastating about face from the Federal government on October 31st, our first six months of operations have in fact met or exceeded all our expectations. From an operations point of view, we've been able to begin 2007 just about exactly where we thought we would be. The strength of our cash flow has also enabled us to increase our 2007 cash distributions by 2.9 percent or \$2.82 per unit per year. And during the past months we were able to complete the privatization of Bell Nordiq, which will help us greatly in the province of Quebec. Roch Dube, President of Bell Nordiq, is here with us today and we all look forward to working with him and his team and learning even more about what it takes to be successful in our territory.

Over the past few days, we've been able to make a few additional announcements our directories business and the use of the sale proceeds, along with our desire to acquire the outstanding units of Amtelecom. Also included in our news release this

morning is our intent to advance some of our network investments and of course we included our 2007 financial guidance. So let me comment very briefly on these initiatives.

Probably not a huge surprise to most of you is our announcement of the sale of our directories business. I believe that the terms of the sale are very beneficial to both Bell Aliant and the Yellow Pages Group and I'm obviously pleased that we have reached the stage of being able to announce the transaction to you. Glen LeBlanc will take you through more of the details of our intention to use the sale proceeds for unit buyback; however, I believe the use of these funds in this way, given our current unit price and yield, is very beneficial. It effectively allows us to offset the lost inflow of cash from our directories business with a virtually equal reduction in unit cash distributions. I also believe that investing in Bell Aliant units is a great investment at the moment, so the whole transaction is timely and makes a great deal of sense. Given the efficiency of operations of the business and just over a ten times multiple of EBITDA is a good price for both parties, I believe, in this transaction.

As many of you would know, people that have been following Aliant for many years, pre the formation of Bell Aliant, our Atlantic Canada operations have had a strategy of continuing to invest in their broadband network. Heather Tulk will be taking you through in detail about our high-speed Internet offerings and of course our overall strategy of owning the broadband home, which obviously includes our TV services. Extending our fiber network closer to the home is an absolutely critical investment, which must be completed in the context of our marketplace and of course affordability.

We are fortunate to have ended 2006 with a cash balance or cash reserve of approximately \$140 million. As we reviewed our anticipated cash flow for 2007, it was apparent that we could easily afford to advance our fibre-to-the-node build during the coming year. So we decided to advance our planned 2008 FTTN investment into 2007. Our major markets will benefit greatly from this opportunity and that in turn strengthens our overall franchise. We are not announcing a long-term fibre-to-the-node investment today. We have the available cash resources, we have the ability to build a network, so we made a decision to advance an investment. These are annual decisions, which must be taken in context, and in this case all the stars were lined up so we made the decision to

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invest. Again, we'll discuss our homes passed our marketing opportunity as the morning progresses.

As you will also know, late last week we issued a news release with our intent to make an offer to purchase 100 percent of the outstanding units of a relatively small telecommunications and cable operator called Amtelecom. The details of Amtelecom are here and included in your binders as well. We issued a news release sort of stating what we believe is the rationale and strategy and also what we believe is an extremely fair offer. So with that, I think I'll leave the details as noted here, the press release you have. If there are additional comments or information that we can provide in the Q&A, then let's leave it to that.

Our 2007 outlook performance, our information circular last year outlined the general parameters of the operating performance that we would hope to achieve with Bell Aliant over the coming years. Our outlook for 2007 as noted here is very much in line with our original expectations. Revenue growth of up to 2 percent; 75 to 85 million in annual productivity; and capital intensity and distributable cash in line with 2006 performance. Frank and Heather and I will be discussing these numbers which form the basis of our 2007 plan and then Glen will follow at the end of the day with the incorporation of our transactions, divestitures, acquisitions and the CIBs et cetera, to give you a view of our actual guidance for 2007.

So the issues that we believe deserved the most focus with our presentation here today and hopefully the issues you most want addressed are listed here. Following the creation of Bell Aliant, the competitive marketplace continues to evolve from Ontario to Newfoundland, so obviously we want to give you an overview of our competition, discuss our local access revenues and our view of revenue growth in Internet, TV, information technology and of course our subsidiary growth. Although I want to specifically address a few of these items, for the most part Heather will take you through our marketing strategies and Frank Fagan will take you through the programs supporting our productivity targets and some very interesting early data related to customer service. Then Glen will conclude by incorporating the transactions under our 2007 guidance.

So before I hand over the stage to Heather Tulk, I do want to put our productivity and our total revenue picture in context for what you will hear over the next hour as we take you deeper into both areas. On a

pro forma basis, we've achieved in the region of \$60 million in pure productivity in 2005 and 2006. As you know, productivity is the critical element to maintaining our margins, especially as we face different competition and continue to transition our revenue mix from legacy services to our new service offerings. We entered 2007 with productivity initiatives similar in scope to previous years and yielding pretty much the same type of numbers as 2005 and 2006. However, we have the opportunity over the next couple of years at least to also see savings from the creation of Bell Aliant and further exploiting the purchasing power and focus of Bell Canada. We have a very good line of sight to our target of 75 million to 85 million in 2007, and I think Frank will also give you some insight into opportunities we may have to over-achieve our targets for 2007 through our focus on some of our customer service initiatives in Central Canada.

Now, for a few comments on our competitive landscape. In our Q4 conference call, we highlighted the percentage of our local access lines, subject to competition, which was a follow-on, if you will, from the disclosure in our information circular. Based on your request and really what the industry uses, we've converted our NAS charts to the percentages of households passed as you see here. By the end of 2006, cable telephony had reached 33 percent of the total households in our territory and our planning estimates of that around 50 percent of homes passed should be competitive by the end of 2007. Keep in mind that the estimates that we are using is our educated guess of the timing of when our competitors will actually start selling their services. Historically, they've introduced service a bit delayed from our expectations.

In our Q4 conference call, we stated that 20,000 to 22,000 of our NAS losses in the quarter were due to losses to the competition. Parts of Central Canada and New Brunswick had opened up to competition in the last half of the year and the fourth quarter saw the effects of these early months of competition. Our experience tells us that these early losses are normal pent up demand. In 2007 we'll see these territories start to slow down considerably; however, as they do slow down by mid-year, we will see the next round of cable telephony, which will increase our competitive territory to around 50 percent of households by year-end '07. This represents another 18 percent, if you will, estimating, the same 18 percent that would have been the increase in 2006. So 18 percent of households for a half year we believe will open up somewhere within the middle of 2007, which is approximately 9 percent for

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a full year. The effects on local access revenues have been carefully considered and I believe fully accounted for in our revenue expectations for the coming year. As I mentioned previously, a 10,000 NAS decline for a full year is approximately \$3 million in revenue. So our estimates can withstand some inaccuracy without changes, major changes to our financial performance. A real blueprint of our competitive landscape will be covered by Heather in just a few minutes as she takes you across our territory.

Our revenue growth will obviously be driven in large part by the continued success of our broadband business. Our marketing initiatives are making substantial progress in increasing our penetration levels towards national averages and we'll be continuing to invest in the expansion of our footprint, especially in the Central Canadian marketplace. Wireless and cable TV will also be contributing to our overall growth, as will some of our smaller subsidiaries right across the board. I commented a few weeks ago about our successes with our IT business, xwave. And in the performance in the last half of 2006 has really set xwave for what should be one of their best years. Some significant contract wins and a very encouraging funnel of business leading into 2007 gives them an excellent foundation. Health care is the vertical currently seeing the greatest potential in the short term and coupled with our focus to take their operations down to our SMB marketplace should allow us to replicate the type of growth seen in 2006.

In closing, I think 2007 should prove to be an exciting year for our organization. Working with Bell Nordiq, and hopefully, Amtelecom, our continued optimism on forbearance, understand the effects of wireless number portability and driving all the initiatives we have commenced in customer service should be enough to keep our management team well occupied. So with that, I'll turn the stage over to Heather Tulk. And thank you very much.

HEATHER TULK (*Senior Vice-President of Marketing, Bell Aliant*): Thank you, Stephen. A pleasure to be here today certainly, to take you through an overview of our marketplace and our strategy for success in this marketplace going forward.

As Stephen mentioned, we continue to see opportunities for growth in our marketplace that are in line with the outlook we've presented to you in our transaction circular last year. As you can see on the

chart, on this slide, we expect to continue to see a decline in our legacy services revenue and I'm sure that's no surprise to anyone in the room here today, but I believe there's also strong upsides for growth in our business. In fact, seven months into this new organization, I am more confident than ever in our ability to deliver on our growth expectations given the opportunities that I see throughout our territories. As Stephen has outlined, 2007 like 2006 will surely be a big year for Bell Aliant from a competitive perspective, and from a customer perspective, and I know that there are lots of risks that you'll want to ask about later, but I also see lots of opportunities and I believe we are very ready to navigate the time ahead.

So let's start with a topic that I know is of much interest to all of you, and that is our competitive profile. For sure, the main contributor in the decline of our traditional voice revenues is increasing competition throughout our footprint, and particularly within that, cable competition will be the dominant influencing factor on our voice business. I expect to continue to see competitive losses to cable telephony for the majority of our NAS decline, in both the residential and SMB marketplace in 2007. So I thought I'd give you an overview of the cable telephony market in our territory before moving on to the highlights of our market programs.

On this slide, you'll see an overview of our current and expected competitive footprint. Now, before I get into this, and Stephen touched on it a little bit, I wanted just to touch on the issue of the numbers on the percent of households passed chart on the right hand of this slide. Zeda tells me, over the last few weeks that we've successfully managed to confuse you all in the many ways that we present our competitive footprint to you, most especially, the difference between the Bell Aliant circular, our numbers in Q4 and this view that we're showing you today. There really, really are many, many ways to present the competitive footprint and we certainly look at all of them regularly, based on residential NAS passed, based on total NAS passed and the view you see today which is the total households in our geographic footprint that has access to cable telephony. What I do want to assure you is that management expectations have not changed here, nor has what we are seeing change from what we expected to see. The difference here is purely definitional.

In the circular related to the formation of Bell Aliant, we talked of what percent of our residential NAS lines are passed by cable telephony competition and our outlook for that go forward. We've noticed, and

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heard from many of you, that others in the industry talk more of this total homes passed number. That is the full addressable market for our services, not just our NAS, and so that's what we're showing today and what we will continue to show go forward. Now, you probably aren't used to seeing a difference between these numbers, and that's because we're really unique so far in the North American context in terms of the fact that we have a sizable portion of our footprint operating in a mature competitive space, and with our first wave of NAS losses for the most part behind. So on a go-forward basis, we'll use this metric and I'll take you through a little bit about what we're seeing across that territory because it really is diverse, but I do want to tell you, and just to put some questions aside, that at year-end 2006, this was the percentage of households passed, but the number that we would have disclosed in the circular around the percentage of residential NAS passed is in line with the expectation that we would have outlined to you in the transaction circular. So there's really no new news here with respect to competitive intensity.

So I thought the best way to talk to you today about the competitive footprint would be to paint the picture of where we are in our territory today. So as I mentioned, one of the first messages, and the message you'll see this theme throughout our discussion today is that our territory is not homogenous; it's in fact very diverse, and we pay close attention to each region and what's happening in that region and tailor our marketing programs accordingly. I feel very confident in telling you that we know what we're talking about here. Just as we have areas in our footprint that are very competitively mature, so too do we have in our organization a vast body of learning of what must be done at each stage of competitive evolution and how we must deal with the territory whichever stage of that competitive maturity it is.

As you all know, and you've been following for many years, in Nova Scotia, which for those of you, it's the red chart, the red page of the chart, we've been facing competition in the local market for almost eight years now. Nova Scotia continues to be the place with the widest coverage of cable telephony footprint, but the rollout of cable telephony in this province is for all intents and purposes complete. Similarly, in Prince Edward Island, which is the green part of the map, although there's a lower percentage of households passed in Nova Scotia, because of the more rural nature of this province, this province also is pretty much complete with respect to cable telephony rollout. There's no doubt,

as you've all been watching, that in both Nova Scotia and PEI, we continue to see aggressive and vibrant competition for the customers in this territory. But in general the market dynamics in both these territories are that of a fully competitive industry; with the exception of course of the uneven regulatory environment that Stephen talked of.

In mid 2006, in the blue part of the map, which is Quebec and New Brunswick, we saw competition open up in this territory. St. John's, Moncton, Fredericton and New Brunswick and around the Saguenay region of Quebec, open, as well as some other areas throughout Quebec, open to competition. Looking into 2007, these two provinces are an area where we expect to see continued expansion. And at maturity, these markets will have a competitive footprint that will look very similar to PEI in terms of households passed, and we expect these markets, both of them, to reach that level within the next 12 to 18 months.

Also in the far left, I'm sure you're all familiar with Ontario, our footprint in Ontario began to open up in 2006 as well. And in 2007, we will see continued expansion throughout various areas of Ontario, most noticeably, we believe our third largest market that we serve which is Sudbury. Ontario is actually very unique for us, although I mentioned that our territory overall is very diverse, so too competition is unfolding in Ontario in a very heterogeneous manner. We're very aware of the multiple number of competitors that we face in this province, and we'll be extremely diligent in understanding the differences of each individual subregion here, as we do throughout our territory overall. In general, however, the diversity of the competitive landscape in our footprint in Ontario will mean that this province will open the competition on a slower basis than the other markets that we serve, and will take the longest to reach a fully mature profile.

Now, with respect to the yellow on the right hand of the map, Newfoundland and Labrador, actually we could have put this in a different color, because there's no local competition for the residential market in Newfoundland and Labrador today. But this is a year that we'll see that change. We expect to see competition open in the St. John's area, as well as other areas of Eastern Newfoundland, most especially on the Avalon Peninsula, and in other secondary markets this year. Although starting, as I mentioned, from the least competitive situation with respect to the residential market, Newfoundland and Labrador is a miss, as in many other things, truly unique. And I can say that because I'm a

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Newfoundlander. Newfoundland already has very aggressive local competition in the business market. And in fact has, have for some years now, more intense than many other areas of Atlantic Canada, actually. And we believe that this province, because of its demographic profile, will open up very quickly, and by the end of the year, this province will be on par with Prince Edward Island, New Brunswick and Quebec. And, like those other three provinces, will be, for all intents and purposes, competitively mature in the next 12 to 18 months.

So with the expansion of the local competitive footprint that we expect to see in 2007, we will have all of our top markets open to competition, and growth and footprint thereafter will be much more moderated. So in general, that's why you see this quick uptake over the last, over '06 and '07, and then a very stable profile for competition thereafter. I'll have to say, as Stephen mentioned, we're at a point of about 33 percent of the households in the territory we serve are passed by cable telephony today. This will rise to 45 to 55 percent in 2007 and early 2008 and peak at 55 to 60 percent range thereafter.

Now, as you've heard me on previous calls talk about, as new markets open up to competition we do see a short term high loss rate in that market and we certainly anticipate seeing that as markets open up in 2007. And this is really related to pent up demand in the base. Over time, this loss rate falls to a more natural level. Those levels vary based on the competitive dynamics of the marketplace as well as our market dynamics with our customers in each specific region, but in general they reach a competitive maturity where we win some, they win some, based purely on the merit of our customer relationships and our market offers. Now, of course today we haven't seen the truly fully mature competitive market because of the uneven regulatory restrictions that you're all very aware of. And we continue to deal with that situation in our markets and we actually are very optimistic that, with the recent proposed policy directive by the industry Minister, we will see some movement there in 2007.

That being said, I do believe that we demonstrated an ability to prepare for and manage through the transition from no local competition to a fully mature locally competitive marketplace. If you consider that in Atlantic Canada we're already managing a footprint that is almost 50 percent competitive. We're very confident that we know what we're up against and how to mitigate it. We have a tremendous body of knowledge and learning in how to face and meet local competition and we will

definitely apply this learning to the new areas of our footprint as they open up.

So now, on to what do we do to win in the residential market. As Stephen mentioned, cable telephony, wireless and technology substitution, industry and economic change and competitive changes, are all realities in any dynamic marketplace, and actually, one of the things I enjoy about my job is the ability to operate in a truly fully competitive marketplace. Over the past number of years, we have gained a thorough understanding of how to address and navigate this change in market situation and we see good opportunities for growth go forward. We know that in the residential markets moving customers from single product to multi-product to packaged households is critical to both reducing churn and driving revenue growth. And this is key to our value package strategy. These packages are our number one tool to defend the voice franchise and mitigate revenue decline. We know that by using integrated offers that include unique options such as the exclusive long distance offers, value added services that can't be gotten outside of the value package, we can earn customer loyalty without simply engaging in price discussions. Incenting our customers to move from single product to multi-product to value packaged customers helps us to reduce customer churn and capture a greater share of the home for growth services. And the churn reduction benefits are quite significant, as high as 90 percent. This strategy helps us to drive increased revenue per household through up selling new services to our customers and overall drive positive impact on many of the metrics that are key to our business success. Metrics such as churn, average revenue per household, and share of new customers for growth services.

In 2007, we will evolve these packages to be about more than products, to encompass the total experience that a customer has with our brands. We will add new servicing characteristics, more exclusive offers and benefits and simplified buying. In general, we will reward multi-product customers by making all four Ps better for these customers. We also understand the importance of broadband and TV connections, and I'll tell you about this in a few moments.

But finally, and perhaps most importantly in the residential market, close customer relationships and community presence is critical. It's important to note here that 15 to 20 percent of customer loyalty in our markets is directly related to our community presence and the role of our employees in the

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communities where they live and work. We do not take this loyalty lightly or for granted, and being closest to and understanding our customers is really the facet that I believe will be number one in our market success. Frank will talk to you a little bit later about how we are involved in our communities and how we do support our employees where they live and work, but I'll talk to you a little bit about what we do in the marketplace to bring this closeness to bear.

We're designing our market programs with our core business model in mind, access to the scale of those Rs in our partner organizations to bring leading edge products to market while tailoring them very specifically region by region in the territory we serve. Example of this you will see from us are programs for seniors, youths, snow birds, cottagers, as well as programs designed to capitalize on the unique life moments that we know drive purchase behavior, such as home moves, school starts and other family events. We'll be using employee programs that I personally believe are best in class in our industry. Programs like the Make It Unbeatable and Make A Personal Program that engage our employees in our market strategy and set up every single employee as an ambassador and a referral centre for customer leads and competitive tips. We'll continue to expand our distribution channels building on the success of our award winning retail programs, our door to door programs and crew programs. Now our door to door and crew programs are really exciting. These take our services right to the customer's home. In some cases completing the sale and the installation right away and delivering revenue velocity faster. Programs such as this, and I'm sure to this room like soft factors, but I can tell you they really are more important than speed or price in earning our customer's business and they'll be instrumental in maximizing the revenue performance of our residential market go forward.

With respect to the business market, this is a very exciting area for us as well. We'll be using our IP expertise, which is unique in class in our industry, and grow the total spend with us from both SMB and enterprise customers. We'll use our strong base of customer relationships, strong brand and unmatched customer experience to encourage our customers to move from connectivity through to IP, up to managed annuity solutions. Channel effectiveness is particularly important in this, as we need to develop trusted status with our customers and understand their business needs if we're going to help encourage them to make this migration. In

Atlantic Canada, we already enjoy world class customer satisfaction levels with our business, with our mid-market and enterprise customers, and we know that our account teams are key to this. So we're rolling out closer account management in our territories in Ontario and Quebec, where we doubled our account coverage in recent months and we're already seeing the benefits of a reinvigorated relationship with our customers.

In the mass and small market channels, we also have a substantial opportunity to drive revenues through ensuring that our IP and enhanced services are channel ready. That is, they're simple to sell, simple to deliver and simple to buy. And we see strong growth opportunity for both IP and Internet in the small and mass segment and these fit well together as xwave will work to bring its products down market it into this segment. We believe there's substantial opportunity through this better market coverage to bring our Internet share in the Ontario and Quebec markets, that is our market share, up to the levels that we enjoy in the business segments in Atlantic Canada. And this is a substantial opportunity for growth. We will work with the xwave division as I mentioned, to develop IP services that are market focused and can be sold on a managed annuity basis, therefore giving us a revenue base go forward. In short, I believe because of our xwave division, we are uniquely positioned to capture the migration to IPT as our trusted relationships and expertise right through the product facts that I've shown you here can be brought to bear with our customers.

And now I'd like to take a few moments just to talk you quickly through our key revenue portfolios. First, local services. We are very focused on how to minimize local revenue decline in the face of the increasing competition that I told you about earlier. We will do this through feature growth, pricing action and programs designed to protect the highest revenue value customers. We have been very successful I believe in the past in managing local revenue to a slower decline rate than a mass decline and that is certainly our goal going forward.

I guess there is no better place in this slide to talk to you about our hopes for a changed regulatory environment and I really hope this will be big news across this year. As I mentioned, the industry Minister's proposed changes to the CRTC's forbearance decision, we hope will be implemented shortly, and that we will see forbearance both residential and business markets in many of our geographies. As we believed, almost three years

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ago now, when we applied for forbearance in the Halifax market, we believed that customers and the industry will benefit from the removal of unnecessary market restrictions. Assuming that forbearance does become a reality, you will see us better able to deliver truly fully integrated multi-product offerings, make more tailored offers for the needs of particular segments, like user seniors as I mentioned, or specific life events, like moves or back-to-school, and design programs to address those specific sub-regional needs that I told you about earlier. And you'll also see us offer tailored promotions in various channels, via the face to face, the retail or the third party channels. So you can see how we believe forbearance would aid in our competitive performance -- but I'm not going to talk any more about the regulator because I can't bear it, so I'll move on.

Long distance -- with respect to LD, anticipated mass erosion and continued long distance competitive pressures mean we expect continued erosion in the LD portfolio, which I'm sure is no surprise to any of you, in the same range as historical levels. That being said, I will tell you that the deck of distance has been widely overstated. As we've been successful in doing in the past few years, we will mitigate the natural decline of this business through new product offers to ensure it will encourage loyalty and usage, and we'll be very focused on balancing acquisition and win-back with rate action. Although we will continue to harvest this business, which is in the decline of the product life cycle, we also do recognize the high equity that this product line has with our customers, both our residential and our business customers. So you'd be safe to assume that we will continue to use this product as a lever in our fight to earn the total business of our residential and business customers.

Moving on to our growth services; in our Internet business, we continue to see quite a bit of opportunity with respect to Internet access growth. Internet is under-penetrated in our territory today as Stephen mentioned, and we aim to change that. In Bell Aliant territory, we believe that nearly 500,000 homes will want to sign up for our broadband connection between now and the year 2010; reaching a 70 percent penetration level within broadband footprints. And we certainly aim to catch a significant share of that growth. We will drive access growth through footprint expansion for broadband services, particularly in our Ontario and Quebec territories, and in total we will bring homes passed from 71 percent at year-end '06 to 74 percent at year-end '07, which includes a 5 point

growth in our Ontario market and a 3 point growth in our Bell branded region of Quebec. We will focus on market share growth and increased penetration of our Internet services, particularly in our top 20 markets. We will do this through focusing on the total overall value and service reliability of our offering. We will continue, as we've done in the last couple of years, to increase our share of new high-speed customers coming into the marketplace and we will expand the addressable market as well. We will deliver programs to increase penetration, such as the leading hardware bundle that we pioneered in the industry with our PC program, and we will add new hardware peripherals including gaming and music devices to the lineup.

We will reinvigorate the dial market. Now here's another market that I think doesn't get enough air time. The dial market, although often forgotten, is actually one with a substantial opportunity as well. We believe this has opportunity, particularly in our rural territories and for lower volume users. Remember, this is a product that is only 10 years old and we believe there's still opportunity to harvest it in its maturity phase of the life cycle. And we've already started this. We recently expanded the homes passed in Ontario and Quebec for dial Internet on a local calling basis by over 100,000 homes, opening up a completely new addressable market for this service.

We will continue to increase average revenue per customer for Internet through up-selling customers to premium packages, through launching new value added services and programs that minimize promotional discounting within acquisition offers. We have a very full service development agenda this year, in both the residential and SMB market for Internet applications. We will launch new services in the area of kids and gaming portals, small/medium business managed services, new security services and lots more but I'm not going to give you any more detail about until they're launched.

Our TV business, and as you all know, is an area of great encouragement and excitement for us. It is both a major weapon in retention of our existing business, and also an opportunity for significant revenue growth in its own right. We have launched our IPTV service so far in the areas of Halifax, St. John's, Newfoundland, St. John's, Moncton and Fredericton in New Brunswick. We sell our IPTV service as an add-on to our value packages, and our value composition is focused squarely on attracting analog cable subscribers by offering them more TV for less. We are very pleased with the customer

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reception of our TV product, both in terms of take rate and in customer satisfaction, as we've shown here on this chart. Given this success, in 2007, as Stephen mentioned, we will escalate our build out in the current markets that we serve and prepare for launch in new markets go forward. We will also launch a third TV solution, enhanced features and new programming options. We are poised, I believe, to capture a sizable portion of the video market in our territory, particularly as customers migrate from analog to digital television services. We will do this both through IPTV and through our partnership with Bell Expressvu. And TV of course really is a place where a picture tells a thousand words, so I thought I'd show you a very short clip about our IPTV service.

(Video Presentation)

So the reason I wanted to show you that is it gives you a flavor for how we're marketing this service to our customers and that's squarely, as I mentioned, at the large base of analog cable subscribers throughout our territory and purely focusing on things that are important to them. So you would have seen in this video Atlantic Canadian radio stations being highlighted. You would have seen time shifting, which if any of you who've lived in Atlantic Canada, we love watching other time zones because we can get to stay up late and watch the Calgary version and watch the hockey game four times. So these are things that we really tailor and focus and it gives you a glimpse into how we will go into each territory that we serve and tailor our marketing messages based on what we know is important to those differential needs in the marketplace.

So to summarize, we have the programs in place, I believe, to maximize our performance given our intense competitive reality. We're confident in our ability to deliver the organic growth in our outlook and in 2007 you will see us back very focused in a very focused way to minimize mass and revenue decline, while also building on our specific market knowledge, capitalizing on our growth opportunities and maximizing the revenue potential of our business go forward. Thank you.

(Intermission)

STEPHEN WETMORE: Ladies and gentlemen, the execution of a business model for Bell Aliant is only as good as the management that can obviously execute it. And for us to be successful, you have to know telecommunications inside and out. You have

to know it at the community level. You have to know it at the technician level. You have to know your front line employees and how important they are to your business model. And we've talked much about it and you're going to hear more about it now.

It's my pleasure to introduce to you our Chief Operating Officer, Frank Fagan. And you should all know that Frank started with our organization I think when he was 16 or 17 years old, climbing telephone poles. And through the years, he's had virtually every job there is to have in telecommunications and now he actually runs it on a day in/day out basis, but to see him in operation in some of our communities and towns with our employees and with our customers is truly spectacular. I think you'll get a flavor from Frank's discussion with you this morning, the expertise that is necessary to make a model like Bell Aliant successful. So it's my pleasure to introduce Frank Fagan.

FRANK FAGAN (*Chief Operating Officer, Bell Aliant*): That was perfect. It was really, really, really good. What Stephen failed to say is I work just about everywhere except for finance. But I was really fortunate that I got to have an opportunity to work, to train and nurture Glen LeBlanc into a position that he's in today. And I don't really need to know anything about finance. It's probably a detriment to me. It's delightful for me to be here. I really am happy to have an opportunity to share with you a little bit about our territory and our operating model and the strong focus on our customer experience. At the same time, I want to give you a sense of how we're going to improve our cost structure with a very solid productivity program.

Now Stephen would have said we are a unique organization, we are just seven months old, but we have 100 years plus of experience. We're not large in size but we do have the capacity and the capability and the efficiency characteristics of a very, very large enterprise. We're far larger in scale than any of the predecessor organizations that would have made up Bell Aliant, but we are still small and agile enough to focus on the smaller regional markets that we have across our six provinces. Our make up and our history allows us to strengthen and enhance our competitive position, particularly in those communities where Heather indicated we would see competitors and we can do it by a market by small market basis.

We get our scale of course, as Stephen had mentioned, from our partnership with Bell Canada.

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They are our outsourcing partner in Ontario and Quebec, for such areas such as call centre and network operations, marketing, ISIT, human resources and other support areas. They also do our network design and engineering for us across all six provinces and they have been doing that in Atlantic Canada for the past four years and doing it extremely well. We also benefit from Bell in a number of other ways. We have access to their purchasing power, from everything from travel to network equipment. We have access to their intellectual property, their knowledge of products and services and of course access to their various IT systems. Now while this access to scale is extremely important in achieving efficiency and lowers our overall cost structure, it is our regional focus to focus, as Stephen talked about, that is the key, I believe, in retaining our customers and growing our revenues.

Consider this, we are very largely rural in nature. We have only 20 communities that have a population of more than 30,000 people. That's only 20 communities with more than the population of 30,000, and these communities only account for 33 percent of our total customer base. Because of this size, there is no chance that we'll ever be distracted from these markets, like a company that might have to deal with much larger customer bases in very large and metropolitan centres. Our largest city, for those of you who don't know is Halifax, and it only has a population of 359,000. Our second largest city, where I come from, which is St. John's, Newfoundland, has a population of only 172,000. In fact, there are only six cities that have a population of more than 100,000. So our specialty, if you will, is small markets. So we have the capacity, we're have a very disciplined competitive approach and we can do it on a market by market basis.

Thanks to this approach we've been able to tailor offerings to the unique needs of our market. Heather mentioned one example where we introduced the fee purchase program throughout Atlantic Canada. Not only do we help the marketplace get into the owning PCs but we also developed an opportunity for extending our marketplace by driving penetration. It was a very successful program and a very large number of people who acquired the PCs got online for the very, very first time. To tap into the potential even more, we recently expanded our sales force by 60 percent. In fact, we added 25 new people working hard everyday in Ontario and Quebec to realize new growth and we're stimulating the market through a greater awareness with local advertising campaigns

in key markets like Saguenay and like Rivière-du-Loup. And just recently, we received CRTC approval to introduce a new consumer bundle in the Bell Nordiq territory where we can bundle local service with high-speed service along with some of our four star features.

We are ensuring that we are seen as an integral part of the communities we serve by the presence of 39 regional managers that Stephen had mentioned, and they are the face and the voice of Bell in their communities. They represent us at Rotary Clubs, Chambers of Commerce and other community enhancing organizations. But in turn, they do bring another value. They in turn represent the community's needs back to the company so that we can set our priorities for those markets with a clear focus and with an intimate understanding of the local issues and the local opportunities that can be presented to us.

The engagement of our 10,000 employees is not only critical to serving our customers but they act also as local ambassadors for Bell Aliant, as they carry out their community activity under our very visible and well known brands. We do believe for instance that in Atlantic Canada alone, we have a small army of people, 8,000 employees and pensioners who've volunteered as our official volunteer arm under the Pioneers. Would you believe that last year alone in Atlantic Canada they would have volunteered 150,000 hours. That's 150,000 hours working in the community on very important projects under the banner of Bell Aliant. And that's just a few of our people. We have many employees doing this in a very visible way across our towns and cities across the whole territory. And you would have heard from Heather just how important and how critical that is to maintaining our customer relationship and our customer loyalty. And when our employees are out there doing work on behalf of Bell Aliant, they're doing so very proudly. In our regular survey of customers who've recently had a transaction with us, over 80 percent of them gave our employees a score of 9 or 10 out of 10 in terms of their proudly representing Bell Aliant as they go about their work. And this strong regional focus coupled with the power of scale that we get from our agreements and our relationship with Bell Canada support the execution of our strategy which is to deliver a superior customer experience while at the same time driving significant productivity improvement.

The customer experience as most of you have probably noticed, is more than just a strategy for us.

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It is the core of who we are, it is what we are about. And it's much broader than providing service levels as we would generally understand it. We've done a great deal of research throughout our territory and we've talked to our customers about the things that are truly important to them and the kind of experience that they expect from us in return for their loyalty. And they've pretty well told us three things, and you would probably, as you're listening to me talk and say, "Yes, those are the same three things that would be important to me."

They've told us that number one is the service we provide. They want to be able to reach us in the way they want, whether it's on the telephone or whether it's by e-mail, and they want to do so in a timely fashion. Their preferences are changing and last year I think it was nearly a third of our contacts were e-type contacts. They want us to meet our commitments. When we make a promise and if we can't for some reason meet the commitment then we must keep them informed and they want us to do the job right the first time they ask.

Number two for them is the value they receive, both in terms of the products we provide and the reliability of our service and our willingness to provide them with packages that provide exclusive benefits and value to them, as Heather has outlined.

And finally, number three of course is the role that Bell Aliant plays in the community as a company and through our employees. Again, strong loyalty, we not only have to fulfill the functional needs of our customers, but we also must make an emotional connection to them.

As we put together this new organization for 2006, the customer experience became the centerpiece around which we have focused the total organization and I'm proud to say that we have made some significant progress. Our accomplishments delighted even me, and I have been around for a long time as Stephen would have said, and I've been spending most of my career serving customers and trying to do so efficiently, and it was just a delight to see how we could rally the organization when we put this new company together last July.

Just to gauge some of the progress, we've developed a customer service index, a number of measures of some of the key elements of our service performance that would allow us to determine how well we were doing with customers. Things like the number of calls or the percentage of calls that we would have answered in 20 seconds;

how we meet our commitments for installation repair, the level that we do it; doing what customers want the first time they ask us, and of course it's always important responding very quickly to repair calls. You can see from the slide here that we were able to take what we thought was a pretty good performance at the time and improve it even further. And not only did these operational performance measures improve but when we talked to our customers, and did the survey about how, their evaluation of how we did, that evaluation was strengthened even further than what it was and in fact their likelihood of staying with us also improved. And they rated the interaction they had with our service employees extremely high, world class, as Heather would have said.

Heather's shown you our strategy around value and the importance of delivering value through leading products and services and through packages that customers see as exclusive. And in this regard we did make some significant advances in 2006. We expanded our DSL footprint by approximately 3 percent and reached nearly 60,000 homes. We were also able, and this is one of the values we get out of our regional approach, we were able to add another 2,000 homes to our footprint without spending a lot of capital by having our local managers and our local technicians show us how to groom the network a little bit so that we could add that. We also expect to take that 2,000 and expand it to 15,000 more done like that in 2007. Again, an opportunity for improving productivity beyond the systems and processes that we're going to tell you about. We also, as Heather mentioned, were able to increase our footprint in Ontario and Quebec in a similar fashion by doing some grooming and using some basic technology in the network and we added not 100,000 but 124,000 homes by the end of the next couple of months. Again, with a very low level of capital expenditure.

We know that our organization is more than a business and our customers know it too. In fact, they told us that it's important for us to be an integral part of their communities. They want to see us as a supportive organization that understands their unique needs and of course there's our community investment, which makes us, gives us a significant key differentiator. And too, also, that one of the most competitive advantages that we have is the way we are organized on a regional basis, where we have regional managers living, located and living in local towns and cities throughout the whole territory right from St. John's, Newfoundland to the borders of Manitoba. In 2006 (this is important), in 2006, we

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ranked as number one in Atlantic Canada on a perception survey that asked our people, our citizens who the best corporate citizen was in their opinion; we ranked number one and we intend to extend the learnings that we'd gotten out of Atlantic Canada throughout our whole territory in the months ahead, and we would love to be ranked as number one throughout Bell Aliant and we expect to be ranked number one throughout Bell Aliant in the coming months and year.

We believe that providing a superior customer experience is the key to a sustainable competitive advantage. And as I had said before, it is the core of who we are, and our customer experience is much more than service, it absolutely starts with service. Service is the cornerstone of that experience. When customers talk about service they want us to be accessible, to meet our commitments, to keep them informed and to make sure we do the right job the first time. Easy stuff to say, very difficult and complex to do. Being easy to reach is the first step in a great customer service experience. To be more accessible for our customers we're improving our contact systems and centres, reducing the time it takes for customers to reach a service rep. We've already begun extending the hours of operation of our contact centres in many locations. And in 2007, we'll be implementing new contact centre technology that will reduce internal call transfers so customers can get the right agent the first time.

To make it easier for customers to contact us and add services when and where it's convenient for them, we're continuing to further enhance our online capabilities. Customers are using the online service in ever increasing numbers to access account or technical information and to have live online chats with our representatives. In the past year, the number of these online transactions grew by 70 percent and as we significantly enhance these capabilities, we expect to grow another 10 to 15 percent in the coming year; an opportunity for improving service but also an opportunity for addressing some of our costs. We are committed to keeping our promises that we make to the customers. And in 2007, we'll be implementing significant improvements to our order forecasting and dispatching systems and enhancing our scheduling and forecasting and our vehicle management tools to better manage workloads; a key issue in meeting commitments. In addition, we also believe that keeping customers informed is critical to help improving our commitments met. Not only will we enhance our call ahead program, but we

are also developing a tool that will allow customers to check the status of their order themselves.

Following our successful launch in Atlantic Canada we will also be offering many of our customers the convenience of choosing between morning, afternoon and evening appointments. In 2007, we also plan to introduce online customer tools that will dramatically shorten the time it takes to get a high-speed Internet service. We'll not only improve the experience there, but also an opportunity again for improving productivity. The introduction of a new records management system and new quality improvement programs are helping our front line employees reduce work order errors. This, coupled with enhancements to our skill based routing system and additional investments in training and coaching are very important elements of what we do and it will significantly improve our rate of first call resolution. Doing it right the first time reduces aggravation for our customers and it reduces costs for us and follow-up calls.

We know that a customer's perception of value that they receive from Bell Aliant is a good predictor of customer loyalty. A customer perception of value is based on a number of things: the price, the price perception, the product, the service quality and the packages and the number of choices. And Heather has talked about the value we bring to our customers and I'd just like to focus on how we are delivering leading products and services and the quality and reliability of the solutions we bring to the market.

As many of you know, in 2006, we would have invested over \$500 million in maintaining, growing and evolving our network and our IT infrastructure across all our geographies, and across all our communities. In 2007, we will make a similar sized investment. In order to ensure that we have the reliable service offerings that our customers count on, we will continue to maintain our network to the highest standards. For example, we are continually optimizing our network to reduce the number of larger switchers we have and when we do that we do reuse that equipment. Just a small example, we are seeing significant opportunity in Goose Bay for the enhancement of our DMS-10 switcher, that we'll take it out and put in a DMS-100 switch, that we removed from Summerside, PEI as we optimize the switching profile in that area. We are planning on upgrading 26 remote switches and DMS-10s across Ontario and Quebec. Not only will it provide better service but will also enable the voice mail and Centrex capabilities, an opportunity again for

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growing revenues and reducing costs. And of course, as we do each year we will invest in replacing some aging copper transport systems for those of you who are technology oriented, particularly the BCM systems, which have become fairly expensive to maintain and we're replacing them with fibre technology which will not only improve reliability but also provide us with cost effective performance. These efforts along with many other initiatives will not only ensure the integrity of our network but will also help us improve productivity.

We will continue to grow our network in 2007 to keep pace with the increasing demands and the growth of our customer base, as Heather had referred to earlier. We will increase the capacity of our core network, we will evolve our core network to the latest IP technology to support future IP service offerings and of course to drive capacity efficiency planning. And we will expand the existing DSL footprint as we drive penetration inside that footprint. Evolving our network ensures that we stay one step ahead of our customer's needs. We will expand our DSL footprint, paying particular attention to Ontario and Quebec where the coverage is below that of Atlantic Canada, where we do have very extensive coverage for high-speed. As both Heather and Stephen mentioned, we will continue our aggressive fibre-to-the-node footprint expansion program in Atlantic Canada which will support increased speeds and be able to support up to three TVs and provide higher speed to Internet users. We will continue to rollout an enhancement of our IPT services, as Heather had mentioned earlier, and of course, the evolution of our Voice over IP service offerings, from a managed solutions that we provide today to network based offerings like IP Centrex, will be rolled out in various parts of our territory throughout 2007.

We continue to monitor as many of you would have known that we have a fibre-to-the-premises technology trial. That's been going on for a year or more now in the Halifax area. We continue to monitor that and the monitoring in that trial has proven invaluable in the refinement of the models and assumptions around the ease of installation, ongoing maintenance savings, reliability and stability and other things. Our fibre-to-the-node program that we talked about is being designed in an architectural way that allows us to migrate from fibre-to-the-node to fibre-to-the-premises, when the time is right for us to do that. But in addition to that trial we are looking at in 2008 the introduction of fibre-to-the-premises (FTTP) in some of our Greenfield areas and of

course to our multiple dwelling units throughout the region; probably more like late 2007.

We believe, as I've said before, about communities. That it's important to be an intimate part of the communities that we serve and our employees and our customers feel the same way. Just showed you one picture there of thousands that we have about our employees doing work in the community, and this is a group of employees in Chatham, Ontario who helped with the renovation of a cancer centre. Not only do our employees get involved with that, but they bring in their families, their children and their spouses as well as close friends and neighbours, so you can see the kinds of relationships we can build with the community. And that's just one example. We have hundreds of them. If you went into our office here in Ontario and you looked at one of the screens that we have in there you'll see a continual flashing of all of the things that Bell Aliant and Aliant are involved in under their brands and Bell Nordinq are involved in in their communities. A very, they want us to be part of the community and they want our employees to be active and it's one of the top three things that they say is important to them when they're deciding on who they're going to place their business with or keep their business with.

And of course productivity -- as we enter our first full year as Bell Aliant, our continued focus on productivity and cost discipline will ensure that we are achieving our financial objectives. You would have noted from Stephen's overview that our objective in 2007 is to grow our cash distribution by between 15 (you can see I'm not used to finance), between 15 and \$30 million. Stephen also indicated that we are forecasting organic revenue growth of up to 2 percent, and Heather, when she did her presentation, has shown you where that growth is coming from. Well we are continually seeking to improve margins in the growth lines of our business. They are not yet strong enough to offset the larger margins provided by the declining revenues from legacy service. This margin shift this year we believe are creating the need for 10 to \$15 million worth of additional cost reductions. In addition to those requirements, we had to offset inflationary cost increases of about 40 million and that's driven by an increase in the large corporate tax of 10 million; wage increases that have been negotiated and in place of about 16 million and inflationary costs of a whole variety of other areas that run between 14 and 16 million. And you can see on the plan that we do have a plan to offset these costs with productivity improvements and cost reductions

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in the order of 75 to 85 million, with an opportunity for some upside. And I'd just like to take a minute to just to give you some idea of some of the things that we're going to be doing in that area.

We've had, and many of you are familiar with this, a pretty good history of attacking our costs and improving our efficiency over the years, and of course 2006 was really no different. As I mentioned in my previous slides and as Stephen mentioned, we did achieve on a pro forma basis (a new word for me) in productivity savings in 2006, which includes initiatives from all of the provinces that we serve as well as from the Bell Nordiq territories. In our field of operations we achieved a significant year-over-year improvement by reducing both our cost per trouble and the number of annual truck loads. And this has been achieved through a number of different initiatives. Record accuracy is always an issue in our industry and plant improvements, our core programs are also a great way to improve. Centralization of our dispatch in Atlantic Canada did allow us to get out some costs and our field force performance management system is right down and provides visibility right down to the technicians so that we can help them become more effective in their day to day work. In our contact centre operations we've reduced our cost per call and improved the number of calls per customer by improving our self-serve capability, as I talked about before; by enhancing and will continue to enhance our skills based routing and our IDR systems; and of course, we have outsourced selected contact centre functions through third party partners. Many of these were completed in late 2006 and so we will get a great deal of benefit from those in '07.

In addition to those, in '07, we will continue to improve our operational effectiveness and you'll see on the slide between 45 to \$50 million to a large number of programs, and I'd just like to review some of them with you. We are doing an end to end process to redesign on our DSL provisioning and our enterprise services assurance processes. We will also continue to work on our data centre consolidation where we have some nice opportunities and the optimization of our dispatch centre operations. We will continue to invest in our system enhancements, like those of our facilities management system, our auto registration system for high-speed customers and enhancements to our customer self-serve platform. Operation and infrastructure work will include specific quality programs and contact centres and field forces which will improve records and work order accuracy, improving the commitments that we made and

orders completed on the first call. We'll also focus on proactive maintenance of our outside plant facilities which is always a good opportunity for improving costs and they'll help us not only just to improve costs but help us reduce the number of troubles that we have and improve the customer experience as well. Real estate consolidation and vendor cost improvements are two areas that we see further additional opportunities in 2007 and in this area we will work very closely with our Bell partners.

We also look to achieve between 20 to \$25 million in improvements in the area of organizational synergies. We're planning to adopt a number of Bell customer facing systems including an advance order entry system, which will help us improve the handle times and a system that consolidates customer information that we provide to the front line representatives that gives them a complete view of the customers so that they don't have to access one, two, three or four screens to get that information. And of course, we will take advantage of further integration opportunities that are being provided by the formation of Bell Aliant in the first place, and the privatization of Bell Nordiq and any acquisitions like Amtelecom that we would be able to make.

And last, of course, but not least, is one that many of you know about which is our outsourcing agreement with Bell. It has a, and I'll use the term "locked-in provision" for about a 3 percent year-over-year cost reduction and that should lead a yield close to about \$10 million next year. So you can see from our program that we are really moving in the right direction. Working very closely with Bell to leverage the kind of scale that they can bring to the table; combine that with a significant number of our own initiatives which at the end of the day will improve our operating efficiency and at the same time allow us to make a, improve and provide a superior experience for our customers.

So in summary, we believe that we do have the right business model here. We have taken a number of smaller companies over the years, turn them into a large company but retain the ability to focus intently on our various regions and our local communities. We are really, really focused on making this the centerpiece of all we do with every employee in our company and focused on superior customer service. And it's not typical to do because we're an industry known for our focus on service and our spirit of service and we're going to extend that spirit of service by giving people the tools, a little training

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and support as we continue to enhance that experience.

And finally, I think we're well positioned to deliver on our productivity, the targets that we've mentioned. We have some larger things in there but we also are again a company made up of regional focus and there are lots of small things in there that we believe we can bring to the table as we continue to enhance our productivity.

Thank you for the opportunity to be here with you today and I'd like now to introduce my colleague, Glen LeBlanc. I can't say enough about him. Glen?

GLEN LEBLANC (*Chief Financial Officer, Bell Aliant*): Thank you, Frank. I figure at this point everybody expects me to come up here and introduce myself and tell you I'm from Newfoundland, after Frank and Heather, and unfortunately, I can't. We've covered a lot of information and I know you're anxious to get to the question-and-answer period, so I'll try to move through mine quite, quite briskly and Frank also told me that he finds financial presentations boring, so I'll have to move quite quickly.

I can't tell you how proud we are of what we accomplished in 2006 in our first six months of operations. Our employees came to gather and delivered exactly what we said we were. As we discussed, both Stephen and I, on our fourth quarter call, we were on the high end of our ranges for both revenue growth and distributable cash. Our payout ratio has been below our target of 90 percent and gives us a reasonable size cash reserve going into 2007. When we formed Bell Aliant we indicated we would have modest revenue growth with stable solid margins and appropriate capital structure to maintain investment grade and that we would look for cash accretive growth opportunities through acquisitions. This business model should allow us to continue to distribute stable distributions to our unitholders. We believe yield is very important to our unitholders and is one of the main reasons they invest in us.

As we look forward to 2011, our expectation is that we will begin incurring cash income taxes at some point in that year at a rate of 31.5 percent effective taxes. All other things being equal, the income tax by itself would reduce our distributions in 2011; however, the amount by which they will be reduced depends on what we achieve over the next several years in terms of revenue growth, productivity savings, capital management and of course changes

in the number of units outstanding, which we can alter through NCIDs. We have cash available.

Our goal is to minimize this tax impact on our distributions to our unitholders. Many of you have asked me, would we consider increasing leverage, thereby decreasing our taxes in 2011. At this point under our current model, it is not our intention to do this. We believe approximately two times leverage is appropriate for our business model. With distributions of \$2.82 or a yield of 9.6 percent, our units represent a very attractive investment for yield-oriented investors. It is also important to remember that 50 percent of our unitholders are taxable individuals. Because they are taxed on distributions today, net distributions to them in 2011 will not be dramatically different. There is essentially no impact to them on the after-tax basis of their cash flows. 2011 will not change anything for them from a net cash perspective. Even if we were taxed today, our effective equivalent corporate yield would be about 6.7 percent. Pretty good by corporate standards and quite high based on our risk profile. I know some of the reports I have read have not lost sight of the yield Bell Aliant provides in a pre or post tax environment.

In terms of our balance sheet strength, the transactions we've completed and announced will increase our leverage slightly in 2007, and telecom will be done with cash and debt and the NCIB will negate the impacts of the units issued when we privatize Bell Nordiq. Regardless, we have and will generate more cash in 2007 that will give us additional flexibility and we believe allow us to maintain our credit ratings. We still have debt of about 1.3 billion to refinance by mid 2009 and we plan to do this across the yield curve. Our objective is to have floating rate debt of only about 10 percent to allow us to have the predictability of cash that is core to our business model. Stay tuned, you'll be hearing more from us very, very soon on our MTN plans.

To distributable cash, obviously distributable cash is a metric that we're most focused on from a financial perspective and it is the primary determinant of what will eventually be distributed to our unitholders. And as a yield investment, what we think is important to them. As I mentioned previously, in 2006, we paid out 83 percent of our distributable cash. This left us with cash reserves at the beginning of 2007 of 139 million. Having a strong opening cash balance and generating more cash in 2011 will allow us to fund the distribution increase we announced earlier this year, reduce the pension deficit, fund cash taxes

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beyond normalized levels, and most importantly, allow us to accelerate our fibre-to-the-node rollout, which Stephen, Heather and Frank have all touched on. We project that our distributable cash in 2007 will be between 735 and 750 million before the FTTN acceleration. And even if the FTTN acceleration is included in the distributable cash calculation, our payout in 2007 will be about 90 percent, in line with our stated objectives.

I know our pension plan funding is of interest to many of you. Included in our distributable cash calculations are current service costs funding amounts of 55 to 60 million. We also have a pension deficit that upon passing a new legislation will be required to be funded over a ten year time frame. Our deficit at the end of 2005 was about 438 million. We are required to do another evaluation at the end of December 2006. The interest rates are virtually unchanged since December 2005; however, because of the contributions we've made to the plan and the performance of 12 percent return on assets, we are expecting the deficit to be in the 355 million range.

Our M&A activity over the past several months has resulted in us issuing additional units for the privatization of Bell Nordiq; however we expect to mitigate the dilution caused through this with our NCIB program we announced today. The additional cash from Bell Nordiq and Amtelecom will result in modest accretion to distributable cash per unit.

To conclude today, let me present our 2007 guidance. Stephen, Frank, Heather covered the positive expectations we have for our core business in a fair amount of detail today. As well, we have recently announced our intention to acquire Amtelecom, divestiture of Aliant directory services and complete the sizable NCIB; all of these items are included in the guidance you see before you. We have assumed a completion of the directory sale in April and Amtelecom targeted to close in May or June. There is a timing difference in the receipt and use of the Aliant directory sale proceeds, as we expect it will take us about five months to complete the buyback program; and all of that again is factored in to what you see in front of you. So overall, we expect 2007 reported revenue to be between 3.33 billion and 3.4 billion. Our distributable cash is expected to be, again, 735 to 750 or 2 to 4 percent growth over our 2006 levels. The investment and expanding our broadband network has been made possible by our strong ending cash position and will be financed with this cash.

In summary, we continue to generate strong cash flows. We'll work to mitigate the impact on taxes on our distributions in 2011 and feel our high yield continues to position Bell Aliant as an attractive investment. Before I turn it over to Stephen to host our Q&A session -- if you don't mind, could we go back about three slides here to our distributable cash? Good I can count, it is three.

I thought it was really important to end on this note. We've discussed with you today a great deal of activity, that, and our core business and what we're driving to accomplish acquisitions, divestitures and NCIBs, a tremendous amount of activity. We've been it seems like doing press releases every few days as of late. What I want to draw your attention to is we've finished 2006 with a very sizable cash balance. We have a lot of activity that's going to go on over the next 12 months and I stand here today expecting to be here next year with another cash reserve of well over \$100 million to deal with. So I think this really summarizes a lot of what you've heard today.

And with that, Stephen?

STEPHEN WETMORE: Thanks, Glen, and thanks, Frank, very much. We're going to join you here now for an open session of questions. Just a couple of things. Firstly, anybody who (we do have some mics here hopefully, probably not too conveniently placed). If a question wants to be asked and addressed then I'll repeat it if, and bear with me for those, joining us by webcast. And in addition, our front row is full of operational -- and second row, of our operational executives across our territories, so I'm sure one way or the other we'll be able to address your questions. So with that, I'll open it up to our Q&A session. Go right ahead.

VINCE ALLEN: Thanks. Vince Allen from TD. I guess one of the trickiest things with trusts is figuring out what is recurring CAPEX versus what's special or one-time, so can we try to drill down on this fibre-to-the-node a little bit? I want to make sure I understand this fully. You're going from about 60,000 homes passed at the end of '06 to 200,000 at the end of '07, is that correct?

STEPHEN WETMORE: Correct.

VINCE ALLEN: Okay. So that's a 140,000 increase which you say is an '07 build plus the '08 build rolled into one year?

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STEPHEN WETMORE: Yes.

VINCE ALLEN: So the normal pace would be approximately 70,000 a year which would mean it would take you 15 to 20 years to roll out fibre-to-the-node to the 50 to 60 percent of your footprint, is that correct?

STEPHEN WETMORE: Depending on, yes, the size of the territory that you're defining at that rate going across the whole territory. It would take probably to the time that we would say would be completed under a modest build program would be 2012 to 2015.

VINCE ALLEN: So what would that take you to, because you threw out 50 to 60 as the competitive footprint with cable, so I was sort of assuming you'd be building fibre-to-the-node to that same sort of footprint but can you give us what your sense of what the end point is in terms of percentage of homes or percentage of NAS you'd build out, fibre nodes that...

STEPHEN WETMORE: Yes, what we're trying to do here is to take our -- and if you remember back a couple of years ago in terms of the Atlantic Canadian focus on offering high bandwidth and TV and also taking TV services to kind of three TV. The intent was to get to 200,000 homes passed in our major markets in Atlantic Canada. Really what this does is put us back on track from that perspective. So it is a very, very good footprint investment for us in the Atlantic Canadian marketplace. Then the next sort of evolution of it, if you will, will be in Central Canada.

VINCE ALLEN: Okay, and lastly, I think Frank sort of alluded to fibre-to-the-premise, you're doing a small trial now but you may get to that later, I'm just trying to figure out how this amount of spending, this extra \$40 million, call it, how that's not going to be a recurring amount if you have to do fibre-to-the-node to a bunch of homes and then after that you're probably going to be thinking about pushing fibre even deeper, that's what most other telcos are doing. Do you have a strong commitment that your recurring CAPEX is really only 15, in the 16 to 16.5, it's somewhat of an unusual year. It seems to be that 16-16.5 may be more recurring in today's world with current broadband needs.

STEPHEN WETMORE: Well what we did -- and I want to try to help you out a bit in my initial comments on that. And our business plan that we see over the coming years keeps our intensity in the 15-15.5 percent range. And in that is an embedded

footprint expansion and broadband expansion as well, albeit maybe slower than what we wanted it to be for 2007. And so it actually kind of moves our broadband network out where we would like it to be vis-à-vis the competition. To then overlay that with a fibre-to-the-premises build, is a ways out as far as we're concerned. We're taking a look at what the technology is and what the implications are through the trial in Halifax, as Frank indicated. But building our fibre out further into the network is a necessary component of fibre-to-the-premises at some point in time. If the marketing opportunities are there and the payback is there then we'll take a look at it, but it's not, I don't believe that it is a matter of us sitting here today saying we're going to spend X amount of money. What we're saying is our business plan is 15 to 15.5 percent, excluding '07, FTTN. And every year we'll re-visit that and if we're in a very strong cash reserve position, it is worthwhile to our unitholders for us to sit back and say, "How do we use that cash reserve? Where is the best avenue for investment to give our unitholders the best return?" And that's how we'll do it on an annual basis.

DVAI GHOSE: Thanks. I just wanted to follow-on from some of Vince's questions. I'm trying to work out how much fibre-to-the-node cost per home. I guess if you take the incremental CAPEX of say 40 million at the mid point, and divide it by the additional homes of about 140,000, you'd get to about 250-275, but that doesn't include the regular CAPEX that you're already spending. So could you give us an idea as to how much you're budgeting per home or is that a difficult calculation?

STEPHEN WETMORE: I don't know if in fact, I can probably make a guess, but I don't know if I should. We do it though, Dvai, most of our, I mean we're going to see different amount of concentration on each fibre-to-the-node investment versus somebody who has a very heavy concentration in the urban markets. But every one of them that we take a look at we do a business case by city to figure out what the opportunity is in that city, vis-à-vis where the cable companies are and what our strength is and do a kind of a business case built around that. So every one of them has a positive MTV from that aspect of it. To rattle off across our territory an average figure, I probably shouldn't.

DVAI GHOSE: Fair enough. But maybe I could follow on as well in terms of potential for fibre-to-the-home. I can kind of understand your delaying it because of the heavy CAPEX as well as optronics costs falling, but at the same time, if you go to video

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cell and then to fibre-to-the-home, you're duplicating a lot of costs in just truck rolls and optronics and so on, isn't there some advantage of just biting the bullet and going fibre-to-the-home today, especially as your cable competitors, like Videotronic, trialing channel bonding with 100 megabits and so on?

STEPHEN WETMORE: Well it's not something that every telco doesn't toss around and every telco does the calculations for it and look at sort of where you are in the marketplace, your affordability, how much you'd spend. I think for a telecommunications company like Bell Aliant there are certain product innovations that we would accept being on the leading edge of and certain ones that are hugely capital intensive that we shouldn't be. And while we should trial it and understand it and understand the IP implications throughout the network and capability from that side, I think we have to learn a lot from what's happening in the US and from our partners. So I think it's better for us to be kind of a follower that would allocate its capital on a really, really proven basis in that aspect.

DVAI GHOSE: Okay. And then just one last one and then, sorry, I'll let other people ask. But you're saying that 10,000 line loss equals 3 million a year which is basically \$25 per line per month, which is your regulated local access charge, when you lose a line you lose LD, you lose features, you potentially lose bundles as well, so wouldn't it be fair to say that the real impact is more than 2-2.5 times as much as that? And also, the other thing in terms of modeling, is once you get deregulation at the end of this year, at least in the competitive markets, should we also assume some sort of ARPU declines in that local equation?

STEPHEN WETMORE: Well let me, I mean I'll answer a bit, I should hand it off here a bit as well. If you, what we do is predict each of our product lines that Heather took you through today, and equate that to the number of customers that we think we would lose and gain and the packages et cetera, so we think we've done a very good job in estimating kind of the LD impact in the current year, the future impact, the type of customer that we would be more susceptible to losing. And on average it's about \$300. When you take a look at the NAS declines it's about \$300 for a full year. But you'll always see, and it was true I think in all our numbers for 2006, that if you're running say 1.9 percent NAS decline or 2 percent NAS decline, you're going to see a 1 percent local access decline. Let's just cancel that half year rule. But generally speaking that's how we do it. We'll look at it in totality and then break it down by

our product line. So it's built into the other product lines in there.

DVAI GHOSE: Okay. And the question of the ARPU, the re-price rate? Sorry, the re-price because you'll keep lines no doubt when you get deregulation by re-pricing down in some cases with competition. Do you think we should model ARPU declines for the lines you keep?

HEATHER TULK: Well I think that, and I guess this gets back to answer to the first question, which is I don't think that you can take a straight total revenue per subscriber or total revenue per household and model that out over time because as I mentioned in my remarks, we're really focused on which customers we keep and we're really focused on making sure that the more high value, high revenue customers are the ones that we're building the loyalty with. So certainly, and if you look at the chart in my deck, that shows churn across the horizon from single product to multi-product. It's definitely true that the revenue mix of the customers we're losing is more in the single product range than it is in the multi-product range, so it's not a straight model out that way. Similarly, as we see forbearance and other things open, I guess you could say, with the same question you'd say, you know, well years ago when we were looking at Internet market forbearance or wireless market forbearance should you be modeling out our decline, and the reality is it's our job to make sure that we're continually bringing more value to our customers, that our customers see value in and that we're up selling the new products, new features, new services, that we're putting compelling offers in front of them that they're willing to pay for. And so through new features, new offers, new selective price action where we can take it, you know, I wouldn't think it's necessarily an assumption to model out ARPU decline over time.

DVAI GHOSE: I guess the only difference with me is you could match Internet and wireless changes in the past because you didn't have any regulatory burdens, whereas here for five or six years you haven't been able to lower local prices.

HEATHER TULK: I mean we did have regulatory burdens in the early days of Internet and in fact in New Brunswick was the first province where we got forbearance on Internet and we actually sold it on a fully regulated basis. Wireless had regulatory restrictions in the early days and there was a need for it. So I mean we're very familiar with long distance, it would have been fully regulated before

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time. So I mean it depends on various product categories. Local revenue, straight local revenue is actually at a very good price point for customers and I don't think that it's necessarily a good assumption that we'll be looking to in a world drop our prices.

DVIA GHOSE: Thank you very much.

JONATHAN ALLEN: Thanks very much. It's Jonathan Allen from RBC. Glen, looking at your tax slides that you had there, you're estimating, your best guess right now is an effective cash tax rate of 31.5 percent by 2011, first of all, is there no way of tax planning either through un-depreciated capital costs or other tax pools that the effective rate could in fact I guess be more of a gradual increase rather than just bullet ones in 2011?

GLEN LEBLANC: Right. Jonathan, it's a great question and the answer to it simply is yes. I would have said on that slide that we're working to an eventual effect of tax rate of 31.5 percent at some time in 2011. And to your point with tax planning and management, can we mitigate 31.5 percent and bring it in slower, you know, that will be certainly our focus, but the purpose of that is to say that at some point you will be dealing with a 31.5 percent effective tax rate. Now we'll do everything we can to mitigate the timing of that and try to, the portion of that that has to be passed along, if you will, in the form of distribution reductions can be reduced...

JONATHAN ALLEN: So in the last six months that you've been operating as an income fund, do you actually build up a base for depreciation...

GLEN LEBLANC: We have and we've also recently divested of an asset where we're using a little of that base to protect the capital gains. But yes, we do build up a base and that will be part of our tax planning strategy.

JONATHAN ALLEN: Looking at one of your slides where you're saying that right now your distribution is \$2.82 fully taxed at the moment at 31.5 percent would be \$1.93. If I assume that your distributable free cash flow grows 3 percent organically over the next four years or so, and that you buyback I guess the 330 or 350 million this year and maybe another 150 million a year, it seems to me that your fully taxed distributable free cash flow would be somewhere around \$2.50 by 2011. Now this is obviously asking you to pull out a crystal ball, it's still many years away for it, but on that basis it doesn't look like there's much room for more distribution increases. We had a 3 percent increase a few

weeks ago but is there really scope over the next few years for continuing to grow that or is the 2011 tax burden just hanging over you?

GLEN LEBLANC: Well I'm sure our chief legal counsel's waiting for an answer to this question by giving 2011 guidance. So I'll be careful. I think your assessment is a good one in that, look, this is the government's decision of October 31st. It surprised us all and to say we're disappointed would be an understatement. However we have four years to plan that and through tax planning, through distribution increases or managing those increases or having the ability to grow our business. What hasn't changed is that we need to run our operations as efficiently and as effectively as possible. We need to grow our business and grow our distributions. The better we deal with that, the better the position we'd be in to continue to grow that 2.82 to a higher level between now and 2011. That's our focus. So take that cash management or that tax management and try to mitigate a portion of that—you did some quick math there and said, "Yes, I can get you the 2.50," and it's certainly our focus is that we don't want to see a 2.82 cut to \$1.93, all things being equal in 2011.

JONATHAN ALLEN: So if I can, somewhat you were saying is that there could still be some growth for distributions over the next few years.

GLEN LEBLANC: Our business model hasn't changed. When we launched Bell Aliant we said that we felt we could grow our distributable cash and in years where our board makes the decision that our unitholders should share in that growth, it's very possible that we could see distribution increases, but that's an annual decision that we make with our board.

NIMA BILLOU: Good morning. Nima Billou, Bloom Investment Counsel. This might be a question best for Heather. On the IT side, xwave and the product fulfillment, can you point to, you know, for every dollar of revenue from the IT services side you generate X amount of dollars in terms of telco services, because I'm sure you've done the math, and Steve has mentioned it before. Let's say you sell off the business, I know that's not a consideration, you'd probably earn a higher multiple than your basic telco business, and invest those proceeds in a more aggressive rollout of CAPEX and if you do the equation maybe it works best to sell it. So I just want to get a sense of how valuable it is and the kind of revenue that it generates or helps you retain?

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STEPHEN WETMORE: Okay, I'll go. Well it's kind of three components to xwave. It's the business that they do to outsource our telecommunications business in Atlantic Canada, that's a piece of it. Then there's a piece that is straight fulfillment on hardware sales which we do get a lot of benefit from and if it's in a territory that we're operating in primarily then that customer connection can then be kind of up-sold through infrastructure support. So it's not just a pure business that gives single-digit margins, which it tends to be of a fulfillment business. And then the last piece, which is the growing piece, is the consulting services, including managed services. And that to me is integral to telecommunications, and it's what our customers are looking for everyday. Not many of our high end medium business customers or our enterprise customers talk to us without talking about information technologies. Sometimes they don't even realize they are talking about information technology, but not that many companies can actually walk in and offer them that integrated solution. So we've set our internal targets in fact, and which a lot of our folks are actually compensated on as to how many of our customers receive both of those services, and we actually want to increase it everyday and every year and we've set targets for that.

To sell that business for us, fulfillment is not, you know, it's an ongoing business, so you can sell a fulfillment business but it's not a high multiple of EBITDA. And to move out our consulting services and partner with somebody would not allow us at this stage of the game, unless it was an absolutely perfect partner, to exploit the Central Canadian marketplace or take it down market to SNB. So very important that we continue to manage this business as it is and we're not, I don't feel that we're short of cash to invest in our network on a go-forward basis that would be holding us back. And back to some of the FTTN discussions in terms of investing of capital. There is a physical limit of investing in your network and running fibre-to-the-node in a neighbourhood is a complex exercise and a lot of planning has to be done and a lot of regional and city and municipality planning has to be done just to get those sites approved that you can actually build. Okay? So when we're running -- our capital program right now to me looks just about right and so, and xwave is a strategic asset and I think there's huge growth potential in it.

NIMA BILLOU: Thanks.

STEPHEN WETMORE: You're welcome.

PETER RHAMEY: Thanks. It's Peter RHAMEY from BMO Capital Market. I guess first question would be for Heather. How does wireless, we haven't heard too much about wireless, how has that factored into your planning and how well is it going with this new operational model?

HEATHER TULK: Well wireless obviously factors in a number of different ways into our planning. We of course have our wireless asset in the BNQ territory that will provide growth for us on a go forward. And within the rest of our territory and partnership with Bell Canada, it's very important as I would have explained to you that we continue to be able to provide integrated solutions to our customers and both in the residential and business market space we have the capabilities through our agreements with Bell Canada and strong commitment from Bell Canada to be able to do that. So we continue to provide value packages in the residential market including wireless and the components and the business bundles in the business market to the same extent, so it plays in there. The wireless industry and how the industry evolves - particularly with the growth of wireless only as a consideration, wireless only households. So we see that certainly Halifax would be one of the hottest markets in Canada for wireless only households and that's certainly some of the NAS decline that you've seen from us. And so that leads us to do things such as being able to uncouple our Internet products from our wireless voice, or wireline voice products, so we can actually sell an Internet and services, value added services offering into the wireless only household. It looks at us and helps with our thinking in terms of over the top in voice evolution services that will run over Internet. So it factors in in a bunch of ways. I'm actually very comfortable with where we are, both with our relationship with Bell Canada, as well for wireless services for our customers, but also how we're prepared and set up to manage our business evolution as the wireless industry unfolds around us.

PETER RHAMEY: So you're not finding you're disadvantaged in the market?

HEATHER TULK: Absolutely not. In fact it was interesting someone asked me on the break, and I would say that with the exception of every month, my results come out, I don't see that revenue line, which is obviously very visible to you on a day to day basis. It's actually, it's business as usual with respect to bringing wireless in and bringing it to our

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customers and we sell a tremendous amount of wireless everyday. We provide single integrated billing to our customers with wireless in the value package. We work with our partners in the Bell Mobility marketing department to be able to bring the right set of offers to our customers and I'm feeling very comfortable with our ability to continue to provide integrated services to customers.

PETER RHAMEY: Great, a follow-on. Can I just for clarification, what degree of forbearance did you assume in looking at your '07 plan or do you assume nothing and you're keeping...

GLEN LEBLANC: There would be minimal financial impact to, in the financial plan for forbearance.

PETER RHAMEY: So to the extent that things should get delayed?

GLEN LEBLANC: Something happened in 2007 but when you look at the guidance range that you see here it's certainly not going to impact the range. It's what I presented in front of you.

HEATHER TULK: I'm expecting a big celebration though.

GLEN LEBLANC: That may be the impact of the party she throws, yes.

PETER RHAMEY: And probably a more difficult question for Stephen. Stephen, a lot has changed since October 31st and I think at one point in time that your company was viewed, your trust was viewed as an acquisition vehicle, and you've got a new company here, you've got to be operationally focused, but maybe you could talk a little bit about you're doing a tuck-in with Amtelecom or you're proposing that, are you looking at just in-field strategies or are you looking outside your territory or you're looking south of the border, because I think there's some interesting developments that people are very interested in. Thanks.

STEPHEN WETMORE: Well I mean I highly recommend continuing to invest in us as opposed to the rest of the market in North America given the leverage that they've got. But I, and in their markets that was probably necessary to achieve their current position. I think early on in Bell Aliant, you know, we saw North America evolving in terms of the focus on the regional aspects of it. We still see that. It's taken more shape over the last six or seven months and we obviously haven't played in the North American scene. I don't think personally that we

would have been physically capable of handling a substantial south of the border acquisition, i.e., almost doubling our size or picking up millions of lines. So regardless of where we would be right now that would not be a focus. I think we do see a huge amount of opportunity in our market. One thing that changes a bit, mind you, in starting Bell Aliant is we do have a lot of operational execution to do in order to make all the things that Frank in particular mentioned in his half hour with us this morning and it's a, it really is a substantial amount of management focus. So we've done a few acquisitions, got the divestiture out of the way, we're now kind of sitting back truly planning for 2011 and where we should be placing things. And to be honest, no, I'm not, we're not looking at this point in time at south of the border.

PETER RHAMEY: Thank you.

STEPHEN WETMORE: One big thing in wireless is that we have to pay our wireless bill now. That's the biggest issue for me.

GREG MACDONALD: Hi, guys. Good morning. It's Greg MacDonald, National Bank. You did a pretty good job on page 17 of your package in walking through the productivity focus. And so when I look at the three different opportunities, the first being operational efficiencies, I'm going to characterize those as sort of mildly recurring; second, organization synergies as, I'll call them non-recurring largely; and then finally, the Bell outsourcing opportunity, I'll call that recurring. In fact I think Stephen you referred to that as an annuity. First of all, am I looking at or characterizing each of these correctly? And then second of all, if I look at the Bell outsourcing opportunity, this is something that I think of as kind of turning fixed expenses into variable expenses, and given the fact that telcos face a lot of access line erosion, it's a pretty good opportunity for a company like yours. I consider it a positive. The question I have is, how scalable is that last opportunity? In other words, if access line erosion were to double would that be a 100 percent scalable? Could you save 20 million as opposed to the 10 million you're expecting for 2007?

STEPHEN WETMORE: Well firstly to the latter point on the outsourcing agreement, it is built based on the scalability either down or up and the variable costs associated with that. So a huge amount of work that went into it pre the formation and certainly over the last four to five months, as cost associated with every activity. So that as that does move, it is kind of scalable from that aspect of it and the costs

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associated with it, the 3 to 4 percent, would be coming off that either scaled up or scaled down, depending on our number of transactions model. It doesn't mean at all, Greg, that over the next two to three years, and this is what I personally would like to see, is that some of the stuff that we had to put in that model because it was set up to run a complete telco in effect. It was set up to run moving out the Ontario and Quebec lines to a stand-alone organization. I think we have opportunities here to move some of those costs around, take less of this and more of that, which will add some more productivity for us. So perhaps more soft corporate costs coming to us that perhaps we could in-source and take advantage of other costs within the Bell structure, as we get a better view of it, adding to our capability of getting more out of the scalability of that outsourcing agreement. So yes, I see some upside in that one for sure.

The middle, I don't know if I'd characterize the one timers quite right and that procurement and supply chain activities for us will be ongoing for a number of years. And we do have to change things in order to take advantage of some of them, i.e., to take advantage of some of your supply chain work you have to change the processes that actually drive that supply chain requirement and then so you've got to buy better but you'd better change how you actually get that product and equipment out to the marketplace. So I see that going on for quite some time and obviously the top stuff organizational is directly related to the efficiency of our business. So that you have to go after every year.

GREG MACDONALD: Okay. Just a very quick follow on then. So you're looking at marginal cost savings this year somewhere in the 15 to \$25 million range relative to what you got in '06?

STEPHEN WETMORE: Right.

GREG MACDONALD: That's a pretty big drop from the 60 million in '06, can we anticipate those types of marginal cost improvements or should that be a declining scale?

STEPHEN WETMORE: Well I think for the next, at least the next couple of years for what we currently have our line of sight to, that's a very good figure to maintain it.

JOHN HENDERSON: Thanks. It's John Henderson, Scotia Capital. Just a question on the sort of competitive experiences that you're seeing in say Saguenay versus New Brunswick? And is price

being a bigger factor, I assume it's a bigger factor in Saguenay, is wireless a bigger factor in New Brunswick? I mean who's winning out on that or who is more effective in terms of competing against you?

HEATHER TULK: Well, John, it's a hard question to get into because I've already went as far as I ever want to in terms of spending my time talking about my competitors. But anyway, I'd rather talk about our business. But there definitely is differences in the marketplace, both Saguenay versus New Brunswick being one, what happens in Nova Scotia versus what's happening in Ontario being another. I'd say all the things you mentioned are factors. It really is a, and I think we understand it very, very well, that there is a multi-variable function that you have to apply and that predicts losses, and it's a combination of yes, the point you make, what will the competitor do. Some of our competitors are more rational with pricing in the market we would believe than others. Some are more aggressive in certain ways than others. Some have different characteristics in their portfolio in terms of what they're offering and how, to what extent they're using bundles, how many having the bundle, that type of thing.

But there's also variables in the mix that are related to our performance. So what is our customer relationships in that market before it opens up, what's our share of certain services before that market opens up, what's our coverage of certain services before that market opens up and in looking at both understanding what we see when we see it but probably more importantly predicting what we will see go forward. We in fact really do, I mean I'm not just making it up, we actually go through town by town and apply that kind of thinking and look at what we think town by town the loss rate is going to be. We looked back long before the market opens up and then we town by town go in and change those variables that we can. Some of them obviously are what pricing configurations our competitors are going to bring to market. We don't know till we see them so we have to do after, but there are a number of those variables that you can actually go in advance and change and that's what we focus on in advance and that's what we're working on now from our expectation to see open. And then as everyone opens, you know, and New Brunswick opens with a unique offer we hadn't seen and I don't think we've seen in Canada before, we had to think about how we dealt with that. Saguenay opened with certain set of offers and were similar to what that competitor was doing in other areas. We had to understand

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what we had to do there. So we really do town by town by town and that's why it's really difficult to get questions and, you know, when you guys want to run your models in terms of what rate of loss should we assume, and I'm like, well which quarter are you talking about because it depends on which city's opening up that quarter. And so it's really about having that kind of line of sight to understanding competitor by competitor, town by town, two things, what we think we're going to see and then acting fast to do what we can do about it.

JOHN HENDERSON: Thanks. And that I assume that that determines sort of where you focus your FTTN builds as well, and can you comment on where those builds are for the 200,000, is that all sort of St. John's, Atlantic Canada?

HEATHER TULK: The fibre-to-the-node build and the decision there has definitely those factors that I'd talked about but also market opportunity. Fibre-to-the-node is not just about protecting Bell competition, it's about how we change our revenue growth profile go forward and it's about where we believe we can sell more value added services where we have customer needs for higher bandwidth, where we can bring our TV product and have the kind of population density that we think we need in order to be really successful in the video play. So with respect to the homes that we were talking about today, I think I mentioned in my remarks that we will complete and do fairly substantial builds in the five cities in Atlantic Canada where we serve and we'll also prepare, aggressively prepare for the launch of some other areas which I'm not going to tell you where they are.

JOHN HENDERSON: Fair enough. And a quick follow-up for Glen, just could you give us the timing of what is in your guidance for next year in terms of Amtelecom and directories, is that for the full year or is that?

GLEN LEBLANC: Sure, John, I can give you a little colour on that. We have assumed the guidance that I've put before you today, and includes all of those transactions, everything we've discussed here today. And the timing that I've built in to the guidance is that we expect the Yellow Page deal to close in April, so you'd be therefore 3/4 of that revenue would be no longer in our 2007 plan. Amtelecom is assumed to close in the May/June time frame, so take 7/12 I guess of the revenue of that would be in our plans.

JOHN HENDERSON: Thanks very much.

GLEN LEBLANC: And NCIB. It's going to take us, because it's going to take us five months to complete that and that's in the plan starting very soon we hope.

BARBARA KOMJATHY : Hi. It's Barbara Komjathy, RBC. Just a quick question, do you expect of the acquisition strategy and I understand and appreciate sort of your comments that you're going to focus next execution and making sure that you sort of remain on target for 2011. If something would come along, I want a little bit better understand your commitment to the two times debt to EBITDA leverage. And also just sort of your current credit rating, how far would you be willing to push at which level if something were to come along in the meantime?

STEPHEN WETMORE: Well I'll just comment briefly and Glen can too. I think that we've come out of the launch of this organization stating emphatically that it is very, very important for us to keep our leverage within the confines of what we've mentioned. So at two times we feel very, very comfortable with and so therefore, you know when you take a look at it it offers you some flexibility to make acquisitions. The only other way to do it is sell off assets and generate cash. Very, very important if you're going to do that, but you can actually protect the tax on that sale otherwise you'd be dealing in after tax dollars and again difficult to generate the returns that we would like. And certainly units. And you know, it's a difficult time from my perception to use units, for all the reasons that we know about. So it's -- that kind of limits you in some ways because of the confines of what you're able to do. So I think when we look at what we've done and looking at '07, I think we've kind of finely tuned it. We took advantage of the opportunities that were available to us and being able to privatize Bell Nordiq and the subsequent transactions. It positions the balance sheet quite well. And why Glen went back to the distributable cash slide is that we're able to manage all this and still come in with a 2 to 4 percent distributable cash increase, you know, so balancing it all.

BARBARA KOMJATHY: So I guess making it just sort of more precise. So you basically indicated your commitment to sort of the two times leverage range and why you believe that there is a bit of flexibility that is something that remains your target even with an acquisition, if it were to happen.

STEPHEN WETMORE: Yes.

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BARBARA KOMJATHY: Second, you did mention potential sale of assets, is there something that you consider at this point non-core?

STEPHEN WETMORE: No. But just to sort of to give you the components, so you either have the depth capability or you sell it to get cash or you use units, those are kind of the three things that you would use. And so from, and in reference to asset type sales, it's only kind of in reference to the directories business, we've been fortunate in being able to use those full proceeds for the NCIB which made the transaction possible. If you're doing it net of tax it would have been a very, very difficult transaction.

BARBARA KOMJATHY: Okay. Thank you.

PETER MACDONALD: Thanks. It's Peter MacDonald, GMP. First, for Glen, is it possible that we can get the financial statements of the operating company for 2006 and then in future quarters to help us out with our analysis?

GLEN LEBLANC: The financial statements?

PETER MACDONALD: Yes.

GLEN LEBLANC: Yes, we'll be issuing our full financial statements and MD&A I believe it's first week of March, is it not?

PETER MACDONALD: Of the operating company?

GLEN LEBLANC: Of the -- yes. Yes, of the Fund and the operating company. So LP and the Fund together.

PETER MACDONALD: And then your comments today have been pretty helpful but I don't really come away fully understanding what your use of free cash flow is over the long term and leading into a fully taxed environment. So if I can ask the questions directly. Are you planning to continue to balance your cash between network builds and unit buybacks going into the end of the tax burden or are you going to maximize your distributions throughout this period wherever you can and then just adjust your distributions once you become fully taxed by the proportion at tax rating?

STEPHEN WETMORE: You know, if we had a clear answer to that we would have answered, we would have told you. It's just many of the opportunities that we have will be analyzed when we do the forward plan for the year. So next fall we'll take a look at

2008 and say, what's best for our marketplace given the changing dynamics. And so we'll make some of those decisions in that framework and also continue our planning for 2011, but it's not, I don't think, prudent for us to sit here today or right for us to sit here today, and one, tell you all those things when in fact a lot of the decisions are not ours, it's with the trustees. But we've given you as much kind of feel for all that in terms of how we'll manage our balance sheet, in terms of our view for 2011, our marketplace that, you know, you can get a pretty good view of what our view for the future is.

GLEN LEBLANC: Yes, just to build on that, Peter. I said in my remarks that what I don't think we can lose sight of that the most important thing we can do to ready ourselves for 2011 or any year is run our business. And what we need to do is maximize our revenue growth and find every opportunity we can for productivity savings, manage our CAPEX wisely and investments that we've made have, that we have announced today to invest in our business are doing just that. They're running our business in a balanced manner to ready ourselves for whatever. And then this instance what we're preoccupied in it seems is this 2011 inevitability. So run our business wisely and get ready for that and that is how we'll be best able to mitigate any tax implications.

PETER MACDONALD: I guess really what I'm trying to get at is the amount of cash that you've raised from the Yellow Pages' sale, you're using that today to offset the Nordiq units that you issued. So should I assume that there's no more unit purchases to prepare yourself for the taxes and we're just going to have to deal with the distribution at that time or do you take that cushion next year you have \$120 million and that, then at the end of next year you determine, hey maybe we'll use some of this cash to buyback some units or if you have to do some CAPEX upgrades? That's really where I'm trying to get to.

GLEN LEBLANC: Yes, and I would have mentioned again in my remarks, and my apologies for not repeating it here, is that in managing to the 2011 point, I also said that of course there's one other avenue or lever you can pull and that is managing your outstanding units by NCIBs. We've announced a big one today and it is in our arsenal. Every year when we stand there with what will be over \$100 million of cash to make decisions with, that will certainly be an option our board has to utilize the funds. But I mean I can't predict what we're going to do every year with the money beyond 2007.

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PETER MACDONALD: Okay. Thanks.

VINCE VALENTINI: Just want to follow-up. I wanted to ask you, Heather, about cable companies from both a defense in and offence standpoint. The defense first would be you articulated very nicely your competitive footprint and you get to 60 percent by 2009, I think you said, the other 40 percent of your households in your territory, can you just characterize those? Does your analysis show that there are no cable systems in those 40 percent or have you determined that the cable systems are too small to be upgraded to offer voice or can you say what that 40 is?

HEATHER TULK: It's a combination of both actually. So after you get up to the 60 percent then you're into areas unserved by cable or I'd like to think they're on the dish. But the, and then the other, there's also a number of small cable competitors or places where cable companies haven't and we don't expect them to build out the kind of plan that they would need to successfully offer telephony. And that's why we see it stabilize in that 55 to 60 percent households range.

VINCE VALENTINI: Do you have an approximate of that 40 percent or an approximate breakdown of how many have small cable systems versus have none, is it half and half or?

HEATHER TULK: Well I think it's public information in terms of the percent in total I think, so depending on the province, in the 80-85 percent range covered; some a little more and some a little less.

PETER MACDONALD: Okay, that's helpful. And from an offensive standpoint, you've bought some cable systems, you've increased it a bit through Nordiq, Amtelecom has a little bit of cable in it, is this a bit of trend that you maybe looked to buy more cable assets where you can? Can you characterize at all your total household footprint what percentage of the cable systems are small enough that the CRTC regulations would allow you to buy them if you chose to, do you know that?

STEPHEN WETMORE: I couldn't tell you that, but it would be very specific to the competition bureau assessment of the area. So, and it can be very small. And if it's a, if it isn't in fact eliminating a competitor from that aspect of it would have to be looked at closely from a competition point of view. So, and every one of them is very specific. And telecom, if you look at their footprint it's very specific

as well. So you have to take each one in turn and analyze it. So some of them you could take a look at but it can be very complex as to where you would be able to do some of these things and where would be problematic. I mean Heather mentioned the opening of Sudbury. Well you know, to say you're going to go in and buy the cable competitor just before they open up in Sudbury is problematic. So it has to be analyzed that way, every one of them.

PETER MACDONALD: Okay. And lastly, it's unrelated, but I think to Peter's question before. You seemed to be somewhat careful with your wording in saying US acquisitions are not really a focus right now and you're focused on operational, can I just make sure we're clear here, are you just ruling out the US or if something large in the ILECs base in Canada was for sale on the wireline side, would you think you could take a look at it right now?

STEPHEN WETMORE: Well I never mean to say that we rule out and will never think of things but my view right at the moment, and our board and the senior management team is we've done exactly what we should have done for the last six or seven months, hit our numbers, kept our leverage where it should be, our forward view on leverages there, we're very fortunate to increase our distributions, we've managed to clean up the marketplace just a little bit. Spent a fair amount of money. I mean it wasn't cheap because Rock Duvet built the value of this company and substantially so it was expensive for us to buy that. So there was a lot of, we've done a lot here. Right now we've got everything kind of balanced. I really like the looks of it. And so it would have to be, you know, an extraordinary acquisition that would have to come along that you would say that you'd be absolutely irresponsible not to pick it up, you know, that sort of thing. And then you would try your best to make it happen within those confines. But to indicate to you that we're out hunting for, to \$5 billion acquisitions, that's just not right. We're not. We're not at all.

DVAI GHOSE: Thanks. I wanted to ask how MTS fits into that. What I will ask though is, vis-à-vis your relationship with Bell Canada, you obviously have a strong connectivity agreement and so on, would it be fair to characterize your acceleration of fibre-to-the-node as a sort of guinea pig for them, are you working with them, are you working for them? Is this a sign of things to come with Bell, how would you describe that?

STEPHEN WETMORE: Well I don't believe, and none of the stuff that we have done has been kind of

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on a, you know, that I'd characterize it in a guinea pig category. Having said that, we work very closely together in the selection of gear and analyzing where we should go and what we should do. Our FTTN strategy was kind of, especially laid out in Atlantic Canadian context a couple of years ago, and this is where we should have driven the network. We're going to get there by the end of '07, because our competitive dynamics are different and we have a TV product. So other than that, Dvai, no. I mean that we would look at each other's data, they have made advances in MDUs, we take a look at the advances in MDUs, we'll do an STTP trial, study it all together and coordinate it like that, but nothing sort of saying, "Okay, why don't you guys go blow your brains out or whatever," and we support you. But no. I haven't heard that anyway.

DVAI GHOSE: Just as a quick response. When you had the high magic strategy, you suspended that strategy because of the cost, but what has changed significantly today, is it the CPE costs, is it the optronics costs? What makes it enticing today to what it was in fact then?

STEPHEN WETMORE: Well, we were on the edge of the technology and equipment development and I think too when we look at fibre-to-the-premise at the moment I get a lot of twinges in my stomach thinking back to those days too when I look at that. Necessary and I think we certainly did the right thing, but there wasn't one area at all that we looked at the time that didn't require us to play an important role in the technology development. So, you know, a 286 set-top boxes, you know, going, and then we had to upgrade that box and we're going, okay, we've got to replace all these and now we have to do different things. We've got to work on programming guides and do all the complications of network understanding of being able to take programs out and put local programming in. So you've got local weather and all these things are just huge investments. So we learned a lot and I think some of the other telcos invested as well. We're able to kind of piggyback a bit on that and the marketplace. So it's kind of the difference between then and now and everything increased, compression technology increased, our capability of installing and being efficient increased and all that sort of stuff.

DVAI GHOSE: Did the box cost increase dramatically, because I know that was one of your issues back then?

STEPHEN WETMORE: Yes. Well it actually went down, but what we were really worried about at the time was that the continued development in the software of the set-top boxes and we said, you're introducing it and then you're going to have to haul them out and then you introduce them again and haul them out. So we were worried about that all the way through and those set-top boxes at that point in time a number of years ago were very, very expensive. We told our board and other people that someday they'll come down too, which is where we are today. I don't think anybody believed it, but we thought it would over time.

DVAI GHOSE: So you're satisfied with the economics today?

STEPHEN WETMORE: Yes, we're satisfied with the economics today big time.

DVAI GHOSE: Thank you.

STEPHEN WETMORE: Thank you. Well ladies and gentlemen, I think seeing no other hands raised, I would only like to say, it was our pleasure to spend this time with you. This is allotted time out of very, very valuable days. I can't thank you enough for joining us. It's been our pleasure and we're obviously available to maybe answer some of the questions that we were asked a little bit better if you, if we confused you. So please feel free to contact us. Thank you very, very much and enjoy the rest of your day. Thank you.
