

Solutions for a world on the go



Adding value to communications



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32	OTTAWA	11:13		18
23	QUEBEC	11:15		18
52	TORONTO	13:48		18
58	TORONTO	14:21		18
25	QUEBEC	15:41		18
60	TORONTO	16:26		18
34	OTTAWA	17:08		18

***** Bienvenue à Montréal / Welcome to Montreal *****

BCE is Canada's largest communications company, with more than 23 million customer connections. We power our wireline, wireless, Internet and satellite TV connections with content from our television, newspaper and Web properties. We supply leading e-commerce solutions and carry international voice and data. In bringing together these capabilities, we're meeting the needs of our customers to simplify how they work and play. We're providing solutions that are easier to find, easier to understand and easier to use. And by adding new value for customers, we're embarking on a new era of growth.

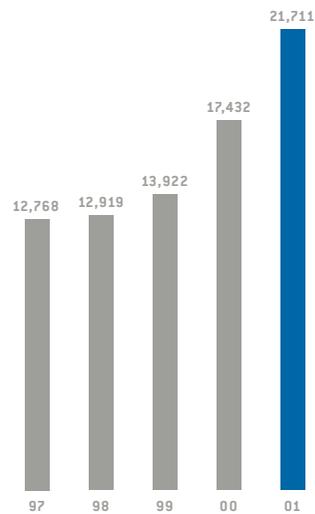
FINANCIAL HIGHLIGHTS

Key indicators (\$ millions)

	2001	2000
Revenue	21,711	17,432
Earnings before interest expense, income taxes, depreciation and amortization (EBITDA)*	7,467	6,786
Cash baseline earnings applicable to common shares*	1,270	1,228
Net earnings applicable to common shares	459	4,782

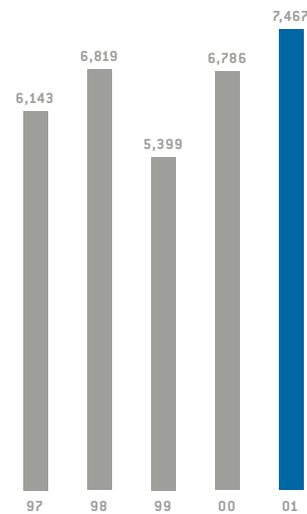
BCE revenues

(\$ millions)

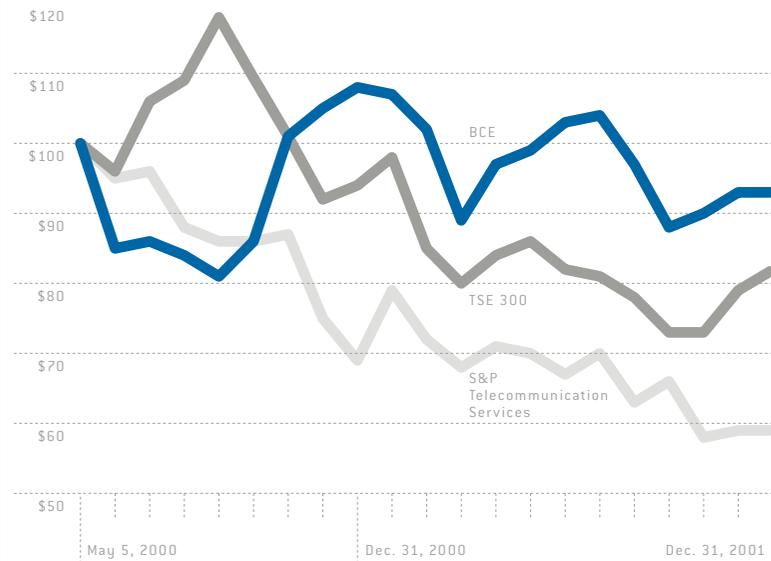


BCE EBITDA*

(\$ millions)



Cumulative Total Return on \$100 Investment**



*The terms "EBITDA" and "cash baseline earnings" do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other publicly traded companies. Refer to page 8 of this Annual Report for a description of these terms and to Table 2 on page 10 for a reconciliation of BCE's cash baseline earnings to BCE's net earnings applicable to common shares, a GAAP measure.

The graph above is for the period starting May 5, 2000 to December 31, 2001 and is provided in order to assist you in comparing the cumulative total shareholder return of BCE's common shares against the cumulative total shareholder return of the TSE 300 Composite index and the S&P Telecommunication Services Index.

May 5, 2000 was chosen as the starting point for this graph as this date was the first day when BCE common shares started trading ex-Nortel Networks.

**Assumes that the initial value of the investment in the Corporation's common shares, the TSE 300 Composite Index and the S&P Telecommunication Services Index was \$100 and that all subsequent dividends were reinvested. All prices for the Corporation's common shares were taken from The Toronto Stock Exchange. The TSE 300 Total Return data is obtained from The Globe and Mail and the S&P Telecommunication Services return data is obtained from Reuters Information Services (Canada) Limited.

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REPORT TO SHAREHOLDERS



JEAN C. MONTY
CHAIRMAN AND CEO

I am pleased to report that despite a tough economic environment, our financial results for 2001 were in line with our plans. Indeed, in many areas our performance placed BCE at the forefront of our North American peer group. We added more than two million customer connections, registering 10 per cent growth overall, and introduced many new services that combine our traditional strength in connectivity with value-added content and commerce. We also made significant progress in cross-enterprise initiatives and in our drive to increase productivity. This strong performance is owed largely to the dedication of our 75,000 employees across Canada and around the world. On behalf of the Board of Directors and the executive team, I salute and thank them for their contribution to our continued success.

DELIVERING RESULTS

I attribute today's market leadership to the business transformation BCE embarked on several years ago. At that time, we sought to build on our time-honoured connectivity base and increase the value of our customer connections. In just a few years, we acquired new capabilities in Internet services, content creation and distribution, and e-commerce. In the process, we assembled the leading brands in these fields: Sympatico-Lycos and its suite of Web properties, CTV, The Globe and Mail and BCE Emergis. And finally, to further increase our growth potential, we added international connectivity through the acquisition of BCE Teleglobe.

With these strategic elements in place, our focus during 2001 was on executing our plans and delivering on our financial targets. Our consolidated revenue for the year increased to \$21.7 billion from \$17.4 billion the previous year, while EBITDA grew to \$7.5 billion from \$6.8 billion in 2000. (Additional financial information can be found beginning on page 8.)

By leveraging our existing customer connections and building on the strength of our brands, we delivered strong subscriber growth in all three of our key growth segments—wireless, high-speed Internet and satellite television.

- Bell Mobility grew its wireless subscriber base by 25 per cent to 3.5 million, not including paging subscribers.
- High-speed Internet subscribers increased 125 per cent, expanding the subscriber base to 757,000.
- Bell ExpressVu satellite television service now reaches close to 1.1 million customers, a 48 per cent increase over 2000.
- Revenue from Bell Canada's data and broadband services increased 22 per cent over 2000.

SOLUTIONS FOR A WORLD ON THE GO

The less you have to think about technology, the more you're able to do. That's why BCE companies are coming up with solutions that enhance and simplify work and play.



We established a \$70 million innovation fund to finance the development of new convergence products. In the process, we took major strides in bringing together our Bell Canada, Bell Globemedia and BCE Emergis operating units, harnessing their combined strengths in product development. And the result of these efforts to date? The launch of 15 convergence products that add value for customers, simplifying and empowering their lives, enabling them to do more in less time.

Even as we innovated, BCE maintained its traditional balance between profitability and the need to invest for future growth. Many new initiatives, mainly at Bell Canada, enabled us to achieve our productivity target of \$450 million. Chiefly, we focused on reducing the cost of acquiring subscribers and improving the efficiency of customer service and other support functions. Improved productivity remains key, as it generates the means for continued investment in future growth drivers. Our success to date is encouraging, and we will intensify our efforts to find more opportunities to increase productivity in all our operations.

CONNECTIVITY AT HOME: BELL CANADA

Canada's leading communications company is working toward one goal—to provide customers with the benefits of one company, one contact, one bill. We want to enhance the value of connectivity with information and entertainment, thereby providing a simple and convenient customer experience.

In 2001, Bell Canada took a significant step closer to this goal. While continuing to grow its customer base, Bell created a joint venture to develop unified bills and to improve and simplify customer contact.

Bell Canada is in fact setting new standards for customer care by giving customers greater choice and flexibility:

- Some 37 per cent of customer contact now comes through Bell's transactional Web site, at Bell.ca.
- More than 200 Bell World/Espace Bell stores are now open in Ontario and Québec, with another 11 in Alberta and eight in British Columbia. Customers can choose from the full slate of Bell products and services—from cell phones to satellite dishes.

- Customer questions and requests are also fielded over the phone by more than 6,500 service representatives in Bell call centres.

High-Speed Internet

Bell Canada's success in high-speed Internet service stands as a remarkable achievement. A few years ago, DSL—the technology behind our service—was largely unknown. Today, Bell ranks among North America's most successful DSL players and is the world's fifth largest provider of the technology.

- DSL service is available to 71 per cent of homes and businesses in Ontario and Québec.
- Forty-two per cent of Bell's residential Internet customers now use high-speed service.

Why is high-speed Internet service so important? Because most of tomorrow's products will deliver greater value if they're accessed through a high-speed connection. Bell will continue to build market share in this important segment through new technology deployment and competitive offers.

GOLD standard for investors

All the financial information you need, anywhere, anytime. GlobeinvestorGOLD delivers personalized content and tools to the customer's PC or mobile device. You get portfolio management tools, live market tickers, wireless alerts, breaking news and exclusive analysis from the nation's premier financial experts.



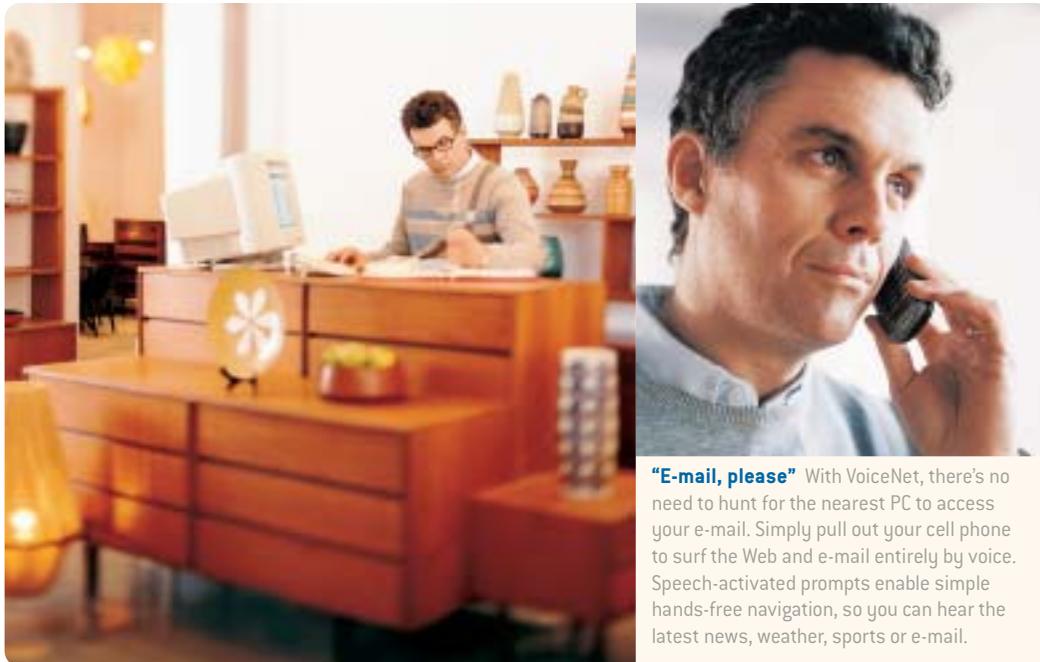
Wireless

Bell's goal of becoming a national provider of wireless service was brought one step closer, when it acquired 20 additional PCS spectrum licences in 2001. With the licences in hand, Bell began building its own network in Alberta and British Columbia. The new licences also enabled Bell Mobility to introduce the next generation of wireless services, using a technology called 1xRTT. Launched early in 2002, these new services will equip customers with new capabilities such as always-on connectivity and the fastest wireless data speeds.

Bell Mobility was the first company in North America to launch wireless Internet services and it continues to break new ground in technology and customer care. It has been recognized as the most innovative wireless company in North America.

In 2001, for example:

- Wireless data users grew 170 per cent to reach 802,000 at year-end.
- Mobile entertainment applications accounted for 50 per cent of wireless Internet use among Bell Mobility customers.
- New wireless games sparked a fourfold increase in the number of hits on Bell Mobility's Mobile Browser.



“E-mail, please” With VoiceNet, there's no need to hunt for the nearest PC to access your e-mail. Simply pull out your cell phone to surf the Web and e-mail entirely by voice. Speech-activated prompts enable simple hands-free navigation, so you can hear the latest news, weather, sports or e-mail.

Satellite TV

In late 2001, Bell ExpressVu reached an important milestone, delivering service to its one-millionth customer less than four years after its creation. In the past year alone, ExpressVu's customer base grew 48 per cent. With an estimated 60 per cent market share, ExpressVu is Canada's leading DTH satellite TV company, and now the country's fourth largest broadcast distributor of television content.

Fifty-six per cent of ExpressVu customers live in urban centres, where the company is winning market share from the established cable companies.

Bell ExpressVu recently launched Canada's first Personal Video Recorder (PVR) and receiver. Customers can record up to 30 hours of content on the PVR and even pause live programs without losing content.

Growth in data

The communications industry in Canada remains highly competitive—and nowhere is competition fiercer than in the high-end business sector. In this market, data expertise is the customer's determining factor in selecting a partner to help build new ways of doing business.

In 2001, Bell Canada bid on and won major new contracts in emerging services:

- In June, the company led a consortium that won a \$57 million landmark contract to build and manage an e-government infrastructure for the Government of Canada. “Secure Channel” will enable unprecedented efficiency and security in the delivery of federal services to all Canadians via the Internet, call centres, public kiosks and in person.
- Bell's unrivalled network capabilities were key in winning a second e-government contract, for the Ontario government. With cost-effective, anywhere-anytime access to services such as car registration and renewals, Ontario citizens' tax dollars will soon be working smarter.
- Canada Life Assurance Company selected Bell for Canada's first Internet Protocol Virtual Private Network (IP VPN) to offer bandwidth on demand. IP VPN, which enables large customers to operate over the Internet, leverages Bell Nexxia's broadband backbone and builds on shared expertise with BCE Teleglobe.

CONNECTIVITY ABROAD: BCE TELEGLOBE

Like its peers, our international data/IP company is being challenged by two factors: the global economic downturn and an oversupply of bandwidth capacity. In 2001, BCE Teleglobe took decisive steps to refocus its business by consolidating operations and managing costs.

The company began by rationalizing its product portfolio and stabilizing its voice business. It also took advantage of new opportunities to significantly reduce the cost of its international network build-out. Known as GlobeSystem, the network was originally estimated at U.S. \$5 billion and is expected to be completed in 2002 at a cost of U.S. \$2.1 billion.

GlobeSystem consists of advanced IP networks with 160 network points and 80,000 route miles which is designed to provide customers in 106 countries with capacity, security and quality over a data, voice and video network.

CONTENT: BELL GLOBEMEDIA

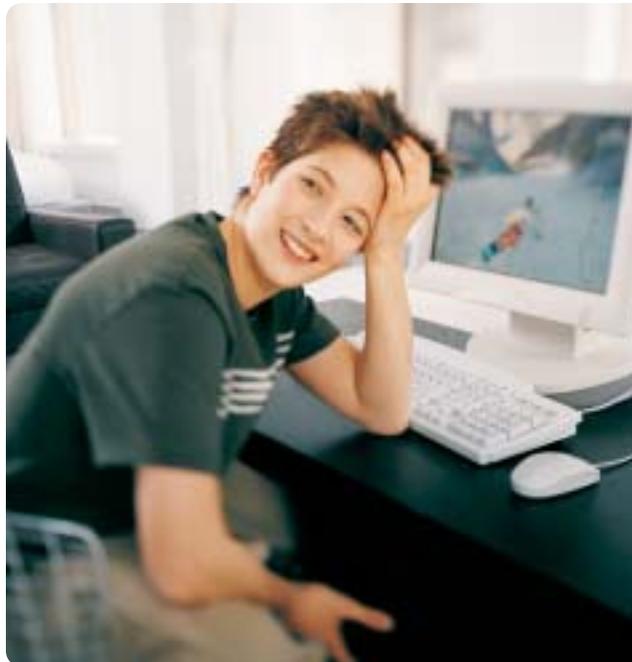
Bell Globemedia touches more than eight out of 10 Canadians every week. And, with an annual investment of considerably more than \$450 million in original Canadian content, Bell Globemedia is home to one of the strongest line-ups of content creators in the country.

CTV, Bell Globemedia's flagship broadcast property and the largest private broadcaster in Canada, reaches 20 million people every week. CTV owns over 20 conventional stations and has interests in 15 specialty channels, including the TSN sports channel, which remains Canada's most popular specialty channel.

In 2001, Bell Globemedia strengthened its French-language presence in Québec by joining COGECO to acquire an interest in the TQS television network. To complete its national network, CTV also added English-language stations in Montréal and Winnipeg during the year.

The Globe and Mail, Canada's largest circulation national daily, is an invaluable source of regional and national news—content that can be channelled into other Bell Globemedia distribution platforms. Bell Globemedia is also home to the leading suite of Canadian-owned Web sites, reaching more than 60 per cent of online Canadians. The Bell Globemedia group of online properties are the second most popular in Canada in terms of unique visitors. With Sympatico.ca leading the way, Bell Globemedia sites offer breaking news, finance, sports and career information.

Bringing all these complementary assets together to benefit advertising customers has been one of Bell Globemedia's top priorities. Indeed, the company's unique assets, and its ability to tailor campaigns, offer the most compelling argument for integrated solutions. It is an argument a growing number of national advertisers are heeding. Bell Globemedia recently announced the largest media convergence ad campaign ever, for General Motors' Cadillac brand.



Let the games begin Conceived for game lovers, Gamesmania features dozens of games for PC or wireless device. The site has more than 11,000 registered users. Available by subscription or pay-per-play, it features reviews from the experts, demos and tips.



COMMERCE: BCE EMERGIS

One of North America's leading business-to-business e-commerce companies, BCE Emergis has carved a significant niche in the health care and financial services sectors. Every day, millions of transactions in Canada and the United States are completed using BCE Emergis applications. For example:

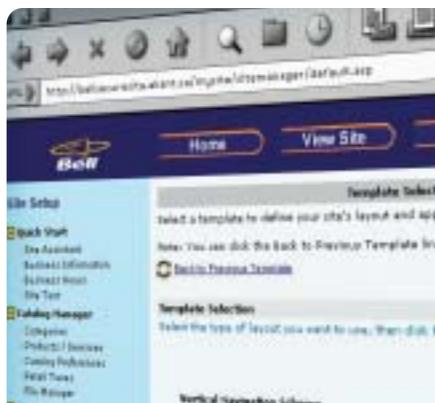
- Customers conduct more than 149 million health transactions through BCE Emergis and its infrastructure.
- Nine of the top 10 Canadian health insurance companies and eight of the top 10 in the United States are BCE Emergis customers, connecting to more than 90 per cent of health care providers.

These relationships are at the core of BCE Emergis' initiatives to digitally enable more cost-effective and faster transactions between insurers, health care providers and employers.

BCE Emergis' performance in financial services is equally impressive:

- Three of the top five U.S. banks—J.P. Morgan Chase, Bank One, and Bank of America—are now customers. All three sell BCE Emergis services under their own brand to their corporate customers in the United States and abroad. BCE Emergis derives revenue from every transaction through its re-branded services.
- VISA U.S.A. announced a partnership with BCE Emergis to integrate e-Invoicing into VISA's commercial payment solutions. This is a landmark agreement for BCE Emergis. More than 14,000 U.S. financial institutions rely on VISA's payment network, which aims to capture a significant share of the more than 19 billion business-to-business transactions completed in the U.S. every year.

BCE Emergis also signed a number of key agreements with Bell Canada to provide advanced security and e-commerce services to Bell's business customers. These agreements enhance Bell's connectivity and e-business portfolio and extend both companies' reach in the fast growing e-commerce market.



Getting more SMEs online With SmartWeb, the final barriers to setting up shop on the Web are gone. SmartWeb is simple and affordable. Using a choose-and-click Web application, customers build their own site with help from Bell, including everything from Web site development to visibility on the Net site technical support. Plus, they can convert to a SmartStore e-commerce site anytime.



e-Invoicing cuts costs Companies that issue large volumes of invoices are cutting costs and ratcheting up service with e-Invoicing. Secure, interactive and entirely Internet-based, e-Invoicing also enables invoicees to view their accounts, settle disputes and make payments in a fraction of the time.

STAYING ON STRATEGY

BCE's strategy is built on a single premise: people are seeking simplicity and convenience to help unleash the potential and the promise of technology. For individual customers, it means making it easier for them to work by getting the information they need, and easier to play by getting the entertainment they want. For businesses, it's also about productivity and new capabilities. Connectivity is fundamental. But also important are the tools and applications that make businesses more productive, allowing them to focus on their own area of expertise—without distractions. In short, we're adding value to traditional communications.

At BCE, this strategy is firmly in place and the accompanying business transformation is well engaged. Our focus going forward is on creating value from our recent investments by executing our business plans. We believe that our 23 million customer relationships, our powerful brands and our strategy of powering connectivity with content and commerce comprise a unique business model. It is a model that provides us with long-term sustainable differentiation, and that will drive growth and performance well into the future.

Managed Solutions

It's a simple idea for enterprises: you let the experts handle the setup and management of your communications infrastructure and business applications. Bell's Managed Solutions are cost effective, end-to-end, and enable customers to direct scarce resources back into their business.



CONTINUED FOCUS ON EXECUTION

In 2001, we put in place the cross-enterprise initiatives that enable us to bring to market higher-value, integrated customer solutions.

Over the medium term, achieving our strategic objectives should deliver superior results to our shareholders. In the short term, we face the challenges and the instability of the global telecom industry. But we believe that the management team is well prepared for these challenges.

We are still in the early stages of the Internet and BCE has chosen a bold evolutionary path which provides us with the opportunity to build for tomorrow.

Success will go to those with the vision and the competence to engage and respond to opportunities. We believe we have the focus, the people, the talent and the business resources to deliver.

A handwritten signature in black ink, appearing to read 'Jean C. Monty'.

(signed) Jean C. Monty
Chairman and Chief Executive Officer
BCE Inc.
February 27, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations (MD&A) focuses on the consolidated results of operations and financial situation of BCE, which consists of BCE Inc., its subsidiaries, joint ventures and its investments in significantly influenced companies, by principal operating groups of BCE and should be read in conjunction with the audited consolidated financial statements contained on pages 25 to 44. Certain sections of this MD&A contain forward-looking statements with respect to BCE. These forward-looking statements represent BCE's expectations and intentions as of February 27, 2002 and, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations are discussed on pages 19 to 23 under "Forward-Looking Statements". BCE disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information or otherwise.

BCE centers its activities around four core operating segments, based on products and services, reflecting the way that management classifies its operations for purposes of planning and performance management. All other businesses are grouped in the BCE Ventures segment.

The **Bell Canada segment** provides connectivity to residential and business customers through wired and wireless voice and data communications, high-speed and wireless Internet access, direct-to-home satellite entertainment services, IP-broadband services, e-business solutions and local and long distance phone and directory services. The results of the Bell Canada segment discussed in this MD&A represent the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its subsidiaries (including Bell Mobility Inc. (Bell Mobility), BCE Nexxia Inc. (carrying on business in Canada under the name Bell Nexxia), Bell ActiMedia Inc., Bell Distribution Inc. (Bell Distribution), Certen Inc., Northern Telephone Limited, Northwestel Inc. and Télébec ltée), and also its investments in significantly influenced companies (including Manitoba Telecom Services Inc. (MTS) and Bell Intrigna Inc.). BCE owns 80% of BCH and the remaining 20% ownership interest is held by SBC Communications Inc. In addition, the Bell Canada segment includes the consolidation of Aliant Inc. (Aliant) (approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.) as well as BCE Inc.'s 100% interest in Bell ExpressVu Limited Partnership (Bell ExpressVu).

Bell Globemedia is a Canadian multi-media company in the fields of broadcasting, print and the Internet, created on January 9, 2001. Bell Globemedia provides integrated information, communications and entertainment services to Canadian customers and access to distinctive Canadian content. Through its various portal properties,

Bell Globemedia also provides unique destinations for Internet users. Bell Globemedia is comprised of the television operations of CTV Inc. (CTV), the print operations of **The Globe and Mail**, and the interactive operations of Bell Globemedia Interactive and other media interests. BCE Inc. owns 70.1% of Bell Globemedia, while 20% is held by The Thomson Corporation (Thomson) and 9.9% is held by The Woodbridge Company Limited (Woodbridge).

BCE Teleglobe is the global communications and e-business segment of BCE. This segment provides a range of international and domestic communication services including voice, Internet connectivity, high-speed data transmission, hosting, broadband, broadcast and other value-added services on a wholesale and retail basis. The actual results of the BCE Teleglobe segment in the first ten months of 2000 reflect Bell Canada's 23% equity in net earnings of Teleglobe Inc. and its subsidiaries.

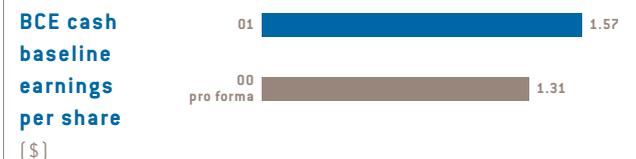
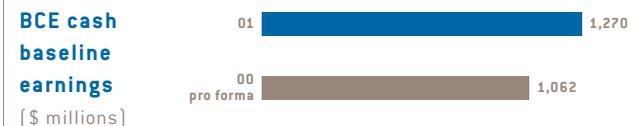
BCE Emergis is a business-to-business (B2B) e-commerce infrastructure provider, strategically focusing on market leadership in the transaction-intensive eHealth and financial services sectors through its three strategic business units, eHealth Solutions Group, BCE Emergis – Canada and BCE Emergis – U.S.A. BCE owns approximately 65% of BCE Emergis, with the remaining common shares being publicly held.

BCE Ventures reflects BCE's interests in Bell Canada International (BCI), Telesat Canada (Telesat), CGI Group Inc. (CGI) and certain other BCE investments. BCI owns, develops and operates advanced communications companies in Latin America. Telesat delivers satellite business services primarily to North American companies. CGI provides end-to-end information technology (IT) services and business solutions to customers in North America, Europe, Australia and Asia.

BCE Inc.'s comparative consolidated financial data for each of the eight most recently completed quarters is presented on page 45 of this Annual Report.

The terms "pro forma", "EBITDA" and "cash baseline earnings" used in this MD&A do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and therefore may not be comparable to similar measures presented by other publicly traded companies. For improved comparability, BCE also presents its results on a pro forma basis. pro forma results adjust BCE's statutory 2000 results to give effect to the following transactions (as of January 1, 2000): the acquisition of Teleglobe Inc. in November 2000, the acquisition of CTV in April 2000 (consolidated starting December 2000) and the acquisition of The Globe and Mail and Globe Interactive in January 2001. BCE uses EBITDA and cash baseline earnings, which are non-GAAP measures, to assess the operating performance of its on-going businesses. EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as well

as any non-recurring items (i.e. revenues less operating expenses). Cash baseline earnings represent net earnings applicable to common shares after baseline adjustments, which include (on an after-tax basis) BCE's share of: net gains (losses) on disposal of investments; the results of discontinued operations; restructuring and other charges; goodwill expense; results of BCI; gains on reduction of ownership in subsidiary and significantly influenced companies; and amortization of purchased in-process research and development expense. Each of the items listed above was excluded because they were considered to be of a non-operational nature. A detailed listing of baseline adjustments is presented under "Results by Operating Group".



The Globe and Mail is a trade-mark of Bell Globemedia Publishing Inc.

TABLE 1 RESULTS BY OPERATING GROUP

For the year ended December 31	Actual 2001	Actual 2000	Change	Pro forma 2000	Change
OPERATING REVENUES					
Bell Canada	17,254	15,800	1,454	15,800	1,454
Bell Globemedia	1,203	98	1,105	1,171	32
BCE Teleglobe	2,065	326	1,739	2,013	52
BCE Emergis	656	468	188	468	188
BCE Ventures	1,670	1,402	268	1,429	241
Corporate and other (including inter-segment eliminations)	(1,137)	(662)	(475)	(890)	(247)
Total revenues	21,711	17,432	4,279	19,991	1,720
EBITDA					
Bell Canada	6,876	6,520	356	6,520	356
Bell Globemedia	108	(8)	116	147	(39)
BCE Teleglobe	126	41	85	48	78
BCE Emergis	127	75	52	75	52
BCE Ventures	390	227	163	255	135
Corporate and other (including inter-segment eliminations)	(160)	(69)	(91)	(69)	(91)
Total EBITDA	7,467	6,786	681	6,976	491
CASH BASELINE EARNINGS					
Bell Canada	1,157	1,072	85	1,072	85
Bell Globemedia	7	22	(15)	8	(1)
BCE Teleglobe	(70)	(20)	(50)	(145)	75
BCE Emergis	38	16	22	16	22
BCE Ventures	19	52	(33)	52	(33)
Corporate and other (including inter-segment eliminations)	119	86	33	59	60
Total cash baseline earnings	1,270	1,228	42	1,062	208
Total cash baseline earnings per common share	1.57	1.83	(0.26)	1.31	0.26
NET EARNINGS APPLICABLE TO COMMON SHARES					
Bell Canada	689	994	(305)		
Bell Globemedia	(150)	(78)	(72)		
BCE Teleglobe	(607)	(241)	(366)		
BCE Emergis	(281)	(209)	(72)		
BCE Ventures	(281)	(361)	80		
Corporate and other (including inter-segment eliminations)	3,049	207	2,842		
Total net earnings – continuing operations	2,419	312	2,107		
Discontinued operations	(1,896)	4,549	(6,445)		
Total net earnings	523	4,861	(4,338)		
Dividends on preferred shares	(64)	(79)	15		
Net earnings applicable to common shares	459	4,782	(4,323)		
Earnings Per Share (EPS)					
Earnings from continuing operations	2.92	0.35	2.57		
Net earnings	0.57	7.43	(6.86)		

RESULTS BY OPERATING GROUP**OVERVIEW****OPERATING REVENUES**

When compared to actual results in 2000, the increase in BCE's 2001 operating revenues of 25% was due to higher revenues from all operating segments, particularly:

- the inclusion of the results of BCE Teleglobe and Bell Globemedia for a complete year in 2001;
- improved results from the Bell Canada segment, primarily due to growth in data revenues, higher SmartTouch and network access services revenues from the local and access market, an increase in the cellular and PCS subscriber base and growth in the number of Bell ExpressVu subscribers; and
- improved results from BCE Emergis, primarily due to an increase in sales of e-Invoicing solutions.

When compared to pro forma results in 2000, the increase in BCE's 2001 operating revenues of 9% was mainly due to improved results from the Bell Canada segment and BCE Emergis, as noted above.

EBITDA

When compared to actual results in 2000, the increase in BCE's 2001 EBITDA of 10% was mainly due to improvements from all operating segments, particularly:

- improved results from the Bell Canada segment and BCE Emergis, primarily due to revenue growth, as well as productivity improvements at Bell Canada; and
- the inclusion of the results of BCE Teleglobe and Bell Globemedia for a complete year in 2001.

When compared to pro forma results in 2000, the increase in BCE's 2001 EBITDA of 7% was mainly due to:

- improved results from the Bell Canada segment and BCE Emergis, as noted above; and
- an increase in BCE Teleglobe's EBITDA, primarily due to savings realized from the restructuring plan adopted in the third quarter of 2001, continued migration of traffic from leased lines to BCE Teleglobe's network and other cost savings initiatives;

partially offset by:

- a decrease from Bell Globemedia as a direct result of the economic impact on advertising revenues in the print and conventional television segments.

SmartTouch is a trade-mark of Stentor Resource Centre Inc. (a subsidiary of Bell Canada)

CASH BASELINE EARNINGS

When compared to actual results in 2000, the increase in BCE's 2001 cash baseline earnings of 3% primarily reflects:

- an increase from the Bell Canada segment mainly due to a higher EBITDA, offset in part by a higher interest expense and amortization expense;
- improved results from Corporate and other primarily due to a lower interest expense resulting from the repayment of long-term debt in the first quarter of 2001, partially offset by higher operating expenses; and
- improved results from BCE Emergis attributable to higher EBITDA and lower interest expense, offset in part by higher amortization expense and income taxes;

partially offset by:

- a decrease from BCE Ventures mainly due to the inclusion of interest expense on Teleglobe Inc.'s debt attributable to Excel, which will not be assumed by the purchaser of Excel; and
- a decrease from BCE Teleglobe due to the increase in ownership interest in Teleglobe Inc. effective November 1, 2000, partially offset by the inclusion of interest expense on Excel's debt and Teleglobe Marine's operating loss in the 2000 results (which were reflected in BCE Ventures in 2001).

When compared to pro forma results in 2000, the increase in BCE's 2001 cash baseline earnings of 20% primarily reflects:

- an increase from Bell Canada and improved results from Corporate and other, partially offset by a decrease from BCE Ventures, as noted above; and
- an increased contribution from BCE Teleglobe mainly due to a higher EBITDA, and the inclusion of interest expense on Excel's debt and Teleglobe Marine's operating loss in the 2000 results (which were reflected in BCE Ventures in 2001), partially offset by a higher amortization and interest expense in 2001.

NET EARNINGS

Table 2 reconciles BCE's cash baseline earnings to reported net earnings applicable to common shares.

TABLE 2 RECONCILIATION OF CASH BASELINE EARNINGS TO NET EARNINGS

For the year ended December 31	Actual 2001	Actual 2000
Cash baseline earnings to common shares	1,270	1,228
Bell Canada:		
Restructuring and other charges ¹	(461)	–
Goodwill expense	(70)	(86)
Other	63	(19)
Bell Globemedia:		
Goodwill expense	(145)	(100)
Other	(12)	–
BCE Teleglobe:		
Goodwill expense	(411)	(60)
Restructuring and other charges ²	(126)	(37)
ORBCOMM – Discontinued operations ³	–	(80)
BCE Emergis:		
Goodwill expense	(322)	(214)
Other	3	(11)
BCE Ventures:		
Excel – Discontinued operations ³	(2,115)	(19)
BCI – Net earnings (loss)	(268)	185
Goodwill expense	(22)	(25)
Other ⁵	209	(3)
Corporate:		
Gain on sale of Nortel Networks shares and settlement of short-term forward contracts ⁴	2,901	–
Nortel Networks – Discontinued operations ³	–	4,055
Other	(35)	(32)
Total baseline adjustments	(811)	3,554
Reported net earnings applicable to common shares	459	4,782

- 1 Bell Canada recorded a pre-tax charge of \$736 million (BCE's share is \$347 million on an after tax basis) in the fourth quarter of 2001, representing restructuring and other charges of \$345 million and \$391 million, respectively. The restructuring charge is related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 2,800 employees, which resulted primarily from a decision to streamline certain management, clerical, line and other support functions. Other charges consisted primarily of the write-off of wireless (Bell Mobility) capital assets relating mainly to the analog and paging networks and PCS base stations. Bell Canada also recorded a pre-tax charge of \$239 million (BCE's share is \$114 million on an after tax basis) in the first quarter of 2001, representing restructuring and other charges related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 1,900 employees, which resulted primarily from a decision to streamline support functions, and the write-off of certain assets.
- 2 BCE Teleglobe recorded a pre-tax charge of \$198 million (BCE's share is \$126 million on an after tax basis) in 2001, representing restructuring and other charges related to the closing of certain facilities and network costs, employee severance and other related employee costs, for approximately 450 employees, which resulted primarily from a decision to restructure portions of its business due to changing international market conditions, as well as a write-down of certain assets.
- 3 Included in baseline adjustments are the results from discontinued operations of Excel, ORBCOMM and Nortel Networks Corporation (Nortel Networks). The results of operations of Excel include an impairment charge of \$2,049 million, recorded in the first quarter of 2001, after completion of an assessment of the carrying value of BCE's investment in Excel. The assets of Excel were written down to their estimated net recoverable amount, which was determined using the undiscounted net future cash flows to be generated by these assets. The primary factor contributing to the impairment was a lower than expected operating profit due to a reduction in Excel's forecasted minute volumes and average revenue per minute that are expected to continue in the foreseeable future. The results of operations of Nortel Networks include a \$4.2 billion dilution gain on the reduction of BCE's ownership interest in Nortel Networks in 2000.
- 4 BCE recorded a gain of approximately \$3.7 billion in 2001 (\$2.9 billion on an after tax basis), relating to the settlement of short-term forward contracts on approximately 47.9 million Nortel Networks Corporation common shares as well as the sale of an equivalent number of Nortel Networks common shares. These transactions resulted in total proceeds of approximately \$4.4 billion.
- 5 In 2001, other consists primarily of gains on the reduction of ownership in subsidiaries and joint ventures, resulting primarily from the issuance of shares to third parties relating to business acquisitions and public offerings by CGI and BCI.

BELL CANADA SEGMENT

OPERATING REVENUES

LOCAL AND ACCESS

The increase in local and access revenue was mainly due to higher SmartTouch feature revenues, growth in network access service revenues and higher consumer terminal sales. The growth in SmartTouch feature revenues amounted to 13% in 2001, reflecting higher average monthly revenues per customer mainly as a result of price increases (refer to "Regulatory Decisions") and a greater number of features in service. The increase in network access service revenue of 3% in 2001 was due to a price increase in monthly local residential rates (refer to "Regulatory Decisions"), partially offset by a lower number of lines in service, particularly in the fourth quarter of 2001. This decrease is consistent with the advent of competition from the competitive local exchange carriers (CLECs) since 1998.

LONG DISTANCE

The decline in long distance revenues was primarily due to decreases in both long distance voice revenues and settlement revenues. The decrease in voice revenues reflected a 7% decrease in average revenue per minute, primarily due to continuing competitive pricing pressures, partially offset by a 2% increase in conversation minutes. The reduction in long distance settlement revenues resulted primarily from lower settlement rates across all streams (domestic, U.S. and overseas).

WIRELESS

The growth in wireless revenues was primarily driven by a 25% increase in the cellular and PCS subscriber base and an increase in minutes of usage per subscriber, partially offset by lower paging products and in-flight service revenues. The results reflect the continued focus on postpaid activations, which accounted for 64% of total net activations in 2001. The average revenue per cellular and PCS subscriber remained relatively flat in 2001, reflecting the emphasis on the retention of high value customers with new products like the Small Business Rate Plan, price increases in system access fees and features, a higher postpaid mix in high-end plans and increased roaming traffic, offset by increased competitive pressures and the removal of activation fees for prepaid subscribers.

TABLE 3 BELL CANADA SEGMENT

For the year ended December 31	Actual 2001	Actual 2000	Change
Revenues			
Local and access	6,360	6,019	341
Long distance	2,651	2,845	(194)
Wireless	1,839	1,515	324
Data	3,559	2,919	640
DTH (Direct-to-home satellite service)	474	305	169
Terminal sales, directory advertising and other	2,371	2,197	174
Total revenues	17,254	15,800	1,454
EBITDA	6,876	6,520	356
Cash baseline earnings to BCE	1,157	1,072	85

TABLE 4 LOCAL AND ACCESS

At December 31	2001	2000	Change
Network access services (thousands of lines in service)	13,339	13,361	(22)
Local market share (Quebec and Ontario territory only)	95.8%	97.1%	(1.3)%

TABLE 5 LONG DISTANCE

For the year ended December 31 (except where otherwise noted)	2001	2000	Change
Conversation minutes (millions)	18,200	17,898	302
Revenues per minute (cents)	14	15	(1)
Local market share (% based on revenues, at December 31) (Quebec and Ontario territory only)	63.6%	62.0%	1.6%

TABLE 6 WIRELESS

For the year ended December 31 (except where otherwise noted)	2001	2000	Change
Cellular & PCS subscribers (thousands, at December 31)			
Prepaid	964	717	247
Postpaid	2,496	2,053	443
Total	3,460	2,770	690
Cellular & PCS net activations (thousands)			
Prepaid	247	199	48
Postpaid	443	396	47
Total	690	595	95
Cellular & PCS average revenue per subscriber (\$/month)			
Prepaid	13	13	–
Postpaid	58	58	–
Total	46	47	(1)
Usage per subscriber (minutes/month)	182	161	21
Postpaid churn (average per month)	1.5%	1.5%	–%

TABLE 7 DATA

For the year ended December 31 (except where otherwise noted)	2001	2000	Change
Data revenues¹			
Legacy	2,176	2,007	169
Non-legacy	1,383	912	471
Total	3,559	2,919	640
Internet subscribers (thousands, at December 31)²			
DSL High-speed	757	336	421
Dial-up	1,019	847	172
Total	1,776	1,183	593

1 Legacy data revenues include digital transmission services such as Megalink network access for Integrated Services Digital Network (ISDN) and Data, as well as competitive network services and the sale of inter-networking equipment. Non-legacy data revenues include national and regional IP/Broadband data, Internet and e-commerce services.

2 High-speed Internet subscribers include consumer, business and wholesale subscribers. Dial-up subscribers include consumer and business subscribers.

TABLE 8 DTH

For the year ended December 31 (except where otherwise noted)	2001	2000	Change
DTH subscribers (thousands, at December 31)	1,069	722	347
DTH net activations (thousands)	347	306	41
Average revenue per subscriber (\$)	45	47	[2]
Churn rate (annual)	10.3%	11.0%	(0.7)%

DATA

The increase in data revenues was primarily driven by the growth in the provision of IP/Broadband, competitive networks, Internet and e-commerce services, as well as increased sales of inter-networking equipment and cabling, partially offset by a decrease in access and digital transmission services, mainly in Megalink. Contributing to the increase in Internet related revenues was the 50% growth in Internet subscribers, in part due to an increase in the level of advertising and promotions since June 2001. Bell Canada's consumer high-speed market share in Ontario and Quebec grew to approximately 42% at December 31, 2001 compared to approximately 34% at December 31, 2000.

DTH

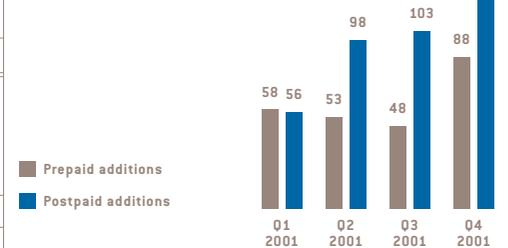
The growth in DTH revenues was primarily driven by a significant growth in the subscriber base. Net activations in 2001 were strong, especially in the second half of the year, mainly due to increased advertising, including the marketing focus on "Digital TV", with the launch of 40 new digital channels in September 2001 as well as the introduction of Bell ExpressVu's new PVR (Personal Video Recorder) receiver. The decrease in average revenue per subscriber was mainly due to a higher penetration in lower priced programming and lower pay-per-view activity.

TERMINAL SALES, DIRECTORY ADVERTISING AND OTHER

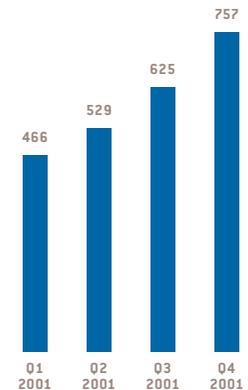
The increase in terminal sales, directory advertising and other revenues is mainly explained by higher revenues from Aliant's Remote Communications operations (which reflected the acquisitions completed by Stratos Global Corporation (Stratos Global) in 2000 coupled with organic growth), partially offset by a slowdown in sales from Aliant's Emerging Business unit that was unfavourably impacted by the current economic softness, as well as lower directory advertising revenues resulting from the divestiture of certain international directory operations by Bell ActiMedia.

Megalink is a trade-mark of Stentor Resource Centre Inc.

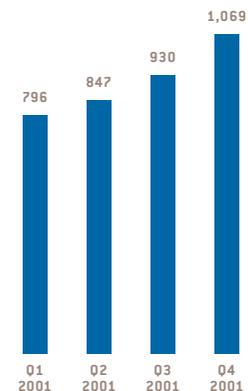
Wireless net subscriber additions (thousands)



DSL high speed Internet subscribers (thousands)



Bell ExpressVu subscribers (thousands)



EBITDA

The growth in EBITDA was mainly due to higher operating revenues, partially offset by lower EBITDA margins resulting from:

- Bell Canada's strategic decision to expand its focus in growth services and product offerings, such as with its wireless services offerings, data related services and products and higher subscriber acquisition costs at Bell ExpressVu in response to growth and competition. While this initiative has led to decreased EBITDA margins, especially with the provision of IP/Broadband, Internet and wireless services, and the sale of business terminal equipment, in the longer term, it is expected that EBITDA margins for such products and services will increase; and
- the Canadian Radio-television and Telecommunications Commission's (CRTC) contribution decision, effective January 1, 2001, which changed the contribution regime for local service subsidies in high cost areas from a company specific long distance per minute charge to a nationally averaged surcharge of 4.5% on all Canadian telecommunications revenues (refer to "Regulatory Decisions");

partially offset by:

- savings of approximately \$470 million from Bell Canada's productivity improvements, including its streamlining initiative of the first quarter of 2001.

CASH BASELINE EARNINGS

The increase in cash baseline earnings in 2001 was mainly due to:

- a higher EBITDA contribution;

partially offset by:

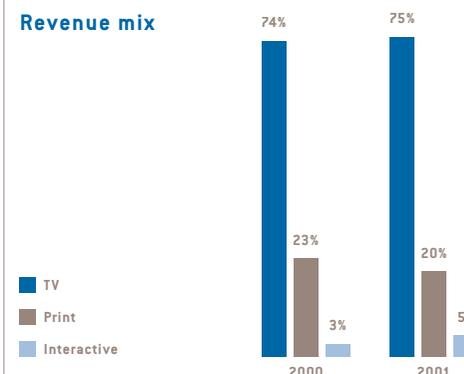
- a higher amortization expense (excluding goodwill amortization), primarily due to higher plant in-service and the impact of the various acquisitions made by Aliant during 2000, partially offset by lower depreciation rates (effective January 2001) for certain central office equipment asset categories; and
- a higher interest expense, due to higher average debt levels at Bell Canada in 2001, as well as higher debt levels at Aliant due to the various acquisitions completed by Aliant's Remote Communications operations during 2000.

BELL GLOBEMEDIA

In 2001, Bell Globemedia completed the following significant transactions: exchanged a 50% investment in Landscape Entertainment for a 20% economic interest in Artisan Entertainment; purchased CFCF-TV and CKY-TV, two CTV affiliated television stations in Montreal and Winnipeg, respectively, for a total aggregate cash consideration of approximately \$183 million; sold its 40% interest in Sportsnet for a total cash consideration of approximately \$138 million; completed the acquisition of a 100% ownership interest in Report on Business TV (ROB-TV) from affiliates of Thomson, pursuant to a previous agreement; acquired 29.9% of The Comedy Network, a speciality channel in which the company previously held a 65.1% ownership interest, for a cash consideration of approximately \$36 million; and announced an agreement with COGECO Inc. (COGECO), whereby Bell Globemedia will contribute approximately \$72 million in cash for a 40% interest in a newly created company that will hold a 99% interest in the TQS network as well as other television stations. Bell Globemedia closed the TQS transaction on February 15, 2002. In January 2002, Bell Globemedia acquired the remaining 5% interest in The Comedy Network for a cash consideration of approximately \$6 million, and sold its 12% interest in the History Channel for cash proceeds of approximately \$20 million.

The overall increase in Bell Globemedia's revenues of 3% in 2001 was primarily a result of the acquisitions of CFCF-TV, CKY-TV and ROB-TV, and reflects a full year of operations from Sympatico-Lycos, which began operations in May 2000. The results of Bell Globemedia were also impacted by the economic softness that began in the second quarter of 2001 and continued throughout the year, affecting

Revenue mix



principally the television and print operations. Despite difficult economic conditions, advertising revenues from the interactive operations continued to grow, driven by significant increases in the number of pageviews and unique visitors. The increase in subscriber revenues was primarily due to growth in subscriptions to specialty channels driven by increased DTH penetration, partially offset by a decrease in circulation revenues from the print operations resulting from increased competitive pressures.

The decrease in Bell Globemedia's EBITDA of 27% in 2001 was a direct result of the economic impact on advertising revenues in the print and conventional television segments.

Cash baseline earnings were impacted by a lower EBITDA, offset by a lower interest expense resulting from lower levels of long-term bank indebtedness in 2001.

TABLE 9 BELL GLOBEMEDIA

For the year ended December 31 (except where otherwise noted)	Actual 2001	Pro forma 2000	Change
Revenues			
Advertising	860	843	17
Subscribers	259	242	17
Production and sundry	84	86	(2)
Total revenues	1,203	1,171	32
EBITDA	108	147	(39)
Cash baseline earnings to BCE	7	8	(1)
Operating statistics (millions)¹			
Pageviews	3,950	1,941	2,009
Unique visitors (for the month of December)	9.8	n/a	n.m.

¹ The operating statistics relate to Bell Globemedia Interactive, which as of July 1, 2001, combines all interactive new media initiatives across the company, including Sympatico-Lycos and Globe Interactive.

n/a: not available

n.m.: not meaningful

BCE TELEGLOBE

In 2001, BCE Teleglobe continued the deployment of the **GlobeSystem** network, a globally integrated Internet, data, video and voice network. During the year, BCE Teleglobe revised its build out strategy, reducing the budgeted cost of the GlobeSystem network from US \$5 billion to US \$2.1 billion, mainly to take advantage of price reductions and available capacity. Compared to December 31, 2000, fibre capacity, as measured in lambda route miles, increased by 74 thousand miles, to reach 80 thousand miles at December 31, 2001.

The decrease in gross voice revenues was primarily due to price declines for all originating traffic resulting from competitive pressures in the marketplace, partially offset by an increase in the volume of voice traffic carried through BCE Teleglobe's network. The increase in net voice revenues (operating revenues less outpayments) represents an improvement in voice margins that can be attributed in part to the consolidation of purchases from selected carriers and a general rationalization within the industry. Data revenues decreased in the second half of 2001, but were still higher for the full year. The increase for the full year was driven largely by higher sales of Internet connectivity and other revenues associated with the build out of the GlobeSystem network, partially offset by continued price commoditization, which negatively affected its data revenues in the second half of 2001.

Of the \$613 million in data revenues, approximately \$25 million was generated from a sales-type lease under an indefeasible right of use capacity (IRU) asset sale agreement and \$53 million related to brokerage fees and consultative services. All other IRU transactions have been treated as operating leases with the revenue being recognized over the terms of the leases. Although BCE Teleglobe is complying with current accounting standards, certain rule-making bodies are currently discussing matters that may impact the accounting treatment for sales-type leases. BCE Teleglobe actively monitors these rule-making activities and evaluates their impact on its current accounting practices.

In 2001, BCE Teleglobe generated approximately \$320 million of revenues from BCE affiliates, representing approximately 15% of its total revenues.

The increase in BCE Teleglobe's EBITDA was due to lower cash operating expenses as well as higher revenues. The decrease in cash operating expenses was mainly due to: lower network expenses, primarily due to savings realized from the restructuring plan, continued migration to BCE Teleglobe's network and other cost savings initiatives, and lower selling, general and administrative expenses, primarily attributable to savings realized from the restructuring plan and continued cost savings initiatives.

In 2001, cash baseline earnings consist of the results of BCE Teleglobe. In 2000, however, cash baseline earnings also include Teleglobe Marine's results and interest expense on Teleglobe Inc.'s debt that will not be assumed by the purchaser of Excel. Cash baseline earnings is negatively impacted in 2001 from a higher interest expense resulting from higher debt levels, as well as a higher amortization expense of capital assets from the significant amount of capital expenditures incurred.

BCE Emergis revenue by geographic region (%)



TABLE 10 BCE TELEGLOBE

For the year ended December 31	Actual 2001	Pro forma 2000	Change
Revenues			
Voice	1,452	1,490	(38)
Data	613	523	90
Total revenues	2,065	2,013	52
EBITDA	126	48	78
Cash baseline earnings to BCE	(70)	(145)	75
Voice traffic			
Net voice revenues	382	333	49
Total minutes (millions)	7,375	6,856	519
Average revenue per minute (\$)	0.20	0.22	(0.02)

TABLE 11 BCE EMERGIS

For the year ended December 31	Actual 2001	Actual 2000	Change
Revenues			
eHealth Solutions Group	307	210	97
BCE Emergis – Canada	296	234	62
BCE Emergis – U.S.A.	53	24	29
Total revenues	656	468	188
EBITDA	127	75	52
Cash baseline earnings to BCE	38	16	22
% of revenues generated in the United States	41%	35%	6%

GlobeSystem is a trade-mark of Teleglobe Inc.

BCE EMERGIS

Increased sales of e-Invoicing solutions represent an important contributing factor to the overall revenue growth at BCE Emergis. The increase in revenues in the eHealth business unit was primarily due to the signing of major agreements, including that with Clarica and Canada Life who joined BCE Emergis' web claims and premiums exchange, and with The Principal Financial Group for invoicing solutions, as well as the growth of the U.S. and Canadian eHealth business internally and through acquisitions. The Canadian business unit's growth was primarily due to increased activity in the Bell family channel sales. The U.S.A. business unit's growth was due to licence sales and services revenues related to e-Invoicing solutions including the Bank of America, N.A., partially offset by the impact of exited activities. BCE Emergis also partnered with Visa USA to expand the credit card organization's electronic payment capabilities.

BCE Emergis' revenue is derived from recurring and non-recurring sources. Recurring revenue, which is mostly of a transactional or user-based nature, accounted for 78% of total revenue in 2001, compared to approximately 85% in 2000. Non-recurring revenue is generated from professional services and initial software license sales.

BCE Emergis generated approximately \$205 million of revenues from BCE affiliates in 2001 (\$123 million in 2000), representing approximately 31% of its total revenues (26% in 2000). In 2001, 82% of the revenues generated from BCE affiliates were of a recurring nature, compared to 99% in 2000.

The improvement in EBITDA was attributed to higher revenues as well as higher EBITDA margins. Higher EBITDA margins reflect the impact of business acquisitions, which have lower direct costs in relation to revenues generated than the rest of the BCE Emergis operations, partially offset by increased research and development expenses.

The improvement in cash baseline earnings was primarily due to EBITDA growth, partially offset by an increase in amortisation expense due to the continued investments in capital assets and an increase in interest expense resulting from higher average debt levels.

BCE VENTURES

The increase in BCE Ventures' revenues was mainly due to higher revenue contributions from CGI, BCI and Telesat. Proportionate revenues from CGI increased mainly due to CGI's acquisitions and new outsourcing contracts partially offset by a decrease in BCE's ownership interest level compared to last year. BCI's higher revenues were mainly due to the inclusion of ATL-Algar Telecom Leste S.A. (ATL)'s results that were contributed through Telecom Américas Ltd. (Telecom Américas), and the acquisition of Tess S.A. (Tess) in the second

quarter of 2001 by Telecom Américas, partially offset by lower revenues from Comunicación Celular S.A. Comcel S.A. (Comcel) mainly resulting from BCI's lower economic interest in the operating companies which were contributed to Telecom Américas.

BCE Ventures' EBITDA increased compared to last year, mainly due to higher revenues and the elimination of corporate operating expenses from other media interests reported in 2000, partially offset by higher subscriber acquisition costs from BCI's operating companies and higher operating expenses from CGI.

The decrease in cash baseline earnings from BCE Ventures was mainly due to the inclusion of interest expense on Excel's debt and Teleglobe Marine group's loss in 2001 (which were reflected in BCE Teleglobe in 2000), partially offset by higher earnings from CGI primarily as a result of acquisitions and new outsourcing contracts.

TABLE 12 BCE VENTURES

For the year ended December 31	Actual 2001	Pro forma 2000	Change
Revenues			
CGI ¹	657	601	56
BCI	609	452	157
Telesat	321	298	23
Other	83	78	5
Total revenues	1,670	1,429	241
EBITDA			
CGI ¹	97	65	32
BCI	86	30	56
Telesat	178	156	22
Other	29	4	25
Total EBITDA	390	255	135
Cash baseline earnings to BCE			
CGI ¹	38	27	11
Telesat	46	51	(5)
Other	(65)	(26)	(39)
Total cash baseline earnings to BCE	19	52	(33)

1 Represents BCE's proportionate interest in CGI's results.

TABLE 13 DISCONTINUED OPERATIONS

For the year ended December 31	Actual 2001	Actual 2000	Change
Excel	(2,115)	(33)	(2,082)
BCI Latin American CLECs and Asia Mobile segments	219	607	(388)
Nortel Networks	—	4,055	(4,055)
ORBCOMM Global L.P. (ORBCOMM)	—	(80)	80
Total Discontinued operations	(1,896)	4,549	(6,445)

DISCONTINUED OPERATIONS

Discontinued operations in 2001 relate to BCE's interests in BCI's Asia Mobile and Latin American CLECs business segments and Excel. Effective February 23, 2001, BCI sold its 20% equity interest in KG Telecom that represented BCI's last remaining operation in its Asia Mobile business segment, which in 2000, included also the operations of Hansol M.com. Additionally, effective March 31, 2001, BCI adopted a formal plan of disposal for all of its operations in its Latin American CLECs business segment composed of Axtel S.A. de C.V. and the Vésper companies. The Latin American CLECs businesses have not yet been disposed of as at December 31, 2001. However, in September 2001, BCI wrote off its \$86 million investment in the Vésper companies.

Excel provides retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America and the U.K. On August 26, 2001, Teleglobe Inc. and certain of its subsidiaries entered into definitive agreements for the sale of Excel's North American operations to an affiliate of VarTec Telecom, Inc. (VarTec). The U.K. operations, which are not part of the transaction, were shut down during the year. Consequently, the results of Excel have been reported as discontinued operations. The gross proceeds, estimated at approximately U.S. \$250 million, will be based on Excel's actual 2001 financial results and will be paid in the form of unsecured five-year interest-bearing promissory notes. After accounting for the discount provision on the notes receivable, closure costs of the U.K. operations, transaction costs, estimated operating losses up to the expected date of disposal and related items, the disposal of Excel will not result in any significant gain or loss. The sale is subject to regulatory and other approvals and is expected to be completed by the end of the first quarter of 2002. The results of operations of Excel include an impairment charge of \$2,049 million, recorded in 2001, after completion of an assessment of the carrying value of BCE's investment in Excel.

Discontinued operations in 2000 mainly relate to BCE's share of Nortel Networks' net earnings applicable to common shares, as well as gains on the reduction of BCE's ownership in Nortel Networks, and to BCE's proportionate interest in ORBCOMM's after-tax losses.

OUTLOOK

In 2002, BCE projects growth in revenues, EBITDA and net earnings. BCE will drive revenue growth through its continued focus on convergence initiatives, investment in key growth areas in the Bell Canada segment, building greater connections between the Bell Canada segment and Bell Globemedia to provide innovative and integrated services to its customers, positioning BCE Teleglobe for growth in its market segments, and continuing BCE Emergis' expansion primarily in the U.S. market. EBITDA growth is expected to be aided by significant productivity improvements at Bell Canada, Bell Globemedia and BCE Teleglobe. The growth in net earnings will be adversely impacted by a greater amortization charge resulting from the significant capital expenditures incurred in 2001, as well as higher interest charges resulting from an increase in debt levels on a consolidated basis.

Bell Canada will continue to pursue its growth strategy of transitioning its revenue base from local and access and long distance services to wireless, data, DTH and other value-added services. Revenue growth is expected to be driven by increased penetration in the wireless, high-speed Internet access and DTH markets, as well as growing

opportunities in managed network and data services. Bell Canada intends to continue building a convergence platform through integrated billing and advanced interactive services.

Bell Globemedia's focus in 2002 will be on maintaining its top brands in its television, print and interactive segments, expanding sources of revenues, driving convergence initiatives, such as the launches in 2001 of GlobeInvestorGold and TSNMax, and building profitability through cost management in core businesses to ensure that it will be well positioned to take advantage of a future economic recovery.

BCE Teleglobe's focus will be on the development of a sales and marketing organization that will seek to compete effectively on a global basis and position BCE Teleglobe for growth in its market segments. It will also focus on cost efficiency and increased market share to be better positioned for a resurgence in demand and growth opportunities. BCE intends to develop a closer working relationship between BCE Teleglobe and Bell Canada. The two segments will seek to develop initiatives to build on each other's strengths and expertise and share capabilities to improve BCE Teleglobe's competitiveness.

BCE Emergis' strategic priorities for 2002 include growing its market position in eHealth and eFinance services, enhancing its channel effectiveness by driving recurring revenues and focusing on growing alliances, and exploring growth opportunities through acquisitions. The current softness in the economy leads to a poor visibility on the non-recurring stream of revenues.

In its outlook, BCE expects the economy to recover in the second half of 2002. Effective January 2002, goodwill will no longer be amortized but rather reviewed for impairment on a periodic basis, and the results of operations of BCI will be excluded from consolidated results, as BCI will be treated as a discontinued operation. BCE's expectations and outlook have been determined on the basis of its plans and its estimate of the impact of the CRTC's price caps decision. Should the decision rendered by the CRTC be significantly more adverse than currently anticipated, it would have an adverse impact on BCE's consolidated EBITDA and net earnings.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

The net increase in cash and equivalents amounted to \$309 million in 2001 compared to a net decrease of \$2,135 million in 2000. BCE generated consolidated cash flows from continuing operations of \$4.6 billion in 2001, which was used in part to fund investing activities of \$3.4 billion and financing activities of \$1.6 billion. In 2000, BCE spent a significant amount of cash for investing activities (\$8.3 billion), provided by operating and financing activities (\$2.3 billion and \$3.3 billion, respectively), as well as cash that was available on hand. BCE also generated cash from its discontinued operations of \$571 million in 2001, compared to \$641 million in 2000.

Bell Canada generated cash flows from operations of \$4 billion in 2001 (\$3.1 billion in 2000), which was used to fund capital expenditures of \$4.1 billion (\$2.9 billion in 2000) related mainly to the continued deployment of high-speed Internet access services, the acquisition of spectrum licences for wireless operations and local infrastructure growth, and financing activities of \$189 million (\$546 million in 2000).

Bell Globemedia's cash flows used in investing activities amounted to approximately \$325 million in 2001, comprised of approximately \$114 million in capital expenditures and approximately \$211 million in investments net of divestitures. These activities were funded from the \$385 million of cash generated from the issuance of common shares upon the creation of the company.

BCE Teleglobe invested U.S. \$1.4 billion in capital expenditures in 2001 (U.S. \$521 million in 2000) related mainly to the GlobeSystem network deployment, most of which was financed with capital injections from BCE Inc. in the amount of U.S. \$1.1 billion (U.S. \$100 million in 2000) as well as drawings from credit facilities in the amount of U.S. \$414 million (U.S. \$667 million in 2000). BCE Teleglobe did not generate or use any substantial cash from its operations.

BCE Emergis generated cash from operating and financing activities in the amount of \$106 million and \$88 million respectively in 2001 (\$47 million and \$786 million in 2000), which was used primarily for investing activities in the amount of \$103 million in 2001 (\$823 million in 2000). In 2001, BCE Emergis generated \$253 million

TABLE 14 LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31	Actual 2001	Actual 2000	Change
Cash flows from operating activities	4,645	2,315	2,330
Cash flows from investing activities	(3,354)	(8,284)	4,930
Cash flows from financing activities	(1,560)	3,262	(4,822)

from the issuance of common shares, \$150 million of which was issued to BCE Inc., with the remainder being issued to the public. In 2001, financing activities included a repayment of \$150 million of convertible debentures due to BCE Inc. In 2000, approximately \$811 million was spent on business acquisitions, which was financed mainly from the issuance of common shares.

OPERATING ACTIVITIES

The increase in BCE's consolidated cash flows from operating activities was mainly attributable to lower non-cash working capital requirements and higher cash earnings from continuing operations (refer to discussion under "Results by Operating Group").

INVESTING ACTIVITIES

CAPITAL EXPENDITURES

Capital expenditures increased by \$3.3 billion in 2001, mainly explained by:

- capital expenditures made by BCE Teleglobe, which was acquired in November 2000, amounting to \$2.2 billion in 2001 (compared to \$397 million in 2000), mainly related to the continued deployment of the GlobeSystem network; and
- higher capital expenditures of \$1.3 billion for the Bell Canada segment, relating mainly to the continued deployment of high-speed Internet access services, local infrastructure growth as well as the acquisition by Bell Mobility of 20 new PCS spectrum licences for wireless operations amounting to approximately \$720 million.

INVESTMENTS

Investments in 2001 amounted to \$1.2 billion and included Bell Globemedia's acquisitions of CFCF-TV, CKY-TV, 29.9% of The Comedy Network and other investments for a total aggregate amount of \$268 million, and BCI's proportionate share of Telecom Américas' investments and additional interests in Tess, Telet S.A., Americel S.A. and ATL of \$624 million.

Investments in 2000 mainly consisted of BCE's investments in CTV for \$2.3 billion, BCE Emergis Corporation (formerly United Payors and United Providers, Inc.) for \$780 million and an additional investment in Aliant for \$498 million, as well as investments by Aliant in various companies for \$615 million, and the \$240 million cash portion of the \$7.4 billion purchase price for Teleglobe Inc. shares.

DIVESTITURES

Divestitures amounted to \$5 billion in 2001 and included BCE's sale of 47.9 million Nortel Networks common shares and the settlement of short-term forward contracts on those shares for \$4.4 billion, Bell

Globemedia's sale of its 40% interest in Sportsnet for \$138 million, and BCI's sale of its investment in SK Telecom Co. Ltd. for \$142 million. SK Telecom Co. Ltd. shares were received as partial consideration for BCI's sale of its interest in Hansol M.com in 2000.

FINANCING ACTIVITIES

CHANGE IN NOTES PAYABLE AND BANK ADVANCES

The net decrease in notes payable and bank advances of \$2.1 billion in 2001 can be explained by:

- the repayment by BCE of \$2.2 billion of its short-term debt from the proceeds generated from the sale of Nortel Networks shares and the settlement of short-term forward contracts relating to such shares;
- the net repayment by Aliant of \$324 million in notes payable; and
- the repayment by BCI of \$200 million in promissory notes and \$150 million in bank advances;

partially offset by:

- the \$400 million borrowed by BCI under senior secured term loans, maturing in March 2002, the proceeds of which were used for general corporate purposes, including the repayment of existing facilities in the amount of \$250 million which were to mature in December 2001. BCI also borrowed \$75 million under a subordinated unsecured convertible loan from BCE Inc.;
- an increase of \$645 million in Teleglobe Inc.'s borrowings from short-term credit facilities in 2001, mainly to fund BCE Teleglobe's capital expenditure requirements; and
- the issuance by Telesat of \$150 million in Notes, the proceeds from which will be used for general corporate purposes including capital expenditures.

In 2001, Teleglobe Inc. issued subordinated non-interest bearing notes payable to BCE Inc., in the amount of U.S. \$860 million, which were converted into fourth series preferred shares prior to December 31, 2001. Teleglobe Inc. also issued separately U.S. \$40 million of fourth series preferred shares to BCE Inc. in 2001. The foregoing investments fully satisfied the conditional financial commitment provided by BCE Inc. to the lenders concurrently with the extension of the credit facilities referred to below. In addition to the foregoing, BCE Inc. made additional advances amounting to approximately U.S. \$238 million in December 2001.

Effective July 23, 2001, the maturity date of Teleglobe Inc.'s and one of its subsidiaries' U.S. \$1.25 billion revolving credit facilities was extended by an additional 364 days to July 22, 2002, under substantially similar terms and conditions. In addition, the available amount under credit facilities was increased by U.S. \$25 million to U.S. \$1.275 billion. At December 31, 2001, Teleglobe Inc. had utilized

U.S. \$1.155 billion of its U.S. \$1.275 billion of available funds from these credit facilities.

Given that Teleglobe Inc.'s credit facilities are currently fully drawn and that it is currently generating negative operating cash flows (U.S. \$16 million in 2001), it relies on BCE Inc. to provide it additional funding in order to meet its obligations although BCE Inc. is not obligated to provide such funding. BCE Teleglobe's obligations consist of capital expenditures (including, but not limited to, an estimated \$500 million in 2002, to complete the GlobeSystem network) and the financing of negative operating cash flows which are expected to be significant. On December 12, 2001, BCE Inc. indicated its intention to contribute up to an additional \$1 billion to support BCE Teleglobe's working capital and debt service requirements over the next twelve months on the basis that with such support BCE Teleglobe will be able to meet its current business plan. However, any funding decisions by BCE Inc. will be based on the facts and circumstances prevailing at the relevant time. Teleglobe Inc.'s management currently expects that it will be able to renegotiate the extension of the credit facilities that mature in July 2002 (for a description of the risks relating to this matter, refer to the discussion under the heading "Risk Factors").

ISSUANCE AND REPAYMENT OF LONG-TERM DEBT

The net issuance of long-term debt of \$1 billion in 2001 consisted primarily of:

- the issuance by Bell Canada of \$1.8 billion in debentures, the proceeds of which were mainly used to repay short-term debt, including \$354 million in debentures and other long-term debt; partially offset by:
- the net repayment by Aliant of approximately \$50 million in debentures; and
- the net repayment by Bell Globemedia of approximately \$40 million in long-term bank indebtedness.

On February 14, 2002, BCE Inc. filed a short form shelf prospectus with Canadian securities regulatory authorities, in order to offer up to \$1 billion of debt securities from time to time over a two-year period. As at February 27, 2002, no debt securities had yet been issued by BCE Inc. under this shelf prospectus.

On January 15, 2002, Bell Canada issued an additional \$500 million in debentures, maturing on April 12, 2012. Also on January 15, 2002, Aliant issued \$100 million in Medium Term Notes, maturing on January 15, 2007. The proceeds will be used for general corporate purposes and to repay certain indebtedness.

On June 12, 2001, Bell Canada filed, with Canadian securities regulatory authorities, a prospectus supplement to a short form shelf prospectus dated June 11, 2001, in order to offer up to \$3 billion of

MTN Debentures from time to time over a two-year period. As at February 27, 2002, the unused portion under this shelf prospectus was \$1.4 billion.

ISSUANCE AND PURCHASE OF COMMON SHARES AND PREFERRED SHARES

In 2001, BCE Inc. issued approximately 3.2 million common shares for \$71 million under BCE Inc.'s and Teleglobe Inc.'s stock option plans (1.3 million shares for \$36 million in 2000), and purchased and cancelled approximately 4.5 million of its common shares (9.1 million shares in 2000), under its Normal Course Issuer Bid, for an aggregate price of \$191 million (\$384 million in 2000).

On February 14, 2002, BCE Inc. filed a short form prospectus with Canadian securities regulatory authorities qualifying the issue of 20 million Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) for aggregate proceeds of \$510 million. 8 million of the 20 million Series AA Preferred Shares are proposed to be issued pursuant to a public bought deal offering whereas the balance of 12 million Series AA Preferred Shares would be issued to the holders of BCE Inc.'s 12 million First Preferred Shares, Series W (Series W Preferred Shares) if BCE Inc. elects to exercise its option to purchase all of the Series W Preferred Shares from such holders. Holders of the Series W Preferred Shares would then pay the subscription price of \$306 million for the purchase of 12 million Series AA Preferred Shares from the proceeds paid to them by BCE Inc. to purchase for cancellation the Series W Preferred Shares. The net proceeds to result from the sale of the 8 million Series AA Preferred Shares will be used for general corporate purposes. The closing for these transactions is scheduled for March 1, 2002.

FINANCING ACTIVITIES OF SUBSIDIARIES WITH NON-CONTROLLING INTEREST

Cash generated from financing activities of subsidiaries (issuance and repayment of equity securities) with non-controlling interest amounted to \$989 million in 2001 and can be attributed to:

- the issuance by Bell Canada of \$700 million in preferred shares, partially offset by the redemption of \$335 million in preferred shares;
- the issuance by Aliant of approximately \$175 million in preference shares, the proceeds of which were mainly used to repay short-term indebtedness; and
- the issuance by Bell Globemedia, upon its creation, of \$385 million in common shares.

On November 15, 2001, BCE Emergis completed a public offering of \$250 million of its common shares in Canada. BCE Emergis issued 2.6 million common shares to a syndicate of underwriters under a

bought deal agreement, and approximately 3.9 million common shares to BCE Inc., at a price of \$38.75 per share. Approximately \$100 million of the net proceeds will be used to fund ongoing capital requirements, research and development expenses and future acquisitions; the remaining \$150 million of the proceeds was used to repay the outstanding convertible debenture with BCE amounting to \$150 million. BCE's ownership interest in BCE Emergis declined from approximately 65.4% to approximately 65.1%, after giving effect to the public offering.

OTHER

On December 3, 2001, BCI announced a recapitalization plan intended to enable the company to meet its short term funding commitments, as well as a complementary plan that resulted in the reorganization of Telecom Américas, into a company focused on the Brazilian mobile wireless market. On January 11, 2002, BCI closed its rights offering for total gross proceeds of \$440 million, in connection with its recapitalization plan. The public shareholders exercised 42% of the rights offered to them, with BCE funding the remaining balance of \$392 million. Also included in the recapitalization plan was the settlement of approximately \$478 million in obligations through the issuance of common shares (excluding the settlement of a put option obligation). BCE's percentage ownership in BCI after the settlement date of February 15, 2002 was diluted to approximately 62%, subject to further change upon settlement of the put obligation.

The commercial paper programs of BCE Inc., Bell Canada and Aliant (excluding BCE Inc.'s and Bell Canada's extendable Class E Notes) are supported by lines of credit, extended by several banks, totalling \$2 billion at December 31, 2001, under which a total of approximately \$275 million in commercial paper was outstanding. In addition, Bell Canada had approximately \$130 million of Class E Notes outstanding (nil at BCE Inc.). Under their commercial paper programs, BCE Inc. and Bell Canada may issue Class E Notes that are not supported by any committed lines of credit but are instead extendable, at BCE Inc.'s and Bell Canada's option, in certain circumstances. The

maximum principal amount of Class E Notes outstanding at any one time may not exceed \$360 million in the case of BCE Inc. and \$400 million in the case of Bell Canada.

In connection with the sale of a 20% interest in Bell Canada to SBC in 1999, BCE and SBC entered into a unanimous shareholders' agreement, which includes, among other conditions, the option by SBC to sell all of its shares in BCH (the holding company of Bell Canada) to BCE, at any time from July 1, 2002 until December 31, 2002, and at any time from July 1, 2004 until December 31, 2004, at the fair market value of the shares multiplied by 1.25. BCE also has the option, during the same periods of time, to purchase all of SBC's shares at the fair market value of the shares multiplied by 1.25. BCE has the right to issue as consideration, in full or in part, two-year interest-bearing notes.

OUTLOOK

BCE's focus will be on achieving its financial objectives, which include having a breakeven free cash flow by 2003 and maintaining an investment grade credit rating. BCE will also focus on executing various monetization opportunities to further enhance its financial flexibility.

At the corporate level, BCE Inc. is expected to generate cash flows of approximately \$1.4 billion in 2002, mainly from dividend income received from its subsidiaries (primarily Bell Canada) which, in addition to the opening liquidity of \$300 million, are expected to be used to pay dividends of approximately \$1 billion to BCE Inc.'s shareholders, and inject approximately \$1 billion to \$1.5 billion in subsidiary companies. While these investments will likely require BCE Inc. to issue short-term corporate debt in 2002, such debt is expected to be repaid in 2003 following the execution of various monetization opportunities.

In 2002, BCE expects to generate significant cash flows from operations on a consolidated basis, mainly from its Bell Canada operations. This cash will be primarily used to fund BCE's capital expenditure program, which is expected to amount to \$4.5 to \$5 billion in 2002. Approximately \$3.5 billion is expected to be incurred by Bell Canada,

TABLE 15 CREDIT RATINGS

	S&P ¹	DBRS ²	Moody's ³
Commercial Paper	A-1 (mid)	R-1 (mid)	P-2
Extendable Commercial Notes	A-1 (mid)	R-1 (mid)	—
Corporate ratings	A+ Stable	—	—
Long-term debt	—	A (high)	A-3
Preferred shares	P-1 (low)	Pfd-2 (high)	—

1 Standard & Poor's (S&P) [a division of McGraw-Hill Companies Inc.] confirmed its ratings in November 2001.

2 Dominion Bond Rating Service Limited (DBRS) confirmed its ratings in November 2001.

3 Moody's Investor service confirmed its ratings in July 2001.

related mainly to growth initiatives, including IP/Broadband, increased digitalization of the wireless network, national expansion and continued deployment of the high-speed access infrastructure. BCE Teleglobe is expected to need approximately \$500 million to complete the GlobeSystem network in the first half of 2002. Beyond the GlobeSystem network, capital expenditures at BCE Teleglobe will now be directly tied to demand.

BCE has approximately \$5.3 billion of consolidated debt due within one year. In 2002, business segments are expected to meet all cash requirements from internally generated funds, the drawing on existing credit facilities or the issuance of new debt and cash injections from BCE Inc., as noted above.

REGULATORY DECISIONS

The CRTC reviewed the current price caps regime in a proceeding which was completed in 2001. The CRTC's decision, which is expected by the end of April 2002, will set the terms and conditions for the new price caps regime. The terms of the price caps regime will govern the pricing flexibility for local exchange and wholesale services that Bell Canada will have going forward. Bell Canada believes that its proposals provide a proper balance between the interests of consumers and the interests of competitors by establishing the necessary foundation for the further evolution of local service competition and the achievement of the ultimate goal of full facilities-based competition in all telecommunications markets. However, there is no assurance that the CRTC will accept Bell Canada's proposals and Bell Canada cannot predict the final impact the CRTC's decision will have on itself.

On December 14, 2001, the CRTC issued Order 2001-876, which established the revenue-percent charge for the national subsidy program, on an interim basis, at 1.4%. This reduction, while significant, was expected at the time Decision 2000-745 was issued which set the charge at 4.5% for 2001.

On April 27, 2001, the CRTC issued Decision 2001-238, revising the unbundled local loop rates that CLECs pay for the use of such loops. The loop prices paid to Bell Canada have been reduced on average by 28%. This aspect of Decision 2001-238 is not expected to have a material adverse effect on Bell Canada's financial results. This decision also addresses the costs to be used as the basis for establishing the subsidy requirement under the national subsidy mechanism that was approved on November 30, 2000 in Decision 2000-745, which introduced changes to the contribution regime.

On March 30, 2001, the CRTC, in Order 2001-278, approved monthly price increases, ranging from approximately \$0.25 to \$1.60 per residential customer per month, for local residential services. Local price increases were anticipated in Decision 2000-745 and are

designed to recover from local customers a portion of Bell Canada's national subsidy requirements for high cost serving areas.

On March 21, 2001, the CRTC issued Order 2001-253 reversing Orders 2000-1148 and 1149 which denied Bell Canada's applications to increase the rates for various calling features. The rates originally proposed were approved effective March 21, 2001. The annual revenue impact of these increased rates is approximately \$60 million.

On January 25, 2001, the CRTC issued Telecom Decision 2001-23 regarding the terms and conditions of access by Canadian carriers to municipal property, as well as the entitlement of municipalities to compensation for allowing Canadian carriers to occupy municipal rights-of-way. While the decision was limited to Vancouver, it is of importance to all carriers requiring access to municipal rights-of-way. By limiting municipalities to recovery of incremental costs, the CRTC has significantly reduced the potential charges applicable to Bell Canada and other carriers. The cities of Toronto, Ottawa, Halifax, Calgary, Vancouver and the Federation of Canadian Municipalities were granted leave to appeal the CRTC Decision on May 14, 2001 and have since filed their appeal with the Federal Court of Appeal.

FUTURE ACCOUNTING CHANGES

The CICA recently issued new Handbook Sections 1581, Business Combinations, and 3062, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting impairment will be charged to opening retained earnings. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet completed the assessment of the quantitative impact on its financial statements.

In addition, the CICA recently issued amendments to Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. At December 31, 2001, included in Other long-term assets was \$271 million relating to unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, Stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. BCE's management does not expect the adoption of the new standard to have an impact on its financial statements.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and in other sections of this Annual Report, and in particular the statements contained in the various outlook sections of this MD&A, constitute forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by or on behalf of one or more of BCE Inc. and its subsidiaries, joint ventures and significantly influenced companies (collectively the BCE Group companies or individually a BCE Group company). These forward-looking statements relate to the future financial condition, results of operations or business of the BCE Group companies. These statements may be based on current expectations and estimates about the markets in which the BCE Group companies operate and management's beliefs and assumptions regarding these markets. In some cases forward-looking statements may be identified by words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", and similar expressions. These statements are subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A and in other sections of this Annual Report, and in such other written or oral statements which may subsequently be made, may differ materially from actual results or events. Some of the factors which could cause results or events to differ materially from current expectations are

discussed below under the heading “Risk Factors” and other cautionary factors are outlined elsewhere in this MD&A. The general risk factors discussed below under the heading “General Factors Affecting All BCE Group Companies” relate to BCE Inc.’s five operating groups: Bell Canada; Bell Globemedia; BCE Teleglobe; BCE Emergis; and BCE Ventures. However, the specific risk factors discussed below under the headings “Bell Canada”, “Bell Globemedia”, “BCE Teleglobe” and “BCE Emergis” relate to BCE Inc.’s operating groups other than BCE Ventures. For a more detailed discussion of the risk factors which could materially affect the results of operations and financial condition of BCE Inc.’s operating groups, including BCE Ventures, the reader is referred to, when filed, BCE Inc.’s Annual Information Form for the year ended December 31, 2001. Readers should also consult, when filed, the Annual Information Forms for the year ended December 31, 2001 of the following BCE Group companies: Bell Canada, Aliant, Teleglobe Inc., BCE Emergis, BCI, Telesat and CGI. BCE Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In particular, forward-looking statements do not reflect the potential impact of any mergers, acquisitions, other business combinations or divestitures that may be announced or completed after such statements are made.

RISK FACTORS

GENERAL FACTORS AFFECTING ALL BCE GROUP COMPANIES

ECONOMIC AND MARKET CONDITIONS

The future operating results of the BCE Group companies may be affected by various trends and factors that must be managed in order to achieve favourable operating results. In addition, there are trends and factors beyond the control of the BCE Group companies that affect their operations. Such trends and factors include adverse changes in the conditions in the specific markets for the BCE Group companies’ products and services, the conditions in the broader market for communications and the conditions in the domestic or global economy generally. More specifically, the financial performance of the BCE Group companies is affected by general economic conditions as demand for services tends to decline when economic growth and retail and commercial activity decline. Recently, the slowdown in global economic activity, including in Canada and the United States, has made the overall global and Canadian economic environment more

uncertain and could, depending on the duration and extent of such slowdown and on the pace of an eventual economic recovery, have an important adverse impact on the demand for products and services and on the financial performance of the BCE Group companies. Such negative trends in global market and economic conditions could have an adverse effect on purchasing patterns of subscribers and customers especially in the case of products and services provided by the BCE Group companies that are more subject to being affected by economic slowdowns. These negative trends could also adversely affect the financial condition and credit risk of subscribers and customers which would, in turn, increase uncertainties regarding the BCE Group companies’ ability to collect receivables. However, it is not possible for the BCE Group companies to accurately predict economic fluctuations and the impact of such fluctuations on their performance.

INCREASING COMPETITION

The markets in which each of the BCE Group companies carries on business are characterized by vigorous and intensifying competition. Each company is facing many competitors with substantial financial, marketing, personnel and technological resources. In some cases, competition does not only result from competitors within the same market segment, but also from other businesses and industries. In addition, while competitors of certain of the BCE Group companies already include both domestic and foreign entities, the number of foreign-based competitors with large resources may increase in the future.

Some industries in which the BCE Group companies compete are consolidating. Mergers and acquisitions, as well as strategic alliances, restructurings, partnerships and joint ventures are creating new and larger participants. Such transactions may result in stronger competitors with broad skills and significant resources. Furthermore, new competitors of the BCE Group companies may emerge from time to time through the development of new technologies, products and services, and other factors.

Factors such as product pricing and customer service are under continued pressure while the necessity to reduce costs, manage expenses and generate productivity savings is ongoing. Intensifying competition may impact the BCE Group companies’ ability to retain existing, and attract new, customers as well as affect revenues and network capacity. The BCE Group companies must not only try to anticipate, but also respond promptly to, continuous and rapid developments in their respective businesses and markets.

STRATEGIES, ACQUISITIONS AND ALLIANCES

BCE Inc. adjusts its business strategies and priorities as required to address changes to its external environment and internal goals and capabilities. However, there is no certainty that BCE Inc.’s strategies (including its convergence, bundling, billing and branding strategies) will yield the expected benefits, revenue and earnings projections, synergies and growth prospects.

A key element of the BCE Group companies’ growth strategy has been and continues to be strategic acquisitions. There can be no assurance that in the future, acquisition candidates will be found on acceptable terms or that the relevant BCE Group company will have adequate resources to consummate any acquisition. Furthermore, acquisitions involve a number of other special risks, including time and expenses associated with identifying and evaluating acquisitions, the diversion of management’s attention, the difficulty in integrating operations and realizing synergies and the potential loss of key employees and customers of the acquired company. In addition, customer satisfaction or performance problems at a single acquired firm could have a material adverse effect on the reputation of the relevant BCE Group company as a whole. Acquisitions may also result in potential dilutive issuance of equity securities, the incurrence of debt, write-offs and integration costs and the impairment of goodwill and the amortization of other intangible assets, all of which could have a material adverse effect on the results of operations and financial condition of the involved BCE Group company.

Another business strategy of the BCE Group companies has been and continues to be to enter into strategic or similar collaborative relationships or alliances with third parties in order, for example, to access competencies to develop new products and services or to reach a larger client base than would otherwise be achievable. The failure of, or the inability to consummate, one or more of such strategic relationships or alliances could materially harm the business and operating results of the relevant BCE Group company.

TECHNOLOGICAL DEVELOPMENT

The business markets in which the BCE Group companies operate are characterized by rapid technological changes, evolving industry standards, changing client needs, frequent new product and service introductions and short product life cycles. The future success of each of the BCE Group companies will depend in significant part on its ability to anticipate industry standards, successfully introduce new technologies, initiatives, products and services and upgrade current

products and services, and to comply with emerging industry standards. Furthermore, as the BCE Group companies seek to deploy new products, services and technologies and update their networks to remain competitive, they may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence, or may be required to inject more capital than anticipated. The proposed deployment of new technologies and initiatives may also be delayed due to factors beyond the BCE Group companies' control. In addition, new technological innovations generally require a substantial financial investment before any assurance is available as to their commercial viability. There can be no assurance that the BCE Group companies will be successful in developing and marketing new products and services or enhancements that will respond to technological change and achieve market acceptance. Furthermore, the introduction of new or improved products or services employing new or evolving technologies could render existing products or services unmarketable, or cause prices of such products or services to decrease.

UNCERTAINTIES RELATED TO THE INTERNET

An increasingly important driver for network and infrastructure investments is the growth of Internet traffic. This traffic is driven by residential and business Internet usage and has overtaken the volume of voice telephony traffic on many routes. It is uncertain to what extent this traffic will continue to exhibit high growth rates as high-speed access services are deployed and bandwidth intensive applications, such as video, are increasingly adopted by users. Significant upgrades to network capacity will be required to sustain service levels if Internet growth rates remain high as they are today. Alternatively, the BCE Group companies' financial condition and results of operations could be materially adversely affected should future levels of Internet traffic be lower than currently anticipated. In addition, new or modified laws or regulations governing the Internet could decrease the demand for the BCE Group companies' Internet services and increase the costs of selling such services.

EXPENDITURES, CAPITAL REQUIREMENTS AND DEMAND FOR SERVICES

The financial condition and results of operations of the BCE Group companies are materially affected by a number of factors such as: the level of expenditures necessary to expand operations, increase the number of customers, introduce new products and services, update or build networks and maintain or improve the quality of products and

services; the availability and cost of capital required to fund such expenditures (especially in light of the current market conditions in the telecommunications industry); the ability of the BCE Group companies to dispose of or otherwise monetize certain of their assets; and the extent of demand for both traditional and emerging products and services in the markets served by the BCE Group companies as well as their ability to develop a customer base with recurring service revenues. Demand levels for the BCE Group companies' products and services are also affected by factors such as technology development and innovation, socio-demographic trends, levels of business investment and general macro economic conditions.

The level of capital expenditures could materially increase as the BCE Group companies seek to expand the scope and scale of their businesses beyond traditional territories and service offerings. To the extent that the BCE Group companies fail to make expenditures on new and existing capital programs, they may cease to be competitive in the markets in which they compete. However, if such capital expenditures are made, the BCE Group companies may also risk incurring substantial expenditures to acquire assets with little commercial or economic value.

DEFECTS IN SOFTWARE PRODUCTS AND NETWORK FAILURES

Defects in software products owned or licensed by the BCE Group companies, as well as failures or mistakes in the provision of services, could materially harm the business of any of the BCE Group companies, including customer relationships and operating results. The operations of the BCE Group companies are dependent upon their ability to protect their networks and equipment and the information stored in their data centers against damages that may be caused by fire, natural disaster, power loss, unauthorized intrusion, computer viruses, disabling devices, acts of war or terrorism and other similar events. There can be no assurance that such events would not result in a prolonged outage of the operations of any of the BCE Group companies.

OTHER GENERAL FACTORS

The success of the BCE Group companies is largely dependent upon their ability to attract and retain highly skilled personnel and the loss of the services of key persons could materially harm their businesses and operating results.

All BCE Group companies are subject to risks related to pending or future litigation or regulatory initiatives or proceedings. In addition, changes in laws or regulations, or the adoption of new laws or regulations, could also have a material adverse effect on the BCE Group companies' businesses, operating results and financial condition.

Some of the BCE Group companies, such as Teleglobe Inc., CGI and Telesat, carry on business internationally and, accordingly, a substantial proportion of their revenues may be derived in currencies other than Canadian dollars. Additionally, some have exposures to emerging market currencies which have extreme currency volatility. As a result, some of these companies may be exposed to movements in foreign currency exchange rates which may have an adverse impact on their respective results of operations and financial condition.

Finally, the common shares of BCE Inc. have in the past experienced price volatility generally due to certain announcements affecting BCE Inc. and the BCE Group companies. Variations between BCE Inc.'s actual or anticipated financial results and the published expectations of financial analysts may also contribute to this volatility. These factors, as well as general economic and political conditions, may have a material adverse effect on the market price of BCE Inc.'s common shares.

The risk factors discussed below apply more specifically to BCE Inc.'s operating groups, other than BCE Ventures, and complete those previously discussed above under the heading "General Factors Affecting All BCE Group Companies".

BELL CANADA

REGULATORY ENVIRONMENT

Bell Canada, Aliant and their subsidiaries and significantly influenced companies (the Bell Canada Group companies) are subject to evolving regulatory policies in the form of decisions by various regulatory agencies including the CRTC. Many of these decisions balance competitor requests for access to the incumbent local exchange carriers' (ILECs, such as Bell Canada and Aliant) essential facilities and other network infrastructure with the rights of the ILECs to compete on a reasonably unencumbered basis. Also, Canadian Telecommunications Carriers and Broadcast Distribution Undertakings seeking physical access to customers on reasonable terms have increasingly found themselves in disputes with property owners regarding access to private property or with municipalities with respect to access to public rights-of-way. As previously discussed under Regulatory Decisions, a CRTC decision regarding the conditions and price for access to municipal rights-of-way is currently under appeal. At this point in time, it is impossible to assess the financial implications of any final judicial decision. In addition, and also as previously discussed under Regulatory Decisions, the CRTC recently completed its review of the price caps regime which has been in force since January 1998 for the major incumbent telephone companies. The CRTC decision on the new price caps regime is expected by the end of April 2002.

With the business of Bell Canada increasingly focusing on content, e-commerce and connectivity, assessment of regulatory risks must increasingly take into account regulatory decisions in the areas of wireless spectrum auctions, programming and carriage requirements under the Broadcasting Act, as well as copyright and other content related issues particularly over the Internet.

INCREASING COMPETITION

With the advent of competition in the local service market in 1998, virtually all parts of the businesses of the Bell Canada Group companies are facing substantial and intensifying competition. The Bell Canada Group companies' competitors include major telecommunications companies, cable companies, Internet companies, wireless service providers (WSPs), competitive local exchange carriers (CLECs) and a variety of other companies that offer network services, such as providers of business information systems and systems integrators, as well as an increasing number of other companies that deal with or have access to customers through various communications networks.

Internet access services are especially competitive with large cable television companies and a significant number of independent Internet service providers providing intense competition. Competitive pressure has led to Internet access pricing in Canada that is among the lowest in the world and largely independent of usage patterns. Costs to Bell Canada, however, are driven by the amount of network traffic a user generates and the location of the server that stores the web site the user visits. Such costs are largely beyond Bell Canada's control and cannot be accurately predicted.

The Canadian wireless telecommunications industry is also highly competitive. Bell Mobility competes directly with other WSPs with aggressive product and service introductions, pricing and marketing. Bell Mobility expects competition to intensify through the development of new technologies, products and services, and through consolidations in the Canadian telecommunications industry.

USE OF HANDSETS IN VEHICLES

Media reports have suggested that the use of hand held cellular units by drivers in vehicles may, in certain circumstances, result in an increased rate of accidents on the road. It is possible that new legislation or regulations may be adopted in order to address these concerns. Any such legislation or regulations could adversely affect WSPs through reduced network usage by subscribers in motor vehicles.

BELL EXPRESSVU

To date, Bell ExpressVu has funded operating losses through capital injections from BCE Inc. Bell ExpressVu believes that it will access sufficient sources of funding to achieve its business plan. However, such access is based on a business plan that is subject to various assumptions and estimates, including subscriber base, average revenue per subscriber and costs for acquiring new subscribers. If the business plan is not achieved, greater losses than planned would occur, requiring Bell ExpressVu to seek additional financing. There is no assurance that Bell ExpressVu will be successful in obtaining such financing on favourable terms and conditions. In addition, there is no assurance that a viable DTH market will develop in Canada or, even if such a market does develop, that Bell ExpressVu will be profitable in delivering its DTH services. While competition in the DTH services market is vigorous and intensifying, Bell ExpressVu has recently faced increased competition from unregulated US DTH services sold illegally in Canada. Finally, any loss, manufacturing defects, damage or destruction of the *Nimiq* Direct Broadcast Satellite used by Bell ExpressVu to provide its services would have a material adverse impact on Bell ExpressVu's results of operations and financial condition.

BELL GLOBEMEDIA

Television broadcasting is comprised of a conventional television sector of free over-the-air television services and a sector of specialty and pay television services delivered to subscribers by broadcast distribution undertakings, including cable and DTH operators. CTV operates in both the conventional and specialty sectors. Commercial advertising is the primary source of revenue for the conventional television sector while the specialty sector derives revenue both from subscribers and commercial advertising. Commercial advertising is a function of the viewing share in a given market, and viewing share is in turn dependent on program content and the number of choices available. Market fragmentation has increased over the last decade as a result of the introduction of additional television services, the extended reach of existing signals and the increased use of VCRs. The deployment of digital capability will further extend the choices available. Furthermore, new web-based services available over the Internet are expected to provide alternative niche services to consumers, continuing the fragmentation of the viewing market.

Accordingly, reach and attractiveness of programming content are the two prominent variables in the ability to generate revenues. However, there can be no assurance that CTV will be able to maintain or increase its current ability to reach viewers with programming content that is satisfactory to the public, nor that CTV will be able to maintain or increase its current advertising revenues.

Each of CTV's conventional and specialty services operates under a licence issued by the CRTC for a fixed term, up to seven years. These licences are subject to the requirements of the Broadcasting Act, the regulations enacted thereunder, the policies and decisions of the CRTC, and the conditions and expectations established in each licensing or renewal decision. These requirements may change or be amended from time to time. Licence renewals are typically granted by the CRTC, although conditions of licence and expectations are often varied or amended at the time of renewal.

Advertising is related to economic growth and tends to follow GDP (Gross Domestic Product). Accordingly, any economic downturn, such as the current one, will impact Bell Globemedia's ability to generate revenue growth as approximately 73% of Bell Globemedia's current revenue base from the television, print and interactive sectors is dependent on advertising revenues.

Within the television sector, competition for highly rated programming maintains cost pressure on program acquisitions. Recent decisions allowing CanWest Global Communications Corp. to own two conventional stations in the markets of Ontario and Vancouver along with completion of their national network across Canada will further the competition for programming and increase CTV's costs for the acquisition of popular programming.

In the print sector, competition from the launch of a new national newspaper in Canada more than three years ago continues to require substantial spending in distribution and marketing and impacts revenue growth through competitive pricing. This competition is expected to continue and intensify.

Bell Globemedia also operates a number of web-based activities through Globe Interactive and a portal through Sympatico-Lycos. These businesses are, by their nature, relatively new and accordingly subject to uncertain returns. Leveraging existing content and brands from print and television through these new distribution channels requires continued investment in labour and technology while attempting to grow share of revenues in an emerging market.

Nimiq is a trade-mark of Telesat Canada

BCE TELEGLOBE

LIQUIDITY, INDEBTEDNESS AND DEPENDENCE ON ADDITIONAL FINANCING FROM BCE INC.

At December 31, 2001, Teleglobe Inc. had outstanding indebtedness of approximately U.S. \$2.7 billion, including approximately U.S. \$1.3 billion due within one year, requiring annual debt service payments of approximately U.S. \$135 million at current interest and exchange rates. Teleglobe Inc. does not have sufficient funds available from its cash flow to meet these obligations, to make necessary capital expenditures (including, but not limited to, the GlobeSystem network) and pay other operating expenses. Teleglobe Inc.'s high level of indebtedness has the effect of limiting its ability to obtain additional financing on a stand-alone basis. In addition, on January 29, 2002, Moody's Investor Services announced that it had lowered the rating of Teleglobe Inc.'s debt from Baa1 to Baa3 and left the rating under review for further downgrade with a significant possibility that Teleglobe Inc.'s debt could be rated below investment grade. Any further downgrade of Teleglobe Inc.'s debt, and in particular any downgrade under investment grade, would substantially increase Teleglobe Inc.'s financing costs as well as significantly limit its ability to obtain additional financing on a stand-alone basis. Teleglobe Inc. currently relies on BCE Inc. to provide funding in order to meet its obligations although BCE Inc. is not obligated to provide such funding. In 2000 and 2001, BCE Inc. provided funding of approximately U.S. \$100 million and U.S. \$1.1 billion, respectively, to Teleglobe Inc. It is expected that BCE Teleglobe will require approximately \$1 billion to fund its business plan in 2002. A decision by BCE Inc. not to continue to provide funding to Teleglobe Inc. at any time in the future, absent appropriate funding being available from other sources, would have a material adverse effect on Teleglobe Inc.'s results of operations and financial condition and would result in Teleglobe Inc. being unable to meet its financial obligations, which would require Teleglobe Inc. to assess its alternatives, including refinancing, renegotiating or restructuring its debt, selling assets, making further revisions to its business plan or seeking other options available under applicable law, and could result in any of Teleglobe Inc.'s creditors declaring amounts outstanding under Teleglobe Inc.'s financial instruments to be immediately due and payable. Furthermore, in order to raise additional funding or renew or extend current debt instruments, Teleglobe Inc. may have to issue or re-issue equity or debt instruments that have rights senior to those of current stakeholders. Teleglobe Inc.'s U.S. \$1.275 billion revolving credit facilities (which are currently fully drawn) mature on July 22, 2002. There are no assurances that

Teleglobe Inc. will be able to either renew or replace its credit facilities upon their maturity or find alternative sources of financing.

THE GLOBESYSTEM NETWORK

In an effort to accelerate its expansion strategy, BCE Teleglobe announced in 1999 that it would build the GlobeSystem network, a globally integrated Internet, voice, data and video network. Since then, BCE Teleglobe has significantly adjusted downward the estimated capital expenditures required to build the GlobeSystem network to U.S. \$2.1 billion, largely reflecting cost improvements available due to overcapacity in fiber supply, a reduction in Internet data center requirements and other optimization and costs savings. BCE Teleglobe anticipates completing the GlobeSystem network in the second quarter of 2002. Various risk factors are associated with the GlobeSystem network initiative including the following: the GlobeSystem network initiative requiring more capital than anticipated to complete; the GlobeSystem network not being completed on schedule due to various factors including delays in the delivery of network components or delays in BCE Teleglobe's migration from leased facilities; the potential higher network costs that such a delay may cause; and the unavailability of financing for BCE Teleglobe to complete the GlobeSystem network. Similar risk factors also apply to BCE Teleglobe's proposed deployment of Internet data centers. In addition, the deployment and/or operation of the GlobeSystem network could be delayed, interrupted and/or require BCE Teleglobe to seek other alternatives at additional costs should any of BCE Teleglobe's vendors of equipment and/or capacity be unable to continue to operate as a going concern. In certain cases, BCE Teleglobe has made up-front payments to vendors, some of whom may seek protection from creditors in the future or otherwise be unable to assume their obligations, including to BCE Teleglobe. In order to reduce the execution and financial risks related to the GlobeSystem network, including the Internet data centers, BCE Teleglobe may elect to make acquisitions and/or enter into alliances or partnerships with other parties. However, there is no certainty that should BCE Teleglobe choose to seek such alliances or partnerships or to make such acquisitions that it will be successful in consummating any of them. In light of the increasing importance of data services to BCE Teleglobe's future revenues, the effective implementation of the GlobeSystem network is crucial to the future success of BCE Teleglobe. The failure of BCE Teleglobe to complete the GlobeSystem network or to significantly reduce its costs as a result thereof, or BCE Teleglobe's inability to significantly increase revenues from business segments other than voice services (such as data and Internet services) would have a material adverse effect on the results of operations and financial condition of BCE Teleglobe.

OTHER RISK FACTORS

Other risk factors concerning BCE Teleglobe include, without limitation: BCE Teleglobe's ability to develop a sustainable niche strategy; revenue fluctuations arising from the gain or loss of customers and pricing pressures on voice and data services; the uncertainties related to the transformation of BCE Teleglobe from a voice-driven global carrier to a global data and Internet provider; BCE Inc.'s ability to quickly reposition BCE Teleglobe as a relevant industry player despite the rapidly evolving business and competitive environment; and increasing competition due to the fact that a number of BCE Teleglobe's competitors have recently filed for bankruptcy or are restructuring their debt, which may result in their assets being purchased or otherwise operated by companies with a significantly less leveraged capital structure than that of Teleglobe Inc.'s.

BCE EMERGIS

In order for BCE Emergis to be successful, e-commerce must continue to be widely adopted in a timely manner. Because e-commerce, and transactions over the Internet in general, are new and evolving, it is difficult to exactly predict the size of this market and its sustainable growth rate.

Additional risk factors applicable to BCE Emergis include, without limitation: BCE Emergis' ability to develop or acquire new technologies or enhancements on a timely and cost effective basis, BCE Emergis' ability to manage growth, BCE Emergis' ability to enter into agreements that generate non-recurring revenues, the difficulty in forecasting BCE Emergis' quarterly revenue, the volatility of BCE Emergis' quarterly results and operating results, BCE Emergis' reliance on strategic relationships and distribution channels, the risk of defects in BCE Emergis' software or failures in the processing of transactions, the risk of security and privacy breaches, BCE Emergis' ability to protect its intellectual property, the risk of third party intellectual property infringement claims, the integrity of BCE Emergis' public key cryptology solutions, and the risk of increased government regulation.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of BCE Inc. (the Corporation), its subsidiaries, joint ventures and its investments in significantly influenced companies (collectively BCE) and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management and in their opinion present fairly the Corporation's financial position, results of operations and cash flows. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls, which is supported by the internal audit function. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies that govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of outside and unrelated directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the Board of Directors. Additional responsibilities of the Audit Committee are outlined on page 47 of this annual report. The internal and the shareholders' auditors have free and independent access to the Audit Committee.

These consolidated financial statements have been audited by the shareholders' auditors, Deloitte & Touche LLP, Chartered Accountants.



[signed]
Jean C. Monty
Chairman and
Chief Executive Officer



[signed]
Siim A. Vanaselja
Chief Financial Officer



[signed]
Stephen P. Skinner
Vice-President and
Corporate Controller

February 27, 2002

AUDITORS' REPORT

To the Shareholders of BCE Inc.:

We have audited the consolidated balance sheets of BCE Inc. at December 31, 2001 and 2000 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



[signed]
Deloitte & Touche LLP
Chartered Accountants

Montréal, Canada
February 27, 2002

CONSOLIDATED FINANCIAL STATEMENTS – BCE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31 (\$ millions, except share amounts)	Notes	2001	2000
Operating revenues		21,711	17,432
Operating expenses		14,244	10,646
Amortization expense		4,691	3,631
Net benefit plans credit		(121)	(109)
Restructuring and other charges	(4)	1,177	–
Total operating expenses		19,991	14,168
Operating income		1,720	3,264
Other income (expense)	(5)	3,854	(189)
Earnings from continuing operations before the under-noted items		5,574	3,075
Interest expense – long-term debt		1,205	1,003
– other debt		362	258
Total interest expense		1,567	1,261
Earnings from continuing operations before income taxes and non-controlling interest		4,007	1,814
Income taxes	(6)	1,556	1,323
Non-controlling interest		32	179
Earnings from continuing operations		2,419	312
Discontinued operations	(7)	(1,896)	4,549
Net earnings		523	4,861
Dividends on preferred shares		(64)	(79)
Net earnings applicable to common shares		459	4,782
Net earnings per common share – basic	(8)	2.92	0.35
Continuing operations		0.57	7.43
Net earnings			
Net earnings per common share – diluted	(8)	2.89	0.32
Continuing operations		0.56	7.04
Net earnings			
Dividends per common share		1.20	1.24
Average number of common shares outstanding (millions)		807.9	670.0

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31 (\$ millions)	Notes	2001	2000
Balance at beginning of year		1,521	7,894
Net earnings		523	4,861
Dividends – Preferred shares		(64)	(79)
– Common shares		(969)	(849)
– Distribution of Nortel Networks common shares	(7)	–	(10,114)
Premium on redemption of common shares	(16)	(108)	(216)
Other		–	24
Balance at end of year		903	1,521

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31 (\$ millions)	Notes	2001	2000
ASSETS			
Current assets			
Cash and cash equivalents		569	260
Accounts receivable		4,118	4,344
Other current assets		1,213	2,096
Total current assets		5,900	6,700
Investments	(9)	1,106	1,648
Capital assets	(10)	26,599	22,301
Future income taxes	(6)	1,004	1,117
Other long-term assets	(11)	3,651	3,313
Goodwill and other intangible assets		16,075	16,304
Total assets		54,335	51,383
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		5,792	5,486
Income and other taxes payable		681	144
Debt due within one year	(11)	5,263	5,884
Total current liabilities		11,736	11,514
Long-term debt	(12)	14,861	14,044
Future income taxes	(6)	924	715
Other long-term liabilities	(11)	4,129	3,885
Total liabilities		31,650	30,158
Non-controlling interest	(14)	5,695	3,764
Commitments and contingencies	(19)		
SHAREHOLDERS' EQUITY			
Preferred shares			
Preferred shares	(15)	1,300	1,300
Common shareholders' equity			
Common shares	(16)	13,827	13,833
Contributed surplus		980	985
Retained earnings		903	1,521
Currency translation adjustment		(20)	(178)
Total common shareholders' equity		15,690	16,161
Total shareholders' equity		16,990	17,461
Total liabilities and shareholders' equity		54,335	51,383

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:



[signed] J. Edward Newall, Director



[signed] Victor L. Young, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31 (\$ millions)

	2001	2000
Cash flows from operating activities		
Earnings from continuing operations	2,419	312
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:		
Amortization expense	4,691	3,631
Restructuring and other charges	963	–
Gains and losses on reduction of ownership in subsidiaries and joint ventures and on disposal of investments	(3,964)	77
Future income taxes	498	(139)
Other items	(508)	(93)
Changes in non-cash working capital components	546	(1,473)
	4,645	2,315
Cash flows from investing activities		
Capital expenditures	(7,396)	(4,118)
Investments	(1,165)	(4,674)
Divestitures	4,961	717
Other items	246	(209)
	(3,354)	(8,284)
Cash flows from financing activities		
Increase (decrease) in notes payable and bank advances	(2,098)	3,481
Issue of long-term debt	2,607	2,593
Repayment of long-term debt	(1,582)	(1,636)
Issue of common shares	71	36
Purchase of common shares for cancellation	(191)	(384)
Dividends paid on common and preferred shares	(1,033)	(928)
Issue of common shares, preferred shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	1,460	568
Redemption of preferred shares by subsidiaries	(471)	(295)
Dividends paid by subsidiaries to non-controlling interest	(385)	(260)
Other items	62	87
	(1,560)	3,262
Effect of exchange rate changes on cash and cash equivalents	7	(69)
Cash used in continuing operations	(262)	(2,776)
Cash provided by discontinued operations	571	641
Net increase (decrease) in cash and cash equivalents	309	(2,135)
Cash and cash equivalents at beginning of year	260	2,395
Cash and cash equivalents at end of year	569	260
Supplemental disclosure		
Interest paid on long-term debt	1,381	1,309
Income taxes paid	1,348	1,329
Cash restricted to collateralize short-term bank loans	233	–

The accompanying notes are an integral part of these consolidated financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Certain comparative figures in the consolidated financial statements have been reclassified to conform to the current year presentation. With respect to the financial statements of BCE Inc. (the Corporation), its subsidiaries, joint ventures and its investments in significantly influenced companies (collectively BCE), the significant differences between Canadian and United States GAAP are described and reconciled in Note 20.

CONSOLIDATION

The financial statements of entities which are controlled by the Corporation are consolidated; entities which are jointly controlled by the Corporation, referred to as joint ventures, are accounted for using the proportionate consolidation method; entities that the Corporation has the ability to significantly influence are accounted for using the equity method; and investments in other entities are accounted for using the cost method.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

BCE recognizes operating revenues when earned, as services are rendered or as products are delivered to customers. More specifically:

- Subscriber revenue is recognized to the extent that the service has been made available to customers;
- Advertising revenue is recognized when advertisements are aired or printed and distributed;
- Revenues from sales of equipment are recognized as the equipment is delivered to customers;
- Fees for long distance and wireless services, and other fees, such as licence fees, hosting fees, network access fees, maintenance fees and standby fees are recognized as services are rendered or over the term of the contract; and
- Payments received in advance are deferred until services are rendered or products are delivered to customers.

CASH AND CASH EQUIVALENTS

All highly liquid investments with short-term maturities are classified as cash and cash equivalents.

SALE OF ACCOUNTS RECEIVABLE

Effective July 1, 2001, BCE adopted the new CICA Accounting Guideline 12, *Transfers of Receivables*, (AcG 12) which addresses the accounting requirements for the transfer and servicing of receivables. In accordance with the provisions of AcG 12, Bell Canada continued to account for its Receivables Purchase

and Sale Agreement dated October 14, 1997, under the previous accounting guidance. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors. The accounts receivable included in the pool are accounted for as a sale of accounts receivable as Bell Canada surrenders control over the transferred accounts receivable and receives the related proceeds from the trust, other than Bell Canada's beneficial interest in the sold accounts receivable. Losses or gains on these transactions are recognized as other expenses or income. Bell Canada determines fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as discount rates, weighted average life of accounts receivable and credit loss ratios. The accounts receivable are transferred on a fully-serviced basis. As a result, Bell Canada recognizes a servicing liability on the date of the transfer of accounts receivable to the trust and amortizes this liability to earnings over the expected life of the transferred accounts receivable.

CAPITAL ASSETS

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. In 2001, the composite amortization rate for plant was approximately 5.6% (6.8% in 2000). The expected useful lives of machinery and equipment are 2 to 20 years, buildings are 10 to 40 years. When depreciable capital assets are retired, the carrying value of such assets is charged to accumulated amortization.

TRANSLATION OF FOREIGN CURRENCIES

Self-sustaining foreign operations are those whose economic activities are largely independent of those of the parent company. For self-sustaining foreign operations, assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses are accumulated in and reported as a currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated foreign operations are financially or operationally dependent on the parent company. For integrated foreign operations, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are reflected in earnings.

Monetary assets and liabilities are translated at the rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges (credits) and amortized to earnings on a straight-line basis over the remaining lives of the related items.

Refer to Future accounting changes for amendments to the accounting policies for translation of foreign currencies effective January 1, 2002.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS

BCE uses a combination of derivative financial instruments to manage its interest and foreign exchange risk exposures. In addition, BCE uses a combination of derivative and non-derivative instruments to manage its Special Compensation Payments (SCPs) exposure (Notes 13 and 17). BCE does not trade derivative financial instruments for speculative purposes.

Gains and losses on forward contracts and cross currency swaps used to hedge foreign investments are deferred and reported as part of the currency translation adjustment in shareholders' equity. Gains and losses on forward contracts, cross currency swaps and foreign currency option contracts used to manage exposure to foreign exchange rates and forward contracts used to manage SCP exposure are recognized on the same basis as the gains and losses on the hedged item. Amounts receivable or payable under interest rate swaps are accrued and recorded as adjustments to interest expense. Gains and losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums paid with respect to financial instrument contracts are deferred and expensed to earnings over the contract period.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess, at the dates of acquisition, of the cost of investments over the fair value of the net identifiable assets acquired and is amortized on a straight-line basis, over its estimated useful life, up to a period of 40 years. Intangible assets are amortized on a straight-line basis over their useful lives, a period of 15 to 20 years for licenses. BCE assesses the impairment of goodwill and other intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. A determination of impairment is then made based on estimates of undiscounted future cash flows and any impairment is charged to earnings. Total goodwill amortization charged to earnings from continuing operations amounted to \$1,260 million in 2001 (\$485 million in 2000). Refer to Future accounting changes for the accounting policies for goodwill and other intangible assets effective January 1, 2002. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized.

EMPLOYEE BENEFIT PLANS

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay, as well as other retirement benefits such as certain health care and life insurance benefits on retirement and various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependants, after employment but before retirement, under specified circumstances.

BCE accrues its obligations under employee benefit plans and the related costs, net of plan assets. Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are valued at fair value, using a market-related value approach, which is also used in calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of the employees active at the

date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation or the fair value of plan assets is amortized over the average remaining service period of active employees. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. A valuation is performed at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits.

INCOME TAXES

BCE uses the liability method of accounting for income taxes. Future income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, computed based on rates and provisions of enacted and substantially enacted tax law.

SUBSCRIBER ACQUISITION COSTS

BCE subsidizes the cost of the Direct to Home (DTH) satellite hardware equipment sold to its customers. These subsidies are deferred and amortized over three years. In addition, wireless subscriber acquisition costs are deferred and amortized over the terms of the contracts, which normally do not exceed twenty-four months. All other subscriber acquisition costs are expensed as incurred.

STOCK-BASED COMPENSATION PLANS

The Corporation's stock-based compensation plans consist primarily of the Employees' Savings Plan (ESP) and the Long-Term Incentive (Stock Option) Programs, which, prior to 2000, may also have included SCPs, which are described in Note 17. No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. A compensation expense is recognized for the Corporation's portion of the contributions made under the ESP.

EARNINGS PER SHARE

Effective January 1, 2001, BCE adopted the revised recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook section 3500, *Earnings Per Share (EPS)*. The revised Handbook section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments as opposed to the previously used imputed earnings approach. The section also requires that a reconciliation of the calculation of the basic and diluted EPS computations be disclosed. The revised recommendations were applied retroactively with restatement of prior periods.

FUTURE ACCOUNTING CHANGES

The CICA recently issued new Handbook Sections 1581, Business Combinations, and 3062, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

impairment will be charged to opening retained earnings. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet completed the assessment of the quantitative impact on its financial statements.

In addition, the CICA recently issued amendments to Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. These amendments will be applied retroactively with restatement of prior periods. At December 31, 2001, included in Other long-term assets was \$271 million relating to unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, Stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. BCE's management does not expect the adoption of the new standard to have an impact on its financial statements.

2. SEGMENTED INFORMATION

BCE centers its activities around four core operating segments, based on products and services, reflecting the way that the chief operating decision maker classifies its operations for purposes of planning and performance management.

Bell Canada – represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries (including Bell Mobility Inc., BCE Nexxia Inc. (carrying on business under the name Bell Nexxia) and Bell ActiMedia Inc.) Bell Distribution Inc. and Certen Inc. BCH owns 100% of Bell Canada. In addition, the segment includes the consolidation of Aliant Inc. (Aliant) (approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.), as well as Bell ExpressVu Limited Partnership (Bell ExpressVu). BCE owns 80% of BCH, the remaining 20% is owned by SBC Communications Inc. (SBC). This segment provides connectivity to residential and business customers through wired and wireless voice and data communications, high speed and wireless Internet access, direct-to-home satellite entertainment services, IP-broadband services, e-business solutions, local and long distance phone and directory services.

Bell Globemedia – represents the consolidation of CTV Inc. (CTV), The Globe and Mail, Bell Globemedia Interactive and other media interests. BCE owns 70.1% of Bell Globemedia, while 20% is held by The Thomson Corporation (Thomson) and 9.9% is held by The Woodbridge Company Limited (Woodbridge). This segment provides integrated information, communications and entertainment services to Canadian customers and access to distinctive Canadian content. This segment also allows for the creation of unique destinations for Internet users through the various portal properties.

BCE Teleglobe – represents the global communications and e-business segment of BCE. This segment provides a broad range of international and domestic communication services including voice, Internet connectivity, high-speed data transmission, hosting, broadband, broadcast and other value-added services on a wholesale and retail basis. BCE Teleglobe is a business unit of Teleglobe Inc., which is 77% owned by BCE Inc. and 23% owned by Bell Canada.

BCE Emergis – represents BCE Emergis Inc. (BCE Emergis). This segment provides business to business (B2B) e-commerce infrastructures, strategically focusing on market leadership in the transaction-intensive eHealth and financial services sectors, through its three strategic business units, eHealth Solutions Group, BCE Emergis – Canada and BCE Emergis – U.S.A. BCE owns approximately 65% of BCE Emergis, with the remaining common shares being publicly held.

BCE Ventures – reflects all non-core businesses, including BCE's interests in Bell Canada International Inc. (BCI), Telesat Canada (Telesat), CGI Group Inc. (CGI) and other BCE investments.

The Corporation uses the contribution to consolidated net earnings as the profitability measure for each of its segments. The accounting policies of the segments are the same as those described in Note 1. Inter-segment sales are negotiated on arm's length terms.

The following tables present information by geographic area as well as information about reported segment profits and assets:

GEOGRAPHIC INFORMATION ^(a)

For the year ended December 31	2001		2000	
	Revenues External customers	Capital assets & goodwill	Revenues External customers	Capital assets & goodwill
Canada	18,514	30,306	16,119	25,218
United States	1,137	6,191	555	10,169
Other foreign countries	2,060	6,177	758	3,218
Total	21,711	42,674	17,432	38,605

(a) The point of origin (the location of the selling organization) of revenues and the location of capital assets and goodwill determine the geographic areas.

2. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

	Bell Canada	Bell Globemedia	BCE Teleglobe	BCE Emergis	BCE Ventures
For the year ended December 31, 2001					
Operating revenues					
External customers	17,038	1,175	1,745	451	1,403
Inter-segment	216	28	320	205	267
Total operating revenues	17,254	1,203	2,065	656	1,670
Amortization expense	2,934	265	614	452	405
Interest income	11	2	8	5	31
Interest expense	1,118	35	93	33	484
Equity in losses of significantly influenced companies	(26)	(4)	–	–	–
Income taxes recovery (expense)	(870)	(15)	174	(21)	6
Earnings (loss) from continuing operations ^(a)	689	(150)	(607)	(281)	(310)
Segment assets	26,989	5,139	12,189	1,107	8,348
Capital expenditures	4,815	114	2,206	57	409
For the year ended December 31, 2000					
Operating revenues	15,800	98	326	468	1,402
Amortization expense	2,829	7	52	346	272
Interest income	14	1	4	6	23
Interest expense	1,028	4	39	36	367
Equity in net earnings (losses) of significantly influenced companies	3	15	(122)	–	(9)
Income taxes recovery (expense)	(1,241)	(7)	(27)	6	(17)
Earnings (loss) from continuing operations ^(a)	994	(78)	(241)	(209)	(361)

(a) Represents each segment's contribution to BCE's net earnings.

RECONCILIATION

For the year ended December 31	2001	2000
Revenues		
Total revenues for reportable segments	22,848	18,094
Corporate and other (including elimination of inter-segment revenues)	(1,137)	(662)
Total consolidated revenues	21,711	17,432
Earnings from continuing operations		
Total earnings (loss) from continuing operations for reportable segments	(659)	105
Corporate and other (including elimination of inter-segment earnings)	3,078	207
Total consolidated earnings from continuing operations	2,419	312

3. BUSINESS ACQUISITIONS AND DISPOSITIONS

2001

BELL GLOBEMEDIA

On January 9, 2001, Bell Globemedia was created. BCE owns 70.1% of Bell Globemedia that includes CTV, The Globe and Mail, Globe Interactive and Sympatico-Lycos. BCE transferred its interests in CTV, Sympatico-Lycos and other miscellaneous media interests to Bell Globemedia. This transaction was accounted for at fair value resulting in the recognition of a \$33 million gain on reduction of ownership in subsidiary companies. The acquisition of The Globe and Mail and Globe Interactive was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for \$172 million, tangible liabilities for \$63 million and goodwill for \$668 million.

In December 2001, Bell Globemedia Inc. (Bell Globemedia) acquired 29.9% of The Comedy Network for approximately \$36 million, bringing its total interest in the Comedy Network to 95.0%. In November 2001, Bell Globemedia completed the acquisition of Report on Business Tv from affiliates of The Thomson Corporation, pursuant to a previous agreement, for which Bell Globemedia had recorded an amount receivable of \$60 million on its balance sheet, with the effective purchase price amounting to \$61 million. Effective September 1, 2001, Bell Globemedia completed the acquisitions of CFCF-TV and CKY-TV, two CTV affiliated television stations in Montreal and Winnipeg, respectively, for a total aggregate cash consideration of approximately \$183 million. The acquisitions were accounted for using the purchase method. The preliminary allocation of the total aggregate purchase price was to tangible assets for \$45 million, tangible liabilities for \$42 million (including \$34 million of benefits and other costs payable on the acquisition) and goodwill and other intangible assets for \$277 million.

In November 2001, Bell Globemedia completed the sale of its 40% interest in Sportsnet for a total cash consideration of approximately \$138 million. No gain or loss was recognized on the sale.

BCE VENTURES

On March 13, 2001, Telecom Américas, a joint venture of BCI (BCI holds a 41.7% interest in Telecom Américas as at December 31, 2001), announced a number of agreements that will collectively result in the acquisition of an approximate additional 65% economic interest in the Brazilian cellular companies Telet S.A. (Telet) and Americhel S.A. (Americhel) (increasing Telecom Américas' economic interest to approximately 81% in both companies) for an aggregate purchase price of approximately US \$580 million. At December 31, 2001, Telecom Américas had purchased an additional 60% interest in Telet and Americhel for approximately US \$545 million.

On March 27, 2001, Telecom Américas invested \$470 million in Algar Telecom Leste S.A (ATL), increasing Telecom Américas' total economic ownership in ATL from 50% to 59%. Consequently, the accounting for ATL was changed from proportionate consolidation to full consolidation as of that date. As a result of this transaction, BCI indirectly invested \$208 million in ATL and increased its effective economic interest from 22.1% to 24.6%. The acquisition of ATL was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price was to tangible assets for \$483 million, tangible liabilities for \$360 million and goodwill and other intangible assets for \$85 million.

On April 9, 2001, Telecom Américas closed its agreement to acquire a 100% interest in Tess S.A. (Tess), one of two B Band cellular companies operating in the Brazilian state of São Paulo, for a total consideration of approximately US \$950 million (\$1,480 million, of which \$617 million represents BCI's proportionate interest). The consideration consisted of US \$319 million in cash and US \$631 million in notes payable, which had a

fair value of US \$571 million, making the effective purchase price US \$890 million. The acquisition of Tess was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price of \$617 million was to tangible assets for \$793 million, tangible liabilities for \$638 million and goodwill and other intangible assets for \$462 million.

On July 27, 2001, CGI acquired all of the outstanding common shares of IMRglobal Corp. (IMRglobal), for a total consideration of \$553 million, on the basis of 1.5974 Class A subordinate share of CGI for each IMRglobal common share. The acquisition was accounted for using the purchase method. The preliminary allocation of the total purchase price was to tangible assets for \$165 million, tangible liabilities for \$191 million and goodwill and other intangible assets for \$579 million.

On August 31, 2001, Telecom Américas acquired for total consideration of US \$210 million a 60% economic interest in Techtel-LMDS Comunicaciones Interativas, S.A. (Techtel), an Argentine broadband company. América Móvil S.A. de C.V. (América Móvil) contributed Techtel to Telecom Américas in exchange for shares based on the September 25, 2000 joint venture agreement. As a result, BCI effectively acquired a 25% economic interest in Techtel for \$135 million (US \$88 million). The preliminary allocation of BCI's proportionate interest of the purchase price of \$135 million was to tangible assets for \$112 million, tangible liabilities for \$72 million and goodwill and other intangible assets for \$95 million.

2000

ALIAN T

In January 2000, BCE increased its ownership in Aliant, a provider of telecommunications services, as well as information technology, remote communications services, and Internet-based solutions, from approximately 41% to approximately 53% (at December 31, 2001 approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.). The acquisition was accounted for using the purchase method. The aggregate purchase price was a total cash consideration of \$435 million. The allocation of the purchase price was to tangible assets for \$2,885 million, tangible liabilities for \$2,757 million and goodwill for \$307 million. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

BELL GLOBEMEDIA

In April 2000, BCE completed the acquisition of all of the outstanding common shares of CTV, including the CTV common shares held by Electrohome Broadcasting Inc., for a cash consideration of approximately \$2.3 billion. CTV, including its subsidiary NetStar Communications Inc. (NetStar), is a conventional and specialty broadcaster with a local presence across Canada. The CTV shares were transferred to a trustee pending receipt of the Canadian Radio-television and Telecommunications Commission (CRTC) and other regulatory approvals, which were obtained on December 7, 2000. During the time the shares were held by the trustee, the investment in CTV was accounted for using the equity method. Starting in December 2000, BCE's results reflect the consolidation of CTV. As part of the CRTC approval process, an additional 10% (approximately \$230 million) of the value of the transaction will be spent by 2007 on initiatives that will benefit the Canadian broadcasting industry (benefits package). The cost of the benefits package has been included as part of the purchase price for the acquisition of CTV, for a total purchase price of approximately \$2.5 billion. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for \$1.7 billion, tangible liabilities for \$1.1 billion and goodwill and other intangible assets for \$1.9 billion.

3. BUSINESS ACQUISITIONS AND DISPOSITIONS (continued)

TELEGLOBE INC.

On November 1, 2000, BCE completed the acquisition of substantially all of the outstanding common shares that it did not already own of Teleglobe Inc. The aggregate purchase price of \$7.4 billion was comprised of \$240 million in cash and \$7.2 billion in BCE Inc. common shares (approximately 174 million common shares were issued) at \$41.20 per BCE Inc. common share, which reflected the average of the high and low of the market value of the shares on November 1, 2000. The acquisition was accounted for using the purchase method. The purchase price allocation relating to the acquisition was finalized in the first quarter of 2001, and was to tangible assets for \$3.7 billion, tangible liabilities for \$4.4 billion and goodwill for \$8.1 billion. As a result of the finalization of the purchase price allocation and the finalization of the fiscal 2000 year-end financial statements of Teleglobe Inc., BCE recorded a charge of \$60 million relating to its share of asset write-downs and one-time charges recorded by Teleglobe Inc. in the fourth quarter of 2000.

BCE EMERGIS

On March 24, 2000, BCE Emergis completed the acquisition of all the outstanding shares of United Payors & United Providers, Inc. (UP&UP) of Rockville, Maryland, a provider of health claims processing services in the U.S. The aggregate purchase price was a cash consideration of approximately \$824 million, subject to certain adjustments. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for \$183 million, tangible liabilities for \$23 million and goodwill for \$664 million.

BCE VENTURES

On November 16, 2000, BCI, America Móvil S.A. de C.V. (America Móvil) and SBC International, Inc. (SBC International) announced the closing of the September 25, 2000 joint venture agreement and the formation of Telecom Américas. The September 25, 2000 agreement was entered into with Telefonos de Mexico S.A. de C.V. (Telmex). However, Telmex subsequently assigned its rights in the joint venture agreement to América Móvil, which now holds the cellular operations and most international investments of Telmex. BCI and América Móvil each held initially a 44.3% interest in Telecom Américas while SBC International holds an 11.4% interest. At closing, Telecom Américas' initial capitalization was approximately US \$4 billion and includes the Latin American assets of BCI (excluding Vésper S.A., Vésper São Paulo S.A. and the Internet service provider, Vento Ltda. (collectively, the Vésper companies) and Axtel S.A. de C.V. of Mexico (Axtel), and América Móvil's and SBC International's investments in the Brazilian wireless company ATL-Algar Telecom Leste S.A (ATL)). BCI recorded a gain of \$530 million on the contribution of its investments to Telecom Américas at fair value, which is being deferred and amortized on a straight-line basis over approximately 13 years as well as goodwill and other intangible assets amounting to \$569 million, upon the contribution of ATL at fair value by its partners.

4. RESTRUCTURING AND OTHER CHARGES

Bell Canada recorded a pre-tax charge of \$736 million (BCE's share is \$347 million on an after tax basis) in the fourth quarter of 2001, representing restructuring and other charges of \$345 million and \$391 million, respectively. The restructuring charge is related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 2,800 employees, which resulted primarily from a decision to streamline certain management, clerical, line and other support functions.

Other charges consisted primarily of the write-off of wireless (Bell Mobility) capital assets relating mainly to the analog and paging networks and PCS base stations. The restructuring program is expected to be substantially completed in 2002. At December 31, 2001, the remaining unpaid balance of this restructuring provision was \$177 million.

BCE Teleglobe recorded a pre-tax charge of \$198 million (BCE's share is \$126 million on an after tax basis) in 2001, representing restructuring and other charges related to the closing of certain facilities and network costs, employee severance and other related employee costs, for approximately 450 employees, which resulted primarily from a decision to restructure portions of its business due to changing international market conditions, as well as a write-down of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was \$52 million.

Bell Canada recorded a pre-tax charge of \$239 million (BCE's share is \$114 million on an after tax basis) in the first quarter of 2001, representing restructuring and other charges of \$210 million and \$29 million, respectively, related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 1,900 employees, which resulted primarily from a decision to streamline support functions, and the write-off of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was \$47 million.

5. OTHER INCOME (EXPENSE)

For the year ended December 31	2001	2000
Gains on disposal of investments (a)	3,798	—
Gains on reduction of ownership in subsidiaries and joint ventures (b)	306	—
Losses on write-down of investments (c)	(149)	—
Equity in net losses of significantly influenced companies	(19)	(90)
Other	(82)	(99)
	3,854	(189)

- (a) BCE recorded a gain of approximately \$3.7 billion in 2001, relating to the settlement of short-term forward contracts on approximately 47.9 million Nortel Networks Corporation (Nortel Networks) common shares as well as the sale of an equivalent number of Nortel Networks common shares. These transactions resulted in total proceeds of approximately \$4.4 billion.
- (b) Included in Other income (expense) are gains on the reduction of ownership in subsidiaries and joint ventures in the amount of \$306 million in 2001, resulting primarily from the issuance of shares to third parties relating to business acquisitions and public offerings by CGI, Aliant, BCI and BCE Emergis (Note 3).
- (c) BCI provided for a \$149 million (US \$94 million) loss in 2001, relating to a put option that may require BCI to repurchase a third party's indirect stake in Comunicacion Celular S.A. Comcel S.A. (Comcel) at a fixed amount that is greater than its fair value.

6. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 40.1% in 2001 (41.9% in 2000) with the reported income taxes is as follows:

For the year ended December 31	2001	2000
Income taxes computed at statutory rates	1,608	760
Gains on reduction of ownership in subsidiaries and joint ventures	(127)	(2)
Losses not tax effected (principally BCI)	217	218
Equity in net losses of significantly influenced companies	(3)	(40)
Gains and losses on disposal of investments	(758)	57
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	43	(5)
Large corporations tax	33	17
Reduction in Canadian statutory rate	48	48
Goodwill amortization	439	214
Other	56	56
Total income tax expense	1,556	1,323

Significant components of the provision for income taxes attributable to continuing operations are as follows:

For the year ended December 31	2001	2000
Current income taxes	1,599	1,398
Future income taxes		
Change in temporary differences	(90)	103
Recognition of loss carryforwards	(12)	(229)
Tax rate changes	59	51
Total income tax expense	1,556	1,323

The tax effects of temporary differences that gave rise to future tax assets and liabilities from continuing operations are as follows:

At December 31	2001	2000
Non-capital loss carryforwards	813	838
Capital losses carryforward	32	126
Capital assets	62	187
Employee benefit plans	(275)	(378)
Investment tax credits	(63)	(31)
Currency translation adjustments	(5)	13
Difference in accounting and tax basis for investments	71	10
Other	(456)	(313)
Total future income taxes	179	452
Future income taxes are comprised of:		
Future income tax asset – current portion	99	50
Future income tax asset – long-term portion	1,004	1,117
Future income tax liability – long-term	(924)	(715)
Total future income taxes	179	452

At December 31, 2001, the Corporation has non-capital tax loss carryforwards amounting to approximately \$3,316 million, expiring at various dates, as well as approximately \$1,376 million that can be carried forward indefinitely relating to BCI's operations in Brazil. In addition, the Corporation has net capital losses amounting to approximately \$169 million that can be carried forward indefinitely. For financial reporting purposes, a future tax asset of \$845 million has been recognized with respect to these loss carryforwards.

7. DISCONTINUED OPERATIONS

For the year ended December 31	2001	2000
Excel Communications group (Excel) (a)	(2,115)	(33)
BCI Latin American CLECs and Asia Mobile segments (b)	219	607
Nortel Networks (c)	–	4,055
ORBCOMM Global, L.P. (ORBCOMM) (d)	–	(80)
Net earnings (loss) from discontinued operations	(1,896)	4,549

(a) Excel provides retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America and the U.K. On August 26, 2001, Teleglobe Inc. and certain of its subsidiaries entered into definitive agreements for the sale of Excel's North American operations to an affiliate of VarTec Telecom, Inc. (VarTec). The U.K. operations, which are not part of the transaction, were shut down during the year. Consequently, the results of Excel have been reported as a discontinued operation. The gross proceeds, estimated at approximately US \$250 million, will be based on Excel's actual 2001 financial results and will be paid in the form of unsecured five-year interest-bearing promissory notes. After accounting for the discount provision on the notes receivable, closure costs of the U.K. operations, transaction costs, estimated operating losses up to the expected date of disposal and related items, the disposal of Excel will not result in any significant gain or loss. The sale is subject to regulatory and other approvals and is expected to be completed by the end of the first quarter of 2002. The results of operations of Excel include an impairment charge of \$2,049 million, recorded in the first quarter of 2001, after completion of an assessment of the carrying value of BCE's investment in Excel. The assets of Excel were written down to their estimated net recoverable amount, which was determined using the undiscounted net future cash flows to be generated by these assets. The primary factor contributing to the impairment is a lower than expected operating profit due to a reduction in Excel's forecasted minute volumes and average revenue per minute that are expected to continue in the foreseeable future.

(b) Effective February 23, 2001, BCI sold its 20% equity interest in KG Telecommunications Co. Ltd. (KG Telecom) for an aggregate cash consideration of approximately \$785 million. KG Telecom represented BCI's last remaining operation in its Asia Mobile business segment, which in 2000, included also the operations of Hansol M.com. Additionally, effective March 31, 2001, BCI adopted a formal plan of disposal for all of its operations in its Latin American Competitive Local Exchange Carriers (CLECs) business segment, composed of Axtel S.A. de C.V. and the Vésper companies. Consequently, the results of these segments have been reported as discontinued operations. In September 2001, BCI wrote off its carrying value of \$86 million in the Vésper companies.

7. DISCONTINUED OPERATIONS (continued)

- (c) In May 2000, BCE distributed an approximate 35% interest in Nortel Networks to BCE common shareholders. BCE common shareholders received, for each common share of BCE held, approximately 1.57 post-split common shares of Nortel Networks. Consequently, BCE's results prior to May 2000 reflect its 35% interest in Nortel Networks as a discontinued operation. This transaction was recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's approximate 37% interest in Nortel Networks prior to the distribution. This resulted in a decrease in the Investment in Nortel Networks of \$10 billion, a decrease in Retained earnings of \$10.1 billion (including transaction costs of \$70 million), and an increase in Currency translation adjustment of \$150 million. BCE's remaining interest in Nortel Networks is now being recorded as an investment at cost.
- (d) In the third quarter of 2000, Teleglobe Inc. classified its investment in ORBCOMM, a provider of a digital satellite telecommunications system, as a discontinued operation. On September 15, 2000, ORBCOMM voluntarily filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. Consequently, BCE's results reflect a \$60 million after tax write-down relating to its proportionate interest in ORBCOMM as a discontinued operation. BCE's proportionate interest in ORBCOMM's after-tax losses of \$20 million have been reclassified from equity in net earnings (losses) of significantly influenced companies to discontinued operations.

Amounts included in the consolidated balance sheets relating to discontinued operations are as follows:

At December 31	2001	2000
Current assets	605	700
Non-current assets	737	3,569
Current liabilities	(528)	(902)
Non-current liabilities	(251)	(639)
Net assets of discontinued operations	563	2,728

The summarized statements of operations for the discontinued operations are as follows:

For the year ended December 31	2001	2000
Revenue	1,324	662
Operating earnings (loss) from discontinued operations, net of tax	(2,234)	3,692
Gain on discontinued operations, net of tax	416	1,076
Non-controlling interest	(78)	(219)
Net earnings (loss) from discontinued operations	(1,896)	4,549

8. EARNINGS PER SHARE DISCLOSURES

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per common share computations for earnings from continuing operations:

For the year ended December 31	2001	2000
Earnings from continuing operations (numerator) (\$ millions)		
Earnings from continuing operations	2,419	312
Dividends on preferred shares	(64)	(79)
Earnings from continuing operations – basic	2,355	233
Exercise of put options by CGI shareholders	2	(19)
Earnings from continuing operations – diluted	2,357	214
Weighted average number of common shares outstanding (denominator) (millions)		
Weighted average number of common shares outstanding – basic	807.9	670.0
Exercise of stock options	4.4	2.3
Exercise of put options by CGI shareholders	5.6	3.8
Weighted average number of common shares outstanding – diluted	817.9	676.1

9. INVESTMENTS

At December 31	2001	2000
Investments at equity (a)	521	425
Investments at cost (b)	585	1,223
	1,106	1,648

- (a) The goodwill implicit in Investments at equity amounted to \$171 million at December 31, 2001 (\$181 million in 2000).
- (b) Included in Investments at cost is BCE's interest in Nortel Networks, consisting of approximately 13 million shares at December 31, 2001 (\$152 million), and 60 million shares at December 31, 2000 (\$721 million).

10. CAPITAL ASSETS

At December 31	2001		2000	
	Cost	Net book value	Cost	Net book value
Plant	35,477	14,012	32,490	12,180
Machinery and equipment	8,760	3,820	8,861	4,675
Buildings	2,884	1,561	2,954	1,762
Licenses	2,409	2,061	745	635
Plant under construction	4,475	4,475	2,862	2,862
Land	124	124	128	128
Other	977	546	296	59
	55,106	26,599	48,336	22,301

Amortization of capital assets amounted to \$3,331 million in 2001 (\$3,084 million in 2000). Total interest cost amounting to \$71 million in 2001 (\$21 million in 2000) was capitalized as capital assets.

11. SUPPLEMENTARY INFORMATION			12. LONG-TERM DEBT		
At December 31	2001	2000	At December 31	2001	2000
Other long-term assets (a)			Bell Canada		
Accrued benefit asset (Note 18)	1,838	1,826	Debentures and notes (weighted average interest rate of 7.5%), due in 2002 to 2054 (a)	9,057	7,475
Unrealized foreign currency losses, net of amortization	271	287	Subordinated debentures (weighted average interest rate of 8.2%), due in 2026 and 2031	275	275
Long-term notes and other receivables	253	197	Other (b)	567	505
Other	1,289	1,003	Total – Bell Canada	9,899	8,255
	3,651	3,313	Aliant		
Debt due within one year (b)			Debentures, notes and bonds, 6.40% to 12.25%, due in 2002 to 2025 (c) (d) (e)	1,013	1,052
Bank advances and notes payable	3,587	5,313	Acquisition facility, LIBOR + 3.75%, due in 2003 (f)	318	271
Long-term debt due within one year (Note 12)	1,676	571	Term debt, LIBOR + 3.75%, due in 2005 (f)	199	225
	5,263	5,884	Other	16	20
Other long-term liabilities			Total – Aliant	1,546	1,568
Accrued benefit liability (Note 18)	1,067	987	Bell Globemedia		
CRTC benefits packages	225	230	Revolving reducing term credit agreements (g)	325	534
BCE Inc. Series P retractable preferred shares (c)	400	400	Notes, 7.15%, due in 2009, and other	160	174
BCI deferred gain on transfer of assets to Telecom Americas (Note 3)	486	527	Total – Bell Globemedia	485	708
Other	1,951	1,741	Teleglobe Inc.		
	4,129	3,885	Debentures (US \$994 million), 7.20% to 7.70%, due in 2009 to 2029 (h)	1,583	1,491
			Debentures, 8.00% to 8.85%, due in 2002 to 2026 (i)	350	350
			Other	69	159
			Total – Teleglobe Inc.	2,002	2,000
			BCI		
			14.125% Senior deferred coupon bonds (2001 – US \$116 million, 2000 – US \$125 million) due in 2005	185	187
			LIBOR + a variable margin (3.25% to 4.25%) Senior term loan (2001 – US \$39 million, 2000 – US \$73 million) due in varying semi-annual payments ending in 2002	62	109
			14.0% Senior discount notes (2001 – US \$77 million, 2000 – US \$79 million) due in 2004	123	119
			11.0% Senior unsecured notes, redeemable at the option of the issuer, repayable in 2004	160	160
			Notes (2001 – US \$247 million), LIBOR and 3.6%, due in 2004	393	–
			Term equipment financing (j)	391	577
			Other (k)	818	536
			Total – BCI	2,132	1,688
			Telesat – Notes, 7.40% to 10.75%, due in 2002 to 2008, and other	371	301
			Total – Other	102	95
			Total long-term debt	16,537	14,615
			Less: Amount due within one year (Note 11)	(1,676)	(571)
			Long-term debt	14,861	14,044

(a) Amortization of deferred charges amounted to \$62 million in 2001 (\$118 million in 2000).

(b) Debt due within one year is expected to either be repaid by internally generated funds or refinanced by the issuance of debt.

(c) At December 31, 2001, 16 million shares were outstanding, carrying an annual dividend rate of \$1.60 per share. The shares may be redeemed, at the holder's option, on a quarterly basis on or after July 15, 2002, at a price of \$25 per share. The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder.

12. LONG-TERM DEBT (continued)

BELL CANADA

- (a) Debentures and notes include US \$400 million maturing in 2006 and 2010 and 300 million Swiss francs, due 2003, swapped into U.S. dollar obligations. In addition, \$625 million of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.
- (b) Included in Other are obligations under capital leases of \$66 million (\$49 million in 2000), net of loans receivable of \$335 million (\$256 million in 2000). These obligations resulted from agreements entered into in 1999 and 2001, whereby Bell Canada sold and leased back telecommunication equipment for total aggregate proceeds of \$399 million, a portion of which was invested in interest bearing loans receivable. These capital leases, net of loans receivable, were originally issued for US \$39 million and have been swapped to Canadian dollar obligations.

ALIAN T

- (c) All Debentures are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Debentures are issued under a trust indenture and are unsecured.
- (d) The Notes are a combination of both secured and unsecured issues. The unsecured notes have been issued under a trust indenture or under long-term floating rate facilities. Certain notes are secured by debentures containing a floating charge over certain assets.
- (e) All Bonds are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Bonds are secured by a Deed of Trust and Mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon all real and immovable property and equipment of Aliant Telecommunications Inc., and a floating charge on all other property of Aliant Telecommunications Inc., both present and future.
- (f) As collateral for the acquisition facility and term debt, Stratos Global Corporation has provided a first priority perfected security interest over all its assets.

BELL GLOBEMEDIA

- (g) CTV has entered into revolving reducing term credit agreements, expiring in 2002 and 2006, and has accordingly classified this bank indebtedness as long-term. These agreements are collateralized by assets of CTV and NetStar and require certain financial ratios to be met on a quarterly basis and impose certain covenants and maintenance tests and restrict the payment of dividends. Amounts borrowed under these facilities bear interest at prime to prime plus 0.5% to 1.75% dependent on specified financial ratios and the form of funds received. CTV has fixed interest rates through swap agreements on \$130 million of bank indebtedness. As at December 31, 2001, the prime rate was 4%.

TELEGLOBE INC.

- (h) The 7.20% and 7.70% debentures issued on July 20, 1999 are unsecured and redeemable at any time by Teleglobe Inc. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation. They were issued under a trust indenture providing for the creation of a debenture in the principal amount of US \$1 billion. On August 18, 1999, the trust indenture for both debentures was modified to procure for holders of the 7.20% debentures the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2005, and for holders of the 7.70% debentures, the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2011.

- (i) The 8.85%, 8.35% and 8.00% debentures issued in 1992, 1993 and 1996, respectively, are unsecured and redeemable at any time by Teleglobe Inc. They were each issued under a trust indenture providing for the creation of a debenture in the principal amount of \$350 million. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation.

BCI

- (j) Term equipment financing at LIBOR plus 2.5% to 10% due at different dates no later than 2005. As at December 31, 2001, the one-month LIBOR rate was 1.87%.
- (k) Other consists mainly of bank loans and other financing at various rates due at different dates no later than 2009.

LONG-TERM DEBT MATURITIES

Long-term debt maturities are summarized below:

	2002	2003	2004	2005	2006	Thereafter	Total
Bell Canada	858	1,498	298	812	546	5,887	9,899
Aliant	85	330	197	251	1	682	1,546
Bell Globemedia	—	140	—	—	195	150	485
Teleglobe Inc.	143	140	16	967	8	728	2,002
BCI	482	318	678	298	111	245	2,132
Telesat	78	3	3	3	153	131	371
Other	30	26	13	16	—	17	102
Total	1,676	2,455	1,205	2,347	1,014	7,840	16,537

The commercial paper programs of BCE Inc., Bell Canada and Aliant (excluding BCE Inc.'s and Bell Canada's extendable Class E Notes) are supported by lines of credit, extended by several banks, totalling \$2 billion at December 31, 2001, under which a total of approximately \$275 million in commercial paper was outstanding. In addition, Bell Canada had approximately \$130 million of Class E Notes outstanding (nil at BCE Inc.). Under their commercial paper programs, BCE Inc. and Bell Canada may issue Class E Notes that are not supported by any committed lines of credit but are instead extendable, at BCE Inc.'s and Bell Canada's option, in certain circumstances. The maximum principal amount of Class E Notes outstanding at any one time may not exceed \$360 million in the case of BCE Inc. and \$400 million in the case of Bell Canada.

13. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

BCE periodically uses various derivative instruments to manage its foreign currency and interest rate positions and to diversify its access to capital markets. The derivative instruments entered into by BCE include interest rate swaps, interest rate caps, cross currency swaps, forward contracts, forward rate agreements and foreign currency denominated options.

CREDIT RISK

BCE is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments, but does not anticipate non-performance by any of the counterparties. BCE deals only with highly rated financial institutions and monitors the credit risk and credit standing of counterparties on a regular basis. BCE manages its exposure to ensure that there is no substantial concentration of credit risk

13. FINANCIAL INSTRUMENTS (continued)

resulting from derivative contracts with any particular counter party. In addition, BCE is exposed to credit risk from customers. However, BCE's businesses have a large number of diverse customers that minimizes the concentration of this risk.

CURRENCY EXPOSURES

At December 31, 2001, principal amounts to be received under cross currency contracts include SF 300 million, US \$179 million and \$806 million, whereas principal amounts owed under cross currency contracts include US \$730 million and \$274 million. Of the \$16.5 billion of total long-term debt, \$4.2 billion is exposed to fluctuations in foreign exchange rates.

INTEREST RATE EXPOSURES

Long-term debt is issued mainly at fixed interest rates and notes payable are issued at market rates for commercial paper. Of the \$16.5 billion of total long-term debt and \$1.3 billion of preferred shares, \$2.4 billion and \$200 million, respectively, are exposed to fluctuations in interest rates.

FAIR VALUE

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of all financial instruments approximates fair value with the following exceptions:

At December 31	2001		2000	
	Carrying value	Fair value	Carrying value	Fair value
Investment in Nortel Networks (a)	167	154	721	2,907
Long-term debt due within one year	1,676	1,669	571	572
Long-term debt	14,861	15,652	14,044	14,707
Derivative financial instruments, net assets (liability) position:				
Forward contracts				
– Nortel Networks shares (a)	–	–	–	2,005
Forward contracts				
– BCE Inc. shares	(24)	(31)	10	19
Cross currency contracts (b)	(50)	(53)	58	62
Interest rate swaps	–	75	–	31

(a) During the second and fourth quarters of 2000, BCE entered into forward contracts, for up to one year, with several financial institutions to hedge its exposure to fluctuations in the market price of Nortel Networks common shares in relation to the monetization of such shares. As a result of these contracts, approximately 47.9 million of BCE's 60 million Nortel Networks common shares were

hedged at an average price of approximately \$90 per share. In the first quarter of 2001, BCE settled the short-term forward contracts on approximately 47.9 million Nortel Networks common shares and sold an equivalent number of Nortel Networks common shares. An additional six million of BCE's approximate 13 million Nortel Networks common shares have been designated as a hedge of BCE's exposure to outstanding rights to SCPs (Note 17).

(b) Amounts receivable or payable under cross currency contracts are included in current assets, deferred charges or liabilities, as appropriate.

SALE OF ACCOUNTS RECEIVABLE

Under an agreement effective October 14, 1997, Bell Canada sold accounts receivable for aggregate cash proceeds of \$650 million. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors for aggregate cash proceeds of \$875 million. As at December 31, 2001, Bell Canada is carrying a retained interest in the transferred accounts receivable of \$76 million. Bell Canada estimates the fair value of the retained interests and calculates the loss on sale using a present value of estimated cash flows model.

Under an agreement effective December 13, 2001, Aliant sold accounts receivable to a securitization trust for aggregate cash proceeds of \$150 million. Pursuant to the agreement the Company transferred \$177 million of accounts receivable to the trust. The excess of amounts transferred over the \$150 million sold represents the Company's retained interest and the amount of overcollateralization in the receivables transferred.

Pursuant to these agreements, Bell Canada and Aliant continue to service the accounts receivable and their interest in collections of these accounts receivable is subordinated to the purchaser's interest. Bell Canada and Aliant remain exposed to certain risks of default on the amount of receivables under securitization and have provided various credit enhancements in the form of overcollateralization and subordination of its retained interests. The purchasers will re-invest the funds from collections in the purchase of additional interests in Bell Canada and Aliant accounts receivable until the expiration of the agreements on December 12, 2006 and December 13, 2006, respectively. The purchasers and its investors have no recourse to Bell Canada's and Aliant's other assets for failure of the debtors to pay when due.

In 2001, Bell Canada and Aliant recognized pre-tax losses of \$4 million and \$388,000, respectively on these securitization transactions. The key assumptions underlying these transactions are:

	Bell Canada	Aliant
Cost of funds	2.5%	2.3%
Weighted average life in days	39	48
Average credit loss ratio	0.8%	0.9%
Servicing fee liability	2.0%	2.0%

The sensitivity of the current fair value of the retained interests or residual cash flows to an immediate 10 percent and 20 percent adverse change in each of the above assumptions in each case is less than \$500,000.

GUARANTEES

At December 31, 2001, BCE had outstanding guarantees of \$333 million representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

14. NON-CONTROLLING INTEREST

At December 31	2001	2000
Non-controlling interest in subsidiaries:		
Bell Canada	852	617
Aliant	742	712
Bell Globemedia	1,225	91
Teleglobe Inc.	188	208
BCE Emergis	280	366
BCI	71	99
Other	30	—
	3,388	2,093
Preferred shares, equity-settled notes and convertible debentures issued by subsidiaries:		
Bell Canada	1,474	1,065
Aliant	172	—
Teleglobe Inc.	—	130
BCI	611	426
Other	50	50
	2,307	1,671
Total non-controlling interest	5,695	3,764

15. PREFERRED SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching to them.

AUTHORIZED AND OUTSTANDING

The following table provides a summary of the principal terms and conditions relating to the Corporation's authorized and outstanding series of First Preferred Shares. The detailed terms and conditions of such shares are set forth in the Corporation's articles of incorporation. All series outstanding at December 31, 2001, were non-voting except under certain circumstances when the holders were entitled to one vote per share. All series outstanding at December 31, 2001, other than Series P shares (Note 11), were convertible at the holder's option into another series of First Preferred Shares. At December 31, 2001, no Second Preferred Shares were outstanding.

Series	Annual dividend rate	Convertible into	Conversion date	Redemption date	Redemption price	Authorized Number of shares	Stated Capital	
							At December 31	
							2001	2000
Q (a) (b)		Series R	December 1, 2010	December 1, 2005	\$25.50	8,000,000	—	—
R (a) (c)	1.5435	Series Q	December 1, 2005	December 1, 2005	\$25.00	8,000,000	200	200
S (c) (d)	floating	Series T	November 1, 2006	At any time	\$25.50	8,000,000	200	200
T (b)		Series S	November 1, 2011	November 1, 2011	\$25.00	8,000,000	—	—
U (c) (e) (f)	1.3850	Series V	March 1, 2007	March 1, 2007	\$25.00	22,000,000	350	350
V (b)		Series U	March 1, 2012	March 1, 2012	\$25.00	22,000,000	—	—
W (c) (e) (f)	1.3625	Series X	September 1, 2007	September 1, 2007	\$25.00	20,000,000	300	300
X (b)		Series W	September 1, 2012	September 1, 2012	\$25.00	20,000,000	—	—
Y (c) (e) (g)	1.1500	Series Z	December 1, 2002	December 1, 2002	\$25.00	10,000,000	250	250
Z (b)		Series Y	December 1, 2007	December 1, 2007	\$25.00	10,000,000	—	—
							1,300	1,300

- (a) On December 1, 2000, the 8 million Series Q shares were converted into 8 million Series R shares. Holders of the Series R shares are entitled to fixed cumulative quarterly dividends. The Corporation may redeem the Series R shares on December 1, 2005 and on December 1 every fifth year thereafter for \$25 per share.
- (b) Authorized but not issued.
- (c) Authorized and outstanding, except that only 14 million Series U shares and 12 million Series W shares are outstanding.
- (d) On November 1, 2001, the Series S shares were not converted into Series T shares. Accordingly, since that date, holders of the Series S shares are entitled to floating adjustable cumulative monthly dividends

- instead of fixed cumulative quarterly dividends. At any time, the Corporation may now redeem the Series S shares for \$25.50 per share.
- (e) Holders of Series U, W and Y shares will be entitled to floating adjustable cumulative monthly dividends starting on March 1, 2007, September 1, 2007 and December 1, 2002, respectively.
- (f) The Corporation has entered into interest rate swap agreements until 2007 to effectively convert the Series U and W fixed dividends to floating rate dividends equal to the 90-day Bankers' Acceptance Rate less 0.675% and 0.594%, respectively. The Corporation may redeem the Series U and Series W shares on and after March 1, 2007 and September 1, 2007, respectively. However, if these series are listed on The Toronto Stock Exchange, the redemption price after these dates shall be \$25.50 per share.
- (g) The Corporation may redeem the Series Y shares at any time after December 1, 2002 for \$25.50 per share.

16. COMMON SHARES AND CLASS B SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of common shares and Class B Shares. The common shares and the Class B Shares rank equally with respect to the payment of dividends and upon liquidation, dissolution or winding-up of the Corporation. The Class B Shares are non-voting.

AUTHORIZED AND ISSUED

The following table provides information concerning the outstanding common shares of the Corporation.

For the year ended December 31	2001		2000	
	Number of shares	Stated capital	Number of shares	Stated capital
Outstanding, beginning of year	809,861,531	13,833	643,804,984	6,789
Shares issued				
Exchange for Teleglobe Inc. common shares (Note 3)	–	–	173,889,782	7,164
Exercise of stock options (Note 17)	3,178,980	71	1,316,467	36
Shares purchased for cancellation (a)	(4,526,300)	(77)	(9,149,702)	(156)
Outstanding, end of year	808,514,211	13,827	809,861,531	13,833

As at December 31, 2001 and 2000, no Class B Shares were outstanding.

(a) In 2001, the Corporation purchased and cancelled 4.5 million of its common shares for an aggregate price of \$191 million (9.1 million for \$384 million in 2000).

17. STOCK-BASED COMPENSATION PLANS

EMPLOYEES' SAVINGS PLANS (ESP)

The ESPs enable employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. Under the terms of the ESPs, employees can choose each year to have up to a certain percentage of their annual earnings as determined by each participating company (10% in the case of Bell Canada) withheld to purchase the Corporation's common shares. The employer contributes up to a certain maximum percentage of the employee's annual earnings that, in the case of Bell Canada, is 2%. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 2001, was 38,278 employees (36,563 employees in 2000). Common shares of the Corporation are purchased by the ESP trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of common shares purchased on behalf of employees was 4,953,410 during 2001 (3,518,159 in 2000). Compensation expense related to ESP amounted to \$42 million (\$37 million in 2000). At December 31, 2001, 8,542,289 common shares were reserved for issuance under the ESP.

BCE INC. STOCK OPTIONS

Under the Long-Term Incentive Stock Option Programs (Programs) of the Corporation, options may be granted to directors, officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation generally at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. At December 31, 2001, a total of 37,043,697 common shares remained authorized for issuance under the Programs. The options are exercisable during a period not to exceed ten years and are generally not exercisable during the first 12 months after the date of the grant. The right to exercise all the options generally accrues over a period of four years of continuous employment or directorship except when a special vesting period is granted. However, if there is a change of control of the Corporation, the options may, if an optionee's employment or directorship is terminated under certain circumstances, become immediately exercisable. Furthermore, with respect to optionees employed by certain subsidiaries of the Corporation, the same result may also occur if the Corporation ceases, under certain circumstances, to hold a specific percentage ownership interest (as set forth in the Programs) in these subsidiaries.

As a result of the distribution of Nortel Networks common shares in May 2000 (Note 7), each of the then outstanding BCE Inc. stock options was cancelled and replaced by a new stock option giving the right to acquire one BCE Inc. common share and, in addition, by a new stock option giving the right to acquire approximately 1.57 post-split common shares of Nortel Networks (Nortel options) with exercise prices established so as to maintain the economic position of the holder. In order to ensure that the exercise of the Nortel options would not result in a dilution to Nortel Networks shareholders, the aggregate number of BCE Inc. common shares issuable pursuant to options granted under the Programs immediately prior to the effective time of the distribution was factored into the computation of the number of Nortel Networks common shares per BCE Inc. common share held to be distributed. Accordingly, the exercise price paid to Nortel Networks on the exercise of the Nortel options is remitted to BCE Inc. shortly after the time of exercise, with the amount being credited to Retained earnings. In addition, BCE Inc. also has the right to exercise all Nortel options that expire unexercised or are forfeited and hold the shares as an investment at cost.

The following table summarizes the status of the BCE Inc.'s Stock Option Programs:

For the year ended December 31	2001		2000	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	9,114,695	\$27	5,767,012	\$56
Granted	11,629,250	\$41	4,812,218	\$39
Exercised	(335,669)	\$11	(986,244)	\$33
Expired	(1,880,900)	\$37	(478,291)	\$42
Outstanding, end of year	18,527,376	\$35	9,114,695	\$27
Exercisable, end of year	2,300,387	\$25	1,057,731	\$11

The weighted average exercise price has been adjusted to reflect the distribution of the Nortel Networks common shares in May 2000.

17. STOCK-BASED COMPENSATION PLANS (continued)

The following table summarizes information about the BCE Inc.'s Stock Option Programs at December 31, 2001:

Options outstanding				Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below \$20	3,830,771	7 years	\$15	1,271,602	\$12
\$20 – \$30	—	—	—	—	—
\$30 – \$40	2,776,717	9 years	\$36	218,990	\$35
Over \$40	11,919,888	9 years	\$41	809,795	\$41
	18,527,376		\$35	2,300,387	\$25

SPECIAL COMPENSATION PAYMENTS (SCPs)

Prior to 2000, simultaneously with the grant of an option, officers and key employees of the Corporation and its subsidiaries may have been granted by their employer, from time to time, accompanying rights to SCPs. As a result of the distribution of Nortel Networks common shares (Note 7), the then outstanding options were divided into options to acquire BCE Inc. common shares and Nortel Networks common shares, and the related SCPs were appropriately adjusted. As a result, SCP right holders now have, for each SCP right held prior to the distribution, SCP rights related to the increase in price of both the BCE Inc. and Nortel Networks common shares over the exercise prices of the related options. The amount of any SCPs is equal to the increase in market value of the number of the BCE Inc. and Nortel Networks shares covered by the SCPs (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCPs to the date of exercise of the option to which the SCPs is related. To manage SCP expense, BCE has entered into forward contracts to hedge its exposure to outstanding SCP rights related to options over BCE Inc. common shares and has designated approximately six million Nortel Networks common shares as a hedge of BCE's exposure to outstanding SCP rights related to the options over the Nortel Networks common shares. At December 31, 2001, 3,479,102 SCPs (4,080,111 at December 31, 2000) relating to BCE Inc. common shares and 3,301,891 SCPs (3,698,215 at December 31, 2000) relating to Nortel Networks common shares covering the same number of shares as the options to which they are related were outstanding. The payment of SCPs remains the responsibility of the employer. In 2001, compensation expense related to SCPs amounted to \$64 million (\$82 million in 2000).

TELEGLOBE INC. STOCK OPTIONS

As a result of the acquisition of Teleglobe Inc. on November 1, 2000 (Note 3), Teleglobe Inc. stock options continue to be exercisable in accordance with their original terms and conditions, with the exception that stock options holders will receive, upon exercise of their options, 0.91 of a BCE Inc. common share for each Teleglobe Inc. stock option held. The outstanding Teleglobe Inc. stock options have a vesting period of three to four years, and will expire seven to ten years from the date of grant.

The following table summarizes the status of Teleglobe Inc.'s Stock Option Programs at, and changes from November 1, 2000 to December 31, 2000 and from January 1, 2001 to December 31, 2001:

For the period ended December 31	2001		2000	
	Number of BCE Inc. shares	Weighted average exercise price	Number of BCE Inc. shares	Weighted average exercise price
Outstanding, January 1, 2001 and November 1, 2000	18,934,537	\$36	20,106,612	\$37
Exercised	(2,911,216)	\$24	(330,223)	\$13
Expired	(5,818,355)	\$44	(841,852)	\$38
Outstanding, December 31	10,204,966	\$39	18,934,537	\$36
Exercisable, December 31	6,073,732	\$38	8,035,329	\$33

The following table summarizes information about Teleglobe Inc.'s Stock Option Programs at December 31, 2001:

Options outstanding				Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below \$20	584,943	4 years	\$12	584,943	\$12
\$20 – \$30	427,252	4 years	\$25	423,597	\$25
\$30 – \$40	4,804,898	8 years	\$38	1,868,059	\$38
Over \$40	4,387,873	5 years	\$45	3,197,133	\$45
	10,204,966		\$39	6,073,732	\$38

18. EMPLOYEE BENEFIT PLANS

BCE and certain of its significant subsidiaries maintain defined benefit plans that provide for pension, other retirement and post-employment benefits for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages.

18. EMPLOYEE BENEFIT PLANS (continued)

The changes in the benefit obligations and in the fair value of assets and the funded status of the defined benefit plans were as follows:

	Pension benefits		Other benefits	
	2001	2000	2001	2000
Projected benefit obligation,				
beginning of year	10,497	8,956	1,637	1,437
Current service cost	212	191	31	30
Interest cost	732	696	116	112
Actuarial gains (losses)	799	–	(100)	–
Estimated benefits payments	(794)	(691)	(74)	(60)
Employee contributions	6	3	–	–
Business combinations	–	1,366	–	122
Special termination costs	266	–	–	–
Divestitures and other	19	(24)	(3)	(4)
Projected benefit obligation, end of year	11,737	10,497	1,607	1,637
Fair value of plan assets,				
beginning of year	14,254	12,000	361	333
Return on plan assets	1,012	1,082	28	29
Actuarial gains (losses)	(597)	264	(3)	–
Estimated benefits payments	(794)	(691)	(74)	(60)
Employer contribution	17	6	73	59
Employee contribution	6	3	–	–
Business combinations	65	1,614	–	4
Divestitures	(41)	(24)	–	(4)
Fair value of plan assets, end of year	13,922	14,254	385	361
Funded status	2,185	3,757	(1,222)	(1,276)
Unamortized net actuarial gain	(18)	(1,488)	(286)	(198)
Unamortized past service costs	52	15	1	–
Unamortized transitional (asset) obligation	(259)	(402)	440	487
Valuation allowance	(122)	(56)	–	–
Accrued benefit asset (liability), end of year (Note 11)	1,838	1,826	(1,067)	(987)

At December 31, 2001, approximately 1% of the plan assets are held in BCE Inc. common shares.

The significant weighted-average assumptions adopted in measuring BCE's pension and other benefit obligations were:

At December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Discount rate	6.5%	7.0%	6.5%	7.0%
Expected long-term return on plan assets	8.8%	8.5%	8.8%	8.5%
Rate of compensation increase	3.5%	3.9%	3.5%	3.9%

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits (the health care cost trend rate) was assumed for 2001 except for the cost of medication that was assumed to increase at a 10.5% annual rate for 2001 and gradually decline to 4.5% by 2005 and remain at that level thereafter.

The net benefit plans expense (credit) included the following components:

For the year ended December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Current service cost	212	191	31	30
Interest cost	732	696	116	109
Expected return on plan assets	(1,198)	(1,104)	(28)	(28)
Amortization of past service costs	12	3	–	–
Amortization of net actuarial gain	(4)	(7)	(6)	(5)
Amortization of transitional (asset) obligation	(60)	(64)	40	40
Increase in valuation allowance	102	30	–	–
Other	(71)	–	1	–
Net benefit plans (credit) expense	(275)	(255)	154	146

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At December 31, 2001, the future minimum lease payments under capital leases were \$301 million. At December 31, 2001, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were \$414 million in 2002, \$362 million in 2003, \$340 million in 2004, \$381 million in 2005, \$276 million in 2006 and \$1,835 million thereafter. Rental expense applicable to operating leases in 2001 amounted to \$700 million (\$410 million in 2000).

AGREEMENT BETWEEN BCE AND SBC

In connection with the sale of a 20% interest in Bell Canada to SBC in 1999, BCE and SBC entered into a unanimous shareholders' agreement, which includes, among other conditions, the option by SBC to sell all of its shares in BCH (the holding company of Bell Canada) to BCE, at any time from July 1, 2002 until December 31, 2002, and at any time from July 1, 2004 until December 31, 2004, at the fair market value of the shares multiplied by 1.25. BCE also has the option, during the same periods of time, to purchase all of SBC's shares at the fair market value of the shares multiplied by 1.25. BCE has the right to issue as consideration, in full or in part, two-year interest-bearing notes.

19. COMMITMENTS AND CONTINGENCIES (continued)

AGREEMENT BETWEEN BCE AND CGI

BCE entered into an agreement on July 1, 1998 with CGI's three largest individual shareholders (the Shareholders) providing for certain put and call options, as well as rights of first refusal, on the shares of CGI held by the Shareholders. The agreement gives the Shareholders the right to gradually sell (put options) their shares to BCE through January 5, 2004 and, thereafter for a period of two years, the right to BCE to buy (call options) these shares to the extent not already acquired by BCE. The price per share payable on any exercise of the put or call options will be, in all cases, 115% of the market price for CGI shares on the exercise date payable in common shares of BCE. These options, if fully exercised, will increase BCE's equity ownership and voting interest in CGI to approximately 41%.

SHARED SERVICES AGREEMENT

Effective June 22, 2001, Bell Canada entered into a ten-year service contract with a special purpose entity. This service contract will allow Bell Canada to, over time, reduce systems and administrative costs through the rationalization and enhancements of certain systems and the optimization of certain processes. Bell Canada's commitments are approximately \$150 million over the first three years of the agreement. In 2004, Bell Canada may either exercise an option to buy the special purpose entity, or maintain the service contract and therefore commit itself to an additional minimum of \$420 million in service fees to the third party.

LITIGATION

In the normal course of operations, BCE becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP

The consolidated financial statements of BCE have been prepared in accordance with Canadian GAAP. The tables below present a reconciliation of the net earnings and retained earnings reported in accordance with Canadian GAAP to United States GAAP.

For the year ended December 31	2001	2000
Net earnings (loss) applicable to common shares:		
Canadian GAAP – Continuing operations	2,355	233
Adjustments		
Additional pick-up of non-controlling interest (a)	(67)	14
Pre-operating expenses and subscriber acquisition costs (b)	(103)	(100)
Foreign exchange (c)	(40)	(76)
Employee future benefits (d)	53	39
Income taxes (e)	(45)	45
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	75	(31)
Discontinued operations (g)	219	607
Other	51	(63)
United States GAAP – Continuing operations	2,498	668
Discontinued operations – U.S. GAAP (g)	(2,032)	(1,024)
United States GAAP	466	(356)
Other comprehensive earnings (loss) items		
Change in currency translation adjustment	248	107
Change in unrealized gain on investments (h)	(168)	2,788
United States GAAP – Comprehensive earnings	546	2,539
Per common share – United States GAAP		
Continuing operations – Basic	3.09	1.00
– Fully diluted	3.06	0.97
Net earnings (loss) – Basic	0.58	(0.53)
– Fully diluted	0.57	(0.55)

For the year ended December 31	2001	2000
Retained earnings:		
Canadian GAAP	903	1,521
Adjustments		
Additional pick-up of non-controlling interest (a)	(133)	(66)
Pre-operating expenses and subscriber acquisition costs (b)	(324)	(221)
Foreign exchange (c)	(298)	(258)
Employee future benefits (d)	92	39
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	(201)	(276)
Discontinued operations (g)	83	–
Other	112	106
United States GAAP	234	845

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP (continued)

(a) Additional pick-up of non-controlling interest

Under Canadian and United States GAAP, the controlling shareholder is required to account for 100% of a subsidiary's losses when the non-controlling interest, related to that subsidiary, has been eliminated on the balance sheet. Any subsequent earnings from the subsidiary will be allocated entirely to the controlling shareholder until previously absorbed losses are recovered. However, Canadian and United States GAAP differences cause the point at which non-controlling interest has been eliminated to be different.

(b) Pre-operating expenses and subscriber acquisition costs

Under Canadian GAAP, pre-operating expenses, if they meet certain criteria, and subscriber acquisition costs can be deferred and amortized. Under United States GAAP, these costs are expensed as incurred.

(c) Foreign exchange

Under Canadian GAAP, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are deferred and amortized over the remaining lives of the related items. Under United States GAAP, the translation gains and losses are reported in earnings immediately.

(d) Employee future benefits

The accounting for employee future benefits is, in all material respects, consistent under Canadian and United States GAAP, except for the recognition of certain unrealized gains.

(e) Income taxes

The accounting for income taxes is, in all material respects, consistent under Canadian and United States GAAP except that under Canadian GAAP, income tax rates of enacted or substantially enacted tax law can be used to calculate deferred income tax assets and liabilities while under United States GAAP, only income tax rates of enacted tax law can be used. In 2001, income tax rates were enacted, and as a result, all previous Canadian and United States GAAP differences were reversed.

(f) Gain on disposal of investments and on reduction of ownership in subsidiary companies

Under Canadian and United States GAAP, gains on disposal of investments and on reduction of ownership in subsidiary companies are calculated in a similar manner. However, Canadian and United States GAAP differences will cause the underlying carrying value of the investment to be different, and therefore, the resulting gain to be different.

(g) Discontinued operations

Under United States GAAP, the disposal of Bell Canada International Inc.'s Latin American CLECs and Asia Mobile segments are not considered discontinued operations, and the gain on reduction of BCE's ownership in Nortel Networks in 2000 was credited directly to retained earnings as a result of BCE's spin-off the majority of its investment in Nortel Networks. Under Canadian GAAP, impairment charges on capital assets and goodwill are calculated based on their estimated net recoverable amount determined using undiscounted cash flows, whereas under United States GAAP, long-lived assets are written down to fair value using discounted cash flows. In addition, other differences between Canadian and United States GAAP will cause the historical carrying values of the impaired assets to be different.

(h) Change in unrealized gain on investments

Under United States GAAP, BCE's portfolio investments would be classified as "available-for-sale" and carried at fair value with any unrealized gains or losses included in other comprehensive earnings, net of tax.

(i) Recent pronouncements

The Financial Accounting Standards Board (FASB) recently issued new Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet assessed the impact on its financial statements.

The FASB recently issued new Standard No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, which is effective for fiscal years beginning after December 15, 2001 and addresses how to account for and report impairments or disposals of long-lived assets. An impairment loss is to be recorded on long-lived assets being held or used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is equal to the difference between the asset's carrying amount and estimated fair value. Long-lived assets to be disposed of by other than a sale for cash are to be accounted for and reported like assets being held or used except the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. In addition, depreciation is to cease at the same time. BCE's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

21. SUBSEQUENT EVENTS

On February 14, 2002, BCE Inc. filed a short form prospectus with Canadian securities regulatory authorities qualifying the issue of 20 million Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) for aggregate proceeds of \$510 million. 8 million of the 20 million Series AA Preferred Shares are proposed to be issued pursuant to a public bought deal offering whereas the balance of 12 million Series AA Preferred Shares would be issued to the holders of BCE Inc.'s 12 million First Preferred Shares, Series W (Series W Preferred Shares) if BCE Inc. elects to exercise its option to purchase all of the Series W Preferred Shares from such holders. Holders of the Series W Preferred Shares would then pay the subscription price of \$306 million for the purchase of 12 million Series AA Preferred Shares from the proceeds paid to them by BCE Inc. to purchase for cancellation the Series W Preferred Shares. The net proceeds to result from the sale of the 8 million Series AA Preferred Shares will be used for general corporate purposes. The closing for these transactions is scheduled for March 1, 2002.

On December 3, 2001, BCI announced a recapitalization plan intended to enable the company to meet its short term funding commitments, as well as a complementary plan that resulted in the reorganization of Telecom Americas into a company focused on the Brazilian mobile wireless market. On January 11, 2002, BCI closed its rights offering for total gross proceeds of \$440 million, in connection with its recapitalization plan. The public shareholders exercised 42% of the rights offered to them, with BCE funding the remaining balance of \$392 million. Also included in the recapitalization plan was the settlement of approximately \$478 million in obligations through the issuance of common shares (excluding the settlement of a put option obligation, as described in Note 3). BCE's percentage ownership in BCI after the settlement date of February 15, 2002 was diluted to approximately 62%, subject to further change upon settlement of the put obligation.

SELECTED FINANCIAL DATA – BCE INC.

The following table sets forth selected consolidated financial data relating to the Corporation for each of the years between 1996 and 2001, inclusive.

For the year ended December 31	2001	2000	1999	1998	1997	1996
Statements of operations data (\$ millions)						
Operating revenues	21,711	17,432	13,922	12,919	12,768	10,568
Earnings from continuing operations	2,419	312	5,107	1,433	803	809
Discontinued operations/Extraordinary item	(1,896)	4,549	352	3,165	(2,339)	343
Net earnings (loss)	523	4,861	5,459	4,598	(1,536)	1,152
Net earnings (loss) applicable to common shares	459	4,782	5,366	4,505	(1,610)	1,076
Balance sheets data (\$ millions)						
Total assets	54,335	51,383	36,960	32,170	40,298	41,261
Long-term debt (including current portion)	16,537	14,615	9,862	10,349	12,784	12,586
Preferred shares	1,300	1,300	1,700	1,700	1,700	1,450
Common shareholders' equity	15,690	16,161	16,192	11,945	8,109	10,522
Capital expenditures	7,396	4,118	3,588	3,774	3,413	3,128
Common share data (a)						
Earnings (loss) per common share						
Continuing operations	2.92	0.35	7.80	2.10	1.14	1.15
Net earnings (loss)	0.57	7.43	8.35	7.07	(2.53)	1.70
Dividends declared per common share	1.20	1.24	1.36	1.36	1.36	1.36
Other data						
Number of employees (thousands) (b)	75	75	55	53	122	121

(a) Adjusted to reflect the BCE two-for-one stock split effective May 14, 1997.

(b) Unaudited.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) – BCE INC.

The following table includes summarized financial data for each quarter of 2001 and 2000. This quarterly information has been prepared on the same basis as the annual consolidated financial statements.

	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	2001	2000	2001	2000	2001	2000	2001	2000
Operating revenues	5,748	4,870	5,379	4,386	5,390	4,199	5,194	3,977
Earnings (loss) from continuing operations	(312)	22	(66)	10	(7)	105	2,804	175
Discontinued operations	–	(35)	(64)	649	(8)	(62)	(1,824)	3,997
Net earnings (loss)	(312)	(13)	(130)	659	(15)	43	980	4,172
Net earnings (loss) applicable to common shares	(326)	(31)	(146)	640	(31)	24	962	4,149
Net earnings (loss) per common share								
Continuing operations – basic	(0.40)	0.01	(0.10)	(0.01)	(0.03)	0.13	3.45	0.24
Continuing operations – diluted	(0.40)	–	(0.10)	(0.02)	(0.03)	0.13	3.42	0.23
Net earnings (loss) – basic	(0.40)	(0.04)	(0.18)	0.99	(0.04)	0.04	1.19	6.44
Net earnings (loss) – diluted	(0.40)	(0.05)	(0.18)	0.98	(0.04)	0.04	1.18	6.06
Average number of common shares outstanding (millions)	808.5	746.1	807.9	644.7	807.4	644.5	808.1	644.0

BOARD OF DIRECTORS as of February 27, 2002**Jean C. Monty, C.M.**

Montréal, Québec

Chairman and Chief Executive Officer, BCE Inc.

A director from May 1991 to September 1992 and since October 1997. Chairman of the Board and Chief Executive Officer of Bell Canada and Teleglobe Inc., Chairman of the Board of BCE Emergis Inc. and Bell Globemedia Inc. and a director of Bell Canada International Inc.

Richard J. Currie, C.M.

Toronto, Ontario

President and a director, George Weston Limited.

A director since May 1995. Lead director and Chairman of the Management Resources and Compensation Committee and a member of the Corporate Governance Committee. A director of Teleglobe Inc.

Anthony S. Fell, O.C.

Toronto, Ontario

Chairman, RBC Dominion Securities Limited.

A director since January 2002. A member of the Audit Committee. A director of Teleglobe Inc.

Thomas E. Kierans, O.C.

Toronto, Ontario

Chairman, Canadian Institute for Advanced Research (CIAR). A director since April 1999. A member of the Audit Committee. A director of Teleglobe Inc.

Brian M. Levitt

Montréal, Québec

Co-Chair, Osler, Hoskin & Harcourt LLP, Business Lawyers.

A director since May 1998. A member of the Management Resources and Compensation Committee. A director of Bell Globemedia Inc.

Judith Maxwell, C.M.

Ottawa, Ontario

President, Canadian Policy Research Networks Inc.

A director since January 2000. A member of the Audit Committee. A director of Bell Canada.

John H. McArthur

Wayland, Massachusetts

Dean Emeritus, Harvard University Graduate School of Business Administration.

A director since May 1995. A member of the Corporate Governance Committee and the Management Resources and Compensation Committee. A director of BCE Emergis Inc.

J. Edward Newall, O.C.

Calgary, Alberta

Chairman, Newall and Associates.

A director since May 1989. Chairman of the Audit Committee and a member of the Corporate Governance Committee. A director of Bell Canada.

Robert C. Pozen

Newton, Massachusetts

Lecturer in Public Policy, Kennedy School of Government, Harvard University.

A director since February 2002.

Guy Saint-Pierre, O.C.

Montréal, Québec

Chairman, SNC-Lavalin Group Inc.

A director since May 1995. Chairman of the Corporate Governance Committee. A director of Bell Canada.

Donna Soble Kaufman

Toronto, Ontario

Lawyer and Corporate Director.

A director since June 1998. A member of the Audit Committee. A director of Bell Canada International Inc. and Bell Globemedia Inc.

Paul M. Tellier, P.C., C.C., Q.C.

Montréal, Québec

President and Chief Executive Officer and a director, Canadian National Railway Company.

A director since April 1999. Member of the Management Resources and Compensation Committee. A director of Bell Canada.

Victor L. Young, O.C.

St. John's, Newfoundland

Corporate Director.

A director since May 1995. A member of the Audit Committee.

CORPORATE OFFICERS as of April 1, 2002**Jean C. Monty**

Chairman of the Board and Chief Executive Officer

Michael J. Sabia

President and Chief Operating Officer

William D. Anderson

President – BCE Ventures

Alain Bilodeau

Senior Vice-President

Pierre J. Blouin

Executive Vice-President

Michael T. Boychuk

Corporate Treasurer

Léo W. Houle

Chief Talent Officer

Peter J.M. Nicholson

Chief Strategy Officer

Barry W. Pickford

Vice-President, Taxation

Marc J. Ryan

Corporate Secretary

Stephen P. Skinner

Vice-President and Corporate Controller

Martine Turcotte

Chief Legal Officer

Siim A. Vanaselja

Chief Financial Officer

COMMITTEES OF THE BOARD

There are three standing committees of the Board of Directors: the Audit Committee, the Corporate Governance Committee (“CGC”) and the Management Resources and Compensation Committee (“MRCC”).

THE AUDIT COMMITTEE

The Audit Committee reviews, reports and, where appropriate, approves or provides recommendations to the Board on: the annual and interim consolidated financial statements (including the related management discussion and analysis) and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation’s processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement, independence and proposed fees of the Corporation’s auditor; the appointment and mandate of the internal auditor; the relationship between related entities’ audit committees and that of the Corporation; and the relationship between the Audit Committee, other standing committees of the Board of Directors and management. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.

The Audit Committee also advises the Board on policy with respect to the administration, funding and investment of the Corporation’s pension plan (the “Plan”) and fund (the “Fund”) and the unitized pooled fund sponsored by the Corporation for the collective investment of the Fund and participating subsidiaries’ pension funds (the “Master Fund”). More particularly, the Audit Committee reviews the impact of the Plan liabilities and funding of proposed changes to benefits under the Plan; approves long-term funding objectives in relation to the Plan liabilities; approves the appointment or removal of the actuary of the Plan; and with respect to the Plan, the Fund and the Master Fund, reviews the system in place for carrying out the Corporation’s responsibilities as employer and administrator of the Plan, the Fund and the Master Fund, including supervision and monitoring procedures and reports to the Board of Directors on its appropriateness; approves changes to the investment policies and goals to be followed in the investment of the Fund and the Master Fund; reviews the investment performance of the Fund and the Master Fund; and reviews and approves the audited financial statements of the Fund and the Master Fund. The Audit Committee met eight times in 2001.

THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board of Directors and matters of corporate governance including standards of performance for directors, the size of the Board, tenure of directors, performance of directors, directors’ remuneration in relation to current compensation practices, the structure, responsibility and composition of Board committees and the merits of shareholder proposals. The CGC also undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his or her own participation on the Board. It reports to the Board periodically on the Board’s assessment of its effectiveness. It also assists newly appointed Board members in becoming acquainted with the Corporation and its governance process. The CGC met four times in 2001.

THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The Management Resources and Compensation Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the appointment of the Chief Executive Officer and other officers; existing management resources and succession plans for officers and other management ranks; the performance of the Chief Executive Officer and other officers; the Corporation’s executive compensation policy and the compensation of the Chief Executive Officer and other officers; and any proposed major changes in organization or personnel, or changes to the Corporation’s pension and benefit plans. The MRCC met four times in 2001.

MEMBERS OF COMMITTEES OF THE BOARD

AUDIT

J.E. Newall
Chairman

A.S. Fell

T.E. Kierans

J. Maxwell

D. Soble Kaufman

V.L. Young

CORPORATE GOVERNANCE

G. Saint-Pierre
Chairman

R.J. Currie

J.H. McArthur

J.E. Newall

MANAGEMENT RESOURCES AND COMPENSATION

R.J. Currie
Chairman

B.M. Levitt

J.H. McArthur

R.C. Pozen

P.M. Tellier

SHAREHOLDER INFORMATION

2002 ANNUAL AND SPECIAL MEETING

The annual and special meeting of BCE shareholders will take place at 9:00 a.m. (Montréal Time), Wednesday, May 29, 2002, at Place Bonaventure, 900, rue de La Gauchetière Ouest, Montréal (Québec) in the Exhibition Hall.

DIVIDENDS ON COMMON SHARES*

RECORD DATE	PAYMENT DATE
March 15, 2002	April 15, 2002
June 14, 2002	July 15, 2002
September 13, 2002	October 15, 2002
December 13, 2002	January 15, 2003

* Subject to approval by the Board of Directors.

DIVIDENDS PAID

BCE pays a quarterly dividend of \$0.30 per common share.*

* Reflects the distribution of Nortel Networks Corporation shares in May 2000.

NUMBER OF SHARES AND SHAREHOLDERS

At December 31, 2001, there were 808,514,211 BCE common shares outstanding and 181,377 registered common shareholders, and 68,000,000 preferred shares outstanding and 476 registered preferred shareholders.

SHAREHOLDER ACCOUNT AND DIVIDEND INQUIRIES

Computershare Trust Company of Canada
P.O. Box 1100, Station B
Montréal (Québec)
H3B 3K9
email: bce@computershare.com
tel.: (514) 982-7555 or
1 800 561-0934
fax: (514) 982-7635

CANADIAN WITHHOLDING TAXES ON FOREIGN INVESTORS

Dividends on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents' withholding tax rate is 15%.

U.S. BACKUP WITHHOLDING

Since January 1, 2001, BCE is required to solicit TINs¹ (taxpayer identification numbers) and W9 declarations of residency from U.S. investors. Where these have not been received, BCE is required to deduct Internal Revenue Service specified backup withholding tax of 31% on all dividends.

ESTATE AND SUCCESSION DUTIES

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

STOCK EXCHANGE LISTINGS

Toronto, New York and the SWX Swiss Exchange.

TRADE-MARKS

The Rings and Head design, Sympatico, Bell World, SmartWeb, SmartStore and e-Invoicing are trade-marks of Bell Canada. GlobeinvestorGOLD.COM and The Globe and Mail are trade-marks of Bell Globemedia Publishing Inc. / Bell Globemedia Publications Inc. Mobile Browser and Voicenet are trade-marks of Bell Mobility Inc. / Bell Mobilité Inc. ComboBox is a trade-mark of Bell ExpressVu L.P. Yellow Pages is a trade-mark of Bell ActiMedia. GlobeSystem is a trade-mark of Teleglobe Inc. TSN MAX is a trade-mark of The Sports Network Inc. SmartTouch and Megalink are trade-marks of Stentor Resource Centre Inc. Nimiq is a trade-mark of Telesat Canada. BCE is a trade-mark of BCE Inc. Any other trade-marks, corporate, trade or domain names mentioned in this annual report are properties of their respective owners.

Out of concern for the environment, BCE's Annual Report is printed with vegetable-based ink and is completely recyclable.

Cette publication est disponible en français.

CORPORATE DOCUMENTS

Most of BCE Inc. corporate documents, including quarterly and annual reports, can be found on our Web site. Shareholders wishing to be notified electronically when documents are posted should go to the BCE Web site at www.bce.ca and register for our service "Our News, Your Way".

Corporate documents can also be requested:

BY E-MAIL

investor.relations@bce.ca

BY TELEPHONE

1 800 339-6353
(toll free in Canada and the U. S.)

BY MAIL

BCE Inc.
Investor Relations
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7

SPECIAL SERVICES FOR SHAREHOLDERS

- 1 Join BCE's Dividend Reinvestment and Stock Purchase Plan and increase your investment in BCE common shares without brokerage costs.
- 2 Avoid postal delays and trips to the bank by joining BCE's bank deposit program for your dividends.
- 3 Help BCE control costs and eliminate duplicate mailings by consolidating your accounts.

For more information, contact Computershare Trust Company of Canada.

TRANSFER OFFICES AND REGISTRAR FOR SHARES

CANADA

Computershare Trust Company
of Canada
(514) 982-7555 in the Montréal area
or 1 800 561-0934
(toll free in Canada and the U.S.)

DENVER

Computershare Trust Company, Inc.
(203) 986-5400

BCE Inc.

1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7

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INVESTOR RELATIONS

email: investor.relations@bce.ca

tel: 1 800 339-6353

fax: (514) 786-3970





Life happens. You just never know when. **go**

INTRODUCING REALTIMESM MULTIPAK
YOUR CONNECTIONS.
YOUR TIME.

Get enough minutes and options to stay in touch exactly when and how you want. Plus, our pay-as-you-go rates, and real-time call logs, make it easy to manage your service. Connecting Canadians to our Olympic Team.

150 minutes
150 minutes
150 minutes
150 minutes
\$30

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