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BCE Inc. – 2001 Second Quarter Shareholder Report

News release

July 25, 2001

BCE Announces Second Quarter Results

- *Total company: revenue up 7% – EBITDA up 11%*
- *Core operations: revenue up 10% – EBITDA up 8%*

Montréal (Québec), July 25, 2001 – BCE reported cash baseline earnings of $304 million, $0.38 per common share, in the second quarter ended June 30, 2001, a 38% increase compared with proforma (see note 1) cash baseline earnings for the same quarter last year. Total revenue was $5.7 billion, a 7% increase over proforma revenue last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) were $1.9 billion, up 11% compared with proforma EBITDA for the second quarter of 2000.

"BCE's results in the second quarter are in line with expectations," said Jean C. Monty, Chairman and Chief Executive Officer of BCE Inc. "With the continued focus on the execution of our business plans, our core operations achieved revenue growth of 10%, EBITDA growth of 8%, and cash baseline earnings growth of 42%, despite continuing indications of a softer economy."

Operational Highlights (Q2 2001 vs Q2 2000)

- High Speed Internet (DSL) subscribers grew to 529,000;
- Bell Canada's data revenue was up 27% to $878 million;
- Cellular and PCS subscribers grew 26% to surpass 3 million;
- Bell ExpressVu subscribers grew 61% to 847,000;
- Bell Globemedia revenue was $297 million;
- Teleglobe data revenue grew 49% to $168 million;
- BCE Emergis revenue grew 33% to $159 million.

Mr. Monty commented. "At Bell Canada, we experienced solid subscriber growth in the key growth areas of wireless, High Speed Internet (DSL) and satellite T.V. BCE Emergis continued to drive its expansion into the U.S. and that revenue now represents over 40% of the total. Bell Globemedia combined its Interactive businesses under a single leadership to provide greater opportunities for leveraging our on-line properties. And Teleglobe made significant progress in the completion of its network deployment."

"Finally, BCE's convergence strategy of enhancing our core connectivity with value-added services such as e-commerce and content is gaining momentum with numerous initiatives underway, many of which will be launched this fall."

After baseline adjustments of $335 million mostly attributable to goodwill expense, mainly for Teleglobe and BCE Emergis, and losses at Bell Canada International, the net loss applicable to common shares was $31 million in the second quarter of 2001.

Outlook

In February, BCE provided the following guidance for 2001: revenue in the range of $23 to $25 billion; EBITDA in the range of $7.5 to $8.0 billion; and cash baseline earnings per share in the $1.57 to $1.62 range. BCE's management continues to believe it is on track to meet the lower end of this guidance.

For the third quarter, BCE expects revenue in the $5.8 billion to $6.2 billion range; EBITDA in the $1.9 billion to $2.1 billion range and cash baseline earnings per share in the $0.39 to $0.42 range.

Results by Business Group (unaudited)

BCE's activities include: Bell Canada (Canadian connectivity), Bell Globemedia (content), Teleglobe (global connectivity), BCE Emergis (commerce) and BCE Ventures (other BCE investments).

($ millions, except per share amounts)

For the period ended June 30th	Second Quarter 2001	Second Quarter 2000(1)	Six Months 2001	Six Months 2000(1)
Revenue				
Bell Canada	**4,248**	3,875	**8,355**	7,561
Bell Globemedia	**297**	296	**603**	572
Teleglobe	**542**	488	**1,048**	989
BCE Emergis	**159**	120	**302**	193
BCE Ventures	**764**	812	**1,422**	1,713
Corporate, Intercompany eliminations, and Other	**(303)**	(235)	**(517)**	(486)
Total revenue	**5,707**	5,356	**11,213**	10,542
Cash baseline earnings (2)				
Bell Canada	**306**	267	**578**	511
Bell Globemedia	**6**	10	**9**	7
Teleglobe (3)	**(46)**	(76)	**(49)**	(99)
BCE Emergis	**11**	6	**17**	3
BCE Ventures	**(6)**	5	**(6)**	20
Corporate, Intercompany eliminations, and Other	**33**	8	**57**	12
Cash baseline earnings applicable to common shares	**304**	220	**606**	454
Cash baseline earnings per common share	**0.38**	0.27	**0.75**	0.56

(1) Proforma results for 2000 reflect BCE's new organizational structure and consolidate Teleglobe Inc., CTV (including NetStar), The Globe and Mail and Globe Interactive.

(2) BCE is reporting on a "cash baseline earnings" basis which excludes baseline adjustments.

(3) Beginning in 2001, cash baseline earnings for Teleglobe (Teleglobe Communications group) are reflected in the Teleglobe segment and cash baseline earnings for Excel are reflected in BCE Ventures. For 2000, cash baseline earnings for Teleglobe Inc., which includes Teleglobe, Excel and Corporate, are presented in the Teleglobe segment.

Second Quarter Review (Q2 2001 vs Q2 2000, unless indicated)

Bell Canada (Canadian Connectivity)

The Bell Canada segment includes Bell Canada, Aliant, Bell ExpressVu and Bell Canada's interests in other Canadian telcos.

Bell Canada

- Revenue in the second quarter was up 10% to $4.2 billion due mainly to strong growth in data operations, local and access services, wireless services and Bell ExpressVu. Local and access services revenues were up 7% at $1.6 billion. Long distance services revenue decreased by 7% to $645 million mainly due to lower prices. Data revenue increased 27% to $878 million.
- DSL High Speed Internet net activations reached 63,000 in the second quarter compared with 49,000 for the same period in 2000.
- Wireless revenue was up 26% to $447 million due primarily to growth in new activations and higher average revenue per subscriber. There were 151,000 net additions in the quarter. Bell maintained industry leading churn demonstrating its continued commitment to and focus on customer service.
- Bell ExpressVu had revenue of $115 million in the quarter, a 69% increase compared with the same period last year. Subscribers increased by 51,000 to reach 847,000. Subscriber activations in urban areas accounted for 65% of total new activations in the quarter.
- Bell's EBITDA grew 7% in the second quarter to $1.7 billion. Excluding Bell ExpressVu, EBITDA was $1.8 billion.

Bell Canada reported statutory revenue of $3.5 billion in the second quarter compared with $3.2 billion in the same quarter of 2000. Statutory net earnings applicable to common shares were $426 million in the quarter compared with $383 million for the same period last year.

Bell Globemedia (Content)

Bell Globemedia includes CTV, The Globe and Mail and Bell Globemedia Interactive.

- Bell Globemedia revenue was $297 million in the quarter essentially flat compared with proforma revenue for the same period last year. Advertising revenue decreased by 1% to $213 million as a result of the general slow-down in advertising demand. Subscriber revenue was up 3% to $63 million. Production revenue in the quarter reached $21 million compared with $19 million in the second quarter of 2000.
- Television represented 75% of the total revenue while print and new media represented 21% and 4% respectively.
- EBITDA was $41 million in the second quarter compared with $54 million for the same period last year.

Teleglobe (Global Connectivity)

Teleglobe represents the Teleglobe Communications group.

- Teleglobe contributed revenue of $542 million to BCE, up 11% compared with the second quarter of last year.
- Data and hosting revenue reached $168 million, a 49% increase compared with the second quarter of 2000 and a 10% increase compared with the previous quarter.
- Voice revenue was $374 million, essentially flat compared with the second quarter of 2000 and represented a 6% increase from the previous quarter.
- EBITDA was $24 million in the second quarter compared with $(9) million in the same period last year and $29 million in the first quarter of 2001.
- During the quarter, Teleglobe announced the purchase of additional wavelengths (lit fiber) from Williams, Broadwing and KPNQwest to accelerate the deployment of its network.

BCE Emergis (Commerce)

- BCE Emergis' revenue reached $159 million in the quarter, up 33% compared with the same period in 2000 with all three business units – Canadian, U.S. and eHealth Solutions units – achieving strong results.
- EBITDA was $31 million in the quarter, up 55% compared with the second quarter of 2000.
- BCE Emergis announced a partnership with Visa U.S.A. that significantly expands the penetration of its electronic invoice presentment and payment technology in the U.S. and beyond. Emergis' eHealth Solution unit also expanded its U.S. presence and reach mainly with the acquisition of Associates for Health Care (AHC), a leader in health care cost management.

BCE Ventures (Non-core Investments)
BCE Ventures includes the activities of BCI, CGI, Telesat, Excel and other investments.

- BCE Ventures' revenue was $764 million in the quarter compared with $812 million in the same period of 2000. The decrease is primarily attributable to lower revenue at Excel.
- EBITDA was $119 million in the quarter compared with $43 million in the second quarter of 2000.

Other
Teleglobe Inc. reported statutory revenue of US $547 million in the second quarter compared with US $599 million in the second quarter of 2000. Statutory net loss applicable to common shares was US $104 million in the quarter compared with US $258 million for the same period in 2000.

BCE is Canada's largest communications company. It has more than 22 million customer connections through the wireline, wireless, data/Internet and satellite services it provides, largely under the Bell brand. BCE leverages those connections with extensive content creation capabilities through Bell Globemedia which features some of the strongest brands in the industry – CTV, Canada's leading private broadcaster, The Globe and Mail, Canada's National Newspaper, and Sympatico-Lycos and Globe Interactive, leading Canadian Internet portals. As well, BCE has extensive e-commerce capabilities provided under the BCE Emergis brand and serves international customers through Teleglobe, a global connectivity, content distribution and Internet hosting company. BCE shares are listed in Canada, the United States and Europe.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made in the preceding press release, including, but not limited to, the financial guidance appearing under the "Outlook" section, are forward-looking and are subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ materially from current expectations are described in the "Forward-Looking Statements" section of the Management's Discussion and Analysis on pages 24 to 34 of this 2001 Second Quarter Shareholder Report. The forward-looking statements contained in the preceding press release represent BCE Inc.'s expectations as of July 25, 2001 and, accordingly, are subject to change after such date. However, 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.

BCE's third quarter 2001 results will be announced on October 24, 2001 and the review will be made available via an audio webcast from our site on the Internet. For more information, see details on our site at www.bce.ca, after mid-October, 2001.

Management's Discussion and Analysis

August 14, 2001

This management's discussion and analysis of financial condition and results of operations (MD&A) for the second quarter and the first six months of the year 2001 focuses on the results of operations and financial situation of BCE Inc., its subsidiaries, joint ventures and its investments in significantly influenced companies (collectively BCE) by principal operating groups of BCE and should be read in conjunction with the unaudited consolidated financial statements contained on pages 35 to 41.

Certain sections of this MD&A contain forward-looking statements with respect to BCE. These forward-looking statements, 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 24 to 34 under "Forward-Looking Statements".

Results by Operating Group – Actual

($ millions, except per share amounts) For the period ended June 30		Three months Actual 2001	Actual 2000[1]	% change	Six Months Actual 2001	Actual 2000[1]	% change
OPERATING REVENUES							
Bell Canada		**4,248**	3,875	10	**8,355**	7,561	11
Bell Globemedia [2]		**297**	5	n.m.	**603**	7	n.m.
Teleglobe [3]		**542**	–	n.m.	**1,048**	–	n.m.
BCE Emergis		**159**	120	33	**302**	193	56
Corporate and Other (including core intercompany eliminations)		**(189)**	(114)	(66)	**(352)**	(242)	(45)
Total core revenues		**5,057**	3,886	30	**9,956**	7,519	32
BCE Ventures		**764**	349	119	**1,422**	718	98
Non-core intercompany eliminations		**(114)**	(36)	(217)	**(165)**	(61)	(170)
Total revenues		**5,707**	4,199	36	**11,213**	8,176	37
CONTRIBUTION TO NET EARNINGS APPLICABLE TO COMMON SHARES							
Bell Canada	– Cash baseline earnings	**306**	267	15	**578**	511	13
	– Baseline adjustments	**(10)**	(8)	(25)	**(87)**	(22)	(295)
	– Contribution to net earnings	**296**	259	14	**491**	489	–
Bell Globemedia [2]	– Cash baseline earnings	**6**	13	(54)	**9**	13	(31)
	– Baseline adjustments	**(46)**	(33)	(39)	**(82)**	(33)	(148)
	– Contribution to net earnings	**(40)**	(20)	(100)	**(73)**	(20)	(265)
Teleglobe [3, 4]	– Cash baseline earnings	**(46)**	(4)	n.m.	**(49)**	(3)	n.m.
	– Baseline adjustments	**(101)**	(16)	n.m.	**(214)**	(23)	n.m.
	– Contribution to net earnings	**(147)**	(20)	n.m.	**(263)**	(26)	n.m.
BCE Emergis	– Cash baseline earnings	**11**	6	83	**17**	3	467
	– Baseline adjustments	**(86)**	(60)	(43)	**(183)**	(85)	(115)
	– Contribution to net earnings	**(75)**	(54)	(39)	**(166)**	(82)	(102)
Corporate and other (including core intercompany eliminations)							
	– Cash baseline earnings	**48**	31	55	**87**	85	2
	– Baseline adjustments	**(15)**	–	n.m.	**2,828**	–	n.m.
	– Contribution to net earnings	**33**	31	6	**2,915**	85	n.m.
Total core earnings from continuing operations		**67**	196	(66)	**2,904**	446	551
BCE Ventures	– Cash baseline earnings	**(6)**	5	(220)	**(6)**	20	(130)
	– Baseline adjustments	**(77)**	(105)	27	**(2,220)**	(190)	n.m.
	– Contribution to net earnings	**(83)**	(100)	17	**(2,226)**	(170)	n.m.
Non-core intercompany eliminations		**1**	(2)	150	**4**	(6)	167
Earnings from continuing operations		**(15)**	94	(116)	**682**	270	153
Discontinued operations		**–**	(51)	100	**283**	3,945	(93)
Net earnings		**(15)**	43	(135)	**965**	4,215	(77)
Dividends on preferred shares		**(16)**	(19)	16	**(34)**	(42)	19
Net earnings applicable to common shares		**(31)**	24	(229)	**931**	4,173	(78)
Baseline Adjustments [5]		**335**	273	23	**(325)**	(3,592)	91
Cash baseline earnings		**304**	297	2	**606**	581	4
EARNINGS PER COMMON SHARE – BASIC							
Continuing operations		**(0.04)**	0.12	(133)	**0.80**	0.35	129
Net earnings		**(0.04)**	0.04	(200)	**1.15**	6.48	(82)
Cash baseline earnings		**0.38**	0.46	(17)	**0.75**	0.90	(17)

(1) Prior year figures have been restated to conform to the current year's presentation.

(2) In 2001, the Bell Globemedia Inc. (Bell Globemedia) segment includes the results of CTV Inc. (CTV), The Globe and Mail, Globe Interactive and Sympatico-Lycos Inc. (Sympatico-Lycos). In the first six months of 2000, the segment includes Sympatico-Lycos and other media interests.

(3) In 2001, the Teleglobe segment consists of the results of the Teleglobe Communications group (Teleglobe). The results in 2000 reflect Bell Canada's 23% equity in net earnings of Teleglobe Inc.

(4) Beginning on January 1, 2001, Teleglobe Inc.'s corporate expenses were allocated between the Teleglobe and Excel Communications group (Excel) business units. In 2000, however, corporate expenses are fully reflected in the Teleglobe segment.

(5) Baseline adjustments include (on an after tax basis) BCE's share of: net gains on disposal of investments; results of Bell Canada International Inc. (BCI); gains on reduction of ownership in subsidiary and significantly influenced companies; discontinued operations; goodwill expense which includes the amortization of goodwill for subsidiaries and significantly influenced companies; restructuring and other charges; and amortization of purchased in-process research and development expense.

n.m.: not meaningful.

OVERVIEW

Revenues

BCE's total revenues increased by $1,508 million in the second quarter and $3,037 million in the first six months of 2001 compared to the same periods in 2000. The increase was mainly due to the inclusion of the results of Teleglobe and Bell Globemedia in 2001, as well as improved results from BCE Ventures, the Bell Canada segment and BCE Emergis Inc. (BCE Emergis).

EBITDA

Consolidated EBITDA (earnings before interest expense, income taxes, depreciation and amortization and excluding net benefits plan credit and restructuring and other charges) increased by $231 million to $1,895 million in the second quarter and $393 million to $3,645 million in the first six months of 2001 compared to the same periods in 2000. The increase was mainly attributable to improved results from the Bell Canada segment and BCE Ventures, as well as the inclusion of the results of Bell Globemedia and Teleglobe, partially offset by higher corporate operating expenses.

Cash Baseline Earnings

BCE's cash baseline earnings (net earnings applicable to common shares, after baseline adjustments) increased by $7 million in the second quarter and $25 million in the first six months of 2001 compared to the same periods of 2000. The improved cash baseline earnings in the second quarter of 2001 primarily reflect:

- an increase of $39 million ($67 million in the first six months of 2001) from the Bell Canada segment mainly due to a higher EBITDA;
- improved results of $17 million ($2 million in the first six months of 2001) from Corporate and other primarily due to lower interest expense partially offset by higher operating expenses (on a year to date basis, the variance was also attributed to higher interest income); and
- improved results of $5 million ($14 million in the first six months of 2001) from BCE Emergis, primarily due to a higher EBITDA margin reflecting higher revenues;

partially offset by:

- a decrease of $42 million ($46 million in the first six months of 2001) from Teleglobe, which was consolidated effective November 1, 2000; and
- decrease of $11 million ($26 million in the first six months of 2001) in the contribution from BCE Ventures, due to the inclusion of the negative results from Excel, reduced in part by higher earnings from Telesat Canada (Telesat) and Other investments.

Net Earnings

BCE's net earnings applicable to common shares decreased by $55 million in the second quarter and $3,242 million in the first six months of 2001 compared to the same periods in 2000. Included in BCE's net earnings were baseline adjustments of $(335) million in the second quarter and $325 million in the first six months of 2001, compared to $(273) million and $3,592 million in the same periods in 2000, respectively.

Baseline adjustments in 2001 related mainly to the following:

- a gain of $2,901 million on the sale of 47.9 million Nortel Networks Corporation (Nortel Networks) common shares and the settlement of short-term forward contracts on those shares which was recorded in the first quarter; and
- gains on reduction of ownership in subsidiary and significantly influenced companies of $14 million in the second quarter which resulted primarily from a dilution gain in Aliant Inc. (Aliant). On a year-to-date basis, gains on reduction of ownership in subsidiary and significantly influenced companies of $78 million, also included a $33 million gain from the transfer, by BCE Inc. to Bell Globemedia, of its 71% interest in Sympatico-Lycos as well as a $31 million dilution gain from the reduction of BCE's ownership interest in CGI from 43% to 41%, as a result of CGI's acquisition, through the issuance of common shares, of Star Data Systems Inc.;

partially offset by:

- 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;
- goodwill expense of $252 million ($505 million in the first six months of 2001);
- restructuring and other charges of $114 million, recorded in the first quarter of 2001 by Bell Canada, related to employee severance, including enhanced pension benefits and other directly related employee costs for approximately 1,900 employees, resulting from a decision to streamline support functions. The restructuring program is expected to be substantially completed by the third quarter of 2001. Other charges relate mainly to the write-off of certain assets. This streamlining initiative is expected to result in savings of $70 million in 2001 and $100 million annually thereafter for Bell Canada;
- BCE's share of BCI's net loss of $83 million (net earnings of $68 million in the first six months of 2001); and
- BCE's $60 million share of Teleglobe Inc.'s asset write-downs and one-time charges, recorded in the first quarter of 2001, resulting from the finalization of the purchase price allocation relating to BCE's acquisition of Teleglobe Inc. in November 2000.

Baseline adjustments in 2000 related mainly to the following:

- earnings from discontinued operations in Nortel Networks of $4,055 million. In May 2000, BCE distributed to BCE Inc. common shareholders an approximate 35% ownership interest in Nortel Networks. Accordingly, BCE's share of Nortel Networks' results were classified as discontinued operations and were no longer included in BCE's cash baseline earnings. Additionally, included in the earnings from discontinued operations was a $4.2 billion dilution gain on the reduction of BCE's ownership interest in Nortel Networks, from 39% to 37%, primarily as a result of Nortel Networks' acquisitions, through the issuance of common shares, of Qtera Corporation, Clarify Inc., and Promatory Communications Inc., as well as the issuance of shares by Nortel Networks under its stock option plans;

partially offset by:

- BCE's share of BCI's losses of $143 million ($274 million in the first six months of 2000);
- goodwill expense of $117 million ($165 million in the first six months of 2000); and
- losses from discontinued operations related to Teleglobe Inc.'s investment in ORBCOMM Global L.P. (ORBCOMM) which was recorded in the third quarter of 2000 and reflected BCE's proportionate interest in ORBCOMM's after tax losses of $7 million ($13 million in the first six months of 2000).

Results by Operating Group – Pro-forma

For improved comparability, the following table presents BCE's results on a pro-forma basis. Pro-forma results primarily reflect, as of January 1, 2000, the full consolidation of Teleglobe Inc., CTV (including NetStar Communications Inc.), The Globe and Mail and Globe Interactive.

($ millions, except per share amounts)	Three months			Six months		
	Actual	Pro-forma		**Actual**	Pro-forma	
For the period ended June 30	**2001**	2000	% change	**2001**	2000	% change
OPERATING REVENUES						
Bell Canada	**4,248**	3,875	10	**8,355**	7,561	11
Bell Globemedia	**297**	296	–	**603**	572	5
Teleglobe	**542**	488	11	**1,048**	989	6
BCE Emergis	**159**	120	33	**302**	193	56
Corporate and Other (including core intercompany eliminations)	**(189)**	(163)	(16)	**(352)**	(340)	(4)
Total core revenues	**5,057**	4,616	10	**9,956**	8,975	11
BCE Ventures	**764**	812	(6)	**1,422**	1,713	(17)
Non-core intercompany eliminations	**(114)**	(72)	(58)	**(165)**	(146)	(13)
Total operating revenues	**5,707**	5,356	7	**11,213**	10,542	6
CASH BASELINE EARNINGS APPLICABLE TO COMMON SHARES						
Bell Canada	**306**	267	15	**578**	511	13
Bell Globemedia	**6**	10	(40)	**9**	7	29
Teleglobe [1]	**(46)**	(76)	39	**(49)**	(99)	51
BCE Emergis	**11**	6	83	**17**	3	467
Corporate and other (including core intercompany eliminations)	**48**	29	66	**87**	60	45
Dividends on preferred shares	**(16)**	(19)	16	**(34)**	(42)	19
Total core cash baseline earnings applicable to common shares	**309**	217	42	**608**	440	38
BCE Ventures	**(6)**	5	(220)	**(6)**	20	(130)
Non-core intercompany eliminations	**1**	(2)	150	**4**	(6)	167
Total cash baseline earnings applicable to common shares	**304**	220	38	**606**	454	33
EARNINGS PER SHARE – BASIC						
Cash baseline earnings – core	**0.38**	0.27	41	**0.75**	0.54	39
Cash baseline earnings – total	**0.38**	0.27	41	**0.75**	0.56	34

(1) Beginning on January 1, 2001, Teleglobe Inc.'s corporate expenses were allocated between the Teleglobe and Excel (included in BCE Ventures) business units. In 2000, however, corporate expenses are fully reflected in the Teleglobe segment.

OVERVIEW

Revenues

BCE's total revenues increased by $351 million in the second quarter and $671 million in the first six months of 2001, compared to the same periods in 2000. The increase was due to higher revenues from the core operating segments, particularly the continued revenue growth from the Bell Canada segment which reported an increase of $373 million for the second quarter and $794 million for the first six months of 2001, partially offset by lower revenues from BCE Ventures, which was mainly explained by lower results from Excel.

EBITDA

Consolidated EBITDA increased by $192 million to $1,895 million in the second quarter and $259 million to $3,645 million in the first six months of 2001, compared to the same periods in 2000. This improvement was attributable to higher EBITDA from the Bell Canada segment, Teleglobe, BCE Emergis and BCE Ventures, partially offset by lower EBITDA from Bell Globemedia and higher corporate operating expenses.

Cash Baseline Earnings

BCE's cash baseline earnings increased by $84 million in the second quarter and $152 million in the first six months of 2001 compared to the same periods of 2000. The improved cash baseline earnings in the second quarter of 2001 primarily reflect:

- an increase of $39 million ($67 million in the first six months) from the Bell Canada segment, mainly attributable to higher EBITDA;
- improved results of $30 million ($50 million in the first six months) from Teleglobe, due mainly to higher EBITDA and the inclusion of Excel's loss in 2000; and
- an increased contribution of $19 million ($27 million in the first six months) from Corporate and other primarily due to lower interest expense (however, on a year-to-date basis, interest expense was essentially flat) and higher interest income, partially offset by higher operating expenses;

partially offset by:

- a decrease of $11 million ($26 million in the first six months) in the contribution from BCE Ventures, primarily as a result of the inclusion of Excel's cash baseline loss in 2001, partially offset by an increased contribution from Other investments.

BELL CANADA SEGMENT

This segment provides an integrated platform of substantially domestic telecommunications services including voice, data, wire-line, wireless and directory communications, as well as satellite entertainment to Canadian customers. 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., 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 Inc. 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 (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).

Recent Developments

On June 29, 2001, Bell ExpressVu announced that a second satellite, Nimiq™ 2, will be added to its satellite broadcast service. Bell ExpressVu signed an agreement with Telesat to use the full capacity of Telesat's 32-transponder satellite. Nimiq 2 is expected to be in service by 2003. This satellite will support and facilitate new developments in Internet services via satellite and emerging multimedia opportunities.

Analysis and Discussion of Bell Canada Segment's Results

Bell Canada Segment Results		**Three months**			**Six months**	
($ millions)	**Actual**	Pro-forma		**Actual**	Pro-forma	
For the period ended June 30	**2001**	2000	% change	**2001**	2000	% change
Revenues [1]						
Local and access	**1,590**	1,492	7	**3,071**	2,955	4
Long distance	**645**	694	(7)	**1,341**	1,409	(5)
Wireless	**447**	355	26	**856**	689	24
Data	**878**	692	27	**1,688**	1,309	29
DTH [2]	**115**	68	69	**224**	126	78
Terminal sales, directory advertising and other	**573**	574	–	**1,175**	1,073	10
Total revenues	**4,248**	3,875	10	**8,355**	7,561	11
Cash operating expenses	**2,529**	2,271	11	**5,001**	4,428	13
EBITDA	**1,719**	1,604	7	**3,354**	3,133	7
Cash baseline earnings to BCE	**306**	267	15	**578**	511	13

(1) Revenues in 2000 have been restated primarily to reflect the new data revenue line item.

(2) Direct-to-home (Bell ExpressVu) satellite service revenues.

Nimiq is a trade-mark of Telesat Canada.

Operating revenues

Local and access

At June 30	**2001**	2000	% change
Number of network access services (1) (thousands)			
Residential	**8,576**	8,530	1
Business	**4,721**	4,656	1
Total	**13,297**	13,186	1
Local market share (Bell Canada territory only) (2)	**96.3%**	97.7%	n.m.

(1) Network access services represent, approximately, the number of lines in service.
(2) Operating territory in Québec and Ontario.
n.m.: not meaningful.

Local and access revenues increased by $98 million in the second quarter and $116 million in the first six months of 2001 compared to the same periods of 2000, mainly due to higher SmartTouch™ services revenues and growth in network access service revenues.

The growth in SmartTouch services revenues of 17% in the second quarter and 14% in the first six months of 2001 reflected higher average monthly revenues per customer mainly as a result of a price increase (refer to "Regulatory Decisions") and a greater number of features in service.

The increase in network access service revenues in the second quarter and the first six months of 2001 was due to a price increase in monthly local residential rates (refer to "Regulatory Decisions") as well as a higher number of lines in service.

Long distance

For the period ended June 30	**Three months**			**Six months**		
(except as otherwise noted)	**2001**	2000	% change	**2001**	2000	% change
Conversation minutes (millions)	**4,498**	4,464	1	**8,996**	8,892	1
Market share (% based on minutes) (1)				**60.8%**	61.9%	n.m.

(1) Bell Canada operating territory in Québec and Ontario at June 30.
n.m.: not meaningful

Long distance revenues declined by $49 million in the second quarter and $68 million in the first six months of 2001 compared to the same periods of 2000, primarily due to decreases in both long distance voice revenues and settlement revenues.

The decrease in long distance voice revenues reflected a 7% and 6% decrease in the second quarter and the first six months of 2001, respectively, in average long distance revenues per minute, primarily due to continuing competitive pricing pressures, partially offset by higher long distance services volumes, as measured in conversation minutes. The decrease in long distance voice revenues is consistent with the trend which began in the early 1990's as a result of the deregulation of long distance services which has allowed for greater competition in the Bell Canada segment's territory.

The reduction in long distance settlement revenues in the second quarter and in the first six months of 2001 resulted primarily from lower settlement rates across most streams (domestic, U.S. and overseas).

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

Wireless

For the period ended June 30 (except as otherwise noted)	Three months 2001	2000	% change	Six months 2001	2000	% change
Cellular and PCS						
Net activations (thousands)						
Prepaid	**53**	51	4	**111**	101	10
Postpaid	**98**	134	(27)	**154**	133	16
Total	**151**	185	(18)	**265**	234	13
Total subscribers (1) (thousands)						
Prepaid				**828**	619	34
Postpaid				**2,207**	1,790	23
Total				**3,035**	2,409	26
Average revenue per subscriber ($/month)						
Prepaid	**12**	13	(8)	**13**	13	–
Postpaid	**59**	57	4	**57**	56	2
Total	**46**	45	2	**45**	45	–
Postpaid churn rate (2)	**1.4%**	1.5%	n.m.	**1.4%**	1.7%	n.m.

(1) At June 30.
(2) Average per month.
n.m.: not meaningful.

The growth in wireless revenues of $92 million in the second quarter and $167 million in the first six months of 2001 compared to the same periods last year was primarily driven by a 26% increase in the cellular and PCS subscriber base. The results reflect the continued focus on postpaid activations, which accounted for 65% and 58% of total net activations for the second quarter and the first half of 2001, respectively. Additionally, postpaid churn declined in both the second quarter and the first six months of 2001 compared to the same periods last year, mainly as a result of the Bell Canada segment's wireless operations focus on enhanced customer offerings and strong customer support. Net activations in the second quarter of 2000 were strong, mainly due to downward price adjustments which occurred in 2000 to bring pricing in line with competitors.

Year-to-date average revenue per cellular and PCS subscriber was essentially flat compared with the same period last year, whereas average revenue per subscriber for the quarter increased to $46. The emphasis on the retention of high value customers with new products like the Small Business Rate Plan positively impacted average revenue per subscriber for the quarter and year-to-date, offset in part by competitive pressures. Additionally, the increase in average revenue per subscriber for the second quarter reflected minor price increases in system access fees and features.

On May 23, 2001, Glenayre Technologies (Glenayre), the only paging network infrastructure supplier for major carriers, announced that it is exiting the business in May 2002. Bell Mobility uses Glenayre's technology in its paging and ReFLEX 2-way messaging operations and as a result is examining options for network infrastructure support past May 2002. At this point, it is uncertain whether Bell Mobility will be able to continue to provide paging and ReFLEX 2-way messaging services after May 2002. Bell Mobility anticipates being able to better assess the future of paging and ReFLEX 2-way messaging operations in the fourth quarter of 2001.

Data

At June 30	2001	2000	% change
Internet subscribers (thousands)			
DSL High-speed (1)	**529**	141	275
Dial-up (2)	**968**	711	36
Total	**1,497**	852	76

(1) High-speed Internet subscribers include consumer, business and wholesale subscribers.
(2) Dial-up subscribers include consumer and business subscribers. Dial up subscribers for the first quarter of 2001 and 2000 have been restated to 946,000 and 679,000, respectively, to reflect dial-up access subscribers only. Previously reported amounts reflected both dial-up access and features subscribers.

Data revenues increased by $186 million in the second quarter and $379 million in the first six months of 2001 compared to the same periods last year and reflected growth across most product lines. Specifically, 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 digital transmission services mainly in Megalink™.

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

Contributing to the increase in Internet related revenues was the 76% growth in Internet subscribers. Total Internet net additions of 85,000 in the second quarter of 2001 reflected a slowdown from the first quarter's significant growth of 229,000, primarily due to reduced levels of advertising and promotions, as well as a seasonal aspect to the business, with Internet usage falling in the summer months. Bell Canada's consumer high-speed market share in Ontario and Québec grew to approximately 38% at June 30, 2001 compared to approximately 21% at June 30, 2000.

DTH

For the period ended June 30 (except as otherwise noted)	Three months **2001**	2000	% change	Six months **2001**	2000	% change
Total DTH subscribers [1] (thousands)				**847**	526	61
DTH net activations (thousands)	**51**	57	(11)	**125**	110	14
Average revenue per subscriber ($)	**46**	47	(2)	**46**	46	–
Churn rate (per quarter, year-to-date)	**2.9%**	3.0%	n.m.	**5.6%**	7.1%	n.m.

(1) At June 30.
n.m.: not meaningful.

DTH revenues grew by $47 million in the second quarter and $98 million in the first six months of 2001 compared to the same periods in 2000. The increase was primarily driven by significant growth in the subscriber base. Average revenue per subscriber decreased to $46 in the second quarter and remained flat on a year-to-date basis compared to the same period in 2000, mainly due to higher penetration in lower priced programming.

Net DTH activations for the second quarter of 2000 were strong due to a marketing program which promoted the exchange of competitors' satellite systems for a Bell ExpressVu system at no additional cost to the customer.

Terminal sales, directory advertising and other

Terminal sales, directory advertising and other revenues were essentially flat in the second quarter, while increasing by $102 million on a year-to-date basis compared to the same periods last year. The change is explained by higher revenues generated from Aliant's remote communications operations (which reflected the acquisitions completed by Stratos Global Corporation (Stratos Global) in 2000 coupled with organic growth) and Aliant's information technology services. The increase was reduced in part by lower directory advertising revenues, mainly as a result of the divestitures of certain international directory operations. Business terminal equipment sales increased marginally for both the second quarter and the first six months of 2001 compared to the same periods last year.

EBITDA

EBITDA for the Bell Canada segment grew by $115 million in the second quarter and $221 million in the first six months of 2001 compared to the same periods in 2000 as higher operating revenues more than compensated for the higher cash operating expenses associated with the revenue growth. Bell Canada's (including Aliant) EBITDA grew by $121 million in the second quarter and $243 million in the first six months of 2001. Bell ExpressVu's EBITDA reflected higher losses of $6 million in the second quarter and $22 million in the first half of 2001, resulting primarily from higher subscriber acquisition costs in response to growth and competition.

Cash operating expenses increased by $258 million in the second quarter and $573 million in the first six months of 2001 compared to the same periods of 2000. The increase was principally due to higher costs associated with the revenue growth which related mainly to the provision of IP/Broadband, Internet, wireless and DTH services, and the sale of business terminal equipment, partially offset by lower long distance settlement payments. Additionally, cash operating expenses were impacted by the growth from the acquisitions completed by Stratos Global in 2000. Also contributing significantly to the increase in cash operating expenses was the negative impact of the Canadian Radio-television and Telecommunications Commission (CRTC) contribution decision, effective January 1, 2001. The CRTC 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").

Cash baseline earnings

The Bell Canada segment's contribution to BCE's cash baseline earnings increased by $39 million in the second quarter and $67 million in the first six months of 2001 compared to the same periods in 2000, mainly due to the higher EBITDA and lower other expenses, partially offset by higher depreciation and interest expense.

Depreciation and amortization expense (excluding goodwill amortization) increased by $43 million in the second quarter and $69 million in the first six months of 2001 compared to the same periods in 2000. The increase was 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.

Interest expense increased by $29 million in the second quarter and $55 million in the first six months of 2001 compared to the same periods in 2000. The increase was mainly explained by higher average debt levels in 2001, as well as higher debt levels at Aliant due to the various acquisitions completed by Aliant's remote communications company during 2000.

Regulatory Decisions

On June 29, 2001, the CRTC issued Decision 2001-375 varying Decision 2001-217 to reset the indicators to be used for measuring access to Bell Canada's business and repair bureau to their previous standard, as Bell Canada had objected to the proposed increase in the standard. The CRTC had on April 9, 2001, issued Decision 2001-217, which, among other things, introduced new service indicators regarding customer complaint procedures, directory assistance and accuracy, and access to Bell Canada's repair bureau. Various new indicators were also created to specifically measure the quality of service provided to competitive local exchange carriers (CLECs).

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 recently approved in Decision 2000-745. Based on preliminary calculations, the revenue percentage charge is estimated to be 1.5% for the year 2002, compared to 4.5% for the year 2001.

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, which introduced changes to the contribution regime, and are therefore designed to recover from local customers a portion of Bell Canada's national subsidy requirements for high cost serving areas. Accordingly, the overall net negative impact of these decisions is estimated to be approximately $70 million on BCE Inc.'s consolidated EBITDA in 2001.

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 forecasted revenue impact of these increased rates is approximately $50 million annually.

On March 15, 2001, the CRTC issued Order 2001-219 denying the application by Bell Canada and Bell Mobility to vary the terms, as it affects 2001, of Telecom Decision 2000-745. The CRTC held that a variance of the terms of its decision, as requested by Bell Canada, would have caused substantial local rate increases in other parts of Canada. Moreover, the CRTC held that Bell Mobility's request would have amounted to giving wireless services preferential treatment over wireline services.

Bell Canada and Aliant will complete at the end of this year a four year price caps regime that commenced January 1, 1998. The price caps regime is being reviewed in 2001 and will be changed to establish the framework that will apply for 2002 and beyond. The terms of the price caps regime will govern the pricing flexibility for local services that these companies will have going forward. Bell Canada and Aliant believe that their proposals will provide 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 and Aliant's proposals, and Bell Canada and Aliant cannot predict the final impact that the CRTC's decision will have on them.

BELL GLOBEMEDIA

This segment represents Bell Globemedia, 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 that allows the creation of unique destinations for Internet users through various portal properties. This segment is comprised of television operations from CTV, print operations from The Globe and Mail, and interactive operations from Globe Interactive and Sympatico-Lycos, as well as 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).

Recent Developments

On August 2, 2001, the CRTC renewed the licences of all the television stations owned and controlled by CTV for a full seven-year term. Furthermore, the CRTC imposed several conditions of licence, including a requirement to adhere to a Statement of Principles and Practices, and to establish a monitoring committee regarding certain issues concerning cross ownership of television stations and newspapers, which will contribute to ensuring diversity of opinions in both print and broadcasting.

On July 6, 2001, CTV, through its trustee, sold its 40% interest in Sportsnet for a total cash consideration of approximately $138 million comprised of approximately $123 million for CTV's shares in Sportsnet and approximately $15 million for the acquisition of shareholder debt including accrued interest. This transaction is subject to customary regulatory approvals, including that of the CRTC.

Analysis and Discussion of Bell Globemedia's Results

Bell Globemedia Results ($ millions) For the period ended June 30	Three months Actual 2001	 Pro-forma 2000	 % change	Six months Actual 2001	 Pro-forma 2000	 % change
Revenues						
Advertising	**213**	216	(1)	**434**	414	5
Subscribers	**63**	61	3	**128**	120	7
Production and Sundry	**21**	19	11	**41**	38	8
Total revenues	**297**	296	–	**603**	572	5
EBITDA	**41**	54	(24)	**71**	82	(13)
Cash baseline earnings	**6**	10	(40)	**9**	7	29
Operating statistics (millions)						
Sympatico-Lycos						
Pageviews	**636**	197	223	**1,154**	197	486
Unique visitors per month [1]	**7.8**	3.5	123			
Globe Interactive						
Pageviews	**364**	266	37	**699**	426	64
Unique visitors per month [1]	**1.2**	n/a	n.m.			

(1) for the month of June.

n/a: not available.

n.m.: not meaningful.

Revenues

Revenues were essentially flat in the second quarter and increased by $31 million in the first six months of 2001, compared to the same periods of 2000. For both the second quarter of 2001 and on a year-to-date basis, subscriber and production and sundry revenues were higher compared to the same periods last year. The increase in revenues in the second quarter was partially offset by lower advertising revenues. However, on a year-to-date basis, advertising revenues continue to be higher compared to last year.

Advertising revenues in the current quarter decreased compared to the second quarter of 2000, resulting from economic softness which is expected to continue throughout the year. Despite difficult economic conditions, advertising revenues from interactive operations continued to grow, driven by significant increases in the number of pageviews and unique visitors for the second quarter particularly at Sympatico-Lycos which commenced operations in May 2000. For the first six months of 2001, advertising revenues increased over the same period in 2000, mainly due to increased sales from television, as well as increased sales in interactive operations attributable to Sympatico-Lycos.

Subscriber revenues for the quarter and year-to-date increased compared to the same periods last year primarily due to growth in subscriptions to specialty channels which were driven by increased DTH penetration, partially offset by a decrease in circulation revenues from the print operations resulting from competitive pressures.

Production and sundry revenues for the quarter and year-to-date increased compared to the same periods in the prior year resulting primarily from growth in the interactive segment that was attributable to the inclusion of Sympatico-Lycos as of May 2000.

EBITDA

Bell Globemedia's EBITDA decreased by $13 million in the second quarter of 2001 and $11 million on a year-to-date basis, compared to the same periods in 2000. The decrease in the quarter was mainly attributable to increased costs of programming in the television segment, lower advertising revenues in the print segment as well as higher production and selling expenses resulting from higher business volumes in the interactive segment and increased competition in print. On a year-to-date basis, the decrease is attributable to loss of advertising revenue and increased costs due to competition in the print segment, as well as higher operating costs in the interactive segment.

Cash baseline earnings

Cash baseline earnings decreased by $4 million in the second quarter, whereas it increased by $2 million in the first six months of 2001 compared to the same periods in 2000, mainly due to lower EBITDA partially offset by lower interest expense resulting from the repayment of long-term bank indebtedness in the first quarter of 2001.

TELEGLOBE

Teleglobe is a global communications and e-business group of companies providing 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.

Recent Developments

On July 18, 2001, to accelerate the deployment of its high-speed pan-European broadband network and meet increased demands for its services, Teleglobe announced an agreement with KPNQwest N.V. (KPNQwest) to purchase US $56 million in wavelengths (lit fiber) on several of KPNQwest's European routes. In addition, KPNQwest has purchased, as at June 30, 2001, approximately US $40 million in equipment from Teleglobe for its European operations.

On June 8, 2001, to accelerate the deployment of its broadband network in North America, Teleglobe announced that it would purchase up to US $350 million of wavelengths (lit fiber), primarily from Broadwing Inc. and Williams Communications Group Inc. In turn, Broadwing Inc. and Williams Communications Group Inc. will separately purchase a combined US $110 million of Teleglobe's network and eBusiness services over the next four years.

Analysis and Discussion of Teleglobe's Results

Teleglobe Results	**Three months**			**Six months**		
($ millions)	**Actual**	Pro-forma		**Actual**	Pro-forma	
For the period ended June 30	**2001**	2000	% change	**2001**	2000	% change
Revenues						
Voice	**374**	375	–	**727**	769	(5)
Data and hosting	**168**	113	49	**321**	220	46
Total revenues	**542**	488	11	**1,048**	989	6
EBITDA	**24**	(9)	367	**53**	1	n.m.
Cash baseline earnings (1)	**(46)**	(76)	39	**(49)**	(99)	51
Voice traffic						
Total minutes (millions)	**1,868**	1,728	8	**3,537**	3,312	7
Average revenue per minute (dollars)	**0.20**	0.22	(9)	**0.21**	0.23	(9)

(1) Beginning on January 1, 2001, Teleglobe Inc.'s corporate expenses were allocated between Teleglobe and Excel. In the first quarter of 2000, however, cash baseline earnings in the Teleglobe segment consist of the earnings of both Teleglobe and Excel.

n.m.: not meaningful.

Revenues

Voice revenues decreased slightly in the second quarter and by $42 million in the first six months of 2001 compared to the same periods in 2000. The decrease was primarily due to the price declines for all originating traffic resulting from competitive pressures in the marketplace and to the disconnection of non-profitable customers, partially offset by an increase in voice traffic carried through Teleglobe's network. In order to reduce the impact of lower per-minute prices, Teleglobe is expanding its global presence and increasing traffic volume, while continuously seeking least-cost routing solutions, improved cost control and rate reductions for terminating traffic.

Net voice revenues (operating revenues less direct cash operating expenses) increased by $29 million to $108 million in the second quarter and $24 million to $206 million in the first six months of 2001 compared to the same periods in 2000. The improvement in voice margins can be attributed in part to the consolidation of purchases from selected carriers and a general rationalization within the industry.

Data and hosting revenues increased by $55 million in the second quarter and $101 million in the first six months of 2001 compared to the same periods in 2000. The increase was driven largely by higher sales of Internet connectivity and partnership revenues associated with the build out of the GlobeSystem™ network. Teleglobe now offers its customers a more extensive portfolio including IP-VPN (Internet Protocol – Virtual Private Network) and various hosting services.

EBITDA

Teleglobe's EBITDA increased by $33 million in the second quarter and $52 million in the first six months of 2001 compared to the same periods in 2000, due to higher revenues partially offset by higher operating expenses. Cash operating expenses increased by $21 million in the second quarter and $7 million in the first six months of 2001 compared to the same periods in 2000, mainly due to higher network expenses and selling, general and administrative expenses. The increase in network expenses was primarily due to additional access costs and short term leased capacity costs associated with the growth in Internet revenues and new Points of Presence (POPs). The increase in selling, general and administrative expenses was primarily attributable to higher general expenses associated with the GlobeSystem deployment as well as a slight increase in bad debts.

GlobeSystem is a trade-mark of Teleglobe Inc.

GlobeSystem Deployment

In the first six months of 2001, Teleglobe continued the deployment of the GlobeSystem network, a globally integrated Internet, data, video and voice network. Compared to December 31, 2000, fibre capacity (measured in lambda route miles) increased by 28,207 miles (18,145 miles in the second quarter), to reach 34,060 miles at June 30, 2001. There were 30 full service POPs at June 30, 2001 compared to 29 full service POPs at December 31, 2000.

BCE EMERGIS

This segment represents BCE Emergis, 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 66% of BCE Emergis, with the remaining common shares being publicly held.

Recent Developments

On July 24, 2001, BCE Emergis announced a partnership with Visa U.S.A. Inc. that is expected to expand its penetration in the electronic invoice presentment and payment technology industry in the United States and beyond, through the integration of BCE Emergis' electronic invoicing product into Visa's commercial payment solutions.

On June 28, 2001, BCE Emergis acquired Associates for Health Care, a provider of health care cost management services, for US $30 million. This acquisition further expands BCE Emergis' presence in the United States and increases the penetration of its eHealth-specific solutions and services.

Analysis and Discussion of BCE Emergis' Results

BCE Emergis Results		**Three months**			**Six months**	
($ millions)	**Actual**	Pro-forma		**Actual**	Pro-forma	
For the period ended June 30	**2001**	2000	% change	**2001**	2000	% change
Revenues						
eHealth Solutions Group	**77**	62	24	**147**	81	81
BCE Emergis – Canada	**72**	52	38	**138**	101	37
BCE Emergis – U.S.A.	**10**	6	67	**17**	11	55
Total revenues	**159**	120	33	**302**	193	56
EBITDA	**31**	20	55	**57**	25	128
Cash baseline earnings	**11**	6	83	**17**	3	467

Revenues

Revenues for BCE Emergis increased by $39 million in the second quarter and $109 million in the first six months of 2001, compared to the same periods in 2000. Increased sales of eInvoicing solutions represented the most important contributing factor to the overall revenue growth.

In the second quarter of 2001, the eHealth business unit revenues were $15 million higher compared to the same period last year. Included in the second quarter revenues was a final amount related to a royalty with respect to retail access by individuals to BCE Emergis' U.S. eHealth Solutions Group's national network of physicians and hospitals. On a year-to-date basis, the increase of $66 million was also attributable to the acquisition of BCE Emergis Corporation (formerly United Payors and United Providers, Inc.) (UP&UP) in March 2000.

The Canadian business unit increased by $20 million in the second quarter and $37 million in the first six months of 2001, compared to the same periods of 2000, primarily due to increased activity in the Bell family channel sales.

The U.S.A. business unit's growth of $4 million in the second quarter and $6 million on a year-to-date basis was due to licence sales and services revenues related to eInvoicing solutions, partially offset by the impact of exited activities.

EBITDA

EBITDA increased by $11 million in the second quarter and $32 million in the first six months of 2001, compared to the same periods in 2000. This improvement was attributed to higher revenues partially offset by higher cash operating expenses. The increase in cash operating costs for the second quarter of 2001 was mainly due to increased payor and provider network access fees for the eHealth Solutions Group in the U.S., and overall additional needs for personnel and facilities. On a year-to-date basis, EBITDA also reflects the impact of the UP&UP acquisition, which has lower direct costs in relation to revenues generated than the rest of the BCE Emergis operations.

Cash baseline earnings

Cash baseline earnings increased by $5 million in the second quarter and $14 million in the first six months of 2001, compared to the same periods in 2000. The improvement was primarily due to EBITDA growth, partially offset by an increase in depreciation expense and current income taxes, and the impact of foreign exchange.

BCE VENTURES

BCE Ventures combines all non-core businesses of BCE, and reflects BCE's interests in BCI, Telesat, CGI, Excel 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. Excel provides retail telecommunications services such as long distance, paging and Internet services primarily to residential and business customers in the United States, Canada and the United Kingdom.

Recent Developments

On July 27, 2001, CGI announced the completion of its merger with IMRglobal Corp. (IMRglobal), subsequent to the approval of IMRglobal shareholders. Under the terms of the agreement, IMRglobal shareholders will receive 1.5974 Class A Subordinate Shares of CGI for each common share of IMRglobal. BCE did not exercise its pre-emptive right to maintain its ownership level in CGI. As a result, BCE's ownership interest in CGI decreased from approximately 41.4% to approximately 32.3%.

On May 24, 2001, BCE Ventures confirmed that Excel and VarTec Telecom Inc. (VarTec), a provider of "dial around" long distance services, have entered into discussions regarding strategic options for combining the two companies' businesses. The options could range from the integration of the companies' product development initiatives, back office and network operations in North America and the United Kingdom, to a complete merger of the two companies.

Analysis and Discussion of BCE Ventures' Results

BCE Ventures revenues

Revenues		**Three months**			**Six months**	
($ millions)	**Actual**	Pro-forma		**Actual**	Pro-forma	
For the period ended June 30	**2001**	2000	% change	**2001**	2000	% change
BCI	**163**	118	38	**251**	236	6
Telesat	**74**	73	1	**145**	145	–
CGI [1]	**168**	147	14	**322**	316	2
Excel	**333**	455	(27)	**662**	979	(32)
Other investments	**26**	19	37	**42**	37	14
Total Revenues	**764**	812	(6)	**1,422**	1,713	(17)

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

Revenues for BCE Ventures decreased by $48 million in the second quarter and $291 million in the first six months of 2001, compared to pro-forma revenues in the same period in 2000. The decrease was mainly attributable to lower revenues from Excel partially offset by higher revenue contributions from BCI and CGI.

BCI's revenues, which exclude revenues from discontinued operations relating to KG Telecommunications Co. Ltd. (KG Telecom) and the Latin American CLECs businesses (composed of Axtel S.A. de C.V., Vésper S.A., Vésper São Paulo S.A. and Vento S.A. Ltda), increased by $45 million in the second quarter and $15 million in the first six months of 2001, compared to the same periods in 2000. The increase in revenues was mainly due to the inclusion of results from ATL-Algar Telecom Leste S.A. (ATL) which was contributed through Telecom Américas and the acquisition of Tess in the second quarter of 2001, partially offset by lower revenue from other operating companies, resulting from BCI's lower economic interest in these operating companies which were contributed to Telecom Américas in the fourth quarter of 2000.

Proportionate revenues from CGI for the second quarter and the first six months of 2001, were $21 million and $6 million higher, respectively, compared to the same periods last year. The increase was mainly due to acquisitions and new outsourcing contracts such as the 10-year agreement with La Confédération des Caisses Populaires et d'Économie Desjardins du Québec. BCE's proportionate revenues were also impacted by a decrease in its ownership interest level compared to the same period last year.

Excel revenues were $122 million lower in the second quarter and $317 million lower in the first six months of 2001, compared to the same periods in 2000. The decrease was primarily due to a significant reduction in Excel's total long distance minute volumes, a lower customer base and lower average revenue per minute.

BCE Ventures EBITDA

EBITDA ($ millions) For the period ended June 30	**Actual** **2001**	**Three months** Pro-forma 2000	 % change	**Actual** **2001**	**Six months** Pro-forma 2000	 % change
BCI	**29**	14	107	**32**	40	(20)
Telesat	**41**	37	11	**78**	74	5
CGI	**24**	13	85	**46**	37	24
Excel	**12**	(18)	167	**10**	31	(68)
Other investments	**13**	(3)	533	**17**	(4)	525
Total EBITDA	**119**	43	177	**183**	178	3

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

BCE Ventures reported an increase in EBITDA of $76 million in the second quarter and $5 million in the first six months of 2001, compared to the same periods in 2000. The increase in the second quarter was mainly attributable to an improved contribution from Excel, and higher contributions from BCI and Other investments. On a year-to-date basis, EBITDA was negatively impacted by results in BCI and Excel, when compared to 2000.

BCI's EBITDA increased by $15 million in the second quarter, whereas on a year-to-date basis, it decreased by $8 million, compared to the same periods in 2000. The improvement in the quarter was mainly due to the inclusion of results from ATL and Tess. BCI recognized a reduction in EBITDA for the first six months of 2001 compared to the same period in 2000, mainly due to its lower economic interest in its operating companies which were contributed to Telecom Américas in the fourth quarter of 2000 and higher subscriber costs of acquisition.

Excel's EBITDA increased by $30 million in the second quarter mainly due to lower communication charges and selling, general and administrative expenses, partially offset by lower revenues. However, on a year-to-date basis, Excel's EBITDA was $21 million lower compared to last year primarily due to lower revenues.

Other investments reported higher EBITDA contribution of $16 million and $21 million, for the second quarter and the first six months of 2001, respectively, compared to the same periods last year. The increase was primarily due to the elimination of operating expenses from other media, which consisted mainly of corporate expenses from other media interests in 2000.

BCE Ventures cash baseline earnings

Cash Baseline Earnings ($ millions) For the period ended June 30	**Actual** **2001**	**Three months** Pro-forma 2000	 % change	**Actual** **2001**	**Six months** Pro-forma 2000	 % change
Telesat	**7**	8	(13)	**23**	17	35
CGI	**8**	6	33	**19**	17	12
Excel (1)	**(25)**	–	n.m.	**(53)**	–	n.m.
Other investments	**4**	(9)	144	**5**	(14)	136
Total cash baseline earnings	**(6)**	5	(220)	**(6)**	20	(130)

(1) For 2000, cash baseline earnings from Excel are included in the Teleglobe segment due to Teleglobe Inc.'s unallocated corporate expenses.
n.m.: not meaningful.

Cash baseline earnings decreased by $11 million in the second quarter and $26 million in the first six months of 2001, compared with the same periods last year. The decrease reflects the inclusion of Excel's cash baseline loss of $25 million in the second quarter and $53 million on a year-to-date basis, partially offset by a positive cash baseline contribution from Other investments year over year.

The improvement in Other investments resulted primarily from a positive contribution from the Teleglobe Marine group, which owns interests in five cableships and two submersible vehicles, and the elimination of the cash baseline loss, produced in 2000, from other media's corporate expenses.

CORPORATE AND OTHER

Cash baseline earnings from Corporate and other increased by $19 million in the second quarter and $27 million in the first six months of 2001 compared to the same periods in 2000. The increase in the second quarter was mainly due to lower interest expense, partially offset by higher operating expenses. On a year-to-date basis, the change was further attributable to a higher level of interest income realized in 2001, resulting in part from the proceeds generated from the sale of the Nortel Networks common shares, and the settlement of the short-term forward contracts relating to such shares.

DISCONTINUED OPERATIONS

($ millions) For the period ended June 30	Three months **2001**	 2000	Six months **2001**	 2000
BCI Latin American CLEC and Asia Mobile segments	**–**	(44)	**283**	(97)
Nortel Networks	**–**	–	**–**	4,055
ORBCOMM Global, L.P.	**–**	(7)	**–**	(13)
Total Discontinued operations	**–**	(51)	**283**	3,945

Discontinued operations, on the consolidated statement of operations, of $283 million on a year-to-date basis in 2001, relate to BCE's interest in BCI's Asia Mobile and Latin American CLECs business segments. Effective February 23, 2001, BCI sold its 20% equity interest in 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. Additionally, effective March 31, 2001, BCI adopted a formal plan of disposal for all of its operations in its Latin American CLECs business segment. Consequently, the results of these segments have been reported as discontinued operations by BCI and, accordingly, prior year's figures have been restated to reflect current presentation. The Latin American CLECs businesses have not yet been disposed of as of June 30, 2001.

Discontinued operations, on the consolidated statement of operations, of $3,945 million in the first six months of 2000, mainly related 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. In addition, as a result of the discontinued operations recorded in the third quarter of 2000, relating to Teleglobe Inc.'s interest in ORBCOMM Global L.P. (ORBCOMM), discontinued operations also include BCE's proportionate interest in ORBCOMM's after-tax loss.

Liquidity and Capital Resources

The principal components of BCE's consolidated cash flows are as follows:

Summary Statement of Consolidated Cash Flows For the period ended June 30 ($ millions)	**Actual** **Three months** **2001**	 2000	**Actual** **Six months** **2001**	 2000
Cash flows from operating activities	**748**	639	**1,195**	906
Cash flows from (used in) investing activities	**(1,454)**	(3,548)	**1,054**	(5,327)
Cash flows from (used in) financing activities	**(382)**	906	**(1,418)**	2,484

OPERATING ACTIVITIES

BCE's consolidated cash flows from operating activities increased by $109 million in the second quarter and $289 million in the first six months of 2001, compared to the same periods in 2000. The increase was attributable to lower non-cash working capital requirements partially offset by lower cash earnings from continuing operations in the first six months of 2001.

INVESTING ACTIVITIES

Cash flows used in investing activities for the second quarter of 2001 decreased by $2,094 million compared to the same period last year. On a year-to-date basis, cash flows generated from investing activities were $1,054 million compared to cash flows used in investing activities in 2000 of $5,327 million. The change was mainly due to lower investments, a decrease in notes receivable and increased proceeds from divestitures, partially offset by a higher level of capital expenditures.

Consolidated investments in the second quarter were $233 million, and $508 million in the first six months of 2001, compared to $2,615 and $3,876 million for the same periods in 2000, respectively. Investments in the second quarter of 2001 include $179 million for BCI's share of Telecom Américas' initial cash investment in Tess. Investments, on a year-to-date basis, also include BCI's indirect acquisition of additional interests in Telet S.A., Americel S.A. and ATL, for a cash consideration of $200 million in the first quarter of 2001. BCI increased its proportionate ownership interests by 7.2% in Telet, 7.2% in Americel and 4.0% in ATL. In the first six months of 2000, investments were mainly comprised of the $2.3 billion investment in CTV (not including the benefits package of $230 million), $780 million investment in UP&UP, and $498 million investment (net of cash acquired) in Aliant.

Divestitures amounted to $198 million and $4,806 million in the second quarter and first six months of 2001, respectively, compared to $68 million for the same periods in 2000. In the second quarter of 2001, BCI sold its investment in SK Telecom Co. Ltd. for cash proceeds of approximately $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. Additionally, in the first quarter of 2001, BCE Inc. generated total cash proceeds of $4,444 million from the sale of 47.9 million Nortel Networks common shares and the settlement of short-term forward contracts on those shares.

Notes receivable decreased by $340 million in the second quarter and $556 million in the first six months of 2001, primarily due to the proceeds received in settlement of promissory notes receivable at BCI.

Consolidated capital expenditures for the second quarter of 2001 increased by $732 million ($2,157 million for the first six months of 2001), compared to the same periods of 2000. The increase was mainly explained by:

- higher capital expenditures of $68 million for the second quarter of 2001 and $1,246 million for the first six months of 2001 for the Bell Canada segment, which was related mainly to the continued deployment of high-speed Internet access services and local infrastructure growth. Additionally, in the first quarter of 2001, Bell Mobility acquired 20 new spectrum licences for wireless operations which amounted to approximately $720 million; and

- capital expenditures made by Teleglobe Inc. (Teleglobe and Excel), which was acquired in November 2000, of $661 million in the second quarter of 2001 and $837 million on a year-to-date basis. The increase is mainly attributable to the build up of the GlobeSystem network.

FINANCING ACTIVITIES

Consolidated cash flows used in financing activities were $382 million in the second quarter of 2001 and $1,418 million on a year-to-date basis, compared to cash flows from financing activities of $906 million and $2,484 million for the same periods in 2000, respectively. The change was mainly explained by significantly lower levels of notes payable and bank advances, higher repayments of long-term debt and increased redemption of preferred shares by subsidiaries, partially offset by increased proceeds from the issuance of equity securities by subsidiaries to non-controlling interest. Additionally, in the second quarter of 2001, there was a decrease in cash flows generated from the issuance of long-term debt, whereas on a year-to-date basis, long-term debt issuance increased, compared to the same periods of 2000.

BCE recorded a net decrease in notes payable and bank advances of $380 million in the second quarter and $2,071 million in the first six months of 2001, compared to a net increase of $530 million and $2,213 million for the same periods in 2000, respectively. Cash flows from financing activities in 2000 mainly reflect a higher level of notes payable issued, primarily to fund the CTV acquisition. The 2001 change is mainly explained by the following:

- repayment of promissory notes of $200 million and bank advances of $150 million in the second quarter, by BCI's Corporate and Brazil Mobile segments;
- repayment of $103 million of Telesat's line of credit during the second quarter of 2001; and
- on a year-to-date basis, BCE repaid $2,216 million 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;

partially offset by:

- Teleglobe Inc.'s increase in notes payable and bank advances of $210 million and $779 million in the second quarter and first six months of 2001, respectively, mainly as a result of drawings made under its short-term credit facilities to fund its operations and capital expenditures requirements.

Issuance of long-term debt for the second quarter and first six months of 2001 amounted to $393 million and $1,379 million, respectively, compared to $807 million and $1,039 million for the same periods in 2000. Additionally, repayments of long-term debt of $475 million and $964 million were made in the second quarter and first six months of 2001, respectively, compared to $363 million and $513 million for the same periods in 2000. The major borrowing activities in 2001 were as follows:

- Bell Canada issued $200 million of MTN Debentures during the second quarter and $1,100 million during the first six months of 2001, pursuant to its medium-term debenture program. The proceeds from the issuance of the MTN Debentures were mainly used to repay short-term debt;

- during the first six months of 2001, Bell Canada repaid long-term debt totalling $323 million, of which, $303 million was repaid in the second quarter of 2001. On June 13, 2001, $150 million of 7.25% Debentures, Series EY matured and were therefore repaid. Furthermore, on June 15, 2001, Bell Canada repaid, prior to maturity, its $125 million 10.875% Debentures, Series DP.

- Aliant Telecom Inc., a wholly-owned subsidiary of Aliant Inc., issued $150 million of MTN debentures during the second quarter of 2001, the proceeds of which were used to repay existing indebtedness; and

- Bell Globemedia repaid approximately $272 million of its long-term bank indebtedness, during the first quarter, from the proceeds resulting from the issuance on January 9, 2001, of common shares to Woodbridge.

In the first six months of 2001, BCE Inc. issued approximately 2.3 million common shares for $55 million under BCE Inc.'s and Teleglobe Inc.'s stock option plans.

On November 8, 2000, BCE Inc. received acceptance from the Toronto Stock Exchange of its notice of intention to make a Normal Course Issuer Bid. The filing of this notice allows BCE Inc. to purchase for cancellation up to 40,000,000 of its common shares, representing approximately five per cent of BCE Inc.'s 818,606,185 common shares outstanding as of the close of the market on November 7, 2000. The purchase of the common shares may be made from time to time, at market prices, during the period starting November 10, 2000, and ending no later than November 9, 2001. During the first six months of 2001, BCE Inc. purchased and cancelled approximately 4.5 million of its common shares for an aggregate price of $191 million.

During the second quarter and first six months of 2001, BCE's subsidiaries issued $591 million and $1,368 million, respectively, in equity securities to non-controlling interests, compared to $157 million and $591 million for the same periods in 2000. In addition, redemption of preferred shares by subsidiaries increased by $210 million in the second quarter 2001 and $51 million on a year-to-date basis, compared to the same periods in 2000. The major equity financing activities of BCE subsidiaries were as follows:

- on June 18, 2001, Bell Canada redeemed all its Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 12 (Series 12 Preferred Shares) for $200 million together with accrued and unpaid dividends. On the same date, Bell Canada also issued 14,000,000 Cumulative Redeemable Class A Preferred Shares, Series 19 (Series 19 Preferred Shares) at a price of $25 per share and an initial yield of 5.55% for aggregate proceeds of $350 million. The holders of Series 12 Preferred Shares reinvested all of the proceeds of redemption of their shares into Series 19 Preferred Shares.

- during the second quarter of 2001, Aliant issued 7,000,000 Cumulative Redeemable Preference Shares, Series 2 for approximately $175 million, the proceeds of which were mainly used to repay short-term indebtedness of the company.

- in the first quarter of 2001, Bell Canada redeemed all its Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 14 (Series 14 Preferred Shares) for $135 million together with accrued and unpaid dividends. On the same date, Bell Canada issued 14,000,000 Cumulative Redeemable Class A Preferred Shares, Series 17 (Series 17 Preferred Shares), for aggregate proceeds of $350 million. The holders of Series 14 Preferred Shares reinvested all of the proceeds of redemption of their shares into Series 17 Preferred Shares; and

- in the first quarter of 2001, upon its creation, Bell Globemedia received $385 million from the issuance of common shares to Woodbridge.

On July 16, 2001, Bell Canada issued, pursuant to its medium-term debenture program, $250 million 6.90% Debentures, Series M-12 maturing December 15, 2011.

On June 12, 2001, Bell Canada filed, with all Canadian provincial 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.

In the second quarter of 2001, Teleglobe Inc. issued subordinated non-interest bearing notes payable to BCE Inc. in the amount of US $334 million, the proceeds of which were used to fund capital expenditure requirements and operations.

Effective July 23, 2001, Teleglobe Inc. extended the maturity date of its and one of its subsidiaries' US $1.25 billion revolving credit facilities for an additional 364 days to July 22, 2002, under substantially similar terms and conditions. At June 30, 2001, Teleglobe Inc. had utilised all of its US $1.25 billion of available funds from these credit facilities.

Outstanding commercial paper for BCE Inc., Bell Canada and Aliant totalled approximately $781 million at June 30, 2001. The commercial paper programs are supported by lines of credit, extended by several banks, totalling $2,150 million.

CREDIT RATINGS

Dominion Bond Rating Service Limited (DBRS) completed its annual review of BCE Inc. in October 2000, and reaffirmed its ratings on unsecured debentures at A (high), and on preferred shares at Pfd-2 (high). On August 8, 2001, DBRS confirmed its ratings on commercial paper at R-1 (middle). In December 2000, after its annual review, Moody's lowered BCE Inc.'s long-term rating from A2 to A3 and its commercial paper rating from P-1 to P-2. In March 2001, after its annual review, Standard & Poor's (a division of The McGraw-Hill Companies Inc.) Ratings Group (S&P) confirmed BCE Inc.'s corporate rating at A+ and its preferred shares at P-1 (Low). On August 3, 2001, S&P confirmed its ratings on commercial paper at A1 (Mid) on S&P's Canadian commercial paper ratings scale.

Legal Proceedings

WAGE PRACTICES INVESTIGATION

On November 2, 2000, the Federal Court of Canada allowed Bell Canada's application for judicial review of the Canadian Human Rights Tribunal's (Tribunal) determination that it could proceed with an inquiry into the 1994 pay equity complaints filed by members of the Communications, Energy and Paperworkers Union of Canada and the Canadian Telephone Employees' Association. The Federal Court found that the Tribunal lacked institutional independence and prohibited further proceedings in the matter. Hearings before the Tribunal into the merits of the case were suspended. The Canadian Human Rights Commission appealed this decision and on May 24, 2001, the Federal Court of Appeal allowed the appeal. Hearings before the Tribunal are scheduled to resume in September 2001. Bell Canada has indicated that it intends to seek leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada.

IRIDIUM LITIGATION

Iridium LLC (Iridium) developed a global wireless system designed to enable customers to send and receive telephone calls virtually anywhere in the world. Iridium has initiated proceedings under Chapter 11 of the U.S. Bankruptcy Code which are ongoing. Iridium Canada Inc. (Iridium Canada), a wholly owned subsidiary of Bell Mobility, is a shareholder of Iridium. A group of banks and financial institutions led by the Chase Manhattan Bank are creditors in the bankruptcy proceedings and have asserted claims in connection with a US $800 million syndicated loan to an Iridium subsidiary. In June 2000, the Chase Manhattan Bank on behalf of itself and this group (the Plaintiffs), instituted an action in the United States District Court, District of Delaware, against sixteen shareholders of Iridium, including Iridium Canada, alleging failure to make capital contributions. The amount of the claim against Iridium Canada was US $10 million and Iridium Canada has filed an Answer to the claim. The Plaintiffs have recently amended their action against a number of shareholders of Iridium, including Iridium Canada, alleging fraudulent and negligent misrepresentation and claiming that each are jointly and severally liable for US $800 million. Iridium Canada is of the view that the amended claim is without merit and intends to vigorously defend itself.

BELL GLOBEMEDIA CLASS ACTION LAWSUIT

On February 5, 2001, Bell Globemedia Publishing Inc., a subsidiary of Bell Globemedia Inc., was added as a defendant to a class action lawsuit in respect of claimed copyright infringement. The claim is that The Globe and Mail newspaper and magazines do not have the right to archive and publish certain freelanced and employee material from the newspaper or magazines in any format other than print, because supposedly only print rights were originally obtained with respect to that material. The relief claimed includes damages of $100,000,000 as well as injunctive relief. The hearing of a motion for partial summary judgement on certain issues before the Ontario Superior Court of Justice was concluded on May 10, 2001. A decision is not expected before the fourth quarter of 2001.

TELEGLOBE INC. CLASS ACTION LAWSUITS

During 2000, several class action lawsuits were filed in the United States District Court for the Southern District of New York against Teleglobe Inc. and certain of its former officers. The complaints generally allege that the defendants violated the U.S. Securities and Exchange Commission Rule 10b-5 and defrauded investors who purchased stock between February 10, 1999 and July 29, 1999. These complaints were consolidated and lead plaintiffs appointed in the fourth quarter of 2000. On February 9, 2001, the lead plaintiffs filed their consolidated complaint, which does not contain specific claims for money damages. On April 10, 2001, Teleglobe Inc. filed a motion to dismiss the complaints. On June 15, 2001, the plaintiffs filed a memorandum of law in opposition to Teleglobe Inc.'s motion to dismiss and, on July 13, 2001, Teleglobe Inc. filed a reply to such memorandum. The parties are now waiting for the court to render a decision in connection with such motion to dismiss. Based upon the information available, Teleglobe Inc. does not believe that these claims will have a material adverse effect on its results of operations or financial position.

OTHER PROCEEDINGS

BCE Inc. and its subsidiaries and joint ventures are also parties to various other legal proceedings the most significant of which are described in the annual MD&A contained in BCE Inc.'s 2000 Annual Report.

Adoption of New Accounting Standards

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 earnings per common share computations be disclosed.

In the first quarter of 2001, BCE also adopted the new recommendations of the CICA Handbook section 1751, *Interim Financial Statements*, which changes the requirements for the presentation and disclosure of interim financial statements and the accompanying notes.

Forward-Looking Statements

Certain statements contained in this section and in other 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 (the BCE Group companies). 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 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 risk factors are outlined elsewhere in this MD&A. The risk factors discussed below relate to BCE Inc.'s five operating groups: Bell Canada; Bell Globemedia; Teleglobe; BCE Emergis and BCE Ventures. 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

Introduction

Economic and other general factors

The future operating results of the BCE Group companies may be affected by various trends and factors which 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 which 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 the general economic conditions as demand for services and the amount of use tend to decline when economic growth and retail activity decline. Recently, the slowdown in global economic activity, including in the United States and Canada, has made the overall global and Canadian economic environment more uncertain and could 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.

The BCE Group companies participate in a rapidly growing and sometimes volatile telecommunications industry which is characterized by vigorous competition for market share and rapid technological development. These factors could result in aggressive pricing practices and growing competition from both start-up and well-established companies. Furthermore, there are uncertainties related to the Internet, including its impact on network capacity and a potentially slower growth rate than is currently anticipated, which could also have a material adverse effect on the BCE Group companies' businesses, operating results and financial condition.

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. Competition in the recruitment of highly qualified personnel in the communications and technology industries is intense and the turnover rate for them is high. No assurance can be given that the BCE Group companies will be able to retain key employees or that it will be able to attract qualified personnel in the future. It is possible that additional incentives may be required and that some initiatives may be jeopardized if skill shortages occur.

In addition, changes in laws or regulations, including those governing broadcasting and the Internet, could also have a material adverse effect on the BCE Group companies' businesses, operating results and financial condition.

Finally, all BCE Group companies are subject to the risks related to pending or future litigation or regulatory initiatives or proceedings.

Strategies and acquisitions

In 2000, BCE completed the acquisition of Teleglobe Inc. and CTV and, in early 2001, has also created a Canadian multi-media company, Bell Globemedia, with Thomson and Woodbridge. BCE has also reorganized its operations under five business segments: Bell Canada; Bell Globemedia; Teleglobe; BCE Emergis and BCE Ventures. Following such initiatives, BCE has developed new business strategies and priorities. However, there is no certainty that BCE's strategies (including its convergence, bundling, billing and branding strategies) and acquisitions will yield the expected benefits, revenue and earnings projections, synergies and growth prospects. Furthermore, there is no certainty that the BCE Group companies will be successful in making additional acquisitions, realizing synergies and/or integrating the operations of acquired businesses in an effective manner.

Stock price volatility

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. In addition, the stock market has experienced extreme price fluctuations that have affected the market price of many technology companies in particular and that have often been unrelated to the operating performance of these companies. These factors, as well as general economic and political conditions, may also have a material adverse effect on the market price of BCE Inc.'s common shares.

Bell Canada

Expenditures, capital and demand for services

The financial condition and results of operations of Bell Canada, Aliant and their subsidiaries and significantly influenced companies (the Bell Canada Group companies) could be materially affected by the level of capital expenditures necessary to expand operations, increase the number of subscribers, introduce new services, update or build networks and maintain or improve the quality of service; by the availability and cost of capital required to fund such expenditures (especially in light of the current market conditions in the telecommunications industry); and by the extent of demand for access lines, value-added services, basic long distance services, wireless services, Internet services and other new and emerging services in the markets served by the Bell Canada Group companies. The level of capital expenditures could materially increase as the Bell Canada Group companies seek to expand the scope and scale of their businesses beyond traditional territories and service offerings. Furthermore, as the Bell Canada Group companies update their networks and products and services, to remain competitive, they may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence. To the extent that the Bell Canada Group companies fail to make the necessary and appropriate expenditures on new and existing capital programs, they may cease to be competitive in the markets in which they compete and/or may risk incurring substantial capital expenditures to acquire assets with little commercial or economic value.

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 data growth rates remain high.

Increasing competition

With the advent of competition in the local service market in 1998, virtually all parts of the Bell Canada Group companies' businesses are facing substantial and intensifying competition. Factors such as product pricing and customer service are under continued pressure, while the necessity to reduce costs is ongoing. The Bell Canada Group companies must not only try to anticipate, but also respond promptly to, continuous and rapid developments in their businesses and markets.

The significant size, growth and increasingly global scope of the telecommunications industry are attracting new entrants and encouraging all participants to expand their service portfolios and addressable markets. Mergers and acquisitions, as well as alliances and joint ventures, are creating new or larger participants with broad skills and significant resources which will further impact the competitive landscape. The Bell Canada Group companies' competitors are both domestic and foreign entities, and include major telecommunications companies, (such as Telus Corporation (Telus), AT&T Canada Inc. and Sprint Canada Inc.), cable companies (such as le Groupe Vidéotron ltée and Rogers Cable Inc.), 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. Many of these companies are large and have a significant market presence, brand recognition, and existing customer relationships.

Internet access services are especially competitive, with Canadian customers enjoying prices that are among the lowest in the world. Bell Canada is the largest provider of Internet access services in Canada, although competition from the large cable television companies and from a significant number of independent Internet service providers is intense. Competitive pressure has led to Internet access pricing that is 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. For example, the acquisition by Telus of substantially all of the outstanding common shares of Clearnet Communications Inc. resulted in the creation of a potentially more significant competitor to Bell Mobility.

Bell Mobility launched PCS service in October 1997. Bell Mobility is continuing to incur significant costs related to network enhancements, promotional offerings and handset subsidies in an attempt to develop a substantial PCS customer base. Competition is intense in the PCS market with at least four PCS service providers in each serving area. In addition, increases in Bell Mobility's PCS customer base will result in the reduction, over time, of Bell Mobility's existing cellular customer base. In particular, Bell Mobility has focused on migrating its existing high-usage cellular customers to PCS.

Bell Mobility announced on February 1, 2001 that it had successfully bid on 20 new PCS spectrum licences for an aggregate bid price of approximately $720 million. Bell Mobility's application to bid in the spectrum auction was submitted on behalf of itself and its Bell Wireless Alliance (BWA) partners. Under joint agreements between Bell Mobility and each of the BWA partners, each of the parties will assume ownership of the spectrum in their respective operating regions, following payment of all amounts due to Bell Mobility and Industry Canada processing the licence transfers, and each will provide access to the other alliance partners. Among the licences provisionally awarded to Bell Mobility are three 10 MHz licences in both Alberta and British Columbia. Bell Mobility intends to work with MTS to roll-out wireless services in British Columbia and Alberta. This roll-out would result in substantial capital expenditures for the construction of a network in these provinces. Furthermore, the expected level of expenditures associated with this network expansion could increase as Bell Mobility will seek to gain adequate network coverage and secure new customers. In addition to Bell Mobility, four other bidders, including Rogers Wireless Inc. (Rogers) and Telus Communications Inc. (TCI), were provisional licence winners. Rogers was the provisional winner of 23 licences (at an aggregate bid price of approximately $394 million) and TCI of five licences (at an aggregate bid price of approximately $356 million). Both Rogers and TCI were provisionally awarded licences in Bell Mobility's current operating regions thereby increasing the potential for competition and market share losses in such areas. Although the new licences provisionally awarded to Bell Mobility provide it with the possibility to launch new technologies, services and applications (such as third generation (3G) technology) and to geographically expand its operations (including, in particular, in British Columbia and Alberta), there is no certainty that such additional licences will result in the successful deployment of such new technologies, services and applications, a successful geographical expansion and, in general, in an improvement in Bell Mobility's financial condition and results of operations. Industry Canada has requested, and Bell Mobility has provided, further information regarding the ownership and control of Bell Mobility. It is expected that final ownership of the licences will be confirmed by Industry Canada shortly after it has completed its review of this matter.

Bell Mobility is a participant in Mobility Canada, owned by the wireless affiliates or divisions of Canada's major telephone companies. In May 1999, Mobility Canada announced a significant restructuring of its organization, creating two groups of carriers which can compete anywhere in the country to bring the fast-evolving benefits of wireless communications to national customers. The new agreement, which was implemented in the first quarter of 2000, changes the wireless landscape in Canada by removing restrictions that kept Mobility Canada members from competing in each other's territories. The new groups will each be able to offer Canada-wide wireless service, either by selling network services to each other or competing directly. Although the new arrangement will permit Bell Mobility to expand its business territory, it will also increase competition in the territory in which Bell Mobility currently operates. There can be no assurance that Bell Mobility will successfully expand its operations geographically or that it will be able to successfully compete with new competitors in its traditional territory. These factors could, in the future, have a material adverse effect on Bell Mobility's results of operations and financial condition.

Technology

The telecommunications industry is impacted by rapidly evolving technology and the related changes in customer demands, product and service capabilities, and prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. The Bell Canada Group companies' future success will be impacted by their ability to anticipate, invest in and implement new technologies with the service levels and prices that customers demand. Technological advances may also affect the Bell Canada Group companies' level of earnings by shortening the useful life of some of their assets. Furthermore, technological advances may well emerge that reduce the costs of new plant and equipment thereby diminishing or eliminating barriers to market entry for potential competitors.

One example of the technology risk facing Bell Canada is the area of digital subscriber line (DSL) service where the technology is changing and associated service standards are evolving. It is possible that carriers and equipment manufacturers may, in the future, adopt a standard that is incompatible with Bell Canada's DSL services with the potential for loss of customers and/or revenue streams, increased capital expenditures and stranded assets. In addition to the evolving DSL technologies and standards, the requirement to obtain the necessary public or private rights of way to expand and upgrade the network could inhibit the Bell Canada Group companies' ability to achieve its high speed Internet connectivity objectives.

The wireless telecommunications industry is experiencing significant technological change, as evidenced by the increasing pace of digital and other upgrades to existing wireless systems, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and enhancements, and changes in end-user requirements and preferences. As a result, there can be no assurance that existing, proposed or as yet undeveloped technologies will not become dominant in the future and render cellular, PCS or paging systems less profitable or even obsolete.

The operations of Bell Mobility depend in part upon the successful deployment of continually evolving wireless communications technologies (for example the planned trial and deployment of 3G digital wireless technology in 2001), which will require significant capital expenditures to deploy. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial acceptance. Bell Mobility may be required to make more capital expenditures than are currently expected if suppliers fail to meet anticipated schedules, if a technology's performance falls short of expectations, or if commercial success is not achieved.

Regulatory environment

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 incumbent local exchange carriers' (ILECs) essential facilities and other network infrastructure with the rights of the ILECs to compete on a reasonably unencumbered basis. More recently, telecommunications service providers seeking physical access to customers on reasonable terms have increasingly found themselves in disputes with land/building owners/developers impeding access to private property or municipalities impeding access to public rights-of-way. Policy decisions in all of these areas will continue to evolve.

With the business of Bell Canada increasingly focusing on content, e-commerce and connectivity, assessment of regulatory risk 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.

Wireless regulation

The operation of cellular, PCS and other radio-telecommunications systems in Canada is subject to initial licensing requirements and the oversight of Industry Canada. Operating licences are issued at the discretion of the Minister of Industry pursuant to the Radiocommunication Act. Industry Canada grants cellular and PCS licences for a maximum term of five years. Bell Mobility's current cellular and PCS licences will expire on March 31, 2006 and April 30, 2006, respectively. Industry Canada has the authority at any time to modify the licence conditions applicable to the provision of such services in Canada to the extent necessary to ensure the efficient and orderly development of radiocommunication facilities and services in Canada. Industry Canada can revoke a licence at any time for failure to comply with its terms. Industry Canada has indicated that it intends to engage in a public consultation process on appropriate licence term conditions and fees within the coming year. It is anticipated that Industry Canada will, at the end of this consultation period, give effect to its conclusions by making suitable amendments to existing licence conditions.

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.

Radio frequency emission concerns

Media reports have suggested that certain radio frequency emissions from cellular telephones may be linked to certain medical conditions such as cancer. In addition, certain interest groups have requested investigations into claims that digital transmissions from handsets used in connection with digital wireless technologies pose health concerns and cause interference with hearing aids and other medical devices. There can be no assurance that the findings of such studies will not have a material adverse effect on Bell Mobility's business or will not lead to governmental regulation. The actual or perceived health risks of wireless communications devices could adversely affect WSPs through reduced subscriber growth, reduced network usage per subscriber, threat of product liability lawsuits or reduced availability of external financing to the wireless communications industry.

Stratos Global Corporation

Aliant has guaranteed US $150 million (approximately $225 million) of the obligations of Stratos Global under credit facilities provided to Stratos Global by a syndicate of Canadian banks to finance the acquisition by Stratos Global of the Inmarsat, VSAT and aeronautical businesses of British Telecommunications plc (the BT A&M assets). The guarantee by Aliant assisted Stratos Global in securing the financing necessary to complete this acquisition. Stratos Global's credit facilities contain various covenants relating to future financial results. Although all covenant requirements are currently being met, there can be no assurance that Stratos Global will continue to meet these covenants and that Aliant will not become liable for Stratos Global's debt to the extent of the guarantee. Aliant has completed arrangements for new committed bank line facilities in the aggregate amount of $225 million with various financial institutions. These facilities are in addition to existing bank facilities and are being held in reserve in support of the guarantee of Stratos Global's debt. Stratos Global faces challenges in being able to integrate the BT A&M business as it has approximately doubled the size of Stratos Global's existing operations, placing pressure on operational and support systems.

Bell ExpressVu

Capital requirements
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.

DTH market risks
The success of Bell ExpressVu's DTH business strategy is subject to factors that are beyond its control and impossible to predict due, in part, to the limited history of digital DTH services in Canada. Consequently, the size of the Canadian market for digital DTH services, the rates of penetration of that market, the churn rate, the extent and nature of the competitive environment and the ability of Bell ExpressVu to meet revenue and cost expectations are uncertain. 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.

Competition
Bell ExpressVu faces competition from other DTH satellite service providers, cable operators and other distributors, grey market satellite service providers and other competitors such as off-air television broadcasters. Bell ExpressVu's DTH and cable competitors have pursued, and may continue to pursue, aggressive marketing campaigns and pricing policies targeting the existing customers of Bell ExpressVu. Although Bell ExpressVu has, to date, been successful in increasing market share in the face of such competition, there is no assurance that such success will continue nor that Bell ExpressVu will be able to increase average revenue per subscriber, increase its share of the pay-per-view market or maintain or reduce subscriber acquisition costs.

Satellite defects
Bell ExpressVu's DTH services are solely provided through the NIMIQ DBS satellite operated by Telesat. Satellites are subject to significant risks, including manufacturing defects, destruction or damage that may prevent proper commercial use, or in the loss of the satellite. Any such loss, damage or destruction of the satellite would have a material adverse impact on Bell ExpressVu's business and profits.

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 only 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. In September 2001, sixteen English and five French language Category 1 services are expected to be launched as mandatory carriage on a digital basis. In addition, a number of the 262 Category 2 services, that were also approved on a digital basis, are expected to be launched beginning in September 2001. Category 2 services are not mandatory and thus subject to market demand. 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. All licences and the most recent applications for renewal of these licences are on public file with the CRTC.

The Canadian advertising market is currently about $10 billion in total with television and daily newspapers each accounting for a 24 per cent share of the total market. Advertising is related to economic growth and tends to follow GDP. Accordingly, any economic down turn will impact Bell Globemedia's ability to generate revenue growth as approximately 73 per cent of the Bell Globemedia's 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 two 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.

BCE Inc.'s content strategy, through Bell Globemedia, includes the expansion of the Bell™ brand and deepening relationships with customers. However, there is no certainty that this strategy will prove to be successful.

Teleglobe

GlobeSystem

In an effort to accelerate its expansion strategy, Teleglobe announced in May 1999 that it would build, at a cost of approximately US $5 billion, which has since been reduced to US $3.4 billion, the GlobeSystem network, a globally integrated Internet, voice, data and video network. Teleglobe has to date invested approximately US $1.5 billion in this project. Teleglobe anticipates investing an additional US $1.9 billion over the next several years to complete the Globe System network. 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 delays in the delivery of network components or delays in Teleglobe's migration from leased facilities; the potential higher network costs that such a delay may cause; and the unavailability of financing for BCE Inc. and/or Teleglobe to complete the GlobeSystem network. Similar risk factors also apply to Teleglobe's proposed deployment of Internet Data Centres. In order to reduce the execution and financial risks related to the GlobeSystem network, including the Internet Data Centres, and accelerate its implementation schedule, Teleglobe may elect to make acquisitions and/or enter into alliances or partnerships with other parties. However, there is no certainty that should 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 Teleglobe's future revenues, the effective implementation of the GlobeSystem network is crucial to the future success of Teleglobe. The failure of Teleglobe to complete the GlobeSystem network or 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 its results of operations and financial condition.

Financial dependence on BCE Inc. and others

On July 23, 2001,Teleglobe Inc., the parent company of the Teleglobe Communications group of companies representing the Teleglobe segment, announced the extension, until July 22, 2002, of its revolving credit facilities for an aggregate amount of US $1.25 billion. Concurrently with this extension, BCE Inc. re-confirmed to the lenders under such credit facilities that it would under certain circumstances provide continued financial assistance to Teleglobe Inc. including that, until the maturity of these facilities, BCE Inc. would from time to time inject or cause to be injected into Teleglobe Inc. by way of equity,quasi-equity or subordinated debt sufficient funds, as required, to enable Teleglobe Inc. to meet, at all times, cash shortfalls, if any, in funding its capital expenditures program; provided, however, that the financial commitment of BCE Inc. to Teleglobe Inc. is limited to US $900 million, of which US $374 million had already been injected as of June 30, 2001. There are no assurances that Teleglobe Inc. will be able to either renew or replace these credit facilities upon their maturity or find alternative sources of financing.

Other risk factors

Other risk factors concerning Teleglobe include without limitation: revenue fluctuations arising from the gain or loss of customers and pricing pressures on voice services; difficulties in integrating the operations of BCE and Teleglobe, including achieving expected synergies from the integration; the ability of Teleglobe to increase revenues from business segments other than voice services (such as data and Internet services); the uncertainties related to the transformation of Teleglobe from a voice-driven global carrier to a global data and Internet provider and BCE Inc.'s ability to quickly reposition Teleglobe as a relevant industry player despite the rapidly evolving business and competitive environment; the potential technological obsolescence of Teleglobe's current network technologies and equipment; the loss of network capacity or other interruption in service resulting from the failure by key suppliers to continue to provide to Teleglobe network capacity; fluctuations in foreign currencies which have an adverse impact on the financial results of Teleglobe; the failure by Teleglobe to achieve its strategic objectives; and the relevant risk factors (excluding those relating to Bell Mobility and the wireless industry) previously referred to under the headings "Expenditures, capital and demand for services", "Increasing competition" and "Technology" under "Bell Canada".

Bell is a trade-mark of Bell Canada.

BCE Emergis

Adoption of e-commerce

In order for BCE Emergis to be successful, e-commerce must continue to be widely adopted in a timely manner. Because B2B commerce, and communications over the Internet in general, are new and evolving, it is difficult to predict the size of this market and its sustainable growth rate. To date, many businesses and consumers have been deterred from utilizing the Internet for a variety of reasons. Businesses which have invested substantial resources in other methods of conducting business may be reluctant to adopt new methods. Also, businesses with established patterns of purchasing goods and services and effecting payments might be reluctant to change. To the extent that e-commerce continues to experience significant growth both in the number of users and the level of use, the Internet infrastructure may not be able to continue to support the demands placed on it by continued growth. Such continued growth could affect the Internet's technological ability to effectively support the high volume of transactions and any of these factors could materially harm the business and operating results of BCE Emergis.

Acquisitions

A key element of BCE Emergis' growth strategy has been and continues to be to make strategic acquisitions. BCE Emergis may not be able to integrate the operations of recently acquired companies with its operations without encountering difficulties, including the loss of key employees and customers, the disruption of its ongoing business and the inability to deal with possible inconsistencies in standards, controls, procedures and policies. There can be no assurance that, in the future, acquisition candidates will be found on terms suitable to BCE Emergis, that BCE Emergis will have adequate resources to consummate any acquisition or that BCE Emergis will be successful in realizing synergies between acquired companies. Furthermore, acquisitions may also result in potentially dilutive issuances of equity securities, the incurrence of debt, write-offs, integration costs and the amortization of expenses related to goodwill and other intangible assets, all of which could have a material adverse effect on the results of operation and financial condition of BCE Emergis.

Response to industry's rapid pace of change

If BCE Emergis is unable to develop new technologies or enhancements to its existing services on a timely and cost-effective basis, or if its new services or enhancements do not achieve market acceptance, its sales may decline or may not grow at the same rate as in the past. The life cycles of its services are difficult to predict because the market for its services is new and emerging and is characterized by rapid technological change and changing client needs. The introduction of services employing new technologies could render its existing services obsolete and unmarketable.

Competition

The e-commerce business is intensely competitive and BCE Emergis has many competitors with substantial financial, marketing, personnel and technological resources. Other companies offer services that may be considered by clients to be acceptable alternatives to its services. Competitive pressures could reduce BCE Emergis' market share or require it to reduce its prices, which would reduce its revenues and increase its net losses.

Operating results

BCE Emergis has experienced losses in the past. Revenues in any quarter are substantially dependent on the quantity of purchases of services requested in that quarter by customers. Quarterly revenues are also difficult to forecast since the market for e-commerce is rapidly evolving and BCE Emergis' revenues in any period are significantly affected by the announcements and product offerings of BCE Emergis' competitors as well as alternative technologies. BCE Emergis' quarterly operating results have fluctuated in the past and BCE Emergis expects them to continue to fluctuate in the future. Significant fluctuations in its quarterly operating results may harm its business operations by making it difficult to implement its business plan and achieve its budgeted results.

Strategic relationships

BCE Emergis relies on strategic relationships to increase its client base and, if these relationships fail, its business and operating results could be materially harmed. One of BCE Emergis' business strategies has been to enter into strategic or other similar collaborative relationships in order to reach a larger client base than would be achievable through its own efforts. Failure of one or more of its strategic relationships could materially harm its business and operating results.

Defects in software or failures in processing of transactions

Defects in BCE Emergis' owned or licensed software products, delays in delivery, as well as failures or mistakes in BCE Emergis' processing of electronic transactions, could materially harm BCE Emergis' business, including BCE Emergis' customer relationships and operating results. BCE Emergis' operations are dependent upon its ability to protect its computer equipment and the information stored in its data centres against damage that may be caused by fire, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, and other similar events. BCE Emergis is not party to a disaster recovery agreement that provides an alternative off-site computer system for use in such disastrous events for all of its operations. There can be no assurance that a fire or other natural disaster, including national, regional and local telecommunications outages, would not result in a prolonged outage of BCE Emergis' operations.

Security and privacy breaches

If BCE Emergis is unable to protect the security and privacy of its electronic transactions, its growth and the growth of the e-commerce market in general could be materially adversely affected. While BCE Emergis believes that BCE Emergis utilizes proven applications designed for premium data security and integrity to process electronic transactions, there can be no assurance that its use of these applications will be sufficient to address changing market conditions or the security and privacy concerns of existing and potential subscribers.

Intellectual property

BCE Emergis depends on its ability to develop and maintain the proprietary aspects of its technology. BCE Emergis cannot be certain that it will be able to enforce its rights or prevent other parties from developing similar technology, duplicating its intellectual property or designing around its intellectual property. It is also possible that in the future, third parties may claim that BCE Emergis or its current or potential future intellectual property infringes on their intellectual property. Any such claims, with or without merit, could materially harm BCE Emergis' business and operating results.

Integrity of the public key cryptography technology

BCE Emergis' Internet security solutions depend on public key cryptography technology. Any significant advance in techniques for attacking cryptographic systems could render some or all of its existing Internet security solutions obsolete or unmarketable, which could reduce revenues from its security solutions and could materially harm its business and operating results.

Government regulation

Current regulations and laws governing the telecommunications industry generally do not apply to providers of data network access and e-commerce services other than regulations applicable to businesses generally. Except for government regulations in countries other than Canada and the United States (which may affect the provision of certain of BCE Emergis' services) and regulations governing its ability to disclose the contents of communications by its clients, there are no government regulations pertaining to the pricing, service characteristics or capabilities, geographic distribution or quality control features of BCE Emergis' e-commerce services. There exists, however, the risk that governmental policies affecting the e-commerce industry could be implemented by legislation, executive order, administrative order or otherwise. If such policies are adopted, they could materially harm BCE Emergis' business and operating results.

BCE Emergis' opportunities to maintain or expand existing operations could be limited by substantial changes in the United States healthcare industry which could have a material adverse effect on BCE Emergis and could cause BCE Emergis to alter substantially its business objectives and methods of operation.

Professional liability

BCE Emergis applies medical treatment guidelines in its utilization review and case management services. As a result, BCE Emergis could become subject to claims related to adverse medical consequences as a result of, or for the costs of, services denied, and claims, such as malpractice, arising from the errors or omissions of healthcare professionals. To the extent that any such claims against BCE Emergis are successful and have a material effect on BCE Emergis, they could materially harm its business and operating results.

BCE Ventures

General

Effective December 1, 2000, BCE implemented a new structure whereby various operations which are not part of its four principal business units were grouped under the business segment designated BCE Ventures. This segment includes, without limitation, BCE's investments in BCI, Telesat, CGI and Excel. Specific risks relating to each of these companies are described below. BCE Ventures is mandated to enhance shareholder value by maximizing the value of its investments either by continuing their growth and operating success, by expanding their scale or scope through mergers and alliances, or by outright disposition. The level of the contribution of the BCE Ventures segment to BCE's general financial condition and results of operations will significantly depend on the degree of success of BCE Ventures in meeting its mandate.

BCI

BCI holds the majority of its investments through Telecom Américas, a joint venture with América Móvil and SBCI. As at June 30, 2001, BCI and América Móvil each held a 44.3% interest, and SBCI held an 11.4% interest, in the joint venture. As at July 13, 2001, BCI's, América Móvil's and SBCI's ownership in Telecom Américas changed to 41.7%, 45.5% and 12.8%, respectively. The joint venture is subject to provisions which generally require the consent of BCI and América Móvil in order to make significant decisions about Telecom Américas and its operating companies. Disagreements between the partners could adversely affect the joint venture and its operating companies and could impede the execution of the joint venture's strategy.

Capital requirements

The majority of the operating companies in which BCI holds ownership interests, through Telecom Américas or otherwise (the Operating Companies), are in the start-up or early growth stages. Consequently, capital is required to fund ongoing operations and investment activities such as licence fees, network construction and other start-up costs. Capital may also be required for the acquisition of new properties by Telecom Américas. To date, all of Telecom Américas' cash requirements have been fulfilled through equity contributions by its shareholders. To the extent Telecom Américas cannot access other sources of financing and depending on whether BCI can commit additional funds to Telecom Américas, BCI's stake in Telecom Américas could be further diluted. There can be no assurance that BCI will be able to maintain its current economic ownership in Telecom Américas.

BCI expects that most of the Operating Companies will require additional debt and equity financing to complete or expand the construction of their networks. While BCI believes the Operating Companies will be able to secure debt financing from third parties and additional capital from their shareholders, there can be no assurance that such financing will be available on terms satisfactory to, or when required by, the Operating Companies.

Dependence upon cash flow from operating companies

BCI is a holding company with no material sources of income and its assets consist primarily of its indirect shareholdings in the Operating Companies. Many of the Operating Companies are in the start-up stage and do not currently generate distributable cash flows. There can be no assurance that the Operating Companies will become profitable or produce positive cash flow. BCI may also be unable, whether by law or pursuant to contractual arrangements, to cause dividends to be paid, or other distributions to be made, to it.

Exchange rates

BCI reports its financial statements in Canadian dollars. Telecom Américas and the Operating Companies all report in other currencies. Revenues generated by the Operating Companies will generally be paid to them in local currency. However, many significant liabilities of these companies may be payable in currencies other than the local currency (such as U.S. dollar liabilities incurred for the financing of telecommunications equipment purchases). As a result, any devaluation in the local currencies relative to the currencies in which such liabilities are payable could have a material adverse effect on BCI. In some developing countries, significant devaluation relative to the Canadian and United States dollars have occurred in the past and may occur again in the future.

Risks inherent in foreign investment in developing countries

BCI invests substantial resources in developing countries where governments have exercised and continue to exercise substantial influence over many aspects of the private sector. Government actions in the future could have a significant effect on economic conditions in a developing country and have a material adverse effect on the Operating Companies and BCI. Expropriation, confiscatory taxation, nationalization, political, economic or social instability, regulatory or administrative practices changes or other developments could have a material adverse effect on BCI's interest in the Operating Companies and in particular those incorporated in foreign jurisdictions and/or located in developing countries.

Telesat

Risk of launch and in-orbit failure

With regards to Telesat's satellites, there is always a risk of a launch failure or of an in-orbit failure. Telesat has been successful in all 13 of its launches and purchases launch insurance. Telesat protects itself from in-orbit failure through a variety of measures including engineering satellites with spare capacity, redundancies on board and, where appropriate, purchasing in-orbit insurance.

Business risks and competition

Telesat's primary business activities (broadcast, telecommunications and carrier services) have been almost exclusively dedicated to the Canadian domestic market. This market is characterized by increasing competition and rapid technological development. With the loss of the Telesat monopoly on the fixed satellite service business in Canada on March 1, 2000, Telesat is facing competition from U.S.–based operators who may have greater financial resources than Telesat and could capture a larger market share than that currently anticipated by Telesat. Telesat has mitigated the impact of this competition by signing up the majority of its Canadian customers to long-term contracts prior to March 1, 2000.

Provision of services into the United States and Latin American markets is subject to certain risks such as changes in foreign government regulations and telecommunications standards, licensing requirements, tariffs, taxes and other matters. Latin American operations are also subject to risks associated with economic and social instability, regulatory and licensing restrictions, exchange controls and significant fluctuations in the value of foreign currencies. Telesat will face significant competition from other satellite companies, already providing services in these markets, which may have the advantage of long-standing customer relationships and may have greater financial resources than Telesat.

Governmental regulation
Prior to March 1, 2000, the CRTC regulated Telesat's RF Channel service rates under a form of rate of return regulation. Effective after this date, the CRTC approved an alternative form of regulation for these service rates based on certain price ceilings. While the price ceiling levels were established based on prevailing market conditions and are above current rates for certain of Telesat's existing satellite services, there can be no assurance that these ceilings will be appropriate for services offered on any future satellites operated by Telesat in Canada. In addition the changes made to the contribution regime as a result of the decision issued by the CRTC in November 2000 will have a negative impact on Telesat's expenses.

In 1999, the U.S. State Department published amendments to the International Traffic in Arms Regulations (ITAR) which included satellites on the list of items requiring export permits. These provisions have already had an impact on Telesat's international consulting business.

CGI

2001 IT services market
Since the beginning of 2001, certain North American and European IT services companies have been experiencing a business slowdown, especially in consulting and systems integration services. However, CGI has maintained strong levels of business activity in its various areas of operations. It is not possible for BCE Inc. or CGI to predict whether and to what extent this level of business activity will be maintained.

Competition
The IT services business is intensely competitive and CGI has many competitors with substantial financial, marketing, personnel and technological resources, competing for the same contracts. Other companies offer services that may be considered by customers to be acceptable alternatives to CGI's services.

Principal competitors of CGI include IBM Global Services, EDS-Systemhouse Inc. and Accenture Ltd. (formerly Andersen Consulting). CGI expects that other competitors may emerge over time. Some of these could be companies that are not currently active in its markets and others could be new companies. Competitive pressures could reduce CGI's market share or require it to reduce prices, which would reduce revenues.

Technological changes
The business markets in which CGI operates are characterized by rapid technological changes, changing client needs, frequent new service introductions and evolving industry standards. CGI's future success will depend in significant part on its ability to anticipate industry standards, continue to apply advances in technologies, enhance its current services and develop and introduce new services on a timely basis that keep pace with technological developments and changing client needs. However, there can be no assurance that CGI will be successful in developing and marketing new services or enhancements that respond to technological change and achieve market acceptance.

Growth through acquisitions
A key element of CGI's growth strategy has been strategic acquisitions. There can be no assurance that in the future, acquisition candidates will be found on acceptable terms or that CGI 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, the difficulty in combining different company cultures 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 CGI as a whole.

Acquisitions may also result in potentially dilutive issuances of equity securities, the incurrence of debt, write-offs, integration costs and the amortization of expenses related to goodwill and other intangible assets, all of which could have a material adverse effect on the results of operations and financial condition of CGI.

Excel

The factors that could affect the financial condition and results of operations of Excel include, without limitation: Excel's ability to continue to attract, maintain, and motivate a large base of marketing representatives who are Excel's primary source of customers for Excel's products and services; the effects of vigorous competition in the markets in which Excel operates including, but not limited to, declining average revenue per minute and a declining customer base, and increasing competition from the Regional Bell Operating Companies who are authorized to provide interexchange services originating in any state in their respective regions after demonstrating to the Federal Communications Commission and applicable state regulatory agencies that such provision of services satisfies specified competitive conditions; regulatory risks, including the impact of the 1996 Telecommunications Act; the impact of technological change, new entrants and alternative technologies on Excel's business, and dependence on availability of transmission facilities; the costs and business risks related to entering and expanding new markets to provide new services; risks of changes in tax laws or in the interpretations of those laws as they apply to Excel's business; risks of international business; fluctuations in foreign currencies which have an adverse impact on the financial results of Excel; risks associated with debt service requirements, interest rate fluctuations and Excel's degree of financial leverage; and risks associated with complex IT systems, including those related to billing and data processing operations.

Consolidated Statements of Operations (unaudited)

($ millions, except per share amounts)

For the period ended June 30	Three months 2001	Three months 2000	Six months 2001	Six months 2000
Operating revenues	**5,707**	4,199	**11,213**	8,176
Operating expenses	**(5,016)**	(3,372)	**(9,884)**	(6,516)
Restructuring and other charges (Note 2)	**–**	–	**(239)**	–
Operating income	**691**	827	**1,090**	1,660
Gains on reduction of ownership in subsidiary and significantly influenced companies	**14**	–	**78**	–
Equity in net losses of significantly influenced companies	**(1)**	(51)	**(4)**	(63)
Other income (Note 3)	**7**	(30)	**3,725**	(18)
Impairment charge (Note 4)	**–**	–	**(2,049)**	–
Earnings from continuing operations before the under-noted items	**711**	746	**2,840**	1,579
Interest expense – long-term debt	**(303)**	(249)	**(595)**	(455)
– other debt	**(87)**	(71)	**(174)**	(136)
Total interest expense	**(390)**	(320)	**(769)**	(591)
Earnings from continuing operations before income taxes and non-controlling interest	**321**	426	**2,071**	988
Income taxes	**(286)**	(288)	**(1,284)**	(610)
Non-controlling interest	**(50)**	(44)	**(105)**	(108)
Earnings (loss) from continuing operations	**(15)**	94	**682**	270
Discontinued operations (Note 5)	**–**	(51)	**283**	3,945
Net earnings (loss)	**(15)**	43	**965**	4,215
Dividends on preferred shares	**(16)**	(19)	**(34)**	(42)
Net earnings (loss) applicable to common shares	**(31)**	24	**931**	4,173
Net earnings (loss) per common share – basic (Note 6)				
Continuing operations	**(0.04)**	0.12	**0.80**	0.35
Discontinued operations	**–**	(0.08)	**0.35**	6.13
Net earnings (loss)	**(0.04)**	0.04	**1.15**	6.48
Net earnings (loss) per common share – diluted (Note 6)				
Continuing operations	**(0.04)**	0.11	**0.79**	0.34
Discontinued operations	**–**	(0.08)	**0.35**	6.06
Net earnings (loss)	**(0.04)**	0.03	**1.14**	6.40
Dividends per common share	**0.30**	0.30	**0.60**	0.64
Average number of common shares outstanding (millions)	**807.4**	644.5	**807.7**	644.3

Consolidated Statements of Retained Earnings (unaudited)

($ millions)

For the period ended June 30	Three months 2001	Three months 2000	Six months 2001	Six months 2000
Balance at beginning of period	**2,118**	11,822	**1,521**	7,894
Net earnings (loss)	**(15)**	43	**965**	4,215
	2,103	11,865	**2,486**	12,109
Dividends – Preferred shares	**(16)**	(19)	**(34)**	(42)
– Common shares	**(242)**	(193)	**(484)**	(412)
– Distribution of Nortel Networks common shares	**–**	(10,114)	**–**	(10,114)
	(258)	(10,326)	**(518)**	(10,568)
Premium on redemption of common shares (Note 10)	**–**	–	**(108)**	–
Other	**2**	15	**(13)**	13
	(256)	(10,311)	**(639)**	(10,555)
Balance at end of period	**1,847**	1,554	**1,847**	1,554

Consolidated Balance Sheets (unaudited)

	June 30 2001	($ millions) December 31 2000
ASSETS		
Current assets		
Cash and cash equivalents	**1,793**	260
Accounts receivable	**4,312**	4,344
Other current assets	**1,511**	2,096
Total current assets	**7,616**	6,700
Investments in significantly influenced and other companies	**1,087**	1,648
Capital assets	**24,862**	22,301
Future income taxes	**683**	1,117
Deferred charges and other assets	**3,539**	3,313
Goodwill	**15,766**	16,304
Total assets	**53,553**	51,383
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**4,975**	5,486
Income and other taxes payable	**603**	144
Debt due within one year	**4,615**	5,884
Total current liabilities	**10,193**	11,514
Long-term debt	**15,076**	14,044
Future income taxes	**1,008**	715
Other long-term liabilities	**3,975**	3,885
Total liabilities	**30,252**	30,158
Non-controlling interest	**5,593**	3,764
SHAREHOLDERS' EQUITY		
Preferred shares	**1,300**	1,300
Common shareholders' equity		
Common shares (1)	**13,811**	13,833
Contributed surplus (Note 10)	**980**	985
Retained earnings	**1,847**	1,521
Currency translation adjustment	**(230)**	(178)
Total common shareholders' equity	**16,408**	16,161
Total shareholders' equity	**17,708**	17,461
Total liabilities and shareholders' equity	**53,553**	51,383

(1) At June 30, 2001, 807,623,266 (809,861,531 at December 31, 2000) BCE Inc. common shares and 18,462,776 (9,114,695 at December 31, 2000) BCE Inc. stock options were outstanding. The stock options were issued under BCE's Long-Term Incentive Stock Option Programs and are exercisable on a one-for-one basis for common shares of BCE Inc. Additionally, as a result of the acquisition of Teleglobe Inc. on November 1, 2000, Teleglobe Inc. stock option holders will receive, upon exercise of their stock options, 0.91 of a BCE Inc. common share for each Teleglobe Inc. stock option held. At June 30, 2001, the Telegobe Inc. stock options outstanding were exercisable into 13,566,663 BCE Inc. common shares (18,934,537 at December 31, 2000).

Consolidated Statements of Cash Flows (unaudited)

($ millions)

For the period ended June 30	Three months 2001	Three months 2000	Six months 2001	Six months 2000
Cash flows from operating activities				
Earnings (loss) from continuing operations	**(15)**	94	**682**	270
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:				
Depreciation and amortization	**1,279**	910	**2,435**	1,709
Restructuring and other charges	**(28)**	–	**203**	–
Gains on reduction of ownership in subsidiary and significantly influenced companies	**(14)**	–	**(78)**	–
Impairment charge	**–**	–	**2,049**	–
Net gains on disposal of investments	**(20)**	(7)	**(3,776)**	(23)
Future income taxes	**(69)**	8	**282**	5
Dividends received in excess of equity in net losses of significantly influenced companies	**3**	55	**13**	79
Other items	**(322)**	(245)	**(386)**	(366)
Change in non-cash working capital components	**(66)**	(176)	**(229)**	(768)
	748	639	**1,195**	906
Cash flows from investing activities				
Capital expenditures	**(1,703)**	(971)	**(3,699)**	(1,542)
Decrease of notes receivable	**340**	–	**556**	–
Investments	**(233)**	(2,615)	**(508)**	(3,876)
Divestitures	**198**	68	**4,806**	68
Other items	**(56)**	(30)	**(101)**	23
	(1,454)	(3,548)	**1,054**	(5,327)
Cash flows from financing activities				
Dividends paid on common and preferred shares	**(258)**	(212)	**(518)**	(454)
Dividends paid by subsidiaries to non-controlling interest	**(84)**	(80)	**(165)**	(180)
Increase (decrease) of notes payable and bank advances	**(380)**	530	**(2,071)**	2,213
Issue of long-term debt	**393**	807	**1,379**	1,039
Repayment of long-term debt	**(475)**	(363)	**(964)**	(513)
Redemption of preferred shares by subsidiaries	**(210)**	–	**(346)**	(295)
Issue of common shares	**9**	17	**56**	31
Purchase of common shares for cancellation	**–**	–	**(191)**	–
Issue of common shares, preferred shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	**591**	157	**1,368**	591
Other items	**32**	50	**34**	52
	(382)	906	**(1,418)**	2,484
Effect of exchange rate changes on cash and cash equivalents	**(2)**	(8)	**36**	17
Cash (used in) provided by continuing operations	**(1,090)**	(2,011)	**867**	(1,920)
Cash (used in) provided by discontinued operations	**(15)**	(65)	**666**	(141)
Net (decrease) increase in cash and cash equivalents	**(1,105)**	(2,076)	**1,533**	(2,061)
Cash and cash equivalents at beginning of period	**2,898**	2,410	**260**	2,395
Cash and cash equivalents at end of period	**1,793**	334	**1,793**	334

Segmented Information (unaudited)

($ millions)

For the period ended June 30	Three months 2001	Three months 2000	Six months 2001	Six months 2000
Operating revenues				
Bell Canada	**4,248**	3,875	**8,355**	7,561
Bell Globemedia	**297**	5	**603**	7
Teleglobe	**542**	–	**1,048**	–
BCE Emergis	**159**	120	**302**	193
Corporate and other, including intercompany eliminations	**(189)**	(114)	**(352)**	(242)
Total core operating revenues	**5,057**	3,886	**9,956**	7,519
BCE Ventures	**764**	349	**1,422**	718
Intercompany eliminations	**(114)**	(36)	**(165)**	(61)
Total operating revenues	**5,707**	4,199	**11,213**	8,176
Earnings (loss) from continuing operations				
Bell Canada	**296**	259	**491**	489
Bell Globemedia	**(40)**	(20)	**(73)**	(20)
Teleglobe	**(147)**	(20)	**(263)**	(26)
BCE Emergis	**(75)**	(54)	**(166)**	(82)
Corporate and other, including intercompany eliminations	**33**	31	**2,915**	85
Total core earnings from continuing operations	**67**	196	**2,904**	446
BCE Ventures	**(83)**	(100)	**(2,226)**	(170)
Intercompany eliminations	**1**	(2)	**4**	(6)
Total earnings (loss) from continuing operations	**(15)**	94	**682**	270

Notes to the Consolidated Financial Statements (unaudited)

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2000, as set out on pages 36 to 60 of BCE Inc.'s (BCE) 2000 Annual Report.

Note 1. Significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as outlined in Note 1 of the consolidated financial statements for the year ended December 31, 2000, except as noted below. All amounts are in Canadian dollars, except where otherwise noted. Certain comparative figures in these consolidated financial statements have been reclassified to conform to the current period presentation.

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.

In the first quarter of 2001, BCE also adopted the new recommendations of the CICA Handbook section 1751, *Interim Financial Statements*, which changes the requirements for the presentation and disclosure of interim financial statements and the accompanying notes.

Note 2. Restructuring and other charges

During the first quarter of 2001, Bell Canada recorded a pre-tax charge of $239 million ($143 million after tax) representing restructuring and other charges of $210 million and $29 million, respectively. The restructuring charge is 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. The restructuring program is expected to be substantially completed by the third quarter of 2001. As at June 30, 2001, the remaining balance of the restructuring provision relating to employee severance and other directly related employee costs was $62 million. Other charges relate mainly to the write-off of certain assets.

Note 3. Other income

Sale of Nortel Networks Corporation (Nortel Networks) Shares and Settlement of Forward Contracts
In March 2001, BCE recorded a gain of approximately $3.7 billion relating to the settlement of short-term forward contracts on approximately 47.9 million 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, of which $2.6 billion was used to repay short-term debt. The remaining proceeds will be used to continue funding the company's growth strategy.

Note 4. Impairment charge

In March 2001, after completion of an assessment of the carrying value of BCE's investment in the Excel Communications group (Excel), an impairment charge of $2,049 million was recorded. 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 which are expected to continue in the foreseeable future. As a result of this impairment charge, goodwill was reduced by $1,621 million and capital and other assets were reduced by $428 million.

Note 5. Discontinued operations

For the period ended June 30 ($ millions)	Three months 2001	2000	Six months 2001	2000
Bell Canada International (BCI) Latin American CLECs and Asia Mobile segments	**–**	(44)	**283**	(97)
Nortel Networks	**–**	–	**–**	4,055
ORBCOMM Global, L.P.	**–**	(7)	**–**	(13)
Total Discontinued operations	**–**	(51)	**283**	3,945

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. 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., Vésper S.A., Vésper São Paulo S.A. and Vento S.A. Ltda. Consequently, the results of these segments have been reported as discontinued operations.

The summarized balance sheets for the discontinued operations are as follows:

($ millions)	June 30 2001	December 31 2000
Current assets	**87**	204
Non-current assets	**897**	1,267
Current liabilities	**(360)**	(416)
Non-current liabilities	**(476)**	(637)
Net assets of discontinued operations	**148**	418

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

For the period ended June 30 ($ millions)	Three months 2001	2000	Six months 2001	2000
Revenue	**–**	135	**53**	258
Operating earnings from discontinued operations, net of tax	**–**	(69)	**(118)**	3,907
Gain on sale of discontinued operations, net of tax	**–**	–	**502**	–
Non-controlling interest	**–**	18	**(101)**	38
Net earnings (loss) from discontinued operations	**–**	(51)	**283**	3,945

Note 6. Earnings per share

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 period ended June 30	Three months 2001	2000	Six months 2001	2000
Earnings (loss) from continuing operations (numerator) ($ millions)				
Earnings (loss) from continuing operations	**(15)**	94	**682**	270
Dividends on preferred shares	**(16)**	(19)	**(34)**	(42)
Earnings (loss) from continuing operations – basic	**(31)**	75	**648**	228
Exercise of put options by CGI shareholders	**–**	(5)	**(1)**	(9)
Earnings (loss) from continuing operations – diluted	**(31)**	70	**647**	219
Weighted average number of common shares outstanding (denominator) (millions)				
Weighted average number of common shares outstanding – basic	**807.4**	644.5	**807.7**	644.3
Exercise of stock options	**2.6**	2.3	**3.2**	2.3
Exercise of put options by CGI shareholders	**4.6**	3.8	**4.6**	3.8
Weighted average number of common shares outstanding – diluted	**814.6**	650.6	**815.5**	650.4

Note 7. Teleglobe Inc. acquisition

During the first quarter of 2001, the purchase price allocation relating to the BCE acquisition of Teleglobe Inc. on November 1, 2000 was finalized. The final allocation of the purchase price was to tangible assets for $3.6 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.

Note 8. Creation of Bell Globemedia Inc.

On January 9, 2001, Bell Globemedia Inc. (Bell Globemedia), a Canadian multi-media company in the fields of broadcasting, print and new media, was created. BCE owns 70.1% of Bell Globemedia which includes CTV Inc. (CTV), The Globe and Mail, Globe Interactive and Sympatico-Lycos Inc. (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. Goodwill is being amortized on a straight-line basis over 20 years.

Note 9. Business acquisitions

Acquisition of additional interest in Algar Telecom Leste S.A (ATL)

On March 27, 2001, Telecom Américas Ltd. (Telecom Américas), a joint venture of BCI (BCI currently holds a 41.67% interest in Telecom Américas), invested $470 million (US $300 million) in 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 (US $133 million) in ATL and increased its effective economic interest from 22.1% to 26.1%. The acquisition of ATL was accounted for using the purchase method. The allocation of BCI's proportionate interest of the purchase price was to tangible assets for $483 million, tangible liabilities and minority interest for $360 million and goodwill for $85 million. Goodwill is being amortized on a straight-line basis over 12 years.

Acquisition of additional economic interest in Americel S.A. (Americel) and Telet S.A. (Telet)

On March 30, 2001, Telecom Américas closed a transaction to purchase an additional interest in the Brazilian cellular companies Telet and Americel for US $153 million increasing its effective economic interest from 16.3% to 32.6%. This agreement represents one of the agreements announced on March 13, 2001, which will collectively result in the acquisition of an approximate additional 65% economic interest in Telet and Americel (increasing Telecom Américas' economic interest to approximately 81% in both companies) for an aggregate purchase price of approximately US $580 million. The remaining agreements are expected to close by the end of the third quarter of 2001.

Acquisition of Tess S.A.

On April 9, 2001, Telecom Américas closed its previously announced agreement to acquire, for total consideration of approximately US $950 million, a 100% interest in Tess S.A. (Tess), one of two B Band cellular companies operating in the Brazilian state of São Paulo. 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. A majority of the voting rights will continue to be held by the sellers, in accordance with regulations governing ownership of B-Band licences. Subsequently, on April 10, 2001, Telecom Américas announced that it had granted to Bell South International Inc. (Bell South), an option to purchase 50% of Telecom Américas stake in Tess. The exercise of the option is subject to a number of conditions, including regulatory approval and lender consents, and expires in October 2001. 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 for $462 million. Goodwill is being amortized on a straight-line basis over 12 years.

Note 10. Normal course issuer bid

Under its Normal Course Issuer Bid program, during the first quarter of 2001, BCE purchased and cancelled approximately 4.5 million of its common shares for an aggregate price of $191 million, of which $108 million was charged to retained earnings as a premium on redemption of common shares and $5 million was charged to contributed surplus. BCE may purchase from time to time, no later than November 9, 2001, an additional 26.3 million of its common shares at market prices.

This document has been filed by BCE Inc. with Canadian securities commissions and the U.S. Securities and Exchange Commission. It can also be found on BCE Inc.'s Web site at www.bce.ca or is available upon request from:

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