BCE
Bell Canada
Enterprises

1 BCE Inc. – 2001 First Quarter Shareholder Report

News Release

April 25, 2001

BCE Announces First Quarter Results Showing Strong Growth from Core Operations

- *Total company: cash baseline earnings up 29% – revenue up 6% – EBITDA up 4%*
- *Core operations: cash baseline earnings up 34% – revenue up 12% – EBITDA up 10%*

Vancouver, British Columbia (April 25, 2001) – BCE reported a 29% increase in cash baseline earnings to $302 million, $0.37 per common share, in the first quarter ended March 31, 2001, compared with proforma (see note 1) cash baseline earnings for the same quarter last year. Total revenue was $5.5 billion, a 6% increase compared with proforma revenue of last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) were $1.8 billion, up 4% compared with proforma EBITDA for the first three months of 2000.

"This is the first full quarter of operation of BCE's new structure and our results demonstrate our commitment to execute well on our strategy," said Jean C. Monty, Chairman and Chief Executive Officer of BCE Inc. "Our core operations – Bell Canada, Bell Globemedia, Teleglobe and BCE Emergis – all contributed strong results achieving a revenue increase of 12%, EBITDA growth of 10%, and baseline earnings growth of 34%."

Operational Highlights (Q1 2001 vs. Q1 2000, *unless indicated*)
- DSL High Speed Internet subscribers grew 39% over Q4 2000 to 466,000;
- Bell Canada's data revenue was up 31% to $810 million;
- Cellular and PCS subscribers; grew 30% to reach 2.9 million;
- Bell ExpressVu subscribers grew 70% to 796,000;
- Bell Globemedia revenue was up 11% to $306 million;
- Teleglobe data revenue grew 43% to $153 million;
- BCE Emergis revenue reached $143 million.

Mr. Monty commented: "Bell's continued investments in key growth markets delivered a record 130,000 new DSL High Speed Internet subscribers in the quarter; 114,000 new cellular and PCS subscribers; and increasing data revenue. Bell ExpressVu subscribers have now surpassed the 800,000 mark and we are well on our way to reach one million by year-end."

"Bell Globemedia is reinforcing its national presence with the announced purchase of television stations in Montréal and Winnipeg. BCE Emergis is pursuing its U.S. expansion and Teleglobe announced a major North American network build-out."

Net earnings applicable to common shares were $962 million in the first quarter of 2001 while cash baseline earnings applicable to common shares were $302 million. Baseline adjustments for the quarter were $660 million and included an after-tax gain of $2.9 billion on the sale of Nortel Networks shares and the settlement of forward contracts relating to these shares; a write down of $2.0 billion of goodwill and other assets in Excel Communications group; an after-tax charge of $114 million ($143 million at Bell Canada) principally relating to restructuring at Bell Canada; and other net charges totaling $78 million including goodwill expense, results of BCI and other net gains.

Outlook

With the change in global market conditions, Teleglobe is revising its build out strategy to take advantage of price reductions and available capacity. As a result, the cost of the GlobeSystem build out is now expected to decline approximately 30% from $7B (US$5B) to $5.3B (US$3.4B). For 2001, capital expenditures will be reduced from $3.1B (US$2B) to $2.2B (US $1.4B).

Due to market uncertainty, compounded by the slowing of the data market, Teleglobe is revising its year- end EBITDA estimates and now anticipates EBITDA to be between $140M (US $90M) and $170M (US $110M).

Notwithstanding the lowered estimates for Teleglobe, BCE's overall guidance for the year remains unchanged and management believes it is on track to meet the lower end of its guidance.

For the second quarter, BCE expects revenue in the $5.6B to $6B range; EBITDA in the $1.8B to $2.0B range and cash baseline earnings per share in the $0.36 to $0.39 range.

Results by Business Group (unaudited)

BCE's activities are organized around five business groups: Bell Canada (Canadian connectivity), Bell Globemedia (content), Teleglobe (global connectivity), BCE Emergis (commerce) and BCE Ventures (other investments).

($ millions, except per share amounts)

For the period ended March 31	First Quarter 2001	First Quarter 2000
Revenue		
Bell Canada [1]	**4,107**	3,686
Bell Globemedia [1]	**306**	276
Teleglobe [1]	**506**	501
BCE Emergis	**143**	73
BCE Ventures [1]	**658**	901
Corporate, Intercompany eliminations, and Other	**(214)**	(251)
Total revenue	**5,506**	5,186
Cash baseline earnings [2]		
Bell Canada [1]	**272**	244
Bell Globemedia [1]	**3**	(3)
Teleglobe [1,3]	**(3)**	(23)
BCE Emergis	**6**	(3)
BCE Ventures [1]	**–**	15
Corporate, Intercompany eliminations, and Other	**24**	4
Cash baseline earnings applicable to common shares	**302**	234
Cash baseline earnings per common share	**0.37**	0.29

(1) Proforma results for the first quarter of 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.

First Quarter Review (Q1 2001 vs Q1 2000, unless indicated)

Bell Canada (Canadian Connectivity)

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

Bell Canada

- Operating revenue was up 11% to $4.1 billion in the first quarter due mainly to strong growth in data, driven by IP/Broadband revenue, and increased revenue from wireless services, SmartTouch features and DTH (Bell ExpressVu) services. Local and access services revenues were essentially flat at $1.5 billion. Long distance services revenue decreased by 3% to $696 million. Data revenue increased 31% to $810 million.
- Wireless revenue was up 23% to $409 million due primarily to strong growth in new activations. There were 114,000 net additions in the quarter, a 133% increase over the same period last year. Furthermore, Bell is leading the market with the lowest churn in the industry.
- Bell ExpressVu had revenue of $109 million in the quarter. Subscribers increased by 74,000, a 10% increase over the previous quarter. Bell ExpressVu has 58% of the DTH market in Canada.
- Total cash operating expenses were up 15% to $2.5 billion due mainly to increased expenses associated with increased revenue.
- Bell's EBITDA grew 7% in the first quarter to $1.6 billion. Excluding Bell ExpressVu, EBITDA grew 8% to $1.7 billion.

Bell Canada reported statutory revenue of $3.4 billion in the first quarter. Statutory net earnings applicable to common shares were $645 million for the same period and included earnings from one-time items of $262 million.

Bell Globemedia (Content)

Bell Globemedia includes CTV, The Globe and Mail, Sympatico-Lycos and Globe Interactive.

- Bell Globemedia revenue was up 11% to $306 million in the first quarter. Advertising revenue was up 12% in the quarter to $221 million. Subscriber revenue was $65 million, up 10% from the first quarter of last year. Production revenue in the quarter reached $20 million, up 5% compared to the same period last year.
- Television represented 74% of the total revenue while print and new media represented 22% and 4% respectively.
- Cash operating expenses were $276 million compared with $248 million in the first quarter of 2000.
- EBITDA was $30 million in the first quarter, up 7% compared with the same period last year.

Teleglobe (Global Connectivity)

Teleglobe represents the Teleglobe Communications group.

- Teleglobe contributed revenue of $506 million to BCE in the quarter compared with $501 million in the first quarter of last year.
- Data and hosting revenue reached $153 million, a 43% increase compared with the first quarter of 2000 and a 3% decrease over the previous quarter.
- Voice revenue was $353 million, a 10% decrease compared with the first quarter of 2000 and 1% increase from the previous quarter.
- Cash operating expenses of $477 million in the quarter were decreased by 2% compared to the first quarter of 2000.
- EBITDA was $29 million in the first quarter compared with $10 million in the same period last year and flat at $28 million compared with the previous quarter.
- Teleglobe completed a US$150M agreement with Telecom Italia for data, voice and hosting services in Latin America and Europe.

BCE Emergis (Commerce)

- BCE Emergis' revenue reached $143 million in the quarter, up 96% compared with the same period in 2000 mainly due to the acquisition of BCE Emergis Corporation (formerly UP & UP) in March 2000.
- EBITDA grew to $26 million at the end of the first quarter compared with $5 million for the same period in 2000.
- BCE Emergis' revenue from its U.S. operations now represents 39% of total revenue compared with 8% in the first quarter of last year.

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

- BCE Ventures' revenue was $658 million in the quarter compared with $901 million in the same period of 2000. The decrease is primarily attributable to lower revenue at Excel.
- EBITDA was $64 million in the quarter compared with $135 million in the first quarter of last year.

Other

Teleglobe Inc. reported statutory revenue of US $532 million in the first quarter. Statutory net loss applicable to common shares for the same period was US $1.4 billion and included an impairment charge of US $1.3 billion relative to its interest in the Excel Communications group.

BCE is Canada's largest communications company. It has more than 21 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 and other information 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 5 to 32 of this 2001 First Quarter Shareholder Report. The forward-looking statements contained in the preceding press release represent BCE Inc.'s expectations as of April 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 second quarter 2001 results will be announced on July 25, 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-July, 2001.

May 22, 2001

This management's discussion and analysis of financial condition and results of operations (MD&A) for the first quarter of the year 2001 focuses on the results of operations and financial situation of BCE Inc. and its subsidiaries and 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 for the first quarter of 2001 contained on pages 33 to 39.

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 22 to 32 under "FORWARD-LOOKING STATEMENTS".

Highlights

In April 2001, Telecom Américas Ltd. (Telecom Américas), a joint venture of Bell Canada International Inc. (BCI) (BCI holds a 44.3% interest in Telecom Américas) announced that it had closed a previously announced agreement to acquire, for a total consideration of US $950 million, a 100% economic interest in Tess S.A. (Tess), one of the two B Band cellular operators in the Brazilian state of São Paulo. Under the terms of the agreement, and in accordance with the regulations governing ownership of B-Band licenses, certain voting rights remain with the vendors. As at March 31, 2001, Tess served approximately 960,000 subscribers. Subsequent to the closing of the transaction, Telecom Américas announced that it had granted a six-month option to BellSouth International Inc. to acquire 50% of its stake in Tess. Telecom Américas intends to account for its interest in Tess using the consolidation method of accounting.

On April 3, 2001, BCE Inc. created a $70 million fund to accelerate the development of convergence initiatives that leverage the content, connectivity and commerce strengths of the BCE companies. The $70 million innovation program will draw upon the creative ingenuity of BCE's various development teams, and enable them to effectively pool their ideas and resources to the benefit of consumers and business customers.

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 Corporation (Nortel Networks) common shares as well as the sale of an equivalent number of Nortel Networks common shares. These transactions resulted in total proceeds of approximately $4.4 billion, 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. BCE continues to hold approximately 12 million Nortel Networks common shares of which six million have been reserved to hedge BCE's exposure to special compensation payments, relating to Nortel Network common shares, which were granted to employees under the company's stock option plans prior to 2000.

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.

During the quarter, 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. Goodwill is being amortized on a straight-line basis over 20 years. 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.

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 a wholly-owned interest in CTV Inc. (CTV), The Globe and Mail, and Globe Interactive, and a 70.9% interest in 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.

Results by Operating Group – Actual

($ millions, except per share amounts) For the three months ended March 31		Actual 2001	Actual 2000 [1]	Increase (Decrease)
OPERATING REVENUES				
Bell Canada		**4,107**	3,686	421
Bell Globemedia [2]		**306**	2	304
Teleglobe [3]		**506**	–	506
BCE Emergis		**143**	73	70
Corporate and Other (including intercompany eliminations)		**(163)**	(128)	(35)
Total core revenues		**4,899**	3,633	1,266
BCE Ventures		**658**	369	289
Non-core intercompany eliminations		**(51)**	(25)	(26)
Total revenues		**5,506**	3,977	1,529
CONTRIBUTION TO NET EARNINGS APPLICABLE TO COMMON SHARES				
Bell Canada	– Operations	**272**	244	28
	– Special items	**(77)**	(14)	(63)
		195	230	(35)
Bell Globemedia [2]	– Operations	**3**	–	3
	– Special items	**(36)**	–	(36)
		(33)	–	(33)
Teleglobe [3, 4]	– Operations	**(3)**	1	(4)
	– Special items	**(111)**	(13)	(98)
		(114)	(12)	(102)
BCE Emergis	– Operations	**6**	(3)	9
	– Special items	**(97)**	(25)	(72)
		(91)	(28)	(63)
BCE Ventures	– Operations	**–**	15	(15)
	– Special items	**(2,143)**	(138)	(2,005)
		(2,143)	(123)	(2,020)
Corporate and Other (including intercompany eliminations)				
	– Operations	**42**	50	(8)
	– Special items	**2,841**	59	2,782
		2,883	109	2,774
Earnings from continuing operations		**697**	176	521
Discontinued operations		**283**	3,996	(3,713)
Net earnings		**980**	4,172	(3,192)
Dividends on preferred shares		**(18)**	(23)	5
Net earnings applicable to common shares		**962**	4,149	(3,187)
Special items [5]		**(660)**	(3,865)	3,205
Cash baseline earnings		**302**	284	18
EARNINGS PER COMMON SHARE – BASIC				
Continuing operations		**0.84**	0.24	0.60
Net earnings		**1.19**	6.44	(5.25)
Cash baseline earnings		**0.37**	0.44	(0.07)

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

(2) In the first quarter of 2001, the Bell Globemedia segment includes the results of CTV, The Globe and Mail, Globe Interactive and Sympatico-Lycos.

(3) In the first quarter of 2001, the Teleglobe segment consists of the results of the Teleglobe Communications group (Teleglobe). In addition, the results in the first quarter of 2000 reflect Bell Canada's 23% equity in net earnings in 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 the first quarter of 2000, however, corporate expenses are fully reflected in the Teleglobe segment.

(5) Special items include (on an after tax basis) BCE's share of: net gains on disposal of investments; results of 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.

OVERVIEW

BCE's cash baseline earnings (net earnings applicable to common shares, excluding special items) were $302 million in the first quarter of 2001, an increase of $18 million, or 6%, compared to cash baseline earnings of $284 million in the first quarter of 2000. The improved results primarily reflect:

- an increase of $28 million from the Bell Canada segment due mainly to a higher EBITDA (earnings before interest expense, income taxes, depreciation and amortization, and excluding net benefits plan credit and restructuring and other charges);
- improved results of $9 million from BCE Emergis Inc. (BCE Emergis), mainly due to the acquisition of BCE Emergis Corporation (formerly United Payors and United Providers, Inc.) (UP&UP) in March 2000;
- a $3 million contribution from Bell Globemedia;

partially offset by:

- a decrease of $4 million from Teleglobe, which was consolidated effective November 1, 2000; and
- a decrease of $15 million in the contribution from BCE Ventures, due to the inclusion of the negative results from Excel, reduced in part by an increase from Telesat Canada (Telesat).

BCE's net earnings applicable to common shares were $962 million in the first quarter of 2001, compared with net earnings applicable to common shares of $4,149 million in the first quarter of 2000. Included in BCE's net earnings in the first quarter of 2001 were special items of $660 million compared with special items of $3,865 million in the first quarter of 2000.

SPECIAL ITEMS

Special items in the first quarter of 2001 related mainly to the following:

- a gain of $2,901 million on the sale of 47.9 million Nortel Networks common shares and the settlement of short-term forward contracts on those shares;
- BCE's share of BCI's net earnings of $151 million; and
- gains on reduction of ownership in subsidiary and significantly influenced companies of $64 million, resulting from a $33 million gain from the transfer, by BCE Inc. to Bell Globemedia, of its 71% interest in Sympatico-Lycos and a $31 million dilution gain from the reduction of BCE's ownership interest in CGI Group Inc. (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 after completion of an assessment of the carrying value of BCE's investment in Excel;
- goodwill expense of $253 million;
- restructuring and other charges of $114 million, recorded by Bell Canada, resulting primarily from a decision to streamline support functions as well as the write-off of certain assets; and
- BCE's $60 million share of Teleglobe Inc.'s asset write-downs and one-time charges, resulting from the finalization of the purchase price allocation relating to BCE's acquisition of Teleglobe Inc. in November 2000 and Teleglobe Inc.'s December 31, 2000 year-end financial statements.

Special items in the first quarter of 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. 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 $131 million;
- goodwill expense of $48 million; and
- losses from discontinued operations in Teleglobe Inc.'s investment in ORBCOMM Global L.P. (ORBCOMM) of $6 million. On September 15, 2000, ORBCOMM voluntarily filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. Consequently, BCE's results reflect a write-down relating to its proportionate interest in ORBCOMM as a discontinued operation.

CONSOLIDATED REVENUES

In the first quarter of 2001, BCE reported total revenues of $5,506 million, an increase of $1,529 million, or 38%, over total revenues of $3,977 million in the first quarter of 2000. The increase was mainly due to the inclusion of the results of Bell Globemedia, Teleglobe and Excel in the first quarter of 2001, as well as improved results from the Bell Canada and BCE Ventures segments.

CONSOLIDATED EBITDA

Consolidated EBITDA amounted to $1,750 million in the first quarter of 2001, compared to the $1,588 million achieved in the first quarter of 2000. The $162 million increase was attributable to the inclusion of the results of Bell Globemedia, Teleglobe and Excel in the first quarter of 2001, as well as improved results from the Bell Canada and BCE Emergis segments, partially offset by a lower contribution from BCE Ventures, mainly due to BCI.

Results by Operating Group – Pro-forma

For improved comparability, the following table presents the 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) For the three months ended March 31	**Actual 2001**	Pro-forma 2000	Increase (Decrease)
OPERATING REVENUES			
Bell Canada	**4,107**	3,686	421
Bell Globemedia	**306**	276	30
Teleglobe	**506**	501	5
BCE Emergis	**143**	73	70
Corporate and Other (including intercompany eliminations)	**(163)**	(177)	14
Total core revenues	**4,899**	4,359	540
BCE Ventures	**658**	901	(243)
Non-core intercompany eliminations	**(51)**	(74)	23
Total revenues	**5,506**	5,186	320
CONTRIBUTION TO CASH BASELINE EARNINGS APPLICABLE TO COMMON SHARES			
Bell Canada	**272**	244	28
Bell Globemedia	**3**	(3)	6
Teleglobe (1)	**(3)**	(23)	20
BCE Emergis	**6**	(3)	9
Corporate and Other (including intercompany eliminations)	**39**	31	8
Dividends on preferred shares	**(18)**	(23)	5
Total core cash baseline earnings applicable to common shares	**299**	223	76
BCE Ventures	**–**	15	(15)
Non-core intercompany eliminations	**3**	(4)	7
Total cash baseline earnings applicable to common shares	**302**	234	68
PER COMMON SHARE			
Cash baseline earnings	**0.37**	0.29	0.08

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

OVERVIEW

BCE's cash baseline earnings were $302 million in the first quarter of 2001, an increase of $68 million, or 29%, compared to the pro-forma cash baseline earnings of $234 million in the first quarter of 2000. The improved results reflect primarily:

- an increase of $28 million from the Bell Canada segment, due mainly to higher EBITDA;
- improved results of $20 million from Teleglobe, due mainly to higher EBITDA and lower corporate expenses; and
- an increased contribution of $20 million from Corporate and Other;

partially offset by:

- a decrease of $15 million in the contribution from BCE Ventures, due mainly to lower results from Excel, partially offset by an increased contribution from Telesat and other investments.

CONSOLIDATED REVENUES

In the first quarter of 2001, BCE reported total revenues of $5,506 million, an increase of $320 million, or 6%, over total pro-forma revenues of $5,186 million in the first quarter of 2000. The increase reflected continued revenue growth from the Bell Canada segment, which reported an increase of $421 million, or 11%, as well as from Bell Globemedia and BCE Emergis (due to the acquisition of UP&UP in March 2000), partially offset by lower revenues from BCE Ventures, which is mainly explained by lower revenues from BCI and Excel.

CONSOLIDATED EBITDA

Consolidated EBITDA amounted to $1,750 million in the first quarter of 2001, compared to a pro-forma EBITDA of $1,683 million in the first quarter of 2000. This $67 million improvement was attributable to higher EBITDA from the Bell Canada segment, BCE Emergis and Teleglobe, partially offset by lower EBITDA from BCE Ventures, mainly from Excel and BCI.

BELL CANADA SEGMENT

This segment provides an integrated platform of substantially domestic telecommunications services including voice, data, wireline, 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 consolidated subsidiaries (including Bell Mobility Inc. (Bell Mobility), BCE Nexxia Inc. (carrying on business in Canada under the name Bell Nexxia), Bell ActiMedia Inc. (Bell ActiMedia), Northern Telephone Limited, Northwestel Inc. and Télébec ltée), and also its investments in significantly influenced companies, 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 segment includes the consolidation of Aliant Inc. (Aliant) (approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.) as well as BCE Inc.'s 100% interest in Bell ExpressVu Limited Partnership (Bell ExpressVu).

Overview

On April 30, 2001, Bell Canada announced that it finalized an equity agreement with BigVine.com, Inc. (BigVine) concerning Bell Zinc Corporation (Bell Zinc) which operates the business-to-business Web portal BellZinc.ca. As a result of this agreement, Bell Canada and BigVine now own an 88% and 12% interest, respectively, in Bell Zinc. BellZinc.ca provides small and medium-sized enterprises with access to a wide variety of Web-based content, tools and applications. Big Vine LLC, a subsidiary of BigVine, carrying on business under the name AllBusiness, has, as part of this transaction, licensed certain content to Bell Zinc.

Analysis and Discussion of Bell Canada Segment's Results

Bell Canada Segment Results For the three months ended March 31 ($ millions)	**Actual** **2001**	Actual 2000	% change
Revenues	**4,107**	3,686	11
EBITDA	**1,635**	1,529	7
Cash baseline earnings	**272**	244	11

The Bell Canada segment's contribution to BCE's cash baseline earnings increased by $28 million, or 11%, for the first quarter of 2001 compared to the same period last year mainly due to higher EBITDA, partially offset by higher depreciation and interest expense.

Operating revenues

For the three months ended March 31 ($ millions)	**2001**	2000 (1)	% change
Total operating revenues			
Local and access	**1,481**	1,463	1
Long distance	**696**	715	(3)
Wireless	**409**	334	22
Data	**810**	617	31
DTH	**109**	58	88
Terminal sales, directory advertising and other	**602**	499	21
Total	**4,107**	3,686	11

(1) Revenues for the first quarter of 2000 have been restated to primarily reflect the new data revenue line item.

Local and access

At March 31	**2001**	2000	% change
Number of network access services (1) (thousands)			
Residential	**8,652**	8,581	1
Business	**4,723**	4,609	2
Total	**13,375**	13,190	1
Local market share (Bell Canada territory only) (2)	**96.8%**	98.2%	n.m.

(1) Network access services represent, approximately, the number of lines in service.

(2) Operating territory in Quebec and Ontario.

n.m.: not meaningful

Local and access revenues increased by $18 million for the first quarter of 2001 compared with the first quarter of 2000 mainly due to higher **SmartTouch**™ services revenues and growth in network access services, partially offset by lower consumer terminal sales. The growth in SmartTouch services revenues of 11% was positively impacted by the increased penetration of these services combined with higher average monthly revenues per customer. Higher growth in SmartTouch revenues is anticipated in the second quarter of 2001, due to the approval by the Canadian Radio-television and Telecommunications Commission (CRTC) of previously denied rate increases (refer to "Regulatory Decisions"). The increase in network access services in the first quarter of 2001 was mainly due to business line growth of 2% compared to March 31, 2000.

Long distance

For the three months ended March 31 (except where otherwise noted)	**2001**	2000	% change
Conversation minutes (millions)	**4,498**	4,428	2
Market share (% based on minutes) (Bell Canada territory only) (1)	**60.7%**	61.6%	n.m.

(1) Operating territory in Quebec and Ontario at March 31.

n.m.: not meaningful

Long distance revenues decreased by $19 million for the first quarter of 2001 compared with the first quarter of 2000, mainly due to decreases in both long distance voice revenues, primarily in the consumer market, and settlement payments. The decrease in long distance voice revenues reflected a 3% decrease in average long distance revenue per minute mainly due to competitive pricing pressures, partially offset by an increase in long distance services volumes, as measured in conversation minutes, of 70 million. 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. The decrease in long distance settlement payments resulted primarily from lower settlement rates across all streams and the impact of competition erosion and repricing.

Wireless

For the three months ended March 31 (except where otherwise noted)	**2001**	2000	% change
Cellular and PCS net activations (thousands)			
Prepaid	**58**	50	16
Postpaid	**56**	(1)	n.m.
Total	**114**	49	133
Total cellular and PCS subscribers (1) (thousands)			
Prepaid	**775**	568	36
Postpaid	**2,109**	1,656	27
Total	**2,884**	2,224	30
Average revenue per subscriber ($/month)			
Prepaid	**13**	13	–
Postpaid	**56**	55	2
Total	**44**	44	–
Average postpaid churn rate	**1.3%**	2.0%	n.m.

(1) At March 31.

n.m.: not meaningful

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

The increase in wireless revenues of $75 million, or 23%, for the first quarter of 2001 compared with the same period last year was primarily driven by a 30% growth in the cellular and PCS subscriber base. Postpaid activations represented 49% of total net activations in the first quarter of 2001, while for the same period last year all net activations were prepaid. Postpaid churn of 1.3% for the first quarter of 2001 improved over the 2% rate for the same period last year mainly due to improved customer service.

Average revenue per cellular and PCS subscriber of $44 per month was essentially flat compared with the same period last year, primarily due to the positive impact from an emphasis on high value customers such as those participating in the Small Business Rate Plan, partially offset by competitive pressures. In the case of Bell Mobility, this is the first time since 1993 that first quarter average revenue per subscriber has not declined year-over-year.

Data

At March 31	**2001**	2000	% change
Internet subscribers (thousands)			
High-speed (1)	**466**	92	407
Dial-up (2)	**1,052**	722	46
Total	**1,518**	814	86

(1) High-speed Internet subscribers include consumer, business and wholesale subscribers.

(2) Dial-up subscribers include consumer and business subscribers.

Data revenues increased by $193 million or 31% to $810 million for the first quarter of 2001 compared with the same period last year. The increase in data revenues was primarily due to growth in the provision of IP/Broadband and business-to-business (B2B), competitive network, and Internet related services, as well as increased sales of inter-networking equipment and cabling.

Contributing to the increase in Internet related revenues was the significant growth in Internet subscribers. Bell Canada's consumer high-speed market share in Ontario and Quebec grew to approximately 38% at March 31, 2001 compared with 16% at March 31, 2000.

DTH

For the three months ended March 31 (except where otherwise noted)	**2001**	2000	% change
Total DTH subscribers (1) (thousands)	**796**	469	70
Net DTH subscriber activations (thousands)	**74**	53	40
Average revenue per subscriber ($)	**47**	46	2

(1) At March 31.

The $51 million, or 88%, increase in DTH revenues for the first quarter of 2001 compared to the same period last year, was primarily driven by significant growth in the subscriber base and higher average revenue per subscriber. The increase in average revenue per subscriber from $46 for the first quarter of 2000 to $47 for the first quarter of 2001, was mainly attributable to the growth in Pay-Per-View revenues per subscriber.

Terminal sales, directory advertising and other

Terminal sales, directory advertising and other revenues increased by $103 million for the first quarter of 2001 compared with the first quarter of 2000, principally due to the impact of various acquisitions completed by Aliant's remote communications company (Stratos Global Corporation (Stratos)) during 2000 and higher sales in information technology, partially offset by lower directory advertising revenues. Business terminal equipment sales were essentially flat compared to the same period last year.

Operating expenses

For the three months ended March 31 ($ millions)	**2001**	2000	% change
Total operating expenses			
Cash operating expenses	**2,472**	2,157	15
Net benefit plans credit	**(35)**	(29)	(21)
Depreciation and amortization	**717**	670	7
Restructuring and other charges	**239**	–	n.m.
Total	**3,393**	2,798	21

n.m.: not meaningful

Cash operating expenses

Cash operating expenses increased by $315 million for the first quarter of 2001 compared with the first quarter of 2000, principally due to higher costs associated with volume increases related mainly to the provision of Internet, IP/Broadband, DTH and wireless services as well as the impact of the various acquisitions completed by Stratos during 2000, partially offset by lower long distance settlement payments. Also contributing to the increase in cash operating expenses was the negative impact of the CRTC contribution decision, effective January 1, 2001, which changed the contribution regime for local service subsidies in high cost areas from a company specific long distance per minute charge to a nationally averaged surcharge of 4.5% on all Canadian telecommunications revenues (refer to "Regulatory Decisions").

EBITDA

EBITDA for the Bell Canada segment was $1,635 million for the first quarter of 2001 representing an increase of $106 million compared with the first quarter of 2000. This increase was primarily due to a $122 million increase from Bell Canada including Aliant, partially offset by higher losses of $16 million from Bell ExpressVu. Overall, the higher operating revenues more than offset the higher cash operating expenses associated with the revenue growth. The higher losses from Bell ExpressVu resulted primarily from higher subscriber acquisition costs in response to growth and competition.

Depreciation and amortization

Depreciation and amortization expense of $717 million for the first quarter of 2001 increased by $47 million compared with the first quarter of 2000, primarily due to higher plant in-service and the impact of the various acquisitions made by Aliant during 2000, partially offset by the impact of lower depreciation rates (effective January 2001) for certain central office equipment asset categories.

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 from a decision to streamline support functions. The restructuring program is expected to be substantially completed by mid 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.

Interest expense

Interest expense of $277 million for the first quarter of 2001 increased by $26 million compared with the first quarter of 2000, due to higher average debt levels in 2001. The higher average debt levels for the first quarter of 2001 was primarily attributable to the issuance by Bell Canada of $900 million of MTN debentures in the first quarter of 2001, as well as higher debt levels at Aliant due to the various acquisitions completed by Aliant's remote communications company during 2000.

Other income (expense)

Other income of $394 million for the first quarter of 2001 increased by $402 million compared with the first quarter of 2000 primarily due to the gains on disposal of investments recognized in the first quarter of 2001. On January 9, 2001, Bell Canada sold, through its subsidiary Bell ActiMedia, its 71% interest in Sympatico-Lycos, a Canadian Web communications, commerce and media company which operates a business to-consumer portal, to BCE Inc. for total cash proceeds of $425 million, resulting in a gain of $373 million. At the BCE level, this gain was substantially eliminated, resulting in a gain on the reduction of ownership in a subsidiary company of $33 million on the transfer of Sympatico–Lycos to Bell Globemedia. The proceeds from this transaction were used by Bell Canada to repay a portion of the equity-settled notes due to BCH, while BCH used these funds to repay intercompany debt due to BCE. Additionally, in the first quarter of 2001, Bell ActiMedia sold its interest in Telecom Directories Limited of Hong Kong for total proceeds of $63 million, resulting in a gain of $37 million.

Regulatory Decisions

On April 27, 2001, the CRTC issued Decision 2001-238, revising the unbundled local loop rates that competitive local exchange carriers (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 condition. 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 April 9, 2001, the CRTC 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 with the intent to ensure adequate levels of service quality. Various new indicators were also created to specifically measure the quality of service provided to CLECs in order to foster local competition as some competitors are dependent on the incumbent local exchange carriers (ILECs) for their ability to compete. Bell Canada objected to a proposed increase in the standard to be used for measuring access to its business office and repair bureau. This change is viewed by Bell Canada as being totally unwarranted as the number of complaints in this regard are on a significant decline and as it would give rise to considerable costs to implement and maintain.

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 anticipated overall net negative impact of approximately $70 million on BCE Inc.'s and its subsidiaries' EBITDA in 2001, takes into account these revenue increases.

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 found 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 found that Bell Mobility's request would have amounted to giving wireless services preferential treatment, which is neither technologically neutral nor competitively equitable.

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 CTV, The Globe and Mail, Globe Interactive, Sympatico-Lycos (Sympatico-Lycos commenced its operations in May 2000) and other media interests. BCE Inc. owns 70.1% of Bell Globemedia, while 20% is held by The Thomson Corporation (Thomson) and 9.9% is held by The Woodbridge Company Limited (Woodbridge).

Overview

On April 17, 2001, CTV announced an agreement to purchase a 70% interest in CF Television Inc. (CFCF), an English-language television station in Montreal, Quebec, for approximately $90 million. On May 16, 2001, an affiliate of the Caisse de Dépôt et Placement du Québec indicated that it would exercise its contractual rights to sell to CTV its 30% interest in CFCF at the same price and on the same terms and conditions as the sale of the 70% interest to CTV.

Also on April 18, 2001, Thomson entered into an agreement to acquire the remaining 50% interest in Report On Business Tv (ROBTv) that it did not already hold for approximately $30 million. Thomson will subsequently transfer its 100% interest in ROBTv to Bell Globemedia Publishing Inc. (a wholly-owned subsidiary of Bell Globemedia) pursuant to a previous agreement.

On April 12, 2001, CTV announced an agreement to purchase CKY-TV, the CTV-affiliated television station broadcasting throughout the province of Manitoba, for approximately $37 million.

The closing of the above-mentioned three transactions is subject to certain legal and other conditions, including approval by the CRTC.

Analysis and Discussion of Bell Globemedia's Results

Bell Globemedia Results For the three months ended March 31 ($ millions)	**Actual 2001**	Pro-forma 2000	% change
Revenues			
Advertising	**221**	198	12
Subscribers	**65**	59	10
Production and Sundry	**20**	19	5
Total revenues	**306**	276	11
EBITDA	**30**	28	7
Cash baseline earnings	**3**	(3)	2

Revenues

Revenues for the Bell Globemedia segment amounted to $306 million in the first quarter of 2001, an increase of $30 million, or 11%, compared to pro-forma revenues of $276 million in the first quarter of 2000. This increase was primarily due to a strong growth in advertising sales from the television operations, which benefited from improved ratings, as ratings have a direct impact on rates charged for advertising minutes. A significant increase in the number of unique visitors and pageviews in the Internet operations also contributed to the increase in advertising sales.

The increase in the number of unique visitors and pageviews from in the first quarter of 2001 compared to the first quarter of 2000 was mainly explained by the contribution from the Sympatico-Lycos portals. Sympatico-Lycos pageviews were 518 million in the first quarter of 2001, with 7.3 million unique visitors per month. Globe Interactive pageviews increased by 109% to 335 million in the first quarter of 2001 compared to the first quarter of 2000. There were approximately one million Globe Interactive unique visitors per month in the first quarter of 2000.

EBITDA

The segment's EBITDA amounted to $30 million in the first quarter of 2001, an increase of $2 million, or 7%, compared to a pro-forma EBITDA of $28 million in the first quarter of 2000. The increase was mainly attributable to the growth in revenues, reduced in part by the negative contribution from Sympatico-Lycos, which is still in the early stage of its development.

Cash baseline earnings

Cash baseline earnings were $3 million in the first quarter of 2001, compared to a cash baseline loss of $3 million, on a pro-forma basis, in the first quarter of 2000. The increase was attributable to EBITDA growth and a 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 Internet connectivity, high-speed data transmission, broadband, broadcast, voice and other value-added services on a wholesale and retail basis. In the first quarter of 2001, Teleglobe continued the deployment of the **GlobeSystem**™ network, a globally integrated Internet, data, video and voice network.

Overview

On May 21, 2001, Teleglobe announced the formation of a partnership with AppGenesys, Inc. to supplement and reinforce Teleglobe's existing hosting services and significantly enhance web site performance for Teleglobe's hosting customers. Under the partnership, Teleglobe will offer, through its Internet Data Centres (IDC), stress testing and capacity planning. Contrary to the current industry standard, where stress testing and capacity planning are offered as separate and distinct services apart from the IDC environment, Teleglobe will offer the service as part of its suite of application hosting services.

On April 25, 2001, Teleglobe decided, as a result of the change in global market conditions, to revise its build out strategy to take advantage of price reductions and available capacity. As a result, the cost of the GlobeSystem network build out is now expected to decline by approximately 30%, from $7 billion (US $5 billion) to $5.3 billion (US $3.4 billion). For 2001, capital expenditures are expected to be reduced from $3.1 billion (US $2 billion) to $2.2 billion (US $1.4 billion). Due to market uncertainty, compounded by the slowing in the data market, Teleglobe revised its year-end EBITDA (earnings before interest expense, income taxes, depreciation and amortization, and excluding restructuring and other charges) estimates and now anticipates EBITDA to be between $140 million (US $90 million) and $170 million (US $110 million). However, and as indicated in more detail on page 22 under "FORWARD-LOOKING STATEMENTS", BCE Inc. and Teleglobe disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

On April 19, 2001, Teleglobe announced a global alliance with Sun Microsystems, Inc. (Sun Microsystems), a leader in Internet computing, to accelerate Teleglobe's implementation and marketing of next-generation web and application hosting centers and new e-business services. Sun Microsystems will work to expand the breadth of Teleglobe's hosting and content delivery offerings, creating joint business development plans as well as providing priority lead referrals, sales support training and other joint marketing initiatives. In 2001, Teleglobe intends to bring online next-generation data centers in five major cities worldwide, which are expected to offer customers dedicated and managed application hosting as well as colocation services.

On March 21, 2001, Teleglobe announced that it has signed a three-year lease of C-band transponders on Telesat's **Anik**™ F1 satellite, expanding Teleglobe's capacity to carry Internet content between North America and Latin America, as well as delivering Internet caching and streaming media services to Latin American Internet Service Providers (ISPs).

On March 6, 2001, Teleglobe announced the conclusion of a definitive agreement to provide Telecom Italia S.p.A. (Telecom Italia) with a comprehensive array of broadband services for an estimated value of $150 million. Teleglobe will also provide Telecom Italia with colocation hosting services at the Teleglobe facilities in New York, New Jersey and Florida. Under the terms of the agreement, Teleglobe will acquire from Telecom Italia network facilities and enter into operating and maintenance service agreements.

In 2001, Teleglobe has modified its strategy of the hosting and content delivery business. Teleglobe's strategy is "fewer and larger" centers to better control the build out and take advantage of efficiencies. Hosting centers are expected to be opened in Washington D.C. and Miami in the second and third quarters, respectively. The service focus is expected to be on dedicated, rich media and applications hosting; caching; streaming; and broadcast or higher margin recurring services with low customer churn.

Analysis and Discussion of Teleglobe's Results

Teleglobe Results For the three months ended March 31 ($ millions)	**Actual** **2001**	Pro-forma 2000	% change
Revenues			
Voice	**353**	394	(10)
Data	**153**	107	43
Total revenues	**506**	501	1
EBITDA	**29**	10	190
Cash baseline earnings (1)	**(3)**	(23)	87

(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.

Revenues

Revenues for the Teleglobe segment amounted to $506 million in the first quarter of 2001, an increase of $5 million, or 1%, compared to revenues of $501 million in the first quarter of 2000. This increase was primarily due to higher data revenues partially offset by continued competitive pressures on voice traffic rates.

Voice revenues were $353 million in the first quarter of 2001 compared to $394 million in the first quarter of 2000. The decrease of $41 million, or 10%, was due to the price declines for all originating traffic resulting from continued 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. Total voice minutes carried on Teleglobe's network in the first quarter of 2001 were 1,669 million minutes compared to 1,584 million minutes in the first quarter of 2000. Per-minute prices for long distance voice traffic have declined due to many factors including increased competitive pressures, the deployment of lower-cost transmission facilities by certain competitors and industry consolidation, which is resulting in the creation of large carriers that can provide end-to-end connectivity on a regional, national and intercontinental basis.

Data revenues amounted to $153 million in the first quarter of 2001, which represents an increase of $46 million, or 43%, compared to $107 million in the first quarter of 2000. This increase was driven largely by higher sales of Internet connectivity. Teleglobe now offers its customers a more extensive portfolio including IP-VPN, selective routing, usage-based services and managed wavelength services.

EBITDA

Teleglobe's EBITDA amounted to $29 million in the first quarter of 2001, an increase of $19 million from an EBITDA of $10 million in the first quarter of 2000. The increase was mainly attributable to the increase in revenues and a reduction in operating expenses.

Operating expenses, consisting of telecommunications and network expenses (which include carrier charges) and selling, general and administrative expenses, amounted to $477 million in the first quarter of 2001, a decrease of $19 million, or 4%, from the first quarter of 2000. The decrease was mainly due to lower carrier charges and selling, general and administrative expenses, partially offset by higher network expenses. Carrier charges, representing the costs of terminating traffic using other carriers' facilities, decreased in the first quarter of 2001 due to a continued reduction in the per minute cost of carrying traffic. The increase in network fixed costs in the first quarter of 2001 was due to additional access costs associated with the growth in Internet revenues and new Points of Presence (POPs). In the first quarter of 2001, network expenses increased primarily due to short-term leased capacity allowing Teleglobe to grow with the volume of business generated by the Internet and broadband services. The slight decrease in selling, general and administrative expenses was due to the rationalization and optimization of resources despite the marketing and staffing costs for the opening of new sales offices and POPs.

GlobeSystem Deployment

Compared to December 31, 2000, fibre capacity (measured in lambda route miles) increased by 10,062 miles, to reach 15,915 miles at March 31, 2001. There were 30 full service POPs at March 31, 2001 compared to 29 full service POPs at December 31, 2000.

BCE EMERGIS

This segment represents BCE Emergis, a 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, Canada, U.S.A. and eHealth Solutions Group. BCE Inc. owns approximately 66% of BCE Emergis, with the remaining common shares being publicly held.

Overview

On May 14, 2001, BCE Emergis signed a five-year, multi-million dollar agreement with Clarus Corporation (Clarus), a leader in business to business (B2B) e-commerce, mainly providing Internet purchasing software. This agreement will allow Clarus to incorporate BCE Emergis' electronic invoicing as well as its document exchange product into its B2B platform solution packages. BCE Emergis will add Clarus' full suite of sourcing and procurement platforms to its e-commerce solution suite. Both companies will jointly market and sell to the North American mid-sized enterprise market.

On April 2, 2001, BCE Emergis and Clarica Life Insurance Company announced the creation of a unique and integrated health and dental claims exchange that will offer complete claims processing of benefits over the Internet. BCE Emergis has designed and will develop, build, operate and own the Web-enabled systems that will process the health and dental claims for group insurance benefit plans. The exchange is expected to generate recurring revenues for BCE Emergis since its technology is powering the systems. The first phase of the e-health claims exchange is scheduled to go online in May 2001, and is expected to be fully functional by the end of 2002.

Analysis and Discussion of BCE Emergis' Results

BCE Emergis Results For the three months ended March 31 ($ millions)	**Actual** **2001**	Actual 2000	% change
Revenues			
Canada	**66**	49	35
U.S.A.	**7**	5	40
eHealth Solutions Group	**70**	19	268
Total revenues	**143**	73	96
EBITDA	**26**	5	420
Cash baseline earnings	**6**	(3)	300

Revenues

Revenues for the BCE Emergis segment amounted to $143 million in the first quarter of 2001, an increase of $70 million, or 96%, compared to revenues of $73 million in the first quarter of 2000. This increase was primarily due to the acquisition of UP&UP in March 2000, which is reflected in the eHealth Solutions Group, as well as internal growth in the existing operations of all three of BCE Emergis' business units, after excluding the effect of acquisitions and exited activities.

EBITDA

The segment's EBITDA amounted to $26 million in the first quarter of 2001 compared to an EBITDA of $5 million in the first quarter of 2000. This improvement of $21 million can be attributed to the addition of UP&UP, which has significantly lower operating costs than the remaining operations of BCE Emergis.

Cash baseline earnings

Cash baseline earnings were $6 million in the first quarter of 2001, compared to a cash baseline loss of $3 million in the first quarter of 2000. The improvement was due to EBITDA growth, partially offset by an increase in the depreciation and interest charges resulting from the acquisition of UP&UP.

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 markets outside Canada, with a focus on Latin America. Telesat delivers satellite business services primarily to North American companies. CGI is an information technology (IT) services company, which provides outsourcing, systems integration and consulting services, as well as business solutions to customers in North America, Europe and twenty countries outside North America and Europe. 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.

Overview

On May 1, 2001, CGI signed a ten-year agreement with La Confédération des caisses populaires et d'économie Desjardins du Québec (Desjardins), worth $1.2 billion, confirming a strategic alliance for the management of data processing and micro computing. Under the terms of the agreement, Desjardins delegates the management of its data processing operations and transfers approximately 450 of its employees working in this sector to CGI, while maintaining control of its technological orientations. Furthermore, Desjardins will work with CGI to develop the marketing of its data processing applications in the financial institutions market. CGI issued a warrant to Desjardins to subscribe, until April 30, 2006, up to 4,000,000 Class A Subordinate Shares of CGI at a price of $6.55 per share. CGI will, subject to approval by the relevant regulatory authorities, under the terms of a shareholders agreement between BCE Inc. and CGI's majority individual shareholders, issue warrants to BCE Inc. and such majority individual shareholders with substantially the same terms and conditions as the warrant issued to Desjardins, and exercisable only if Desjardins exercises its warrant, in order to, if and when such warrants are exercised, maintain their voting interests at current levels.

In March 2001, Telecom Américas announced that it had reached agreements with a group of Brazilian pension and investment funds and Telesystem International Wireless Inc. of Montreal (TIW) to acquire, for total consideration of US$580 million, an approximate additional 65% economic interest in the Brazilian cellular companies, Telet S.A. and Americel S.A. which will increase its economic interest to 81% in both companies. Telecom Américas closed the first of its agreements with TIW in late March, increasing its economic interest in both Americel and Telet to 32.7%.

In March 2001, Telecom Américas funded ATL-Algar Telecom Leste S.A. (ATL)'s license fee of US$300 million, including its partner's share of US$150 million, and increased its economic ownership from 50% to 59%. As a result, the Corporation began accounting for ATL using the consolidation method of accounting at the end of March 2001. Telecom Américas' partner has the right, for a period of one year, to contribute its share of the license payment.

Analysis and Discussion of BCE Ventures' Results

Revenues

BCE Ventures Revenues For the three months ended March 31 ($ millions)	**Actual** **2001**	Pro-forma 2000	% change
BCI	**88**	118	(25)
Telesat	**71**	72	(1)
CGI	**154**	169	(9)
Excel	**329**	524	(37)
Other investments	**16**	18	(11)
Total BCE Ventures Revenues	**658**	901	(27)

Revenues for BCE Ventures amounted to $658 million in the first quarter of 2001, a decrease of $243 million, or 27%, compared to pro-forma revenues of $901 million in the first quarter of 2000. This decrease was mainly attributable to lower revenues from Excel, BCI and CGI.

BCI revenues, which exclude revenues from discontinued operations relating to KG Telecommunications Co. Ltd. (KG Telecom) and the Latin American Competitive Local Exchange Carriers (CLECs) businesses (composed of Axtel S.A. de C.V., Vésper S.A., Vésper São Paulo S.A. and Vento S.A. Ltda) were $88 million in the first quarter of 2001, a decrease of $30 million, or 25%, compared to the $118 million generated in the first quarter of 2000. The reduction in revenues was mainly due to BCI reflecting a lower economic interest in its operating companies contributed to Telecom Américas in the fourth quarter of 2000, offset in part by the inclusion of results of ATL contributed to Telecom Américas by América Móvil S.A. de C.V. (América Móvil) and SBC International, Inc. (SBCI). Total subscribers served by BCI's continuing operations increased by 183% to 4.1 million at March 31, 2001 compared to 1.4 million at March 31, 2000. Proportionate subscribers served by BCI's continuing operations increased by 76% to 1 million at March 31, 2001 compared to 0.6 million at March 31, 2000.

Telesat revenues were slightly lower in the first quarter of 2001 due to one-time Y2K-related revenues and revenues generated from implementation of the Ford Motor Company's U.S. satellite network in the first quarter of 2000, partially offset by higher revenues from the **Nimiq™** direct broadcast satellite and higher international consulting and related equipment sales in 2001.

The decrease in proportionate revenues from CGI mainly reflects the dilution of BCE Inc.'s ownership in CGI, from 44.4% at March 31, 2000 to 41.4% at March 31, 2001.

Nimiq is a trade-mark of Telesat Canada.

Excel revenues were $329 million in the first quarter of 2001 compared to $524 million in the first quarter of 2000. The decrease of $195 million, or 37%, was primarily due to a significant reduction in Excel's total minute volumes, resulting from fewer customers and representatives, and a significant reduction in the average revenue per minute.

EBITDA

BCE Ventures EBITDA For the three months ended March 31 ($ millions)	**Actual** **2001**	Pro-forma 2000	% change
BCI	**3**	26	(1)
Telesat	**37**	37	–
CGI	**22**	24	–
Excel	**(2)**	49	(1)
Other investments	**4**	(1)	5
Total BCE Ventures EBITDA	**64**	135	(1)

EBITDA amounted to $64 million in the first quarter of 2001, a decrease of $71 million, or 53%, compared to a pro-forma EBITDA of $135 million in the first quarter of 2000. The decrease was mainly attributable to lower EBITDA from Excel and BCI.

BCI's EBITDA was $3 million in the first quarter of 2001, $23 million lower than the EBITDA of $26 million recognized in the first quarter of 2000. The reduction in EBITDA was mainly due to BCI reflecting a lower economic interest in its operating companies contributed to Telecom Américas in the fourth quarter of 2000, offset in part by the inclusion of results of ATL contributed to Telecom Américas by América Móvil and SBCI.

CGI's EBITDA decrease reflects the trends from its quarter-over-quarter revenues.

Excel's EBITDA amounted to a loss of $2 million, a decrease of $51 million, compared to an EBITDA of $49 million recognized in the first quarter of 2000, primarily due to lower revenues.

Cash baseline earnings

BCE Ventures Cash Baseline Earnings For the three months ended March 31 ($ millions)	**Actual** **2001**	Pro-forma 2000	% change
Telesat	**16**	9	1
CGI	**11**	11	–
Excel	**(28)**	–	n.m.
Other investments	**1**	(5)	1
Total BCE Ventures cash baseline earnings	**–**	15	(1)

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

Cash baseline earnings were nil in the first quarter of 2001, compared to $15 million, on a pro-forma basis, in the first quarter of 2000. The decrease relates to a cash baseline loss of $28 million from Excel, partially offset by higher cash baseline earnings from Telesat and other investments.

The $7 million of cash baseline earnings realized by Telesat in the first quarter of 2001 in excess of those realized in the first quarter of 2000 reflects better management of corporate expenses.

CORPORATE AND OTHER

Cash baseline earnings from Corporate and other were $39 million in the first quarter of 2001, compared to pro-forma cash baseline earnings of $31 million in the first quarter of 2000. The increase was mainly due to a higher level of interest income realized in 2001 on cash and cash equivalents, 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

For the three months ended March 31 ($ millions)	**2001**	2000
BCI Latin American CLEC and Asia Mobile segments	**283**	(53)
Nortel Networks	**–**	4,055
ORBCOMM Global, L.P.	**–**	(6)
Total Discontinued operations	**283**	3,996

Discontinued operations, on the consolidated statement of operations, of $283 million in the first quarter of 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.

Discontinued operations, on the consolidated statement of operations, of $3,996 million in 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.

Liquidity and Capital Resources

The principal components of BCE's consolidated cash flows are shown below.

BCE Consolidated Cash Flows For the three months ended March 31 ($ millions)	**2001**	2000
Cash flows from operating activities	**1,037**	267
Cash flows from investing activities	**1,918**	(1,779)
Cash flows from financing activities	**(1,036)**	1,578

CASH FLOWS FROM OPERATING ACTIVITIES

In the first quarter of 2001, BCE generated consolidated cash flows from operating activities of $1,037 million, an increase of $770 million over the amount generated in the first quarter of 2000. The increase was attributable to an improvement in cash earnings from continuing operations as discussed under "RESULTS BY OPERATING GROUP", as well as lower non-cash working capital requirements.

CASH FLOWS FROM INVESTING ACTIVITIES

Consolidated cash flows from investing activities amounted to $1,918 million in the first quarter of 2001, compared with cash flows used in investing activities of $1,779 million in the first quarter of 2000.

Capital expenditures in the first quarter of 2001 amounted to $1,996 million, an increase of $1,425 million over the $571 million reported in the first quarter of 2000. This increase was mainly explained by:

- an increase of $1,174 million in capital expenditures for the first quarter of 2001 reflecting the Bell Canada segment's growth strategy and mainly relates to the investment in PCS spectrum licenses for wireless operations of $720 million, the continued deployment of high-speed Internet services and local infrastructure growth; payment of the PCS spectrum license fees was made in the first quarter of 2001; and

- an increase of $194 million in capital expenditures due to the inclusion of the capital expenditures from Teleglobe Inc. (Teleglobe and Excel) which was acquired in November 2000. In the first quarter of 2000, Teleglobe Inc. incurred $203 million in capital expenditures. The pro-forma quarter-over-quarter variance is explained by a reduction in the level of expenditures in the Excel segment, partially offset by an increase in the Teleglobe segment, related to the build up of the GlobeSystem network.

Investments of $649 million were made in the first quarter of 2001, compared to $1,261 million in the same period last year. Investments in the first quarter of 2001 include BCI's acquisition of additional interests in Telet, Americel and ATL, for a cash consideration of $200 million. BCI increased its ownership interests by 16.3% in Telet, 16.3% in Americel and 9% in ATL.

Divestitures amounted to $4,608 million in 2001 (nil in 2000). 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.

CASH FLOWS FROM FINANCING ACTIVITIES

Consolidated cash flows used in financing activities were $1,036 million in the first quarter of 2001 compared to cash flows from financing activities of $1,578 million for the same period in 2000, resulting in a net change of $2,614 million.

Dividends to common and preferred shareholders totaled $260 million in the first quarter of 2001 compared to $242 million in 2000. The increase reflects the issuance of approximately 174 million common shares relating to BCE's acquisition of Teleglobe Inc., partially offset by the reduction in BCE Inc.'s quarterly common dividend per share of $0.34 to $0.30 in the second quarter of 2000 (from $1.36 to $1.20 on an annual basis) in connection with the distribution of an approximate 35% interest in Nortel Networks.

In the first quarter of 2001, there was a net decrease of $1,691 million in notes payable and bank advances, compared to a net increase of $1,683 million for the same period in 2000, mainly explained by the following:

- in the first quarter of 2001, 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; and

- Teleglobe Inc. increased its notes payable and bank advances by $569 million in the first quarter of 2001, mainly from drawings made under its short term credit facilities to fund its operations and capital expenditures requirements.

In the first quarter of 2001, BCE increased its net borrowings of long-term debt by $497 million, $415 million more than the $82 million of net borrowings in 2000. The major borrowing activities in the first quarter of 2001 were as follows:

- Bell Canada issued $900 million of MTN Debentures in 2001, pursuant to its medium-term debenture program, the proceeds of which were mainly used to repay short-term debt; and

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

On March 30, 2001, Bell Canada redeemed all of its Perpetual Cumulative Reset Redeemable Class A Preferred Shares, Series 14 (Series 14 Preferred Shares) for $135 million together with accrued and unpaid dividends.

In the first quarter of 2001, BCE Inc. issued approximately 2 million common shares for $47 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 quarter of 2001, BCE Inc. purchased and cancelled approximately 4.5 million of its common shares for an aggregate price of $191 million.

In the first quarter of 2001, BCE's subsidiaries issued $777 million in common shares, preferred shares, convertible debentures and equity-settled notes to non-controlling interests, compared to $434 million in the first quarter of 2000. In the first quarter of 2001:

- upon its creation, Bell Globemedia received $385 million from the issuance of common shares to Woodbridge; and

- on March 30, 2001, 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.

On May 8, 2001, Aliant Telecom Inc. (Aliant Telecom), a wholly owned subsidiary of Aliant, announced the issue of $150 million 10-year Notes pursuant to its base shelf prospectus dated April 27, 2001. The Notes carry a coupon rate of 6.8%, mature on May 11, 2011 and are callable at any time. The net proceeds were used to redeem a $50 million first mortgage bond on May 7, 2001, and will also be used to repay a portion of Aliant Telecom's short-term indebtedness.

On April 20, 2001, Aliant issued $175 million in Cumulative Redeemable Preference Shares, Series 2, with an initial dividend yield of 5.45%. The issue was made by way of a short form prospectus dated April 12, 2001. The net proceeds of $171 million will be used to repay a portion of Aliant's short-term debt.

On April 2, 2001, pursuant to its medium-term debenture program, Bell Canada issued $200 million 7.85% Debentures, Series M-11 maturing April 2, 2031. The proceeds from this issue have been used to repay short-term debt.

Outstanding commercial paper for BCE Inc., Bell Canada and Aliant totaled approximately $840 million at March 31, 2001. The commercial paper program is supported by lines of credit, extended by several banks, totaling $2,150 million.

CREDIT RATINGS

Dominion Bond Rating Service™ (DBRS) completed its annual review of BCE Inc. in October 2000, and reaffirmed its ratings on commercial paper at R-1 (middle), on unsecured debentures at A (high), and on preferred shares at Pfd-2 (high). 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™** confirmed BCE Inc.'s corporate rating at A+ and its commercial paper rating at A-1 (Mid).

Legal Proceedings

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 U.S. $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 U.S. $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 U.S. $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 11, 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. A decision on such motion is not expected to be rendered until the fourth quarter of 2001. 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.

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Forward-looking Statements

Certain statements contained in this section and in other sections of this MD&A, and certain statements contained in BCE Inc.'s press release dated April 25, 2001, included at the beginning of this 2001 First Quarter Shareholder Report, announcing its 2001 first quarter results (and in particular the financial guidance and other statements appearing under the "Outlook" section of such press release), 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, in BCE Inc.'s press release included in this 2001 First Quarter Shareholder Report, and in such other written or oral statements which may subsequently be made, may differ materially from actual results or events. Some of the factors which could cause results or events to differ materially from current expectations are discussed below under the heading "Risk Factors" and other risk factors are outlined elsewhere in this MD&A. The risk factors discussed below relate to BCE Inc.'s five business segments: 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 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, particularly in the United States, 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. Such negative trends could also adversely affect the financial condition of subscribers and customers which could, in turn, have a negative impact on their purchasing patterns. 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
BCE recently completed the acquisition of Teleglobe Inc. and CTV and 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; 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. A notable example is the entry into Internet telephony by Cisco Systems, Inc., which is primarily an equipment manufacturer rather than a communications service provider. 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 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, in the third quarter of 2000, Telus and Clearnet Communications Inc. (Clearnet) announced that Telus had acquired substantially all of the outstanding common shares of Clearnet thereby creating 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 licenses 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 license transfers, and each will provide access to the other alliance partners. Among the licenses provisionally awarded to Bell Mobility are three 10 MHz licenses 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 required 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 license winners. Rogers was the provisional winner of 23 licenses (at an aggregate bid price of approximately $394 million) and TCI of five licenses (at an aggregate bid price of approximately $356 million). Both Rogers and TCI were provisionally awarded licenses in Bell Mobility's current operating regions thereby increasing the potential for competition and market share losses in such areas. Although the new licenses 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 licenses 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 licenses will be confirmed by Industry Canada shortly after it has completed its review of this matter.

The market for paging services in Canada is also highly competitive. Bell Mobility currently competes with numerous local and national paging companies.

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 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.

In addition to these types of risks, 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 will be 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.

With the significant change in business strategy by BCE Inc. towards 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 licenses are issued at the discretion of the Minister of Industry pursuant to the Radiocommunication Act. Industry Canada grants cellular and PCS licenses for a maximum term of five years. Bell Mobility's current cellular and PCS licenses will expire on March 31, 2006 and April 30, 2006, respectively. Industry Canada has the authority at any time to modify the license 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 license 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 license 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 license 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 under credit facilities provided to Stratos by a syndicate of Canadian banks to finance the acquisition by Stratos of the Inmarsat, VSAT and aeronautical businesses of British Telecommunications plc (the BT A&M assets). The guarantee by Aliant assisted Stratos in securing the financing necessary to complete this acquisition. Stratos' credit facilities contain various covenants relating to future financial results. There can be no assurance that Stratos will meet these covenants and that Aliant will not become liable for Stratos' debt to the extent of the guarantee. Aliant has completed arrangements for new committed bank line facilities in the aggregate amount of CDN $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' debt. Stratos faces challenges in being able to integrate the BT A&M business as it has approximately doubled the size of Stratos' existing operations, placing pressure on operational and support systems.

Bell ExpressVu

Capital requirements
Bell ExpressVu expects to generate negative EBITDA pre subscriber acquisition costs for the next one to two years as it expands its subscriber base. 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 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 could 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 licenses 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 and print 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. The GlobeSystem network is currently in its initial phase and Teleglobe has to date invested approximately US $1.1 billion in this project. 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; the GlobeSystem network not providing the anticipated benefits; the unavailability of financing for BCE Inc. and/or Teleglobe to complete the GlobeSystem network and the inability of the GlobeSystem network to expand Teleglobe's business as expected. 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 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 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 the revenues it receives from data would have a material adverse effect on its results of operations and financial condition.

Bell is a trade-mark of Bell Canada.

Financial dependence on BCE Inc. and others

In March 2000, Teleglobe Inc., the parent company of the Teleglobe Communications group of companies representing the Teleglobe segment, determined that, in light of its financial results for the first quarter ending March 31, 2000, Teleglobe Inc. would be unable to comply with certain financial covenants in Teleglobe Inc.'s then existing term and revolving credit facilities. The then existing banking syndicate agreed to relieve Teleglobe Inc. from the obligation to meet these financial covenants pending the re-negotiation of these credit facilities. However, the financing available under these facilities was reduced to US $750 million. On June 21, 2000, BCE Inc. contributed US $100 million to Teleglobe Inc. by way of a loan, which was converted into fourth series preferred shares of Teleglobe Inc. on June 30, 2000. On July 24, 2000, Teleglobe Inc. entered into new 364-day revolving credit facilities for an aggregate amount of US $1.25 billion. At the same time, BCE Inc. 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 or quasi-equity 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, exclusive of the US $100 million BCE Inc. advanced to Teleglobe Inc. on June 21, 2000. 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. In addition, on January 31, 2001, BCE Inc. subscribed for $40 million of Fourth Series preferred shares of Teleglobe Inc.

Going forward, Teleglobe may not have sufficient funds available from its existing cash flow and from Teleglobe Inc.'s credit facilities in order to meet its obligations to make necessary capital expenditures (including but not limited to the GlobeSystem network) and pay other operating expenses, and may need to rely on other financing sources to provide additional funding in order to meet these obligations. The failure of BCE Inc. or any other financing sources to continue to provide this funding would have a material adverse financial effect on Teleglobe.

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) in order to offset declining revenues and operating margins in the voice business segment; 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 failure by counterparties to renew contracts (including, but not limited to leases) for the provision of 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".

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. BCI and América Móvil each hold a 44.3 per cent interest, and SBCI holds an 11.4 per cent interest, in the joint venture. 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 license 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 Americas, BCI's stake in Telecom Americas could be 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. The changes to the contribution regime decision issued by the CRTC in November 2000 will have a negative impact on Telesat's expenses if it does not get overturned or modified as a result of the applications filed by Telesat and other intervenors.

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

Post Y2K slowdown

Many companies in the IT industry, including CGI, have experienced a significant business slowdown following the beginning of the year 2000. However, in the fall of 2000, customers have gradually resumed IT spending and CGI expects this IT spending to gradually increase throughout 2001. However, it is not possible for BCE Inc. or CGI to predict whether and to what extent this turnaround will continue.

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 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 three months ended March 31	**2001**	2000
Operating revenues	**5,506**	3,977
Operating expenses	**(4,868)**	(3,144)
Restructuring and other charges (Note 2)	**(239)**	–
Operating income	**399**	833
Gains on reduction of ownership in subsidiary and significantly influenced companies	**64**	–
Equity in net losses of significantly influenced companies	**(3)**	(12)
Other income (Note 3)	**3,718**	12
Impairment charge (Note 4)	**(2,049)**	–
Earnings from continuing operations before the under-noted items	**2,129**	833
Interest expense – long-term debt	**(292)**	(206)
– other debt	**(87)**	(65)
Total interest expense	**(379)**	(271)
Earnings from continuing operations before income taxes and non-controlling interest	**1,750**	562
Income taxes	**(998)**	(322)
Non-controlling interest	**(55)**	(64)
Earnings from continuing operations	**697**	176
Discontinued operations (Note 5)	**283**	3,996
Net earnings	**980**	4,172
Dividends on preferred shares	**(18)**	(23)
Net earnings applicable to common shares	**962**	4,149
Net earnings per common share – basic		
Continuing operations	**0.84**	0.24
Discontinued operations	**0.35**	6.20
Net earnings	**1.19**	6.44
Net earnings per common share – diluted (Note 6)		
Continuing operations	**0.83**	0.23
Discontinued operations	**0.34**	6.13
Net earnings	**1.17**	6.36
Dividends per common share	**0.30**	0.34
Average number of common shares outstanding (millions)	**808.1**	644.0

Consolidated Statements of Retained Earnings (unaudited)

($ millions)

For the three months ended March 31	**2001**	2000
Balance at beginning of period	**1,521**	7,894
Net earnings	**980**	4,172
	2,501	12,066
Dividends – Preferred shares	**(18)**	(23)
– Common shares	**(242)**	(219)
	(260)	(242)
Premium on redemption of common shares (Note 10)	**(108)**	–
Other	**(15)**	(2)
	(383)	(244)
Balance at end of period	**2,118**	11,822

Consolidated Balance Sheets (unaudited)

		($ millions)
	March 31 2001	December 31 2000
ASSETS		
Current assets		
Cash and cash equivalents	**2,898**	260
Accounts receivable	**4,667**	4,344
Other current assets	**1,255**	2,096
Total current assets	**8,820**	6,700
Investments in significantly influenced and other companies	**1,012**	1,648
Capital assets	**23,545**	22,301
Future income taxes	**809**	1,117
Deferred charges and other assets	**3,241**	3,313
Goodwill	**15,881**	16,304
Total assets	**53,308**	51,383
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**4,854**	5,486
Income and other taxes payable	**544**	144
Debt due within one year	**4,228**	5,884
Total current liabilities	**9,626**	11,514
Long-term debt	**14,991**	14,044
Future income taxes	**1,011**	715
Other long-term liabilities	**3,917**	3,885
Total liabilities	**29,545**	30,158
Non-controlling interest	**5,318**	3,764
SHAREHOLDERS' EQUITY		
Preferred shares	**1,300**	1,300
Common shareholders' equity		
Common shares (1)	**13,804**	13,833
Contributed surplus (Note 10)	**980**	985
Retained earnings	**2,118**	1,521
Currency translation adjustment	**243**	(178)
Total common shareholders' equity	**17,145**	16,161
Total shareholders' equity	**18,445**	17,461
Total liabilities and shareholders' equity	**53,308**	51,383

(1) At March 31, 2001, 807,294,921 (809,861,531 at December 31, 2000) BCE Inc. common shares and 18,406,891 (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 March 31, 2001, the Telegobe Inc. stock options outstanding were exercisable into 14,473,520 BCE Inc. common shares (18,934,537 at December 31, 2000).

Consolidated Statements of Cash Flows (unaudited)

For the three months ended March 31	**2001**	($ millions) 2000
Cash flows from operating activities		
Earnings from continuing operations	**697**	176
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:		
Depreciation and amortization	**1,156**	799
Restructuring and other charges	**231**	–
Gains on reduction of ownership in subsidiary and significantly influenced companies	**(64)**	–
Impairment charge	**2,049**	–
Net gains on disposal of investments	**(3,756)**	(16)
Future income taxes	**351**	(3)
Dividends received in excess of equity in net losses of significantly influenced companies	**10**	24
Other items	**310**	(121)
Change in non-cash working capital components	**53**	(592)
	1,037	267
Cash flows from investing activities		
Capital expenditures	**(1,996)**	(571)
Investments	**(649)**	(1,261)
Divestitures	**4,608**	–
Other items	**(45)**	53
	1,918	(1,779)
Cash flows from financing activities		
Dividends paid on common and preferred shares	**(260)**	(242)
Dividends paid by subsidiaries to non-controlling interest	**(81)**	(100)
Increase (decrease) of notes payable and bank advances	**(1,691)**	1,683
Issue of long-term debt	**843**	232
Repayment of long-term debt	**(346)**	(150)
Redemption of preferred shares by subsidiaries	**(136)**	(295)
Issue of common shares	**47**	14
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	**777**	434
Other items	**2**	2
	(1,036)	1,578
Effect of exchange rate changes on cash and cash equivalents	**38**	25
Cash provided by continuing operations	**1,957**	91
Cash provided by (used in) discontinued operations	**681**	(76)
Net increase in cash and cash equivalents	**2,638**	15
Cash and cash equivalents at beginning of period	**260**	2,395
Cash and cash equivalents at end of period	**2,898**	2,410

Segmented Information (unaudited)

For the three months ended March 31 ($ millions)	2001	2000
Operating revenues		
Bell Canada	**4,107**	3,686
Bell Globemedia	**306**	2
Teleglobe	**506**	–
BCE Emergis	**143**	73
Corporate and other, including intercompany eliminations	**(163)**	(128)
Total core operating revenues	**4,899**	3,633
BCE Ventures	**658**	369
Intercompany eliminations	**(51)**	(25)
Total operating revenues	**5,506**	3,977
Earnings from continuing operations		
Bell Canada	**195**	230
Bell Globemedia	**(33)**	–
Teleglobe	**(116)**	(6)
BCE Emergis	**(91)**	(28)
Corporate and other, including intercompany eliminations	**2,882**	54
Total core earnings from continuing operations	**2,837**	250
BCE Ventures	**(2,143)**	(70)
Intercompany eliminations	**3**	(4)
Total earnings from continuing operations	**697**	176

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 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.

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 from a decision to streamline support functions. The restructuring program is expected to be substantially completed by mid 2001. 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.

BCE continues to hold approximately 12 million Nortel Networks common shares of which six million have been reserved to hedge BCE's exposure to special compensation payments, relating to Nortel Network common shares, which were granted to employees under the company's stock option plans prior to 2000.

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 three months ended March 31 ($ millions)	2001	2000
Bell Canada International (BCI) Latin American CLEC and Asia Mobile segments	283	(53)
Nortel Networks	–	4,055
ORBCOMM Global, L.P.	–	(6)
Total Discontinued operations	**283**	3,996

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 Sao 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:

At March 31 ($ millions)	2001	2000
Current assets	116	321
Non-current assets	908	1,403
Current liabilities	(144)	(529)
Non-current liabilities	(729)	(540)
Net assets of discontinued operations	151	655

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

For the three months ended March 31 ($ millions)	2001	2000
Revenue	53	123
Operating earnings from discontinued operations, net of tax	(118)	3,976
Gain on sale of discontinued operations, net of tax	502	–
Non-controlling interest	(101)	20
Net earnings from discontinued operations	283	3,996

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 three months ended March 31	2001	2000
Earnings from continuing operations (numerator)		
Earnings from continuing operations	697	176
Dividends on preferred shares	(18)	(23)
Earnings from continuing operations – basic	679	153
Exercise of put options by CGI shareholders	(4)	(4)
Earnings from continuing operations – diluted	675	149
Weighted average number of common shares outstanding (denominator) (millions)		
Weighted average number of common shares outstanding – basic	808.1	644.0
Exercise of stock options	3.5	3.5
Exercise of put options by CGI shareholders	4.6	3.8
Weighted average number of common shares outstanding – diluted	816.2	651.3

Note 7. Teleglobe Inc. acquisition

During the quarter 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 holds a 44.3% interest in Telecom Américas), invested $470 million (US $300 million) in ATL, increasing Telecom Américas' ownership from 50% to 59% and began consolidating ATL's results.

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

On March 30, 2001, Telecom Américas closed the transaction to purchase an additional interest in the Brazilian cellular companies Telet S.A. and Americel S.A. 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 agreement is subject to lender and regulatory approvals, and is expected to close by the end of the second quarter of 2001.

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.

Note 11. Subsequent event

Acquisition of Tess S.A.

On April 9, 2001, Telecom Américas closed the transaction to purchase a substantial equity interest in Tess S.A. (Tess), a São Paulo State, Brazil, cellular company, through an investment of US $950 million. A majority of the voting rights will continue to be held by the sellers, in accordance with regulation governing ownership of B-Band licenses. Subsequently, on April 10, 2001, Telecom Américas announced that it had granted a call option to Bell South International Inc. (Bell South), to purchase 50% of Telecom Américas stake in Tess. The exercise of the option is subject to a number of restrictions, including legal and other customary approvals. Bell South has six months to exercise its option to purchase the stake in Tess.

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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Printed in Canada
BCE01Q1E