2002

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

FORM 40-F

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

OR

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

For the fiscal year ended: **December 31, 2002** Commission File Number: **1-8481**

BCE Inc.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

4813

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

98-0134477

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

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

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

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

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

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

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

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

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

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

[X] Annual information form [X] Audited annual financial statements

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

At December 31, 2002, 915,867,928 common shares and
74,215,170 First Preferred Shares were issued and outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

YES: [ ] NO: [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the

preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES: [X] NO: [ ]

PRIOR FILINGS MODIFIED AND SUPERSEDED

BCE Inc.'s Annual Report on Form 40-F for the year ended December 31, 2002, at the time of filing with the Securities and Exchange Commission, modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the Exchange Act for purposes of any offers or sales of any securities after the date of such filing pursuant to any Registration Statement or Prospectus filed pursuant to the Securities Act of 1933 which incorporates by reference such Annual Report on Form 40-F. Other than BCE Inc.'s Annual Information Form for the year ended December 31, 2002 included herein (the "AIF") and the consolidated audited annual financial statements, management's discussion and analysis of financial condition and results of operations and information with respect to directors specifically incorporated by reference herein, no other information from the Exhibits is to be incorporated by reference in a Registration Statement or Prospectus filed pursuant to the Securities Act of 1933.

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

A. Consolidated Audited Annual Financial Statements

For consolidated audited annual financial statements, including the auditors' report with respect thereto, see pages 55 to 81 and part of page 54, respectively, of the BCE Inc. 2002 Annual Report to shareholders attached hereto as Exhibit 99.1. See note 23 of the Notes to the Consolidated Financial Statements on pages 79 to 81 of the BCE Inc. 2002 Annual Report to shareholders, reconciling the significant differences between Canadian and United States generally accepted accounting principles.

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

B. Management's Discussion and Analysis

For management's discussion and analysis of financial condition and results of operations, see pages 28 to 53 of the BCE Inc. 2002 Annual Report to shareholders attached hereto as Exhibit 99.1.

INFORMATION WITH RESPECT TO DIRECTORS

As stated in the AIF, the information with respect to Directors which appears on pages 6 through 10 of the BCE Inc. Management Proxy Circular dated as of March 13, 2003 (the "Circular") under the headings "Election of Directors" and "Nominees for Election as Directors and their Beneficial Ownership of Voting Securities" has been incorporated therein by reference from the Circular which is attached hereto as Exhibit 99.2.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this annual report on Form 40-F, an evaluation was carried out by BCE Inc.'s management, under the supervision, and with the participation, of BCE Inc.'s President and Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of BCE Inc.'s disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14). Based on that evaluation, the CEO and CFO concluded that such disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to BCE Inc. and its consolidated subsidiaries would be made known to them by others within those entities.

CHANGES IN INTERNAL CONTROLS

BCE Inc.'s CEO and CFO hereby report that there were no significant changes in BCE Inc.'s internal controls or in other factors that could significantly affect BCE Inc.'s internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses.

UNDERTAKING

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

WEB SITE INFORMATION

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

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

BCE Inc. has made in the documents filed as part of this annual report, and from time to time may otherwise make, forward-looking statements and related assumptions concerning its operations, economic performance and financial matters. BCE Inc. is under no duty to update any of these forward-looking statements or related assumptions. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of factors. Reference is made to the section entitled "Forward-looking statements" on page 3 of the AIF and to the section entitled "Risk Factors" on pages 22 to 27 of the AIF for a discussion of certain of such factors.

BCE Inc.

Annual Information Form

For the year ended December 31, 2002
March 26, 2003

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for the year ended December 31, 2002
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Documents Incorporated by Reference

Documents	Part of Annual Information Form in which incorporated by reference
1. Portions of the BCE Inc. 2002 Annual Report	Items 5 and 6
2. Portions of the BCE Inc. 2003 Management Proxy Circular	Item 7

Trademarks

Owner	Trademark
BCE Inc.	BCE
Bell Canada	Rings & Head Design
	Bell Canada corporate logo
	Bell
	Bell World
	Espace Bell
	Sympatico
	Sympatico.ca
Bell Globemedia Publishing Inc.	The Globe and Mail
	ROB TV
Bell Mobility Inc.	Mobile Browser
CTV Inc.	CTV
	CTV Newsnet
	CTV Travel
	Talk TV
	The Comedy Network
Discovery Communications, Inc.	Discovery Channel
	Animal Planet
	Discovery Civilization
ESPN Inc.	ESPN
Maple Leaf Sports and Entertainment Ltd.	Toronto Maple Leafs
	Toronto Raptors
Telesat Canada	Anik
	Nimiq
The Sports Network Inc.	TSN
	RDS
	WTSN
Yellow Pages Group Co.	Yellow Pages

Any other trademarks, corporate, trade or domain names used in this Annual Information Form are properties of their respective owners. We believe that our brands are very important to the success of our company. We take appropriate measures to protect our intellectual property and to defend our brands. We also spend considerable time and resources in surveillance, registration, protection and prosecution of infringers. We also take great care not to infringe on the intellectual property and brands of others.

In this Annual Information Form, "we", "us", "ourselves", "our" and "BCE" mean BCE Inc., its subsidiaries, joint ventures and investments in significantly influenced companies. Bell Canada, Aliant Inc. ("Aliant"), Bell ExpressVu Limited Partnership ("Bell ExpressVu") and their subsidiaries and investments in significantly influenced companies are collectively referred to as the Bell Canada segment. Significantly influenced means that:

- **we have a 20% to 50% equity interest in a company that we do not control or jointly control, and**
- **we have a significant influence on its operating, investing and financing activities.**

All dollar figures are in Canadian dollars, unless otherwise indicated. The information in this Annual Information Form is disclosed as at March 26, 2003, unless otherwise indicated and except for information contained in portions of documents that are incorporated by reference in this Annual Information Form and which are dated as of a different date.

FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information so that investors can better understand the company's future prospects and make informed investment decisions.

This Annual Information Form contains forward-looking statements about BCE's objectives, strategies, financial condition, results of operations and businesses.

These statements are "forward-looking" because they are based on our current expectations about the markets we operate in and on various estimates and assumptions.

It is important to know that:

- forward-looking statements describe our expectations on the day they are made. For this Annual Information Form, it is March 26, 2003, except for forward-looking statements contained in portions of documents that are incorporated by reference in this Annual Information Form and which are dated as of a different date
- our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize
- forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions or other business combinations or transactions, nor do they include the effect of asset write-downs
- we assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

You will find a more detailed assessment of the risks that could cause our actual results to materially differ from our current expectations in item 3.8 — Risk Factors.

ITEM 1 • CORPORATE STRUCTURE

BCE Inc. was incorporated in 1970, continued under the *Canada Business Corporations Act* in 1979 and is governed by a Restated Certificate and Restated Articles of Incorporation dated December 1, 2000, as amended by Certificates and Articles of Amendment dated February 26, 2002 and February 24, 2003 (providing for the creation of additional series of preferred shares) and June 21, 2002 (providing for the possibility of holding the annual meeting of shareholders of BCE Inc. at places outside Canada). BCE Inc. has its principal and registered offices at 1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec H3B 4Y7.

TABLE 1 CORPORATE STRUCTURE

Subsidiary	*Jurisdiction of incorporation*	*Percentage of voting securities or partnership interest which BCE Inc. holds directly or indirectly as at December 31, 2002*[1]
Bell Canada[2]	Canada	100%
Aliant	Canada	53%
Bell Mobility Inc. ("Bell Mobility")[3]	Canada	100%
BCE Nexxia Inc. (carrying on business in Canada under the name "Bell Nexxia")[3]	Canada	100%
Bell ExpressVu[3][4]	Ontario	100%
Bell Globemedia Inc. ("Bell Globemedia")[3]	Ontario	70%[5]
BCE Emergis Inc. ("BCE Emergis")[3]	Canada	65%

(1) We do not own any outstanding non-voting securities issued by these subsidiaries with the exception of the Bell Nexxia Class A Preferred Shares which are 100% held by Bell Canada.

(2) All of the voting securities of Bell Canada are owned by Bell Canada Holdings Inc., a wholly-owned subsidiary of BCE Inc.

(3) Does not individually represent more than 10% of our consolidated assets or more than 10% of our consolidated sales and operating revenues.

(4) Indirectly wholly-owned by BCE Inc. with 52% being indirectly held by Bell Canada.

(5) As a result of the transfer of the Sympatico.ca portal from Bell Globemedia to Bell Canada and the additional equity invested by Bell Globemedia's shareholders, BCE Inc.'s ownership was reduced to 68.5% on March 17, 2003. See item 2.2.1 — Recent Developments — Acquisitions and Dispositions — Bell Globemedia Restructuring.

Table 1 presents certain of our subsidiaries, their respective jurisdictions of incorporation or continuance and the percentage of voting and non-voting securities or partnership interests we beneficially own or over which we exercise control or direction directly or indirectly. Certain subsidiaries have been omitted, as each represents not more than 10% of our consolidated assets and not more than 10% of our consolidated sales and operating revenues, and all of those omitted in the aggregate represent not more than 20% of our total consolidated assets and total consolidated sales and operating revenues at December 31, 2002.

ITEM 2 • GENERAL DEVELOPMENT

2.1 OVERVIEW

BCE is Canada's largest communications company. Through the Bell Canada segment, we provide local telephone, long distance, wireless communications, Internet access, data, satellite television and other services to residential and business customers through our 25 million customer connections.

We reach millions of people daily through Bell Globemedia, a leading Canadian media company, which includes CTV Inc. ("CTV"), Canada's leading private broadcaster, and The Globe and Mail, the leading Canadian national newspaper. We also provide eBusiness services through BCE Emergis.

In 2002, we had consolidated operating revenues of $19.8 billion and approximately 66,000 employees at year end. We had total assets of $39.6 billion at December 31, 2002.

BCE's primary focus is the Bell Canada segment, which represented 88% of our revenues in 2002. Bell Globemedia and BCE Emergis together represented about 8% of our revenues in 2002. For management purposes, all of BCE's other businesses are combined in the BCE Ventures segment.

2.2 THREE-YEAR HISTORY

The following is a detailed description of the significant events that have influenced the general development of our business over the course of the last three years.

2.2.1 RECENT DEVELOPMENTS

ACQUISITIONS AND DISPOSITIONS

INVESTMENT IN MAPLE LEAF SPORTS AND ENTERTAINMENT

On February 11, 2003, Bell Globemedia announced an agreement to acquire an approximate 15% interest in Maple Leaf Sports and Entertainment Ltd. ("MLSE"), the owner of the Toronto Maple Leafs, the Toronto Raptors and the Air Canada Center. This acquisition is subject to regulatory and other approvals.

BELL GLOBEMEDIA RESTRUCTURING

On September 13, 2002, Bell Globemedia bought Lycos Inc.'s 29% stake in the Sympatico-Lycos joint venture and took full control of Sympatico.ca, Canada's largest Internet portal.

On February 7, 2003, an agreement was announced to transfer the Sympatico.ca portal and its associated city site properties from Bell Globemedia to Bell Canada so that it could be more closely tied to Bell Canada's Sympatico Internet access services. The transaction closed on March 17, 2003.

As part of that announcement, it was also announced that The Woodbridge Company Limited ("Woodbridge") and BCE Inc. would each invest $50 million in new common equity of Bell Globemedia; with half of such new equity being used to repay or convert existing shareholder loans made in 2002. On March 17, 2003, The Thomson Corporation transferred its 20% interest in Bell Globemedia to Woodbridge for US$279 million.

As a result of these transactions, BCE Inc.'s ownership in Bell Globemedia was reduced to 68.5%, and Woodbridge's ownership in Bell Globemedia was increased to 31.5%.

Also, on February 7, 2003, Bell Globemedia announced that its other online and interactive products would no longer reside in a separate division of Bell Globemedia, but rather would be aligned with the specific media businesses that they support. As well, Bell Globemedia announced that the technical support functions for all of Bell Globemedia's online and interactive media would now be located within The Globe and Mail division, as a specialty centre serving all of Bell Globemedia.

CGI

In December 2002, BCE Inc. began discussions with CGI Group Inc. ("CGI") about the future of its investment in CGI. BCE Inc. informed CGI that its prior publicly stated intention to dispose of the control block in CGI following the exercise of the put and call options in 2003 and 2004 is no longer its preferred course of action.

While no final decisions have been made, BCE Inc. started discussions to develop a plan to:

- realize the maximum value of its investment in CGI
- enhance the value of CGI by taking steps to retain CGI's management and to ensure that CGI continues to deliver high quality services to its customers.

To allow enough time for these discussions, CGI's three majority individual shareholders have agreed to defer the exercise date of their put options until April 15, 2003.

BCE Inc. also confirmed that the existing commercial agreements between us and CGI will be maintained for their current term, including the various outsourcing and consulting services agreements provided by CGI to us.

Aliant

Effective December 31, 2002, BCE Inc. transferred its 14% interest in Aliant to Bell Canada in exchange for common shares of Bell Canada. As a result, Bell Canada now owns a 53% interest in Aliant.

Bell ExpressVu

At the end of December 2002, BCE Inc. transferred its 100% investment in Bell ExpressVu, a provider of direct-to-home ("DTH") satellite television services, to a partnership held 52% by Bell Canada and 48% by us in exchange for units in the partnership. BCE Inc. also executed an agreement providing for the transfer to Bell Canada, subject to regulatory approval, of approximately 52% of the common equity of the general partner managing the affairs of Bell ExpressVu, effective as of December 31, 2002.

SALE OF DIRECTORIES BUSINESS

On November 29, 2002, Bell Canada and certain affiliates completed the sale of their print and electronic directories business for approximately $3 billion in cash to an entity ultimately controlled by Kohlberg Kravis Roberts & Co. L.P. and the Ontario Teacher's Merchant Bank, the private equity arm of the Ontario Teacher's Pension Plan Board. As a result, we recorded a pre-tax gain on the sale of $2.3 billion. The sale included:

- the print directories business previously carried on by Bell Actimedia Inc. ("Bell Actimedia"), including 209 print White Pages and Yellow Pages directories in Ontario and Québec
- Bell Actimedia's 12.86% interest in the Aliant Actimedia general partnership
- the electronic yellowpages.ca, canadatollfree.ca and Canada411.ca directories managed and operated by Sympatico Inc. ("Sympatico").

Prior to the closing of the sale, we completed a corporate reorganization, resulting in the transfer of the directories business and BCE Inc.'s agreement to contribute its 100% investment in Bell ExpressVu as well as certain debt receivables and cash to a partnership. Refer to the previous discussion under "Bell ExpressVu".

Following the sale of our directories business, the partnership distributed the net proceeds to its partners in proportion to their percentage ownership interests in the partnership. A net distribution of $1.1 billion was made to BCE Inc. which was partly used to help finance the repurchase of SBC Communications Inc.'s ("SBC") remaining indirect interest in Bell Canada (see below). The balance of the net proceeds was distributed to Bell Canada and will be used to reduce debt and for general corporate purposes.

In connection with the sale, Bell Canada entered into certain transitional and long-term operating agreements relating to the print directories business. In addition, Bell Canada and its affiliates have agreed not to compete with the purchasers in the directories business in Canada for a period of 30 years. Sympatico and Bell Canada also entered into certain Internet website linking and operational agreements relating to the electronic directories, providing, amongst others, that the post-sale directories business will publish Bell Canada's White Pages directories and be allowed to use the Bell Canada trademark and logo on the directories.

Bell Canada also invested approximately $91 million to acquire an approximate 10% indirect equity interest in the post-sale directories business.

Revenues and EBITDA [(1)] in 2003 will be negatively impacted by the sale of our directories business, which contributed approximately $500 million to our total revenues and approximately $310 million to EBITDA in 2002.

REPURCHASE BY BCE INC. OF SBC'S 20% INTEREST IN BCH

On June 28, 2002, BCE Inc., Bell Canada Holdings Inc. ("BCH") and entities controlled by SBC entered into agreements that ultimately led to BCE Inc.'s repurchase of SBC's 20% interest in BCH for $6.32 billion. Under these agreements:

- BCH bought for cancellation a portion of its outstanding shares from SBC on June 28, 2002 for $1.33 billion in cash. This increased BCE Inc.'s ownership in BCH to 83.5%.
- BCE Inc. completed the repurchase of SBC's remaining 16.5% interest in BCH on December 2, 2002, for $4.99 billion in cash.

We funded the $6.32 billion repurchase price through the following:

- $1.1 billion drawn on July 15, 2002 under a $3.3 billion two-year bridge credit facility with a syndicate of North American banks, which expires on June 30, 2004
- $250 million in proceeds from the issuance on July 15, 2002 of approximately nine million BCE Inc. common shares ($27.63 per share), by way of a private placement to SBC
- net proceeds of approximately $2 billion from the public issuance on August 12, 2002 of 85 million BCE Inc. common shares ($24.45 per share)
- net proceeds of approximately $2 billion from the public issuance on October 30, 2002 of BCE Inc. $300 million 6.20% Series A Notes due 2006, $1,050 million 6.75% Series B Notes due 2007, and $650 million 7.35% Series C Notes due 2009
- $250 million in proceeds from the issuance on December 2, 2002 of approximately nine million BCE Inc. common shares ($28.36 per share), by way of a second private placement to SBC
- $0.7 billion from a portion of the net proceeds of the net proceeds from the sale of the directories business (see above under — Sale of Directories Business).

As part of the agreements, BCE Inc. will also purchase, at face value, on or before December 31, 2004, $314 million of BCH Convertible Series B Preferred Securities held by SBC.

CREATION OF BELL WEST INC.

In April 2002, Bell Canada and Manitoba Telecom Services Inc. ("MTS"), approximately 22% owned by Bell Canada, created Bell West Inc. ("Bell West") by combining Bell Canada's interests in the wireline assets of Bell Nexxia in Alberta and British Columbia with Bell Canada's and MTS's investment in Bell Intrigna Inc. Bell West provides telecommunications services in those two provinces and operates under the Bell brand. As a result of this transaction, Bell Canada owns 60% of Bell West and MTS owns 40%. The terms of the agreement between Bell Canada and MTS

also include certain put and call options relating to MTS's 40% ownership of Bell West.

Under the terms of the put option, MTS can require Bell Canada to buy its interest in Bell West:

- in February 2004 at a guaranteed floor value of $458 million plus ongoing incremental funding invested by MTS. The put price includes an 8% return on the incremental funding. The floor value was $549 million at December 31, 2002
- in January 2007 at fair market value less 12.5%
- at fair market value less 12.5%, under certain circumstances.

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(1) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP"). We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans (credit) expense and restructuring and other charges. The way we define EBITDA may be different from the way other publicly traded companies define it or similar terms. EBITDA should not be confused with net cash flows from operating activities. We use EBITDA, amongst other measures, to assess the operating performance of our ongoing businesses. The most comparable Canadian GAAP earnings measure is operating income. For more details, see page 32 of the BCE Inc. 2002 Annual Report.

If MTS does not exercise its put option, Bell Canada can exercise its call option. Under the terms of the call option, Bell Canada has the option to buy MTS' interest in Bell West:

- in March 2004 at the greater of the floor value described above and fair market value
- in February 2007 at fair market value
- at fair market value if there is a change of control of MTS to a party other than Bell Canada or its affiliates.

Bell Canada has not received any formal notice from MTS that it plans to exercise the put option in February 2004.

TELEGLOBE INC.

On April 5, 2002, Teleglobe Inc. ("Teleglobe") and certain of its subsidiaries completed the sale of Excel Communications Group's ("Excel") North American operations to an affiliate of Vartec Telecom, Inc. ("Vartec") for US$227.5 million paid in the form of five-year interest-bearing promissory notes.

On April 24, 2002, BCE Inc. announced that it would stop providing long-term funding to Teleglobe.

On May 15, 2002 and later in the year, Teleglobe and certain of its subsidiaries filed for court protection under insolvency statutes in various countries, including Canada and the United States.

Our management completed its assessment of the net realizable value of our interest in the net assets of Teleglobe and determined it to be zero. This resulted in a loss from discontinued operations of $73 million in the second quarter of 2002. This loss is in addition to the transitional goodwill impairment charge of $7,516 million to opening retained earnings as of January 1, 2002, which was required by the transitional provisions of the new CICA Handbook section 3062.

On September 19, 2002, Teleglobe announced the execution of agreements for the sale of its core telecommunications business, subject to obtaining regulatory approvals and satisfying contractual closing conditions.

As provided in relevant court orders, the contracts between Teleglobe and Bell Canada for the mutual carriage of telecommunications traffic will be assigned upon substantially the same terms to affiliates of the purchasers effective upon the closing date.

On October 17, 2002, we executed a court-approved settlement agreement with Teleglobe and certain of its subsidiaries regarding various amounts owing between Teleglobe and ourselves.

On December 31, 2002, after obtaining court approval, we sold all of our common and preferred shares in Teleglobe to the court-appointed monitor for a nominal amount.

CREATION OF THE BELL NORDIQ INCOME FUND

In April 2002, Bell Canada announced the initial public offering of units of the Bell Nordiq Income Fund (the "Fund"). The Fund acquired an approximate 37% interest in each of Télébec Limited Partnership ("Télébec LP") and Northern Telephone Limited Partnership ("Northern Telephone LP") from Bell Canada. Bell Canada retains management control over both partnerships and holds an approximate 63% interest in the partnerships. Bell Canada received gross proceeds of $324 million and recorded a pre-tax gain of $222 million on this transaction.

BELL CANADA INTERNATIONAL INC.

Effective January 1, 2002, we reclassified our investment in Bell Canada International Inc. ("BCI") as a discontinued operation. In addition, effective June 30, 2002, we ceased to consolidate BCI"s financial results and recorded a charge of $191 million in the second quarter of 2002 and $125 million in the fourth quarter of 2002 representing a write-down of our investment in BCI to its net realizable value, which was reported as a loss from discontinued operations.

On February 15, 2002, BCI completed a rights offering as part of its recapitalization plan. BCE Inc. exercised rights for approximately $390 million of the total gross proceeds of approximately $440 million received by BCI under the rights offering. BCI completed a number of other transactions in connection with its recapitalization plan on February 15, 2002.

As a result of a liquidity crisis experienced during the first half of 2002 by Telecom Américas Ltd. ("Telecom Américas"), BCI's principal investment vehicle in Brazil, and BCI's inability to provide its share of funding to Telecom Américas, on May 31, 2002 BCI entered into an agreement with América Móvil S.A. de C.V. ("América Móvil") for the purchase by América Móvil of all of BCI's interest in Telecom Américas. América Móvil then held an approximate 44% interest in Telecom Américas.

On July 12, 2002, BCI shareholders and noteholders voted to approve a Plan of Arrangement for BCI, and on July 17, 2002, BCI obtained court approval of the Plan of Arrangement, including the sale by BCI of its interest in Telecom Américas to América Móvil. BCI completed such sale on July 24, 2002 for an aggregate consideration of US$366 million. Of that amount:

- US$146 million was paid in cash at closing
- the balance was paid by way of a US$220 million interest-free note due March 1, 2003 which was paid on that date.

Under court supervision and with the assistance of a court-appointed Monitor, BCI is proceeding to implement the remaining elements of the Plan of Arrangement to dispose of its remaining assets, settle all claims against it and make a final distribution to stakeholders. It is not presently known when the remaining elements of the Plan of Arrangement will be completed.

SIGNIFICANT REGULATORY DEVELOPMENTS

CRTC DECISION ON INCUMBENT AFFILIATES

On December 12, 2002, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued Decision 2002-76 "Regulatory safeguards with respect to incumbent affiliates, bundling by Bell Canada and related matters". This decision makes several important changes to the regulatory regime for the Bell Canada segment:

- contracts offered by the Bell Canada segment which bundle tariffed and non-tariffed products and services, must receive CRTC approval. This means that all such contracts currently in existence must be filed with the CRTC for regulatory approval and that all new contracts must also receive CRTC approval prior to implementation
- the CRTC is prepared to consider such tariff applications without public notice and process them as expeditiously as possible granting interim approval where appropriate

- Bell Nexxia will be subject to the same requirements for tariff approval for products and services offered in Bell Canada's operating territory as currently exist for Bell Canada.

While the decision increases the Bell Canada segment's regulatory burden at both the wholesale and retail levels in highly competitive markets, the financial impacts of this decision cannot currently be quantified and, in any event, cannot be isolated from the normal risk of loss attributable to competition generally.

REVIEW OF FOREIGN OWNERSHIP RULES

In November 2002, Industry Canada issued a discussion paper and asked the House Standing Committee on Industry, Science and Technology to conduct a review as to whether the current Canadian ownership requirements included in the *Telecommunications Act* and associated regulations should be modified. Hearings began on January 27, 2003. The Committee is expected to complete its review and make recommendations to the Minister of Industry towards the end of April 2003. Hearings in November 2002 held by the House Standing Committee on Canadian Heritage also looked into this question as it related to broadcasting and media ownership and the Committee is expected to issue its report in the Spring of 2003.

Since the reviews by the House Standing Committees have not yet been completed and as it is impossible to predict their outcome, we are currently not in a position to assess the impact, if any, the recommendations may have on us.

JAMMING DEVICES

In June 2002, subsequent to a public consultation, Industry Canada announced its decision not to allow the liberalized use of radio communication jamming devices in Canada. Such liberalization would have enabled public venues such as restaurants, theaters, stadiums and shopping malls to install equipment that would block the receipt or transmission of mobile wireless radio signals.

SECOND PRICE CAP DECISION

On May 30, 2002, the CRTC released Decision 2002-34 "Regulatory framework for second price cap period", making a number of changes to the rules governing local service in Canada's telecommunications industry for the next four years. The main highlights of the decision include:

- a reduction in the rates the incumbent telephone companies, such as Bell Canada and certain other companies of the Bell Canada segment, charge their competitors for certain services
- residential rates for local access services and for features are frozen at current rate levels unless inflation exceeds 3.5%
- a restriction on basic local service rate increases for business customers to the rate of inflation. For non-basic business services the second price cap decision led to the filing for a reduction in rates for certain local services for business customers
- a new mechanism (referred to in the decision as the "deferral account"), which will be used to fund initiatives that benefit customers or that contribute to achieving the CRTC's objectives, including balancing the interest of the three main stakeholders, i.e. Incumbent Local Exchange Carriers ("ILECs"), subscribers and competitors. The total amount available each year for such initiatives will be determined on the basis of a formula that depends on the rate of inflation and certain other factors. We may apply at any time for approval of such initiatives; however, the CRTC has indicated its intention to dispose each year of any amounts that are outstanding, beginning no sooner than the middle of 2003.

The effects of this decision will be recognized in our financial statements in accordance with our accounting policies as the revenues are earned or the costs of service are incurred. It is anticipated that, in order to comply with the decision, various expenses and capital expenditures will be incurred. We estimate Bell Canada's commitment relating to this decision to be $74 million at December 31, 2002.

On August 27, 2002, AT&T Canada Corp. ("AT&T Canada") petitioned the Governor in Council to modify portions of the decision, requesting that the prices of certain network facilities and services purchased by competitors from ILECs be reduced, effective June 1, 2002, to a level that reflects recovery only of the incumbents' costs, that such costs be determined in a new manner in a follow-up proceeding by the CRTC to be completed by the end of June 2003, and that prices be reduced by 50%, effective June 1, 2002, pending completion of such proceeding. On September 19, 2002, Bell Canada and certain other ILECs filed a response to the petition pointing out that AT&T Canada is essentially making the same proposal that it made in the public hearing conducted by the CRTC, a proposal rejected by the CRTC. On March 26, 2003, the Governor in Council issued its decision rejecting the petition by AT&T Canada.

ACCOUNTING CHARGES

STREAMLINING AT BELL CANADA AND OTHER CHARGES

Bell Canada recorded pre-tax charges of $302 million in the fourth quarter of 2002 ($190 million after-tax) representing restructuring charges of $232 million and other charges of $70 million.

The restructuring charges were primarily from streamlining Bell Canada's management, line and other support functions, and included severance for approximately 1,700 employees, enhanced pension benefits and other employee costs. This is expected to be completed in 2003.

Other charges consisted primarily of various accounts receivable write-downs relating to billing adjustments and unreconciled balances from prior years that were identified during the year. At December 31, 2002, $111 million of the restructuring provision remained unpaid.

WRITE-OFF OF DEFERRED COSTS

BCE Inc. recorded a pre-tax charge of $93 million ($61 million after-tax) in the fourth quarter of 2002. This charge represented a write-off of

deferred costs relating to various convergence initiatives after an analysis indicated that it was unlikely that these costs would be recovered.

GOODWILL

In the fourth quarter of 2002, we completed our annual assessment of goodwill of all of our reporting units, as required by the provisions of CICA Handbook section 3062. We recorded a charge to pre-tax earnings of $770 million ($530 million after non-controlling interest), relating to impaired goodwill of reporting units in Bell Globemedia ($715 million) and Aliant ($55 million). In each case, the goodwill was

written down to its estimated fair value, which was determined based on estimates of discounted future cash flows and confirmed by market-related values.

The primary factor contributing to the impairment at Bell Globemedia was a revised estimate of future cash flows, which reflects management's decision to scale back its trials in convergence products and other non-core businesses, as well as current market conditions for the media business. The write-down at Aliant was determined to be appropriate in light of current market conditions and the recent weak performance of its information technology business.

In addition, under the transitional provisions of the new CICA Handbook section 3062, we charged an impairment of $8,180 million to opening retained earnings as of January 1, 2002. This related to impaired goodwill of reporting units in Teleglobe ($7,516 million), Bell Globemedia ($545 million) and BCE Emergis ($119 million).

PAY EQUITY SETTLEMENT

On September 25, 2002, the members of the Canadian Telecommunications Employees' Association ("CTEA") ratified a settlement reached between the CTEA and Bell Canada relating to the 1994 pay equity complaints that the CTEA had filed on behalf of its members before the Canadian Human Rights Commission. The settlement included a cash payout of $128 million and related pension benefits of approximately $50 million.

No settlement has yet been reached with the Communications, Energy and Paperworkers union of Canada ("CEP"), representing current and former employees covered by the complaints filed on their behalf.

WRITE-DOWN OF BELL CANADA'S ACCOUNTS RECEIVABLE

During the second quarter, coincident with the development of a new billing platform, Bell Canada adopted a new and more precise methodology to analyze the amount of receivables by customer as well as by service line and that permits a more accurate determination of the validity of customer balances owed to Bell Canada. This analysis indicated that a write-down of accounts receivable amounting to $272 million (BCE's share is $142 million on an after-tax basis) was appropriate.

As these amounts arose from legacy billing systems and processes, Bell Canada has carried out a detailed review of billings and adjustments for the period from 1997 to 2002. These amounts arose as the cumulative result of a series of individually immaterial events and transactions pertaining to Bell Canada's legacy accounts receivable systems dating back to the early 1990s.

STREAMLINING AT BCE EMERGIS

See item 3.3.2 — Streamlining at BCE Emergis.

OTHER

SPRINT COLLABORATION AGREEMENT

Bell Mobility has an agreement with Sprint Spectrum, L.P. ("Sprint PCS") that allows personal communications service ("PCS") wireless roaming throughout the United States, and by agreement through the Bell Wireless Alliance ("BWA"), Canada. Inter-carrier roaming across Sprint PCS, Bell Mobility and other BWA members provides one of the largest roaming networks in North America, giving customers the ability to stay connected while in the United States and Canada.

In October 2002, Bell Mobility also entered into a master agreement with Sprint PCS for preferred collaboration in business and technology planning, procurement, intellectual property license and product and platform development with regards to wireless and wireless-related telecommunications services and products.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

Further to the resignation of Mr. Jean C. Monty as Chairman and Chief Executive Officer of BCE Inc. effective April 23, 2002, Mr. Michael J. Sabia was appointed as President and Chief Executive Officer of BCE Inc. and Mr. Richard J. Currie was appointed as Chairman of BCE Inc.

LITIGATION

Several lawsuits were launched against us in the course of 2002. See item 3.7 — Legal Proceedings for more details.

LAUNCH OF NEW WIRELESS NETWORK

In 2002, Bell Mobility launched the next generation 1X wireless network and related devices. The new 1X network supports wireless data transmission speeds of up to five times faster than previous circuit-based transmission technology thereby offering cellphone users enhanced messaging, gaming, downloadable ringtones, screensavers and other mobile applications. Bell Mobility introduced 1X service across the majority of its coverage area throughout 2002 and expects to continue to roll-out 1X service during 2003.

2.2.2 2001

During the course of 2001, the following events have influenced the general development of our business:

- the recording by the Bell Canada segment of pre-tax charges of $975 million in the first and fourth quarters of 2001. BCE's share was $461 million on an after-tax basis. These charges represented restructuring charges of $555 million and other charges of $420 million. The restructuring charges were from the Bell Canada segment's streamlining initiatives and included employee severance for approximately 4,700 employees, enhanced pension benefits and other employee costs. The restructuring programs were completed in 2002. Other charges consisted of the write-down of Bell Mobility's wireless capital assets

- the execution of agreements by BCI, América Móvil and SBC International Inc. (“SBC International”), pursuant to which the parties reorganized the assets of Telecom Américas through certain asset transfers and arranged for certain funding commitments

- the execution of definitive agreements for the sale by Teleglobe and certain of its subsidiaries of Excel’s North American operations to an affiliate of VarTec. The U.K. operations, which were not part of the transaction, were shut down during 2001

- the settlement by BCE Inc. 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

- the creation by BCE Inc., The Thomson Corporation and Woodbridge of Bell Globemedia

- the successful bid by Bell Mobility to obtain 20 new PCS spectrum licenses in Industry Canada's auction for a total investment of approximately $720 million. These new licenses enabled Bell Mobility to launch its Western network in British Columbia and Alberta and to augment its spectrum holdings in congested urban areas such as Toronto and Montreal. Bell Mobility's BWA partners Aliant Telecom Inc. (“Aliant Telecom”), MTS Mobility and SaskTel Mobility also acquired additional PCS spectrum in the auction

- the creation by Bell Canada and Amdocs Limited, a company specializing in customer care and billing solutions, of a new company, Certen Inc. (“Certen”) in which Bell Canada holds a majority interest. Certen’s initial focus has been on the deployment of an integrated billing platform for all of our services including local, long distance, wireless, broadband and Internet services. We intend to roll out “One-Bill” over the course of 2003 in a phased-in approach.

2.2.3 2000

During the course of 2000, the following events have influenced the general development of our business:

- the closing of a joint venture agreement between BCI, América Móvil and SBC International and the formation of Telecom Américas. At closing, BCI and América Móvil each held an approximate 44% interest in Telecom Américas while SBC International held an 11.4% interest. BCI sold its interest in Telecom Américas in 2002

- the acquisition by BCE Inc. of all of the outstanding common shares of Teleglobe that it did not already own, for an aggregate purchase price of $7.4 billion which was comprised of $240 million in cash and $7.2 billion in BCE Inc. common shares at $41.20 per BCE Inc. common share. We sold our interest in Teleglobe in 2002

- the distribution by BCE Inc. of an approximate 35% interest in Nortel Networks to BCE Inc. common shareholders. BCE Inc. common shareholders received, for each common share of BCE Inc. held, approximately 1.57 post-split common shares of Nortel Networks

- the acquisition by BCE Inc. of all of the outstanding common shares of CTV for a total purchase price of approximately $2.5 billion.

2.3 OUR OBJECTIVES AND STRATEGY

Our governing objective is to *achieve balanced performance that will lead to profitable growth, positive free cash flow* and *improving returns*. The successful achievement of our governing objective is dependent on achieving three key strategic objectives: *Simplicity*, *Efficiency* and *Financial Discipline*.

Our customers want simplicity. Our research demonstrates that they want products and services that are easy to use and understand, and they want dealing with us to be easy. To do this, we must continue to simplify our processes, reduce bureaucracy and improve the effectiveness of our sales and distribution channels. In addition to simplicity, we need to continue gaining better insight into the needs of each of our customer segments. By better understanding our customers' needs, we will be able to provide them with compelling value propositions.

As part of our strategy, we are shifting our focus to further position our key customer segments at the center of our business. We continue to develop a better understanding of the needs of each of our customer segments: consumers, small and medium enterprises (“SMEs”), and large enterprises.

Efficiency has become an integral part of the way we do business. We generated productivity gains of more than $1 billion over the past two years and are targeting more than $600 million in further efficiency gains in 2003. We have substantially reduced our capital expenditures while growing our customer connections. But increased efficiency cannot come at the expense of service. Service is the cornerstone of our brand, and we are committed to improving customer service as we continue to focus on efficiency.

Financial discipline demands decisive action to ensure long-term financial success. The steps we took in 2002 have made us stronger and have put us in full control of our future. We will continue to manage our company with a view to providing consistent, solid returns while strengthening our balance sheet and generating free cash flow for our shareholders.

ITEM 3 • BUSINESSES

3.1 BELL CANADA SEGMENT

3.1.1 OVERVIEW

The Bell Canada segment is Canada's leading provider of wireless and wireless communications services, Internet access, data services and DTH satellite television services to residential and business customers through its 25 million customer connections.

At December 31, 2002, the Bell Canada segment’s customer connections were as shown in Table 3.1.1:

TABLE 3.1.1 CUSTOMER CONNECTIONS

At December 31, 2002 (in millions)	
Telephone service subscribers	13.2
Cellular and PCS customers	3.9
Paging customers	0.6
High-speed Internet	1.1

Dial-up access	0.9
DTH satellite television subscribers	1.3
Digital equivalent access lines[1]	3.7

(1) Derived by converting lower capacity data lines to the equivalent number of voice grade access lines.

The Bell Canada segment operates primarily as the incumbent telephone company in:

- Ontario and Québec, through Bell Canada, Télébec LP and Northern Telephone LP
- Atlantic Canada, through Aliant
- Canada's northern territories, through Northwestel Inc.

We also operate as a competitive local exchange carrier ("CLEC") in Alberta and British Columbia through Bell West.

3.1.2 PRODUCTS AND SERVICES

The Bell Canada segment offers a full array of communications products and services to our residential and business customers. This broad product offering enables the Bell Canada segment to leverage its leading

position in its principal markets to cross sell value-added and new services to existing customers.

Table 3.1.2 shows the revenue distribution as a percentage of the Bell Canada segment's operating revenues by line of business for the last three years ended December 31. The Bell Canada segment's principal service area includes most of the two largest and most populous Canadian provinces, Ontario and Québec, and most of the Atlantic Provinces.

TABLE 3.1.2 COMMUNICATIONS SERVICES (REVENUE DISTRIBUTION)

Revenue distribution as a % of operating revenues for the year ended December 31	2002	2001	2000
Local and access	35	37	38
Long distance	15	15	18
Wireless	12	11	10
Data	22	20	18
DTH satellite television	4	3	2
Other[1]	12	14	14
	100	100	100

(1) Includes the revenues generated by our directories business prior to its sale on November 29, 2002.

There is some seasonality in certain of our businesses. For example, our wireless and DTH satellite television services revenues tend to be higher in the fourth quarter due to increased consumer spending during the holiday season.

3.1.2.1 Local and Access Services

The Bell Canada segment operates an extensive local access network that provides local telephone services to business and residential customers. The 13.2 million local telephone lines, or network access services ("NAS"), we provide for our subscribers are key in establishing customer relationships and are the foundation for the other products and services we offer.

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

- value-added services such as call display, call waiting and voice mail
- services provided to competitors accessing our local network
- subsidies from the National Contribution Fund to support local service in high-cost areas.

Rates for local telephone and value-added services in our incumbent territories are subject to price cap regulation by the CRTC.

A summary of local and access services revenues, the number of NAS and estimated local market share is shown in Table 3.1.2.1.

TABLE 3.1.2.1 LOCAL AND ACCESS SERVICES

For the year ended December 31	2002	2001	2000
Local and access revenues (in $ millions)	6,155	6,360	6,019
Number of network access services[1] (in thousands)			
Residential	8,573	8,634	8,642
Business	4,581	4,662	4,699
	13,154	13,296	13,341
Estimated local market share[2]			
Residential (Québec and Ontario)	97.9%	99.3%	99.6%
Residential (Atlantic Provinces)	96.4%	97.9%	99.2%
Business (Québec and Ontario)	91.3%	91.9%	93.5%
Business (Atlantic Provinces)	96.5%	97.0%	97.2%

(1) Network access services represented, at December 31, the approximate number of lines in service.

(2) The loss of business market share reflects facilities-based competition only.

3.1.2.2 Long Distance Services

We supply long distance voice services to business and residential customers. In addition, we provide the originating and terminating portion of

long distance calls from and to our local telephone service customers for competing long distance companies. We also receive settlement payments from out-of-region carriers for completing their customers' long distance calls in our territory.

TABLE 3.1.2.2 LONG DISTANCE SERVICES

For the year ended December 31	**2002**	**2001**	**2000**
Long distance revenues (in $ millions)	2,579	2,651	2,845
Conversation minutes (in millions)	19,034	18,200	17,898
Average long distance revenue per minute (in cents)	12	13	15
Estimated market share			
Residential (Québec and Ontario) (% based on revenues)	71%	70%	68%
Residential (Atlantic Provinces) (% based on minutes)	88%	89%	88%
Business (Québec and Ontario) (% based on revenues)	52%	53%	53%
Business (Atlantic Provinces) (% based on minutes)	88%	89%	88%

Prices for long distance services have been declining since this market was opened to competition. The rate of decline, however, has

eased over the past several years. Price decreases have generally led to increased volume in conversation minutes.

A summary of long distance revenues and other long distance statistics is shown in Table 3.1.2.2.

3.1.2.3 Wireless Services

We offer a full range of wireless communications services to business and residential customers, including cellular, PCS and paging. PCS customers can access our Mobile Browser service to gain wireless access to the Internet. We also provide value-added services such as call display and voice mail, and roaming services to other wireless service providers.

Customers can choose to pay for their cellular and PCS services through a monthly rate plan (post-paid) or in advance (prepaid). More than 97% of the subscribers added in 2002 were on post-paid rate plans. At December 31, 2002, 75% of our subscribers were on post-paid plans, up from 72% in 2001. This reflects our continued focus on acquiring and retaining higher value and more profitable customers.

Wireless communications services are provided in-territory by the wireless division of each of our incumbent telephone companies with the exception of Bell Mobility, which offers wireless services in Alberta and British Columbia, in addition to its home territory of Ontario and Québec. In 2002, Bell Mobility completed the construction of its network in Calgary, Edmonton and Vancouver.

In 2002, we were the first company to launch a high-speed wireless network, which allows customers to transmit data at speeds of up to 86 Kbps, five times faster than what was previously available. By the end of 2002, our high-speed network covered:

- centers in Ontario and Québec, representing 80% of the population in those provinces
- Halifax in Atlantic Canada
- Calgary, Edmonton and Vancouver in Western Canada.

A summary of our wireless services revenues and other wireless services statistics is shown in Table 3.1.2.3.

TABLE 3.1.2.3 WIRELESS SERVICES

For the year ended December 31	2002	2001	2000
Wireless services revenues (in $ millions)	2,167	1,839	1,515
Cellular and PCS net activations (in thousands)			
Prepaid	13	247	199
Post-paid	452	443	396
	465	690	595
Cellular and PCS subscribers[1] (in thousands)			
Prepaid	979	966	719
Post-paid	2,940	2,488	2,045
	3,919	3,454	2,764
Average revenue per unit (cellular and PCS) ($/month)	46	46	47
Prepaid	12	13	13
Post-paid	59	58	58
Usage per subscriber (cellular and PCS) (minutes/month)	203	182	161
Churn rate[2] (cellular and PCS) (average per month)	1.6%	1.5%	1.5%
Paging subscribers[1] (in thousands)	639	715	756
Estimated market share			
Québec and Ontario (% based on revenues)	47%	47%	46%
Atlantic Provinces (% based on subscribers)	75%	75%	75%

(1) At December 31.

(2) The rate at which existing subscribers cancel their services is called churn.

TABLE 3.1.2.4 DATA SERVICES

For the year ended December 31	2002	2001	2000
Data revenues (in $ millions)	3,806	3,526	2,890
Internet subscribers (in thousands)			
Digital subscriber line high-speed[1]	1,110	757	336
Dial-up[2]	957	1,019	847

	2,067	1,776	1,183
Digital equivalent access lines[3] (Bell Canada only)	3,683	3,713	n/a
Estimated market share			
Québec and Ontario[4]	42.2%	41.7%	33.5%
Atlantic Provinces[5]	67.0%	67.0%	67.0%

(1) High-speed Internet subscribers include consumer, business and wholesale subscribers, at December 31.

(2) Dial-up subscribers include consumer and business subscribers, at December 31.

(3) Digital equivalent access lines are derived by converting lower capacity data lines (DS-3 and lower) to the equivalent number of voice grade access lines, at December 31.

(4) High-speed consumer Internet market share.

(5) High-speed and dial-up Internet market share.

3.1.2.4 Data Services

Data services are a growth area for the Bell Canada segment in both the residential and business customer segments. We provide high-speed and dial-up Internet access to residential customers in our incumbent territories primarily through the Bell Sympatico brand. High-speed Internet access is driving growth in the residential portion of this business. In 2002, we expanded our product line to offer customers a choice of speeds and several value-added services.

In 2002, the number of high-speed Internet subscribers increased by 47% to reach 1.1 million, reflecting customer preference for higher speed alternatives to dial-up Internet access. For the first time, the number of high-speed Internet access subscribers surpassed the number of dial-up subscribers. The number of dial-up subscribers declined to 957,000 from 2001 levels of over one million. Residential represents the largest segment of high-speed Internet subscribers and comprises 924,000 customers.

We offer a full range of data services to business customers, including local network access, Internet access, frame relay, asynchronous transfer mode ("ATM"), Internet Protocol ("IP")/broadband and e-commerce services as well as sales of equipment. In 2002, we launched Bell Managed Network Solutions, a single source for the delivery and management of end-to-end business communication services.

Data services for business customers are provided in-territory by our incumbent telephone companies and by Bell West in Western Canada.

A summary of data revenues, Internet subscribers and other data services statistics is shown in Table 3.1.2.4.

3.1.2.5 DTH Satellite Television Services

DTH satellite television services have rapidly become a major competitor to cable television. Bell ExpressVu has been delivering digital services on a national basis directly to Canadian homes and businesses since 1997. It is Canada's largest licensed DTH distributor of digital programming offering more than 300 digital television and CD-quality audio channels as well as more than 50 pay-per-view channels.

Bell ExpressVu acquired 70% of all new Canadian DTH subscribers this year, increasing its DTH market share to 62%. Bell ExpressVu has steadily increased the number of subscribers in urban areas, where cable has traditionally dominated the market. At December 31, 2002, 59% of Bell ExpressVu's customers were from urban areas, up from 56% in 2001.

Bell ExpressVu uses two satellites in orbit owned by Telesat Canada ("Telesat"), Nimiq 1 and Nimiq 2. Nimiq 2 was successfully launched on December 29, 2002, although it has since experienced a malfunction affecting its available power. This malfunction is still being investigated. Notwithstanding the malfunction, the additional satellite capacity will allow Bell ExpressVu to offer additional programming in 2003. See item 3.8.6 — BCE Ventures — Telesat for more details.

Signal piracy is a major issue facing all segments of the Canadian broadcasting industry. Bell ExpressVu has undertaken a number of actions to combat signal piracy, including taking legal action, implementing electronic countermeasures targeted at illegal devices, and leading public awareness campaigns. A summary of our DTH satellite television services revenues, subscribers and estimated market shares is shown in Table 3.1.2.5.

TABLE 3.1.2.5 DTH SATELLITE TELEVISION SERVICES

For the year ended December 31	2002	2001	2000
DTH services revenues (in $ millions)	638	474	305
DTH subscribers[1] (in thousands)	1,304	1,069	722
DTH estimated market share (subscribers)	62%	60%	58%
DTH and cable estimated market share (subscribers)	13%	11%	8%

(1) At December 31.

3.1.2.6 Other Products and Services

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

- renting, selling and maintaining business terminal equipment
- print and electronic directories' advertising until November 2002
- Alliant's remote communications, information technology, and emerging businesses.

In November 2002, we sold the directories business for approximately $3 billion in cash. We will no longer generate this type of revenue.

A summary of our other products and services revenues is shown in Table 3.1.2.6.

TABLE 3.1.2.6 OTHER PRODUCTS AND SERVICES

For the year ended December 31	2002	2001	2000
Other revenues (in $ millions)	2,144[1]	2,352	2,226

(1) Includes the revenues generated by our directories business prior to its sale on November 29, 2002.

3.1.3 MARKETING AND DISTRIBUTION CHANNELS

The Bell Canada segment distribution channels are focused on residential, SME and large enterprise customers. These channels include call centers staffed by approximately 7,620 representatives, approximately 255 Bell World/Espace Bell stores (approximately 95 owned by us and approximately 160 owned by dealers/franchisees), approximately 1,200 direct sales representatives, and the bell.ca and alianttelecom.ca websites. Dedicated to the large enterprise market and as Canada's largest IP/broadband company, Bell Nexxia bundles products and services into fully managed, end-to-end, eBusiness solutions.

The Bell Canada segment utilizes these distribution assets to deliver full service capabilities to its customers and continues its evolution from a product-centric company (selling one product at a time) to becoming a customer-centric company driving revenue per customer. The call centers and retail outlets have already evolved to provide the full customers breadth of our products. A recommendation engine was rolled out to all residential call center agents in the fourth quarter of 2002 to enable these agents to sell the full suite of Bell Canada products and services.

This cross distribution capability differentiates the Bell Canada segment from its competitors who do not have the Bell Canada segment's large wireline customer base.

Residential customer offers continue to focus on cross selling our suite of products and services including:

- Internet access
- cellular and PCS
- DTH satellite television

Cross selling provides value for the customer thereby increasing spending with us and enabling us to simplify our product offering and allowing us to compete aggressively with our key competitors. Our ability to cross sell enhances revenues, reduces churn and improves productivity.

3.1.4 NETWORKS

The Bell Canada segment's networks provide a wide-ranging, integrated platform of voice, data, wireline and wireless services for residential and business customers from coast to coast and into certain limited areas of the United States.

The Bell Canada segment infrastructure includes:

- national transport for voice and data (including Internet traffic)
- urban and rural infrastructures for the delivery of services to residential and business customers
- national wireless providing voice and data
- satellite delivery for video services to the residential market.

Consisting of over 10,000 route miles of optical fibre, the national voice and data infrastructure, configured as multiple rings for redundancy and fault protection, reaches all major metropolitan centres and many smaller metropolitan centres in Canada as well as New York, Chicago and Seattle at speeds of 10 Gigabits per second.

In addition, the Bell Canada segment's metropolitan networks in major Canadian cities provide state of the art high-speed access at Gigabit speeds based on IP technology while continuing to be the premier provider for traditional voice and data services. The national data network has over 750 Gigabits per second of capacity and transports over 150 Gigabits per second of Internet traffic to Canadian customers daily.

In total, our wireless infrastructure provided coverage to 80% of the Canadian population as at December 31, 2002. The Bell Canada segment recently deployed state of the art 1xRTT technology through its wireless network to deliver among the fastest wireless data speeds on the market and enabling leading edge wireless data applications.

To reach its high value business customers, the Bell Canada segment has placed over 200,000 fiber strand miles in most cities in Ontario, Québec and the Atlantic Provinces, as well as in Vancouver, Edmonton and Calgary. These infrastructures also provide for the transport of Internet traffic to and from high-speed customers.

The Bell Canada segment has an extensive copper infrastructure, and a voice switching infrastructure to provide local and inter-exchange voice services to all business and residential customers in Ontario, Québec and the Atlantic Provinces.

3.1.5 COMPETITION

With the advent of competition in the local service market in 1998, virtually all markets in which the Bell Canada segment carries on business are competitive. For more information on market shares in the Bell Canada segment's respective markets, see item 3.1.2 — Products and Services.

3.1.5.1 Local and Access

Our main competitors in local and access services include:

- Call-Net Enterprises Inc. ("Sprint Canada")
- Telus Corporation ("Telus")
- AT&T Canada
- LondonConnect Inc.
- Futureway Communications Inc.
- Eastlink Communications ("Eastlink") (Atlantic Provinces).

Our prices for basic access services are subject to price cap regulation. See item 3.1.6 — Regulation.

3.1.5.2 Long Distance

Our major long distance competitors include:

- Sprint Canada
- Primus Telecommunications Canada Inc. (“Primus”)
- AT&T Canada
- Telus
- Eastlink (Atlantic Provinces).

Competition in the long distance market has been largely based on price leading to discount structures in the large business markets as well as flat rate pricing in the residential and small business markets. The rate of decreases in prices over the past several years has lessened.

3.1.5.3 Wireless

The Canadian wireless telecommunications industry is highly competitive. Bell Mobility and Aliant Telecom compete for cellular and PCS customers, dealers and retail distribution outlets directly with:

- Rogers Wireless Communications Inc.
- Telus Mobility (a business unit of Telus)
- Microcell Telecommunications Inc.

Competition for subscribers is primarily based on the price, services and enhancements offered, the technical quality of the cellular and PCS system, customer service, distribution, coverage and capacity. Competition from the development of new products and services has heightened market awareness for wireless telecommunications services.

3.1.5.4 Data

In the very competitive high-speed Internet access services market, the Bell Canada segment competes with large cable television companies such as:

- Le Groupe Vidéotron Ltée (“Vidéotron”)
- Rogers Cable Inc. (“Rogers”)
- Cogeco Cable Inc. (“Cogeco”)
- Eastlink (Atlantic Provinces).

On the dial-up side, the Bell Canada segment competes with America Online, Inc., Primus and over 800 independent Internet service providers.

Nationally, our most significant competitors in the business data services market are:

- AT&T Canada
- Telus
- Sprint Canada
- LondonConnect Inc.
- IBM
- Electronic Data Systems.

The data market has been open to competition the longest and the Bell Canada segment is under extreme competitive pressures.

3.1.5.5 DTH Satellite Television

In the DTH satellite television services market, Bell ExpressVu competes with Star Choice Television Networks Inc. in Canada. DTH satellite television providers also compete with cable TV providers across Canada, including:

- Rogers
- Vidéotron
- Shaw Communications Inc.
- Cogeco
- Eastlink (Atlantic Provinces).

Competition for subscribers is based on channels offered, quality of signal, set-top box features, availability of service in region, price and service.

3.1.6 REGULATION

Bell Canada is, as well as Aliant Telecom and several Bell Canada direct and indirect subsidiaries and associated companies, including Bell Mobility and Bell ExpressVu, subject to the jurisdiction of the CRTC, an agency of the Government of Canada responsible for regulating Canada's broadcasting and telecommunications systems. Several laws of specific application also govern the business of Bell Canada, Bell Mobility and MT&T Mobility Inc. ("MTT Mobility"), a subsidiary of Aliant Telecom.

Bell ExpressVu's DTH Distribution Undertaking license will be expiring on August 31, 2003. Bell ExpressVu has provided the CRTC with certain preliminary information to assist the CRTC in its preparation of the public phase of the renewal process. At this time, we know of no reason why this license would not be renewed.

The CRTC does not regulate the rates charged for wireless services and Bell ExpressVu's DTH satellite television services.

3.1.6.1 Bell Canada Act

In addition to the *Canada Business Corporations Act*, Bell Canada is also subject to the provisions of the *Bell Canada Act* which imposes an obligation to provide service which is limited by the *Bell Canada Act* to those territories within which a general telephone service is provided. This legal obligation is further limited to premises which are located within a prescribed distance from Bell Canada's existing network facilities. Bell Canada provides a general telephone service to specific areas or regions within Ontario and Québec which encompasses the vast majority of telephone customers in the two provinces.

The *Bell Canada Act* also provides for prior approval by the CRTC of any sale or other disposal of Bell Canada voting shares held by BCE Inc., except if such sale or disposal would result in BCE Inc. retaining not less Canada than 80% of all the issued and outstanding shares of Bell Canada.

3.1.6.2 Telecommunications Act

The *Telecommunications Act,* governing telecommunications in Canada, applies to several of the Bell Canada segment's companies and partnerships, including Bell Canada, Bell Mobility, Bell Nexxia, Northern Telephone LP, Northwestel Inc., Télébec LP and Aliant Telecom and its related affiliates. The *Telecommunications Act* defines the broad objectives of the Canadian telecommunications policy and empowers the government to issue to the CRTC directions of general application with respect to any of these objectives. Under the *Telecommunications Act*, unless subject to an order of exemption or forbearance, all telecommunications common carriers, including the companies referred to above, are required to seek regulatory approval for all proposed tariffs for telecommunications services. However, under the *Telecommunications Act*, the CRTC has the power to forbear from regulating, in whole or in part, particular services or classes of service where the CRTC finds as a question of fact that competition is sufficient to protect the interests of users. The CRTC may also exempt an entire class of carriers from regulation under

the *Telecommunications Act*, where the CRTC finds that exemption of the class of carriers is consistent with the objectives of the Canadian telecommunications policy.

The *Telecommunications Act* also stipulates that for a company such as Bell Canada, Aliant Telecom or Bell Mobility to operate as a telecommunications common carrier, it must be eligible to operate as a Canadian carrier and must be a Canadian owned and controlled corporation, and must not otherwise be controlled by non-Canadians. Specifically, a Canadian carrier, such as Bell Canada, is required to meet a minimum level of direct Canadian ownership of 80% and a minimum level of indirect Canadian ownership, such as at the BCE Inc. level, of 66 2/3%. In addition, the *Telecommunications Act* provides that not less than 80% of the members of the board of directors of a Canadian carrier must be Canadian.

In November 2002, Industry Canada issued a discussion paper designed to seek views as to whether the current foreign investment restrictions included in the *Telecommunications Act* should be modified. See item 2.2.1 — Recent Developments — Significant Regulatory Developments — Review of Foreign Ownership Rules.

3.1.6.3 Broadcasting Act

In 1991, the Government of Canada amended the *Broadcasting Act* in recognition of the need to modernize and consolidate existing legislation. Key policy objectives of the *Broadcasting Act* include the safeguarding and strengthening of the cultural, political, social and economic fabric of Canada as well as encouraging the development of Canadian expression. The *Broadcasting Act* assigns the regulation and supervision of the broadcasting system to the CRTC. Most broadcasting activities require a broadcasting license from the CRTC. For a corporation to obtain a broadcasting or broadcasting distribution

license, it must also be a Canadian owned and controlled corporation. Four of the Bell Canada segment's partnerships, subsidiaries or associated companies — Bell ExpressVu, Aliant Telecom, Northwestel Inc. and Télébec LP — have broadcasting distribution licenses that permit them to offer broadcast distribution services in defined areas within Nova Scotia, New Brunswick, Québec, Ontario, the Northwest Territories and Nunavut and nationally in the case of Bell ExpressVu.

In November 2002, the House of Commons Standing Committee on Canadian Heritage began public hearings to consider the state of the Canadian broadcasting system. The scope of the review includes the *Broadcasting Act* and the role of the CRTC as well as issues such as media ownership, Canadian content and broadcasting policy. The study is expected to be completed in the Spring of 2003. See item 2.2.1— Recent Developments — Significant Regulatory Developments — Review of Foreign Ownership Rules.

3.1.6.4 Radiocommunication Act

The use of radio spectrum by Bell Canada, Bell Mobility, Aliant Telecom, MTT Mobility and other wireless service providers is subject to regulation and licensing by Industry Canada pursuant to the *Radiocommunication Act*. The Minister of Industry has the discretion to issue radio licenses, establish technical standards in relation to radio equipment and plan the allocation and use of the radio spectrum. The *Radiocommunication Act* provides the legislative authority to perform a number of functions with a view to ensuring the orderly development and efficient operation of radiocommunication in Canada and the orderly establishment and modification of radio stations.

Pursuant to the *Radiocommunication Regulations*, persons who are eligible to be issued radio licenses, such as Bell Canada, Bell Mobility and Aliant Telecom, must comply with the same foreign ownership restrictions as are applicable to Canadian carriers under the *Telecommunications Act*.

Bell Mobility's cellular license and initial 1.9 GHz band PCS license ("1995 PCS License") to provide service in Ontario and Québec expire on March 31, 2006 and Aliant Telecom's/MTT Mobility's cellular license and 1995 PCS License to provide service in the Atlantic Provinces expire on March 31, 2006. The 20 additional PCS licenses ("2001 PCS Licenses") acquired for $720 million by Bell Mobility (including 20 MHz in Southern Ontario), Aliant, MTS and SaskTel in February 2001 expire on November 29, 2011. At this time, we know of no reason why these licenses would not be renewed as they expire.

The primary terms and conditions attaching to the 2001 PCS Licenses include:

- divisibility and transferability rights enabling wireless carriers to dispose of or acquire additional (auctioned) spectrum in the secondary market subject to spectrum cap limits and ownership compliance
- a requirement to invest an amount equivalent to 2% of adjusted gross revenues in telecommunications-related research and development
- a requirement to notify the Minister of Industry prior to any material change in ownership or control in fact.

The terms and conditions attaching to the cellular licenses and 1995 PCS Licenses include:

- a requirement to notify the Minister of Industry prior to any material change in ownership or control in fact (cellular licenses)
- an obligation to invest a defined percentage of revenues in research and development
- requirements relating to the resale of PCS and cellular services and facilities to other 1995 PCS Licensees.

INDUSTRY CANADA LICENSING AND FEES CONSULTATION

In December 2002, Industry Canada initiated a public consultation to harmonize the licensing and fee regime of the cellular licenses and 1995 PCS Licenses with those of the 2001 PCS Licenses commencing in April 2004.

The consultation proposes moving to 10-year license terms with divisibility and transferability rights applied to the cellular licenses and 1995 PCS Licenses.

The consultation also proposes to change the fee regime from radio or apparatus based to one of spectrum licenses calculated on rate per MHz of spectrum in a given geographic area.

INDUSTRY CANADA NATIONAL TOWERS CONSULTATION

In October 2001, the Minister of Industry announced his intention to initiate a national review of Industry Canada's procedures surrounding the approval and placement of wireless and radio towers throughout Canada. Coincident with the announcement, Industry Canada issued a closed request for proposals to select a qualified candidate to act as an independent chairperson of the national review.

A chairperson to lead the review has been appointed. The BWA, chaired by Bell Mobility, will be managing the consultation process and will coordinate a BWA response. It is expected that the consultation process will be fast tracked.

Increased involvement of municipalities in the site approval process could affect the deployment of cellular and PCS towers throughout Canada.

3.1.6.5 Lawful Access Consultation

In August 2002, the Federal Government launched a consultation to consider the access by law enforcement agencies to information and communications, including wireless communications. The Government's proposals, which are not precisely defined within the consultation, could

require telecommunications service providers, including wireline and wireless carriers and Internet service providers, to invest significant capital and incur significant ongoing expenses to comply with the proposed requirements. It is expected that legislation will be introduced in 2003.

3.1.6.6 Significant Regulatory Decisions

2002

CRTC DECISION ON INCUMBENT AFFILIATES

On December 12, 2002, the CRTC issued Telecom Decision 2002-76 “Regulatory safeguards with respect to incumbent affiliates, bundling by Bell Canada and related matters”. This decision makes several important changes to the regulatory regime which affects us. See item 2.2.1 — Recent Developments — Significant Regulatory Developments — CRTC Decision on Incumbent Affiliates.

LOCAL CALLING AREA RULES

On September 12, 2002, the CRTC issued Decision 2002-56 regarding the framework to be used for the expansion of Local Calling Areas ("LCAs"). In this decision, the CRTC noted that subscribers who benefit from expanded LCAs should bear the cost to recover foregone toll revenues of the ILECs and CLECs through a temporary surcharge on their local rates. Incremental costs, if significant, would be recovered from the deferral account. In addition, a plebiscite has to be held, at the expense of the municipality, to determine public support for expanded LCAs, where residential subscriber individual line rate, including the temporary surcharge, exceeds $1 per month.

SECOND PRICE CAP REGIME

On May 30, 2002, the CRTC issued Telecom Decision 2002-34, making a number of changes to the price cap regime. The new rules, which are applicable for a four-year period beginning June 1, 2002, govern the rates for regulated services charged to residential and business customers, as well as to competitors, by the major ILECs such as Bell Canada, Aliant Telecom, MTS, Telus and SaskTel. See item 2.2.1 —Recent Developments — Significant Regulatory Developments—Second Price Cap Decision.

Other

CONTRIBUTION REGIME

On November 30, 2000, the CRTC issued Telecom Decision 2000-745, changing the contribution regime for local service subsidies from a company specific long-distance per minute charge to a nationally averaged surcharge of 4.5% on Canadian telecommunications revenues. This change became effective on January 1, 2001. On December 14, 2001, the CRTC issued Order 2001-876, which established the charge for the national subsidy program, on an interim basis, at 1.4% of eligible telecommunications revenues for 2002. The rate for 2003 is 1.3%.

In September 2001, Telus filed an application asking the CRTC to revisit several of the assumptions underlying the calculations of the subsidy payment and to adjust the payments for 2002 to take the changes into account. On October 25, 2002, the CRTC denied Telus' application in Decision 2002-67. On January 22, 2003 Telus petitioned the Governor in Council to overturn certain findings in Decision 2002-67. Specifically, Telus requested that the CRTC be directed to recognize service costs which are higher than those currently used to determine subsidies and rates for lines provided to competitors. Telus also asked that the CRTC be directed to undertake a proceeding to determine how the telephone companies should be compensated for the difference between the costs Telus wishes to be recognized and the costs currently used by the CRTC. If Telus is successful, the impact on us will depend on the outcome of the follow-up proceeding requested by Telus. Any follow-up proceeding would not conclude until some time in 2004. The Governor in Council has until the end of October 2003 to decide whether or not to act on the Telus petition.

ACCESS TO MUNICIPAL PROPERTY

On January 25, 2001, the CRTC issued Telecom Decision 2001-23 regarding the terms and conditions of access by a Canadian carrier to municipal property in the City of Vancouver, as well as the entitlement of the municipality to compensation for allowing the carrier to occupy municipal rights-of-way. In that decision, the CRTC, among other things, limited the fees that the municipality might otherwise charge to a recovery of incremental costs. The Federation of Canadian Municipalities ("FCM") and other municipalities appealed to the Federal Court of Appeal contending that the CRTC had overstepped its authority. On December 17, 2002, the Federal Court dismissed the appeal and confirmed that the *Telecommunications Act* provides Canadian carriers with a qualified right to access municipal property for the purpose of installing transmission lines. The FCM has since indicated its intention to appeal the decision to the Supreme Court of Canada.

FORBEARANCE

On May 17, 1999, the CRTC announced that it would not regulate new media services on the Internet and more particularly that new media services within the purview of the *Broadcasting Act* would not require a broadcasting license. The CRTC concluded that new media on the Internet are achieving the goals of the *Broadcasting Act* and that any attempt to regulate new media might put the Canadian industry at a competitive disadvantage in the global market place.

In Telecom Order 2000-553, issued June 16, 2000, the CRTC forbore from regulation wide area network ("WAN") services, on the basis that competitors can obtain, at non-discriminatory rates, terms and conditions, access and transport facilities they require to compete in the provision of WAN services.

In Telecom Decision 2001-534, issued August 31, 2001, the CRTC refrained from regulating certain services provided by the ILECs outside of their traditional operating territory. The CRTC concluded that the provision of such services should be subject to the same degree of forbearance as set out in Decision 95-19 for non-dominant carriers.

In Telecom Decision 2002-4, issued January 24, 2002, the CRTC granted forbearance for the provisioning of international private line services, while retaining the international licensing conditions established by Telecom Decision CRTC 98-17.

In addition, the CRTC decided to forbear from regulating rates charged for wireless and DTH satellite television services on the grounds that there was sufficient competition to protect the interest of users.

3.1.7 ENVIRONMENT

Bell Canada monitors its operations to ensure its compliance with applicable environmental requirements and standards and implements preventative and remedial action as required. Bell Canada has put in place an environmental management and review system which identifies potential environmental problems or opportunities, establishes a course of action and ensures ongoing improvement through a feedback process.

One of the key management and review system tools is the Corporate Environmental Plan which essentially details the environmental

activities undertaken by Bell Canada's various business units. The plan identifies funding requirements, accountabilities and deliverables, and allows for the follow-up of Bell Canada's progress in meeting its objectives supporting its policy.

For the year ended December 31, 2002, a total amount of $13 million (79% which were expenses and 21% which were capital expenditures) has been spent by Bell Canada on environmental activities. For 2003,

Bell Canada has budgeted a total amount of $14.3 million (79% which are expenses and 21% which are capital expenditures) to ensure the proper application of its environmental policy and the minimization of its various environmental risks.

Bell Canada is one of the founding members of the North American Communications Environmental Excellence Initiative which led, in 1999, to the finalization and signing of a charter aimed at guiding the telecommunications industry in the management of its environmental issues. A second important milestone of this initiative was reached in 2001, when ten leading North American telecommunications companies, including Bell Canada, jointly produced an industry report which provided objective guidelines for measuring the industry's effect on the environment. This is a significant step forward in determining how telecommunications technologies can help contribute to the development of meaningful solutions to the many global challenges.

Aliant has also established environmental processes similar to those of Bell Canada.

3.2 BELL GLOBEMEDIA

3.2.1 GENERAL

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

In 2002, Bell Globemedia's revenues primarily came from selling advertising through its TV, print and Internet businesses. Revenue is also generated from subscriptions to The Globe and Mail and subscription fees that cable and DTH satellite television companies pay for carrying Bell Globemedia's specialty TV channels such as TSN, RDS and Discovery.

See item 2.2.1 — Recent Developments — Acquisitions and Dispositions — Bell Globemedia Restructuring for information on recent developments.

Bell Globemedia's 2002 revenues were $1.3 billion, representing 6% of our total operating revenues.

3.2.2 CTV

CTV, Canada's leader in conventional and specialty television, operates the CTV Television Network, a private English-language national television network reaching over 99% of English-speaking Canadians, through wholly-owned television stations across Canada and through affiliation agreements with non-owned television stations.

CTV has ownership interests in and/or manages several analog specialty channels in Canada, including CTV Newsnet, The Comedy Network, Outdoor Life Network, Talk TV and ROB TV. In addition, through its approximate 68.6% economic interest in CTV Specialty Television Inc., CTV has ownership interests in and/or manages the following specialty channels: TSN, RDS and Discovery Channel, as well as a number of digital specialty channels launched in September 2001, including WTSN, ESPN Classic Canada, Animal Planet, Discovery Civilization, CTV Travel and the NHL Network. CTV is also involved in the production and distribution of television programs.

3.2.3 THE GLOBE AND MAIL

The Globe and Mail, founded in 1844, is Canada's largest circulation English-language print and electronic daily national newspaper. It publishes one Toronto and one national edition each day, six days a week, from six locations. For the twelve months ended September 30, 2002, total circulation amounted to approximately 328,000 copies per day Monday to Friday and 403,000 copies on Saturday. Total readership can reach over one million persons per day.

For the twelve months ended September 30, 2002, the circulation of The Globe and Mail exceeded that of the National Post, its principal competitor, by approximately 32% on weekdays and 40% on Saturdays.

3.2.4 COMPETITION

CTV's broadcast operations enjoy a significant market position within their broadcast areas. However, CTV encounters substantial competition for viewers and corresponding advertising revenues in markets it serves from CanWest Global Communications Corp. ("CanWest"), CHUM Limited, Alliance Atlantis Communications Inc., Corus Entertainment Inc., Canadian Broadcasting Corporation and other companies including owners of specialty channels.

The Globe and Mail competes with a broad range of print media for circulation and advertising revenues. Since the launch of the National Post in 1998 and the launch of several commuter papers in the key Toronto market, competition has intensified. The Globe and Mail also vies for readers and advertisers with The Toronto Star owned by Torstar Inc., Quebecor Inc's Sun Media newspaper chain and CanWest's numerous community newspapers across Canada.

3.2.5 REGULATION

Pursuant to the *Broadcasting Act*, the federal cabinet, through the Direction to the CRTC (Ineligibility of Non-Canadians), requires that for a corporation, such as CTV, to obtain a broadcasting license, it must be a Canadian owned and controlled corporation, and must not otherwise be controlled by non-Canadians. A broadcasting licensee is required to meet a minimum level of direct Canadian beneficial ownership of 80% of all outstanding and issued voting shares and 80% of the votes. Not less than 80% of the board of directors as well as the chief executive officer of a broadcasting licensee must be Canadian.

In addition, not less than 66 2/3% of all outstanding and issued voting shares and not less than 66 2/3% of the votes of the parent corporation of a broadcasting licensee must be beneficially owned and controlled, directly or indirectly by Canadian interests.

Parent corporations of broadcasting licensees which have:

- less than 80% Canadian directors on the board of directors
- have a non-Canadian chief executive officer
- have a minimum level of Canadian ownership of less than 80%

are required to demonstrate to the CRTC that neither such parent corporation nor its directors exercise control or influence over any programming decisions of the broadcasting licensee.

In addition, transfers involving a broadcasting license require the approval of the CRTC, and may require the imposition of certain net benefits.

3.3 BCE EMERGIS

3.3.1 GENERAL

BCE Emergis provides eBusiness services focusing on business-to-business transactions in the financial services and health industries. BCE Emergis executes hundreds of millions of billing, claims processing, payment and related document exchange transactions annually. BCE Emergis' customers include 14 leading North American health insurers, three of the top five U.S. banks, the top six Canadian banks, and a number of North America's largest enterprises. In 2002, 41% of BCE Emergis' operating revenues were derived from the United States, principally from the operation of a "preferred provider organization" which processes medical claims for the benefit of health care payors.

BCE Emergis' revenues come from recurring and non-recurring sources. Recurring revenues include transaction or usage-based charges for access to BCE Emergis' technology and for services including claims processing and cost containment, drug-claim adjudication and payment, invoice presentment and payment processing and electronic messaging, as well as fixed and/or user-based monthly charges, primarily for hosting and secure network services, and access to its provider network. Non-recurring revenues include fees for professional services related to the development, integration, installation and maintenance of BCE Emergis' solutions for clients and initial software license fees and activation fees.

It is important to note that recurring revenues refer to the underlying nature of the revenues, as described above, and that revenues from contracts that are not likely to be renewed will be included in this category if they result from the activities described above.

BCE Emergis' 2002 operating revenues were $540 million, of which 91% were of a recurring nature. Approximately $141 million of revenues were generated from BCE in 2002, representing approximately 26% of BCE Emergis' total revenues. BCE Emergis' 2002 operating revenues represented 2% of our total operating revenues. BCE Inc. owns approximately 65% of BCE Emergis, with the remaining shares being held by the public.

On May 14, 2002, BCE Emergis announced the appointment of Mr. Pierre Blouin as Chief Executive Officer and as a director. Prior to joining BCE Emergis, Mr. Blouin was Chairman and Chief Executive Officer of Bell Mobility and Executive Vice-President of BCE Inc. On May 3, 2002, BCE Emergis announced the appointment of Mr. Michael J. Sabia, President and Chief Executive Officer of BCE Inc., as Chairman of BCE Emergis.

3.3.2 STREAMLINING AT BCE EMERGIS

In 2002, BCE Emergis completed a major streamlining of its services and reduced its workforce by 20%. BCE Emergis recorded a pre-tax charge of $119 million in the second quarter of 2002. BCE's share was $63 million on an after-tax basis. This pre-tax charge represented restructuring charges of $95 million and other charges of $24 million that were related to the write-off of certain assets, severance and other employee costs, contract settlements and costs of leased properties no longer in use, and was reduced by the proceeds of disposition of certain exited activities. All of these charges were primarily from streamlining BCE Emergis' services and reducing its operating cost structure. At December 31, 2002, $23 million of the restructuring provision remained unpaid.

In addition, BCE Emergis is also pursuing its strategic review of its various lines of products and businesses to ensure that they continue to meet BCE Emergis' strategic objectives.

3.3.3 COMPETITION

BCE Emergis faces significant competition in Canada and the United States in all of its services offerings. Although BCE Emergis believes there is no single competitor offering an integrated suite incorporating all of its services, competitors in its health business segment include Beech Street Corporation, MultiPlan, Inc. and First Health Group Corp. in the United States, and NDCHealth Corporation and ESI Canada in drug and dental claims processing in Canada. In its finance business segment, major competitors include Bottomline Technologies, Inc., CheckFree Corporation and EPO Inc. in electronic bill presentment and payment; Ellie Mae, Inc. and Fidelity National Information Solutions Inc. in e-Lending; and major information technology service companies and financial transaction processors such as IBM and Federal Data Corporation in its other eBusiness service areas.

BCE Emergis expects that other competitors will develop over time. Some of these will be companies that are not currently in its markets, others will be new competitors, and others could be ventures between current clients and BCE Emergis competitors.

3.4 BCE VENTURES

The BCE Ventures segment combines, for management purposes, various assets including Telesat and CGI. As at December 31, 2002, BCE Inc. owned 100% of Telesat and approximately 32% of CGI. The BCE Ventures segment's 2002 operating revenues were $1.1 billion, representing 4% of our total operating revenues.

3.4.1 TELESAT

Telesat is a leader in satellite communications and systems management and a leading consultant in establishing, operating and upgrading satellite systems worldwide. Telesat provides broadcast distribution and telecommunication services to over 275 customers located in North and South America. Telesat owns and operates a total of five satellites. Two of these satellites (Nimiq 1 and Nimiq 2) provide capacity for Bell ExpressVu's DTH satellite television services as well as allow for back-up capability. Nimiq 2 was successfully launched on December 29, 2002, although it has since experienced a malfunction affecting its available power. This malfunction is still being investigated. Telesat also has two satellites under construction which are expected to be launched in 2003 and 2005. Telesat's 2002 operating revenues were $327 million, representing approximately 1% of our total operating revenues.

3.4.2 CGI

CGI is one of Canada's largest information technology ("IT") services companies. From offices located around the world, CGI provides a full

range of IT services and business solutions, including outsourcing, systems development and integration, and consulting to clients in North America and Europe. CGI's primary focus is large-scale systems integration and outsourcing contracts. CGI generates a high proportion

of its revenues from higher value-added services such as IT strategic planning, business process engineering, systems architecture, systems development and maintenance. BCE Inc.'s proportionate interest in CGI's 2002 operating revenues was $709 million, representing approximately 3% of our total operating revenues. CGI is publicly traded. As at December 31, 2002, BCE Inc. owned approximately 32% of the total outstanding shares of CGI, with the remaining shares being held by the public, including 9% by certain current or former senior officers of CGI. BCE Inc.'s ownership in CGI was reduced to approximately 30% after giving effect to CGI's acquisition of Cognicase Inc. which occurred on February 25, 2003.

BCE Inc. entered into an agreement on July 1, 1998 with CGI's three majority individual shareholders. The agreement includes put and call options, and rights of first refusal, on the CGI shares that these shareholders hold.

The put options give these CGI shareholders the right to gradually sell a portion of their shares to BCE Inc. until January 4, 2004. The call option gives BCE Inc. the one-time right to buy all of their CGI shares that BCE Inc. has not already bought, during the period from January 5, 2004 to January 4, 2006.

The exercise price of any put or call option is 115% of the 20-day average market price of CGI shares before the exercise date, payable in BCE Inc. common shares. If the options were fully exercised, our equity ownership interest in CGI would increase to approximately 40%.

See item 2.2.1 — Recent Developments — Acquisitions and Dispositions — CGI for more details on discussions regarding BCE Inc.'s interest in CGI.

3.4.3 OTHER INVESTMENTS

BCE Ventures also manages certain other investments of BCE Inc., including Bimcor Inc. and BCE Capital Inc.

3.5 CAPITAL EXPENDITURES

We have made significant capital investments over the past few years, including:

- acquiring and completing a national broadband IP network
- building a next-generation wireless network and expanding PCS coverage
- acquiring regional spectrum licenses
- expanding high-speed Internet coverage in our service territories
- developing a notional DTH satellite television business
- expanding into Western Canada
- enhancing our billing system capabilities.

These investments have allowed us to build a set of platforms that position us for future growth, reduced capital intensity and improved free cash flow.

We continue to make investments to expand our networks to meet customer demand and for replacement purposes. Having much of the significant capital expenditures relating to the build-out of our growth infrastructures behind us, we were able to reduce our capital expenditures by 25% in 2002 compared to 2001. This reduction in capital spending lowered our capital intensity ratio to 19% in 2002 from 26% in 2001. The Bell Canada segment's capital intensity ratio fell to 20% in 2002 from 27% in 2001. The Bell Canada segment accounted for 91% of our total capital expenditures in 2002.

BCE consolidated capital expenditures and as a percentage of revenues for the past three years are shown in Table 3.5.

TABLE 3.5 CAPITAL EXPENDITURES

For the year ended December 31	2002	2001	2000
Capital expenditures (in $ millions)	3,771	4,999	3,652
Capital intensity (% of revenues)	19%	26%	22%

3.6 EMPLOYEES

The number of employees in our group is shown in Table 3.6.

TABLE 3.6 EMPLOYEES

As of December 31	2002	2001	2000
Bell Canada segment	54,258	55,712	55,195
Bell Globemedia	4,187	4,223	3,014

BCE Emergis	2,168	2,603	2,096
Other	5,653	12,637	14,605
	66,266	75,175	74,910

A significant portion of our employees are unionized and covered by a collective agreement. Among the various collective agreements that are governing our employment relationships with our employees, the following will expire in 2003 (or have already expired):

- the collective agreements between Bell Canada and the CEP representing approximately 400 operator services employees and approximately 7,000 craft and services employees expire at the end of November 2003
- the collective agreement between Bell Canada and the CTEA representing approximately 1,100 communications sales employees expires on December 31, 2003
- several collective agreement between certain other companies of the Bell Canada segment (including Aliant, Expertech Network Installation Inc. and Connexim, L.P.) and their respective employees, representing approximately 6,400 employees
- several collective agreements between certain companies of the Bell Globemedia segment, including CTV, and their respective employees, representing approximately 750 employees.

Also noteworthy is:

- the collective agreement between Bell Canada and approximately 12,500 clerical and associated employees represented by the CTEA that expired on May 31, 2002 was renewed on June 17, 2002 until May 31, 2005.

3.7 LEGAL PROCEEDINGS

3.7.1 TELEGLOBE RELATED LAWSUITS

3.7.1.1 Teleglobe Lending Syndicate Lawsuit

A Statement of Claim was issued on July 12, 2002 in the Ontario Superior Court of Justice by ABN AMRO Bank N.V., Bank of Montreal, Bank of Tokyo-Mitsubishi (Canada), Bayerische Landesbank Girozentrale, BNP Paribas (Canada), La Caisse Centrale Desjardins du Québec, Canadian Imperial Bank of Commerce, Canadian Imperial Bank of Commerce, N.Y. Agency, Citibank, N.A., Credit Suisse First Boston Canada, Credit Suisse First Boston, Export Development Canada, HSBC Bank Canada, JPMorgan Chase Bank, Laurentian Bank of Canada, Merrill Lynch Capital (Canada) Inc., Merrill Lynch Capital Corporation, National Bank of Canada, Royal Bank of Canada, Société Générale, The Bank of Nova Scotia, and The Toronto-Dominion Bank (collectively referred to in this section as the "Plaintiffs") against BCE Inc. The Plaintiffs seek damages from BCE Inc. in the aggregate amount of US$1.19 billion (together with interest and costs), which they allege is equal to the amount they advanced as members of the Teleglobe and Teleglobe Holdings (U.S.) Corporation (collectively referred to in this section as "Teleglobe") lending syndicate. The Plaintiffs represent approximately 95.2% of the US$1.25 billion advanced by the members of such lending syndicate.

The Plaintiffs' claim is based on several allegations, including that the actions and representations of BCE Inc. and its management in effect constituted a legal commitment of BCE Inc. that the advances would be repaid and that the Court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

On November 28 and 29, 2002, the Ontario Superior Court of Justice heard the motions previously filed by BCE Inc. (i) to stay or dismiss the action on the basis that it does not have jurisdiction and that Québec is the convenient forum for the adjudication of the Plaintiffs' claims, and (ii) for a declaration that the Plaintiffs' legal counsel is in a position of conflict of interest acting as counsel to the Plaintiffs and for an order removing the Plaintiffs' legal counsel as the solicitors of record for the Plaintiffs in this lawsuit. On March 21, 2003, the Court granted BCE Inc.'s motion to remove the Plaintiffs' legal counsel as the solicitors of record for the Plaintiffs in the lawsuit.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc. is of the view that it has strong defences, and it intends to vigorously defend its position.

3.7.1.2 VarTec Lawsuit

On December 2, 2002, VarTec and VarTec Holding Company (collectively referred to in this section as "VarTec") filed a lawsuit against BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. in the United States District Court for the Northern District of Texas (Dallas division).

The claim alleges fraud and violation of the anti-fraud provisions of the United States *Securities Exchange Act* of 1934 in relation to VarTec's purchase from Teleglobe and its subsidiaries (collectively referred to in this section as "Teleglobe") of Excelcom, Inc., Excel Telecommunications (Canada) Inc. and Telco Communications Group, Inc. The complaint alleges, among other things, that the defendants misrepresented Teleglobe's financial status and ability to assume certain liabilities associated with the transaction. The complaint claims that Teleglobe's liabilities to VarTec arising out of the transaction could be in excess of US$250 million and also seeks punitive damages, but asserts no specific amount of damages.

In February 2003, VarTec amended its complaint to remove a series of causes of action included in the December 2, 2002 complaint, including breach of contract and that the Court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible for such liabilities as Teleglobe's alter ego.

On March 2, 2003, BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. filed a motion to (i) dismiss the action for improper venue and on the merits for failure to state a claim for which relief may be granted and/or failure to plead fraud claims with sufficient particularity, and (ii) strike VarTec's jury demand.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc., BCE Ventures Inc. and the President of BCE Ventures Inc. are of the view that they have strong defences in respect of the foregoing lawsuit and they intend to vigorously defend their position.

3.7.1.3 Kroll Restructuring Lawsuit

BCE Inc. was informed on February 26, 2003 that a lawsuit has been filed in the Ontario Superior Court of Justice by Kroll Restructuring Ltd., in its capacity as interim receiver of Teleglobe, against five former directors of Teleglobe. This lawsuit was filed in connection with Teleglobe's redemption of its third series preferred shares in April 2001 and the retraction of its fifth series preferred shares in March 2001. The plaintiff is seeking a declaration that such redemption and retraction were prohibited under the *Canada Business Corporations Act* and that the five former directors should be held jointly and severally liable to restore to Teleglobe all amounts paid or distributed on such redemption and retraction, being an aggregate of approximately $661 million, plus interest. While BCE Inc. is not a defendant in this lawsuit, Teleglobe was at the relevant time a subsidiary of BCE Inc. Pursuant to standard policies and subject to applicable law, the five former Teleglobe directors are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc. is of the view that the former directors of Teleglobe have strong defences in respect of the foregoing lawsuit and they intend to vigorously defend their position.

3.7.2 WAGE PRACTICES INVESTIGATION

After the Canadian Human Rights Tribunal allowed the withdrawal, in October 2002, of the complaints filed by the CTEA on behalf of its members, further to the settlement reached between Bell Canada and the CTEA, hearings into the complaints filed by the CEP on behalf of its members in 1994 continued. On November 2, 2000, the Federal Court of Canada had allowed Bell Canada's application for judicial review of the

Canadian Human Rights Tribunal's determination that it could

proceed with an inquiry into the complaints filed by the CEP. The Court had found that the Tribunal lacked institutional independence and prohibited further proceedings in the matter. Hearings before the Tribunal into the merits of the case were suspended. The Canadian Human Rights Commission appealed this decision, which was overturned by the Federal Court of Appeal. On May 24, 2001, Bell Canada filed for leave to appeal the Federal Court of Appeal decision to the Supreme Court of Canada. Hearings before the Tribunal resumed in September 2001. The Supreme Court heard Bell Canada's appeal in January 2003 and a decision is expected before the end of the year.

3.7.3 BCI RELATED LAWSUITS

3.7.3.1 Common Shareholders Lawsuit

On September 27, 2002, BCE Inc. announced that a lawsuit had been filed in the Ontario Superior Court of Justice by a common shareholder of BCI. The plaintiff is seeking the Court's approval to proceed by way of class action on behalf of all persons who owned BCI common shares on December 3, 2001. The lawsuit seeks $1 billion in damages from BCI and BCE Inc. in connection with the issuance of BCI common shares on February 15, 2002 pursuant to BCI's recapitalization plan announced on December 3, 2001 ("Recapitalization Plan") and the implementation of BCI's plan of arrangement approved by the Ontario Superior Court of Justice on July 17, 2002. BCE Inc. and BCI intend to contest the certification of this action as a class action.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc. and BCI are of the view that they have strong defences and intend to vigorously defend their position.

3.7.3.2 6.75% Debentureholders Lawsuit

On April 29, 2002, BCI announced that a lawsuit had been filed in the Ontario Superior Court of Justice by certain former holders of BCI's $250 million 6.75% convertible unsecured subordinated debentures (the "Debentures") and that the plaintiffs were seeking the Court's approval to proceed by way of class action on behalf of all holders of the Debentures on December 3, 2001. The plaintiffs seek damages from BCI and its directors and BCE Inc. up to an amount of $250 million plus other amounts totaling $5 million in connection with the settlement, on February 15, 2002, of the Debentures through the issuance of BCI common shares, in accordance with BCI's Recapitalization Plan.

On December 2, 2002, in accordance with an agreement reached among the parties to this lawsuit, the plaintiffs agreed to abandon their previous $30 million claim for punitive damages and the Ontario Superior Court of Justice ordered that the lawsuit be certified as a class action but without prejudice to the rights of the defendants to assert any defences they may have with respect to the merits of the class action.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, BCE Inc. and BCI are of the view that they have strong defences and intend to vigorously defend their position.

3.7.4 BELL GLOBEMEDIA LAWSUIT

On February 5, 2001, Bell Globemedia Publishing Inc., a subsidiary of Bell Globemedia, was added as a defendant to a class action lawsuit in respect of copyright infringement. The claim is that The Globe and Mail newspaper and magazines (as well as Bell Globemedia Interactive) 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 allegedly only print rights were originally obtained with respect to that material. The relief claimed includes damages of $100 million as well as injunctive relief. The Ontario Superior Court of Justice rendered a decision on October 3, 2001, rejecting the plaintiff's motion for partial summary judgment (including the rejection of a requested injunction at this stage) on certain proposed common issues. The Ontario Superior Court of Justice declared that The Globe and Mail was legally entitled to publish the newspaper on microfilm, microfiche and in the Internet edition, but reserved for trial the question of whether The Globe and Mail had, over the years, acquired implied rights from freelancers to archive and make available the freelancer's written comments of the newspaper on electronic databases and CD-ROMS. The plaintiffs have filed a notice of appeal of this decision, and the defendants have filed a notice of cross-appeal, all of which will be heard together at some undetermined time in the future.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, Bell Globemedia Publishing Inc. is of the view that it has strong defences in respect of the foregoing lawsuit and it intends to vigorously defend its position.

3.7.5 IRIDIUM LAWSUIT

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 United States Bankruptcy Code which are ongoing. Iridium Canada Inc. ("Iridium Canada"), a wholly-owned subsidiary of Bell Mobility, is a shareholder of Iridium. A group of banks and financial institutions led by the Chase Manhattan Bank are creditors in the bankruptcy proceedings and have asserted claims in connection with a US$800 million syndicated loan to an Iridium subsidiary. In June 2000, the Chase Manhattan Bank, on behalf of itself and this group (collectively referred to in this section as the "Plaintiffs"), instituted an action in the United States District Court, District of Delaware, against 16 shareholders of Iridium, including Iridium Canada, alleging failure to make capital contributions. The amount of the claim against Iridium. Canada was US$10 million and Iridium Canada has filed an answer to the claim. The Plaintiffs have amended their action against a number of shareholders of Iridium, including Iridium Canada, alleging fraudulent and negligent misrepresentation and claiming that each are jointly and severally liable for US$800 million.

In January 2002, the Plaintiffs moved for summary judgment of liability against all defendants on their claim relating to failure to make capital contributions which includes the US$10 million claim against Iridium Canada. On the same day, all defendants cross-moved for summary judgment against the Plaintiffs to have dismissed all of their claims. A trial date has not yet been scheduled. On April 23, 2002 the magistrate judge granted the defendants motion for summary judgment to dismiss the US$800 million fraud and negligent misrepresentation claims. The Plaintiffs have filed an appeal of this decision.

Also on April 23, 2002, the magistrate judge denied the defendants motion for summary judgment to dismiss the US$10 million capital call claim. The defendants have filed an appeal of this decision.

While the final outcome of any legal proceeding cannot be predicted with certainty, based upon information currently available, Iridium Canada is of the view that it has strong defences in respect of the foregoing lawsuit and it intends to vigorously defend its position.

3.7.6 GENERAL

In addition to the legal proceedings disclosed herein, we become involved in various other claims and litigation as a regular part of our business. While no one can predict the final outcome of claims and litigation disclosed herein and of any other pending claims and litigation, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

3.8 RISK FACTORS

The following section describes general risks that could affect the BCE group of companies and specific risks that could affect BCE Inc. and each of our segments.

Because no one can predict whether any risk will happen or its consequences, the actual effect of any risk on our business could be materially different from what we currently anticipate. In addition, this description of risks does not include all possible risks, and there may be other risks that we are currently unaware of.

3.8.1 BCE GROUP OF COMPANIES

Our Dependence on the Bell Canada Segment

The Bell Canada segment is our largest segment, which means our financial performance depends in large part on how well the Bell Canada segment performs financially.

For the year ended December 31, 2002, the Bell Canada segment accounted for 88% of our operating revenues, 96% of our EBITDA and 100% of net earnings applicable to common shares on a consolidated basis.

Economic and Market Conditions

Our business is affected by general economic conditions, consumer confidence and spending, and the demand for, and the prices of, our products and services. When there is a decline in economic growth, and retail and commercial activity, there tends to be a lower demand for our products and services.

The slowdown and uncertainty in the global economy have reduced demand for our products and services, which negatively affected our financial performance in 2002 and may negatively affect it in 2003. In particular, weak economic conditions have led to:

- lower than expected growth in data revenue for the Bell Canada segment, because of softer demand from enterprises and wholesale customers
- some reduction in the number of network access line due to business failures or contractions
- lower advertising spending from Bell Globemedia's customers in the first half of 2002
- lower spending in IT services, resulting in lower non-recurring revenue from BCE Emergis.

Weak economic conditions may also negatively affect the financial condition and credit risk of our subscribers. This could increase uncertainty about our ability to collect receivables.

Improving Productivity and Reducing Capital Intensity

We implemented several cost reduction initiatives in 2002. We intend to continue implementing more productivity initiatives in 2003, including the streamlining of approximately 1,700 positions in our workforce and further reducing our capital intensity.

There could be a material and negative effect on our profitability if we do not continue to successfully implement productivity improvements and reduce capital intensity while maintaining the quality of our service.

Increasing Competition

We face intense competition from traditional competitors, as well as from new entrants to the markets we operate in. We compete not only with other telecommunications, media, satellite television and e-commerce companies but also with other businesses and industries, such as cable, software and Internet companies, systems integrators and a variety of companies that offer network services.

Many of our competitors have substantial financial, marketing, personnel and technological resources. We already have several domestic and foreign competitors, but the number of foreign competitors with a presence in Canada and large resources could increase in the future. New competitors may also appear as new technologies, products and services are developed, and for other reasons.

Competition could affect our pricing strategies, and lower our revenues and net income. It could also affect our ability to retain existing customers and attract new ones. Competition puts us under constant pressure to improve customer service and be price-competitive. It forces us

to keep reducing costs, managing expenses and increasing productivity. This means that we need to be able to anticipate and respond quickly to the constant changes in our businesses and markets.

Anticipating Technological Change

We operate in markets that are experiencing constant technological change, evolving industry standards, changing client needs, frequent new product and service introductions, and short product life cycles.

Our success will depend in large part on how well we can anticipate and respond to changes in industry standards, introduce new and upgrade existing technologies, products and services.

We may face additional financial risks as we develop new products, services and technologies and update our networks to stay competitive. Newer technologies, for example, may quickly become obsolete or may need more capital than expected. Development could be delayed for reasons beyond our control. Substantial investments usually need to be made before new technologies prove to be commercially viable.

There is no assurance that we will be successful in developing, implementing and marketing new technologies, products, services or enhancements within a reasonable time, or that they will have a market. New products or services that use new or evolving technologies could make our existing ones unmarketable or cause their prices to fall.

Strategies and Plans for Revenue Growth

We plan to increase our revenues through different strategies, including:

- cross-selling additional services to our existing customers
- adding enhanced features and applications that make our services more attractive
- expanding the Bell Canada segment's geographical base in Western Canada.

If our plans are unsuccessful, our growth prospects would be hurt. This could have a material and negative effect on our results of operations.

Financing our Operations

We require substantial amounts of capital to finance capital expenditures to provide our services and to refinance our outstanding debts.

We finance our capital needs in three ways:

- from cash generated by our operations
- by borrowing from commercial banks
- through debt and equity offerings in the capital markets.

Equity financings would dilute the holdings of existing equity investors. Increased debt financings could increase our borrowing costs, lower our credit ratings and give us less flexibility to take advantage of business opportunities.

Our ability to finance operations and the cost of funding depends on our ability to access the capital markets and syndicated commercial loan market, and on market conditions. In addition, participants in the syndicated commercial loan market have internal policies limiting their ability to extend credit to any single borrower or group of borrowers or to a particular industry. Less capital has been available in the capital markets in general and to the telecommunications industry in particular for several reasons:

- the September 11, 2001 terrorist attacks on the United States
- accounting scandals relating to major North American companies
- bandwidth overcapacity
- a loss of investor confidence in the capital markets in general and in the telecommunications industry in particular.

If we cannot raise the capital we need, we may have to:

- limit our ongoing capital expenditures
- limit our investment in new businesses
- try to raise additional capital by selling assets or through monetizing transactions.

Any of these possibilities could have a material and negative effect on our growth prospects for the long term.

Litigation, Regulatory Proceedings and Changes in Laws

Pending or future litigation, regulatory initiatives or regulatory proceedings could have a material and negative effect on our business. Changes in laws or regulations or in their interpretation, or the adoption of new laws or regulations, could also have a material and negative effect on our businesses, operating results and financial condition.

In November 2002, Industry Canada initiated a review of the current foreign investment restrictions included in the *Telecommunications Act*. A similar process has been initiated by Canadian Heritage as it relates to the *Broadcasting Act*. Since the reviews by Industry Canada and Canadian Heritage have not yet been completed and as it is impossible to predict their outcome, we are not currently in a position to assess the impact, if any, these reviews may have on us.

See item 3.7 — Legal Proceedings for a detailed description of the principal legal proceedings against us.

See item 3.1.6 — Regulation for a description of certain regulatory initiatives and proceedings affecting the Bell Canada segment.

Pension Fund Contributions

Most of our pension plans currently have pension fund surpluses. As a result, we have not had to make regular contributions to the pension funds in the past years. It also means that we have qualified for pension credits, which have had a positive effect on our net earnings.

The recent decline in the capital markets, combined with historically low interest rates, however, has significantly reduced the pension fund surpluses and the pension credits. This has negatively affected our net earnings.

If these conditions continue, the surpluses could continue to decline and could eventually be eliminated. If this happens, we might have to recognize increased pension expenses and start contributing or increase our contributions to the pension funds. This would have a material and negative effect on our net earnings.

Funding Subsidiaries

BCE Inc. is currently funding and may continue to fund the operating losses of certain of its subsidiaries in the future, but is not obligated to do so. If BCE Inc. decides to stop funding any of its subsidiaries and that subsidiary does not have other sources of funding, this would have a material and negative effect on the subsidiary's results of operations and financial condition. The subsidiary might not be able to meet its financial obligations, which would require it to assess its alternatives, including refinancing, renegotiating or restructuring its debt, selling assets, changing its business plan or seeking other options available under applicable laws, including bankruptcy laws. The ability of a subsidiary to access capital on its own depends on a number of things, including its ability to meet the targets in its business plan.

If BCE Inc. stopped funding a subsidiary, stakeholders of the subsidiary might decide to take legal action against BCE Inc. While BCE Inc. believes that this type of claim would have no legal foundation, it could negatively affect the market price of BCE Inc.'s common shares. BCE Inc. would have to devote considerable management time and resources in responding to any claim.

Attracting and Retaining Skilled People

Our success depends in large part on our ability to attract and retain highly skilled people. The loss of key people could materially hurt our businesses and operating results.

Protecting our Networks

Network failures could materially hurt our business, including our customer relationships and operating results. Our operations depend on how well we protect our networks, our equipment and the information stored in our data centres against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism, and other events. Any of these events could cause our operations to be shut down indefinitely.

Renegotiating Labour Agreements

Many of our employees are represented by unions and are covered by collective bargaining agreements.

Several of our collective bargaining agreements described in item 3.6 — Employees expire in 2003 or have already expired. These agreements cover approximately 15,650 employees.

Renegotiating collective agreements could result in higher labour costs or work disruptions. Difficulties in renegotiations or other labour unrest could hurt our businesses, operating results and financial condition.

3.8.2 BCE INC.

Holding Company Structure

BCE Inc. is a holding company. That means it does not carry on any significant operations and has no major sources of income or assets of its own, other than the interests it has in its subsidiaries, joint ventures and significantly influenced companies. BCE Inc.'s cash flow and its ability to service its debts and to pay dividends on its shares all depend on dividends or other distributions it receives from its subsidiaries, joint ventures and significantly influenced companies.

BCE Inc.'s subsidiaries, joint ventures and significantly influenced companies are separate legal entities. They do not have to pay dividends or make any other distributions to BCE Inc. If any of these subsidiaries, joint ventures or significantly influenced companies are liquidated or reorganized, the rights of their creditors will rank ahead of any rights BCE Inc. has to receive assets.

Stock Market Volatility

In the past, the common shares of BCE Inc. have generally experienced price volatility when certain announcements concerning BCE have been made. Differences between BCE Inc.'s actual or anticipated financial results and the published expectations of financial analysts may also contribute to this volatility. All of these factors, as well as general economic and political conditions, could have a material and negative effect on the market price of BCE Inc.'s common shares.

3.8.3 BELL CANADA SEGMENT

Changing Wireline Regulations

The Bell Canada segment's business is affected by changes in policies resulting from decisions made by various regulatory agencies, including the CRTC. Many of these decisions balance requests from competitors for access to essential facilities, such as the telecommunications networks, switching and transmission facilities, and other network infrastructure of incumbent telephone companies, with the rights of the incumbent telephone companies to compete reasonably freely.

CRTC Price Cap Decision

The CRTC recently introduced new price cap rules that reduce some rates that incumbent telephone companies charge competitors for services provided to them.

The new rules create certain risks for the Bell Canada segment. For example, the CRTC has established a deferral account but has not yet determined how the account will be used. There is a risk that the account could be used in a way that could have a negative financial effect on the Bell Canada segment.

CRTC Decision on Incumbent Affiliates

On December 12, 2002, the CRTC released its decision on incumbent affiliates, which makes several important changes to the regulatory regime for the Bell Canada segment.

The decision ruled that contracts offered by the Bell Canada segment or its carrier affiliates that bundle tariffed and non-tariffed products and services must receive CRTC approval. This means that:

- all contracts that currently bundle products and services must be filed with the CRTC for regulatory approval
- all new contracts must receive CRTC approval before implementation
- carrier affiliates must now meet the same requirements as Bell Canada for tariff approval on products and services they offer in Bell Canada's operating territory.

While the decision increases the regulatory burden for the Bell Canada segment at both the wholesale and retail levels in highly competitive markets, it is not currently possible to determine the financial effect of the decision or to separate it from the normal risk of loss of revenues resulting from competition.

Licenses and Changing Wireless Regulations

Companies must have a spectrum license to operate cellular, PCS and other radio-telecommunications systems in Canada. Bell Mobility's cellular and PCS licenses will expire on March 31, 2006. The PCS licenses that were awarded in an auction in 2001 will expire on November 29, 2011. Although we expect that licenses will be renewed when they expire, there is no assurance that this will happen. In addition, Industry Canada can revoke a company's license at any time if the company does not comply with its terms.

In December 2002, Industry Canada initiated a cellular and PCS licensing and fees consultation. Industry Canada has proposed a new cellular and PCS fee structure that, while implemented over several years, could significantly increase the Bell Canada segment's license fees if it is implemented as proposed.

In October 2001, the Minister of Industry announced his intention to initiate a national review of Industry Canada's procedures surrounding the approval and placement of wireless and radio towers throughout Canada. The review will include the role of municipal authorities in the approval process. There is a risk that if municipal involvement increases in the process for approval of new towers, it could significantly slow the expansion of wireless networks in Canada. This could have a material and negative effect on the operations of all of Canada's wireless carriers, including the Bell Canada segment.

Bankruptcy Proceedings at Teleglobe

On September 19, 2002, Teleglobe, which had previously started bankruptcy proceedings to get protection from its creditors in Canada and in other jurisdictions, announced an agreement to sell its core telecommunications business.

Under court orders, contracts between Teleglobe and Bell Canada and some of its subsidiaries will be assigned on substantially the same terms to the buyers on the day the sale closes. If the sale is not completed, Teleglobe's business could be shut down and its remaining

assets liquidated. If this happens, Bell Canada will have to transfer its traffic to other carriers. While Bell Canada will do its best to protect its customers, they could experience temporary service disruptions or a lower quality of service if there are delays in completing the transfer.

Increased Accidents from Using Cell Phones

Media reports have suggested that using handheld cell phones while driving may result in more accidents. It is possible that this could lead to new regulations or legislation banning the use of handheld cell phones while driving, as it has in Newfoundland and Labrador and several U.S. states. If this happens, cell phone use in vehicles would likely decline, which would negatively affect the Bell Canada segment and other wireless service providers.

Health Concerns about Radio Frequency Emissions

Media reports have suggested that some radio frequency emissions from cell phones may be linked to medical conditions, such as cancer. In addition, some interest groups have requested investigations into claims that digital transmissions from handsets used with digital wireless technologies pose health concerns and cause interference with hearing aids and other medical devices.

The findings of these kinds of studies could lead to government regulation, which could have a material and negative effect on the Bell Canada segment's business. Actual or perceived health risks of wireless communications devices could result in fewer new network subscribers, lower network usage per subscriber, higher churn rates, product liability lawsuits or less outside financing available to the wireless communications industry. Any of these would have a negative effect on the Bell Canada segment and other wireless service providers.

Bell ExpressVu

Bell ExpressVu continues to face competition from unregulated U.S. DTH services that are illegally sold in Canada. In response, it has initiated or is participating in several legal actions that are challenging the sale of U.S. DTH equipment in Canada. While Bell ExpressVu has been successful in increasing its share of the satellite television market despite this competition, there is no assurance that it will continue to do so.

Bell ExpressVu currently uses two satellites for its DTH services, Nimiq 1 and Nimiq 2, which are operated by Telesat. See item 3.8.6 —BCE Ventures — Telesat for a description of certain risks affecting satellites and, in particular, Nimiq 2.

Satellites are subject to significant risks. Any loss, manufacturing defects, damage or destruction of the satellites used by Bell ExpressVu could have a material and negative effect on Bell ExpressVu's results of operations and financial condition.

Bell ExpressVu is subject to programming and carriage requirements under its CRTC license. Changes to the regulations that govern broadcasting or to its license could negatively affect Bell ExpressVu's competitive position or its costs of providing services. Bell ExpressVu's existing DTH Distribution Undertaking license is scheduled for renewal in August 2003. Although we expect that this license will be renewed when it expires, there is no assurance that this will happen.

Finally, Bell ExpressVu faces a loss of revenue resulting from the theft of its services. Bell ExpressVu may reduce these losses by taking numerous actions including legal action, investigations, implementing electronic countermeasures targeted at illegal devices, leading information campaigns and developing new technology. Implementing these measures, however, could increase its capital and operating expenses.

3.8.4 BELL GLOBEMEDIA

Dependence on Advertising

Bell Globemedia's revenue from its television and print businesses depends in large part on advertising revenues. Bell Globemedia's advertising revenues are affected by competitive pressures. In addition, the amount companies spend on advertising is directly related to economic growth. An economic downturn therefore tends to make it more difficult for Bell Globemedia to maintain or increase revenues.

Increasing Fragmentation in Television Markets

Television advertising revenue depends on the number of viewers and the attractiveness of programming in a given market. The viewing market has become increasingly fragmented over the past decade because of the introduction of additional television services, the extended reach of existing signals and the launch of new digital broadcasting services in the fall of 2001.

We expect fragmentation to continue as new web-based and other services increase the choices available to consumers. As a result, there is no assurance that Bell Globemedia will be able to maintain or increase its advertising revenues or its ability to reach viewers with attractive programming.

Revenues from Distributing Television Services

A significant portion of revenues generated by CTV's specialty television operations comes from contractual arrangements with distributors, primarily cable and DTH operators. Many of these contracts have expired. There is no assurance that the contracts will be renewed on equally favorable terms.

New Print Competitors

The launch of a competing national newspaper and several commuter papers in the Toronto area in the past few years has increased competition in the print sector. While some of the commuter papers have recently stopped operating, the increased competition has resulted in higher circulation and other costs, more competition in advertising rates and lower profit margins at The Globe and Mail.

Broadcast Licenses

Each of CTV's conventional and specialty services operates under licenses issued by the CRTC for a fixed term of up to seven years. These licenses are subject to the requirements of the Broadcasting Act, the policies and decisions of the CRTC and the conditions of each licensing or renewal decision, all of which may change.

There is no assurance that any of CTV's licenses will be renewed. Any renewals, changes or amendments may have a material and negative effect on Bell Globemedia.

3.8.5 BCE EMERGIS

Adoption of eBusiness

The success of BCE Emergis depends on widespread use of the Internet as well as other electronic networks as a way to do business. Because eBusiness and its related online transactions are relatively new and evolving, it is difficult to predict the size of this market and its

sustainable rate of growth. Businesses and customers have not adopted eBusiness as quickly as originally expected.

BCE Emergis must increase the number of transactions it processes to build recurring revenue. This depends on how quickly its customers and its distributors' customers adopt its services. It will also depend on BCE Emergis' ability to build an effective sales force as well as stimulate its distributors' sales and influence their marketing plans for its solutions.

Security and Privacy Breaches

If BCE Emergis is unable to protect the physical and electronic security and privacy of its applications, databases and transactions, its business, including customer relationships, could be materially and negatively affected.

Operating Results

BCE Emergis has announced plans to focus on key growth areas, drive recurring revenue growth, streamline its service offering and operating costs and add new services.

If these plans are unsuccessful, BCE Emergis' results of operations could be materially and negatively affected.

BCE Emergis has had losses in the past. Its revenue depends largely on the amount of services that its customers purchase. In addition, a large portion of BCE Emergis' revenue come from a small number of clients. If BCE Emergis loses a contract with a major client and cannot replace it, it could have a material and negative effect on its results.

The operating results of BCE Emergis have fluctuated in the past, mainly because of variability in non-recurring revenue and the effect of acquisitions and exited activities. BCE Emergis expects fluctuations to continue in the future. It would also be affected by changes in currency exchange rates between the Canadian and U.S. dollars.

Success of U.S. Operations

To be successful in the United States involves significant management and financial resources. If it is unsuccessful in the United States, its business and operating results could be materially and negatively affected.

Control by BCE Inc.

BCE Inc., which owns approximately 65% of the outstanding common shares of BCE Emergis can, subject to applicable law, exercise significant control and influence over the affairs of BCE Emergis, including virtually all matters submitted to a shareholder vote.

BCE Inc. has no obligation to remain the majority shareholder of, or to maintain its current level of ownership in, BCE Emergis. The announcement of a decision by BCE Inc. to change the treatment of its investment in BCE Emergis, to sell all or a portion of its common shares of BCE Emergis, or any other decision to the same effect could materially and negatively affect BCE Emergis, its prospects and the market price of its common shares.

Defects in Software and Failures in the Processing of Transactions

Defects in BCE Emergis' owned or licensed software products and delays in delivery, as well as failures or mistakes in its processing of electronic transactions, could materially harm its business, including its customer relationships and operating results.

Making Acquisitions

BCE Emergis' growth strategy includes making strategic internally funded acquisitions. There could be difficulties with integrating the operations of recently acquired companies with its existing operations. There is no assurance that it will find suitable companies to acquire or that it will have enough resources to complete any acquisition.

Reliance on Strategic Relationships

BCE Emergis relies on strategic relationships to increase its client base, including its relationships with Bell Canada, VISA and Freddie Mac. If these relationships fail, its business and operating results could be materially and negatively affected.

Dependence on Contracting Medical Service Providers

The growth of BCE Emergis' eHealth business unit depends on its ability to:

- retain contracts with existing providers.
- attract new providers
- retain or improve the discounts given by providers.

In addition, the results of BCE Emergis could be adversely affected if:

- it loses a significant number of contracts with providers that have a large number of customers and is unable to replace them with contracts with other providers

- contracts with its providers are renegotiated with reduced discounts.

Exposure to Professional Liability

BCE Emergis uses medical treatment guidelines in its utilization review and case management services. That means it could be subject to claims relating to:

- adverse medical consequences because services were denied
- the cost of services that were denied
- errors or omissions of healthcare professionals.

These claims could have a material and negative effect on the business and operating results of BCE Emergis.

Protection of Intellectual Property

BCE Emergis depends on its ability to develop and maintain the proprietary aspects of its technology. It may not be able to enforce its rights or prevent other parties from developing similar technology, duplicating its intellectual property or designing around its intellectual property.

Integrity of Cryptography Technology

BCE Emergis' security solutions depend on key public cryptography technology. Any major advance in ways to attack cryptographic systems could make some or all of its Internet security solutions obsolete or unmarketable. This could reduce revenues from its security solutions and could materially hurt its business and operating results.

3.8.6 BCE VENTURES

Telesat

On February 20, 2003, Telesat's Nimiqu 2 satellite experienced a malfunction affecting the available power on the satellite. Telesat is working with the Nimiq 2 satellite manufacturer, Lockheed Martin, to understand the cause of the anomaly and determine the next steps to be taken.

In August 2001, Boeing Satellite Systems, the manufacturer of the Anik F1 satellite, advised Telesat of a gradual decline in available power on the satellite. It recently indicated that power levels on the Anik F1 satellite will continue to degrade at the rates observed to date. Telesat believes that this will result in some core services on the satellite being affected in mid-2005.

Telesat has a satellite under construction, Anik F1R, which will replace Anik F1 in a timeframe that will ensure continuity of service for its customers. Telesat has insurance in place to cover the power loss on Anik F1, and in December 2002 it filed a claim with its insurers. Although Telesat believes that the claim will be approved, there is no assurance that it will be. If the claim is approved, there is no assurance of how much Telesat will receive in the settlement or when it will receive it.

Telesat also has another satellite under construction, Anik F2. There is a risk that this or other satellites built in the future may not be launched successfully. Telesat already has part of the insurance coverage for Anik F2, but there is no assurance that it will be able to get launch coverage for the full value of the satellite at a favorable rate.

Once Telesat's satellites are in orbit, there is a risk that a failure could prevent them from completing their commercial mission. Telesat has put a number of measures in place to protect itself against this risk. These include engineering satellites with on-board redundancies by including spare equipment on the satellite and buying in-orbit insurance. There is no assurance that Telesat will be able to renew its in-orbit insurance coverage in sufficient amount at favorable terms.

ITEM 4 • SELECTED FINANCIAL INFORMATION

4.1 THREE-YEAR DATA

See Table 4.1.

4.2 DIVIDENDS

BCE Inc.'s current policy is to declare and pay quarterly dividends on its common shares at a rate of $1.20 per year. Dividends on preferred shares are declared and paid quarterly, with the exception of the Series S and Series Y preferred shares, which are declared and paid monthly. We currently have no intention of modifying our dividend policy.

ITEM 5 • MANAGEMENT'S DISCUSSION AND ANALYSIS

The information which appears under the heading "Management's Discussion and Analysis" on pages 28 to 53 of the BCE Inc. 2002 Annual Report is incorporated herein by reference.

ITEM 6 • MARKET FOR SECURITIES

The information which appears under the heading "Listings" on the inside back cover of the BCE Inc. 2002 Annual Report is incorporated herein by reference.

ITEM 7 • DIRECTORS AND OFFICERS

As of March 26, 2003, directors and officers of BCE Inc. as a group beneficially owned, directly or indirectly, or exercised control or direction over approximately 1,303,591 common shares of BCE Inc. (or 0.1438 % of the common shares), 4,200 common shares of BCE Emergis (or 0.0041% of the common shares), 5,500 common shares of Aliant (or 0.0040% of the common shares), 468 common shares of BCI (or 0.0012% of the common shares) and 7,500 units of the Bell Nordiq Income Fund (or 0.023% of the units).

7.1 DIRECTORS

The information with respect to directors which appears on pages 6 to 10 of the BCE Inc. 2003 Management Proxy Circular, under the headings "Election of directors" and "Nominees for election as directors and their beneficial ownership of voting securities", is incorporated herein by reference. Mssrs. J.E. Newall and G. Saint-Pierre, who had been serving on our Board since 1989 and 1995, respectively, have decided that they will not stand for re-election as directors in 2003.

- Mr. Currie was, from July 1976 to January 2001, President of Loblaw Companies Limited (grocery chain) and, from September 1973 to May 2001, a Director thereof, from July 1996 to May 2002, President of George Weston Limited (food distribution, retail and production) and, from May 1975 until May 2002, a Director thereof, and from October 1987 until April 2002, a Director of Imperial Oil Limited (petroleum company)

- Mr. Kierans was, from 1989 to 1999, President and Chief Executive Officer of the C.D. Howe Institute (independent, non profit, economic and social policy research institution), from October 1997

TABLE 4.1 THREE-YEAR DATA

For the year ended December 31 (in $ millions, except per share data)	**2002**	**2001**	**2000**
Selected consolidated financial data			
Total operating revenues	19,768	19,340	16,668
Earnings from continuing operations	1,898	3,571	973
— per common share — basic	$ 2.15	$ 4.34	$ 1.33
— per common share — diluted	$ 2.13	$ 4.29	$ 1.29
Net earnings applicable to common shares	2,416	450	4,706

— per common share — basic	$ 2.74	$ 0.56	$ 7.32
— per common share — diluted	$ 2.71	$ 0.55	$ 6.93
Total assets	39,563	54,074	51,147
Long-term debt (including current portion)	15,091	16,537	14,615
Dividends paid on preferred shares	43	64	79
Dividends paid on common shares	999	969	849
— per common share	$ 1.20	$ 1.20	$ 1.24

to March 2001, Chairman of Moore Corporation Limited (management and distribution of print and digital information), from April 1996 to January 2000, Chairman of Petro-Canada (petroleum company) and from September 1997 to January 1999, Chairman of First Marathon Securities Limited (investment bank)

- Mr. Levitt was, from 1995 to 2000, President and Chief Executive Officer of Imasco Limited (consumer products and services company)
- Mr. O'Neill was, from 1998 to 2001, Chief Executive Officer of PricewaterhouseCoopers LLP (accounting firm) in Canada, from 2000 to January 2002, Chief Operating Officer of PricewaterhouseCoopers LLP global organization, from January 2002 to May 2002, Chief Executive Officer of PricewaterhouseCoopers Consulting and from May 2002 to October 2002, Chairman of the Board thereof
- Mr. Pozen was, from 2000 to 2001, Vice-Chairman of Fidelity Investments (provider of financial services and investment resources) and, from 1997 to 2001, President and a director of Fidelity Management and Research Company
- Mr. Sabia was, prior to October 1999, Executive Vice-President and Chief Financial Officer of Canadian National Railway Company (transportation company)
- Mr. Saint-Pierre was, from April 1996 to May 2002, Chairman of SNC-Lavalin Group Inc. (engineering firm)
- Mr. Tellier was, from October 1992 to December 2002, President and Chief Executive Officer and a Director of Canadian National Railway Company (transportation company)
- Mr. Young was, from November 1984 to May 2001, Chairman and Chief Executive Officer of Fishery Products International Limited (frozen seafood products company).

As required, our Board of Directors has an Audit Committee. The members of the Audit Committee are J.E. Newall (Chairman), A.S. Fell, T.E. Kierans, R.C. Pozen and V.L. Young. We also have a Management Resources and Compensation Committee ("MRCC"). The members of the MRCC are P.M. Tellier (Chairman), B.M. Levitt, J.H. McArthur and V.L. Young. In addition, we have a Corporate Governance Committee ("CGC"). The members of the CGC are G. Saint-Pierre (Chairman), D. Soble Kaufman, B.M. Levitt, J. Maxwell and J.E. Newall. We also have a Pension Fund Committee ("PFC"). The members of the PFC are R.J. Currie (Chairman), A.S. Fell, J. Maxwell and R.C. Pozen.

7.2 OFFICERS

On March 26, 2003, the officers of BCE Inc. were as shown in Table 7.2.

TABLE 7.2 BCE INC. OFFICERS

Name	Municipality of residence	Office of BCE Inc. presently held
Michael J. Sabia	Montreal, Québec	President and Chief Executive Officer
William D. Anderson	Montréal, Québec	President — BCE Ventures
Alain Bilodeau	Montréal, Québec	Senior Vice-President
Michael T. Boychuk	Montréal, Québec	Senior Vice-President and Corporate Treasurer
Linda Caty[1]	Montréal, Québec	Corporate Secretary
Francis P. Crispino	Montréal, Québec	Chief Strategy Officer
Leo W. Houle	Montréal, Québec	Chief Talent Officer
Lawson A.W. Hunter	Toronto, Ontario	Executive Vice-President — Competitive Affairs
Barry W. Pickford	Toronto, Ontario	Senior Vice-President — Taxation
Stephen P. Skinner	Montréal, Québec	Senior Vice-President and Corporate Controller
Martine Turcotte	Montréal, Québec	Chief Legal Officer
Siim A. Vanaselja	Montréal, Québec	Chief Financial Officer
Stephen G. Wetmore	Burlington, Ontario	Executive Vice-President

(1) Effective March 31, 2003

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

- Mr. Bilodeau was, prior to April 2002, Senior Vice-President, Compensation Practice of AON Consulting (consulting company)
- Ms. Linda Caty was, prior to March 2003, Vice-President and Corporate Secretary of National Bank of Canada (schedule I bank)
- Mr. Crispino was, prior to October 2002, Senior Executive Director of Goldman Sachs International London (investment bank)
- Mr. Houle was, prior to June 2001, Senior Vice-President, Corporate Human Resources of Alcan Inc. (packaging and aluminum company)
- Mr. Hunter was, prior to March 2003, a partner with Stikeman Elliott (law firm)
- Mr. Sabia was, prior to October 1999, Executive Vice-President and Chief Financial Officer of Canadian National Railway Company (transportation company)
- Mr. Skinner was, prior to March 1999, a Senior Audit Manager of PriceWaterhouseCoopers (accounting firm)

- Mr. Wetmore was, prior to April 1999, President and Chief Excutive Officer of NewTel Enterprises Limited (telecommunications and holding company).

ITEM 8 • ADDITIONAL INFORMATION

BCE Inc. shall provide to any person or company, upon request to the Corporate Secretary of BCE Inc., at 1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec H3B 4Y7:

(a) when the securities of BCE Inc. are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:

- one copy of this Annual Information Form together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;

- one copy of the comparative financial statements of BCE Inc. for its most recently completed financial year together with the accompanying report of the auditors thereon and one copy of

any interim financial statements of BCE Inc. that have been filed subsequent to the financial statements for its most recently completed financial year;

- one copy of the BCE Inc. Notice of 2003 Annual Meeting and Management Proxy Circular; and

- one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided above; or

(b) at any other time, one copy of any documents referred to in (a) above, provided that BCE Inc. may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of BCE Inc.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of BCE Inc.'s securities options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the BCE Inc. Notice of 2003 Annual Meeting and Management Proxy Circular. Additional financial information is provided in BCE Inc.'s comparative financial statements for its most recently completed financial year.

Information concerning BCE Inc., in addition to the documents referred to in (a) above, is available upon request from the Vice-President, Investor Relations of BCE Inc., at the address indicated above or by e-mail at investor.relations@bce.ca. This additional information includes Management's Discussion and Analysis of the First, Second and Third Quarter Results of BCE Inc. These documents, as well as BCE Inc.'s annual and quarterly reports and news releases, are also available on BCE Inc.'s website on the World Wide Web (www.bce.ca).

BCE Inc. also has toll free numbers for registered shareholder enquiries (1-800-561-0934) and for investor relations (1-800-339-6353).

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Montreal, Province of Quebec, Canada.

BCE Inc.

(signed) Michael T. Boychuk

Senior Vice-President and Corporate Treasurer

Date: April 10, 2003

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER IN ACCORDANCE WITH SECTION 302 OF THE *SARBANES-OXLEY ACT* OF 2002

I, Michael J. Sabia, President and Chief Executive Officer of BCE Inc., certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 10, 2003

(signed) Michael J. Sabia

Michael J. Sabia
President and Chief Executive Officer
BCE Inc.

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH SECTION 302 OF THE *SARBANES-OXLEY ACT* OF 2002

I, Siim A. Vanaselja, Chief Financial Officer of BCE Inc., certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 10, 2003

(signed) Siim A. Vanaselja

Siim A. Vanaselja
Chief Financial Officer
BCE Inc.

LIST OF EXHIBITS
TO FORM 40-F

BCE Inc. 2002 Annual Report	Exhibit 99.1
BCE Inc. 2003 Management Proxy Circular	Exhibit 99.2
Independent Auditors' Consent	Exhibit 99.3
Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Differences	Exhibit 99.4

EXHIBIT 99.1

BCE INC.

2002 ANNUAL REPORT

Bell Canada Enterprises

What's important.

2002 Annual Report

ABOUT BCE

BCE is Canada's largest communications company. It has 25 million customer connections through the wireline, wireless, data/Internet and satellite television services it provides, largely under the Bell brand. BCE's media interests are held by Bell Globemedia, including CTV and *The Globe and Mail*. As well, BCE has eBusiness capabilities provided under the BCE Emergis brand. BCE shares are listed in Canada, the United States and Europe.

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Shareholder Information	Inside Back Cover

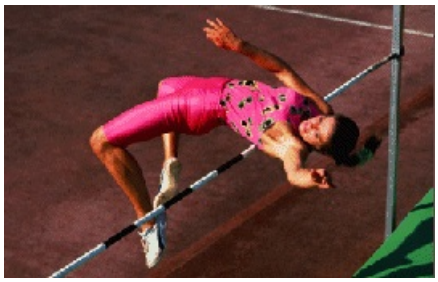
In this annual report, *we, us, our* and *BCE* mean BCE Inc., its subsidiaries, its joint ventures and its investments in significantly influenced companies. See page 28 for more information.

In 2002, we set a new course
for BCE and began
the process of simplifying our
business. As we move into
the future, certain principles will
guide our decisions.

Simpler is better.



Customers want things to be as simple as possible. They want things to be easy to access, easy to understand and easy to use. In a world that is getting more complex by the day, our services must simplify people's lives.



It’s all about performance.

Performance matters. Results matter. Customers and shareholders expect them, and in these times, expectations are high. They want action, not words. And they want to see more than effort. They want to see progress — real, measurable progress. We know we must deliver.



Good is never good enough.

Excellence is an unending journey, not a destination. Nothing but great will suffice, and great is a moving target. Improvement must be a continuous process of questioning the status quo and pushing to be better. There is always room to improve.



The customer drives everything.

Nothing in business is sustainable without loyal, satisfied customers. You must gain the right insights on what the customer needs, wants and expects — and let those insights drive everything you do. Because real shareholder value doesn't happen without customer value.

Chairman's Message



It was a tumultuous year for your company.

In April, your Board of Directors, recognizing that the primary job of the Board is to be accountable to shareholders — not to run the company — separated the positions of Chairman and CEO. As the year progressed, it became ever clearer that the responsibility of the Board is to operate in a transparent manner. To that end, the BCE Board is examining its structure and committee mandates. Under the present TSX and NYSE guidelines, your Board, with the exception of the CEO, is composed entirely of independent, unrelated directors. Whatever guidelines ultimately emerge, BCE will maintain the majority of its Board, all its committee chairs and the majority of members on each committee as independent, unrelated directors, with an audit committee entirely composed of financially skilled, independent, unrelated directors.

Through another important Board initiative, the director stock option program has been eliminated. Furthermore, we have increased the minimum share ownership for your directors from 3,000 shares to 10,000 shares in order to better align the interests of your directors with those of the shareholders. Until a director has met such minimum share ownership guideline, directors' fees are payable in deferred share units (DSUs). The DSUs cannot be sold while serving as a director. The minimum share ownership guideline and the DSUs are designed to make all directors major shareholders of BCE. Share options will be only for management, have performance criteria and be recorded as an expense on our financial statements.

In becoming transparently accountable to shareholders, your Board of Directors will focus its efforts and its interaction with management in three areas — stewardship, strategy and succession. Stewardship involves concentration on the core competencies of the business. In terms of strategy, the Board must endorse the strategic direction for the company as developed by the senior management team. Succession requires timely and effective programs to ensure management development is continuously taking place.

Jean C. Monty resigned in 2002 as Chairman and CEO of the company. On behalf of the Board of Directors of BCE Inc., I would like to recognize the many contributions he made during his almost 30 years with this organization.

The breadth of expertise on your Board has been increased by the addition of three new directors: André Bérard, Chairman of the National Bank of Canada, The Honourable Edward C. Lumley, Vice-Chairman of BMO Nesbitt Burns, and Thomas C. O'Neill, former Chairman of PwC Consulting. Two of our directors — Ted Newall and Guy Saint-Pierre — have announced they will not stand for re-election in May. We are grateful for the experience and insights of these well-known business leaders over many years.

We look to the future with enthusiasm and confidence, not, of course, just because of governance changes, but primarily because the real talent of Michael Sabia and his management team has been so capably demonstrated. Their quick recognition of issues, the precision of their action plans to resolve those issues and the quality of their results, achieved in such a short period of time, all attest to their standards and their skill.

Yours is a great Canadian company — now fully in control of its future.



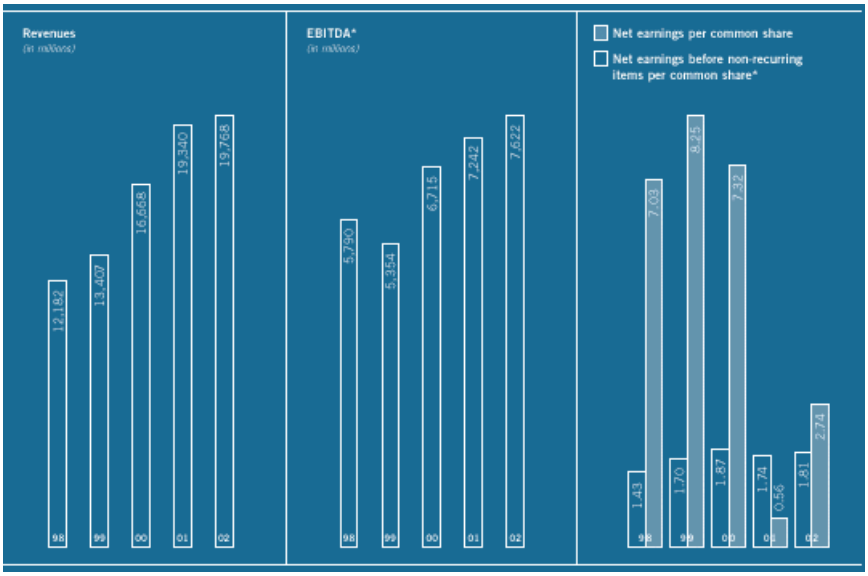
Richard J. Currie, C.M.
Chairman of the Board

Dear Shareholders,

What's important? For us it's simple: Putting the customer at the centre of all that we do. Meeting their needs quickly, simply, competitively. Executing on our business plans. Reaching our goals. Delivering on our promises. Being leaders. Our direction is clear. We're focused.

Financial Highlights

	2002	2001	2000
Revenues *(in millions)*	**19,768**	19,340	16,668
EBITDA* *(in millions)*	**7,622**	7,242	6,715
Net earnings per common share	**2.74**	0.56	7.32
Net earnings before non-recurring items per common share*	**1.81**	1.74	1.87



* *The terms "EBITDA" (Earnings before interest expense, income taxes, depreciation and amortization) and "net earnings before non-recurring items" do not have a standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other publicly traded companies. Refer to page 32 of this Annual Report for a description of these terms.*

2002 was an important year.

Perhaps that's an understatement. It was a *very* important year. It was a year in which we put a tremendous amount of uncertainty behind us and turned our eyes confidently again to the future. That's important.

We severed our ties with Teleglobe in the context of unprecedented turmoil in the global telecommunications industry. It was not an easy decision. But it was an essential decision.

We regained full ownership of our most important asset, Bell Canada, successfully financing the transaction in one of the toughest financial markets anyone can remember. In fact, according to industry expert Cap Gemini, the equity component of the financing was the only truly successful such offering in the entire global telecom industry during 2002.

In the face of this, we delivered solid financial results, outperforming the North American telecom sector across most important measures, despite very difficult conditions in most of our customer markets.You'll see highlights of these results on the left, and more detail in the back section of this report, but that's not what I want to talk about in this letter.


Michael Sabia
President and
Chief Executive Officer

We accomplished a great deal in 2002. Early in the year, it became clear that the pace of change in the telecommunication markets demanded some fundamental changes of BCE, so we did what we had to do. We are now what we always must be: a strong Canadian company in complete control of its destiny. What lies ahead? That's what I want to talk about in this letter.

An increasingly competitive marketplace

First of all, what lies ahead is competition — more of it from a growing roster of players eager to enter our traditional businesses. It is no longer just BCE competing with other telecom companies. We compete with cable companies, which in turn compete with satellite companies. Wireless companies compete with other wireless companies and with traditional telephone service. The complexity in the marketplace is growing with global software companies, system integrators, massive media conglomerates, all now vying for the customer.

The very nature of competition in our industry has changed, but I am convinced BCE has what it takes to win. We have a business model for a telecom company that is

unique in North America, with unrivaled breadth of platforms. We have a tremendously strong brand and a solid franchise, with more than 25 million customer connections across Canada. Within these established relationships there is much potential for growth. Just one in 100 customers uses all four of our core services: wireline, wireless, high-speed Internet access and satellite television.

To put it simply, we have to make it easier for our customers to manage their businesses; easier to manage their lives.

Taking action: a focus on customers and financial discipline

Attributes and potential are not what matters at the end of the day. What matters is action. What's important are the things we do to build upon our strengths and translate them into profitable growth.

The customer has to be at the centre of everything we do. This is critical to our success. There's a phrase in our business, "the last mile." It expresses a certain view of the world, a view of the customer as an extension of the network. We don't think of it that way. The customer connection is the first mile. It's where it all starts. That is why we have to be focused on learning more about our customers, understanding their needs and wants, and delivering the right products, services and solutions to meet them.

Whether the customer is an individual moving to a new apartment or a global corporate giant that needs a secure and reliable network, delivering the right solution simply is the key to winning and keeping their business. To put it simply, we have to make it easier for each customer to do what they want to do. Easier to decide what they need, and easier to account for it. Easier to get questions answered. Easier to manage their businesses; easier to manage their lives.

While we intensify our focus on customers across every aspect of business, we are placing equal emphasis on financial discipline and execution. We are emphasizing productivity improvements, focusing on the right metrics, including return on equity and free cash flow. We have set aggressive targets, but it's important to be clear: We are not pursuing productivity strategies to hit a given target. We're pursuing productivity as a discipline, not an initiative. We're working to strengthen ourselves, step by step, to give us the kind of cost structure we need in an increasingly intense competitive world.

We have been, and will continue to be, careful to execute productivity improvements and cost reduction strategies

while continuing to strengthen our service quality. Many of our efforts are aimed at improving both productivity and service at the same time — Emily, the new “voice” of Bell, is an excellent example. Overall, our goal is not just to have the best cost structure in the industry. It’s also to have the best service and customer satisfaction levels at the same time.

A simpler company

One of our greatest strengths, the breadth of our platforms, is also one of our greatest challenges. It is difficult to bring together our many different capabilities and provide them seamlessly to customers. In short, delivering simplicity is an exceedingly complex undertaking.

But it begins with the fundamental belief that connectivity is the foundation and the core of our business. Around that connectivity we must build the layers of value-added services that focus on meeting specific customer needs in a simple fashion. For us to meet that imperative, our company must be organized around the customers we serve — consumers, small business and large enterprise. We will do that. We will leverage our brand and build on our strengths to build a great company.

A new attitude

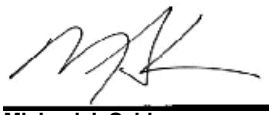
Every day, I come to work committed to earning anew the right to have this job. That’s the attitude I want to see among all our people. Because organizations do not serve customers. Organizations do not build relationships; they do not innovate. People do. We must all come to work, every single day, with a commitment to make a difference — and by making a difference, earn the right to be our customers’ communications company.

Take nothing for granted. Work hard, every day, to earn their business. Never stop thinking about how we can get better at our jobs, about how we can serve our customers better.

Our heritage, our future

This company has a long and proud heritage as a national institution in Canada. I am honoured to lead it. As we achieve our business goals, and as we reach the levels of customer service we aspire to, I believe that we will be contributing to a more connected, stronger and more prosperous Canada. This will always be important.

Bell has been an institution in Canada for more than a century. Today, this is still where our core strengths reside, and as we move forward, this is where we will concentrate our efforts. If we keep our focus on what’s important — creating simplicity, pursuing excellence, delivering results, focusing on the customer — there are no limits to what we can accomplish.



Michael J. Sabia
President and Chief Executive Officer
BCE Inc.

Operational Highlights

	2002	2001	2000
Local and access			
Network access services (thousands of lines in service)	**13,154**	13,296	13,341
Long Distance			
Conversation minutes (millions)	**19,034**	18,200	17,898
Average revenue per minute (cents)	**12**	13	15
Wireless			
Cellular & PCS subscribers (thousands)	**3,919**	3,454	2,764
Cellular & PCS net activations (thousands)	**465**	690	595
Average revenue per subscriber ($/month)	**46**	46	47
Data			
Equivalent access lines — Bell Canada only (thousands)			
Digital equivalent access lines	**3,683**	3,713	N/A
Broadband equivalent access lines	**12,568**	9,109	N/A
DSL high-speed Internet subscribers (thousands)	**1,110**	757	336
DSL high-speed Internet net activations (thousands)	**353**	421	272
DTH satellite television services			
Total DTH subscribers (thousands)	**1,304**	1,069	722
Net subscriber activations (thousands)	**235**	347	306
Average revenue per subscriber ($/month)	**44**	45	47

Consumer
Small to mid-sized business
Large enterprise

Consumer

In a world that's complex and getting more so, consumers want simplicity. They're looking for easier access to information, simpler choices and products that make life less complicated. In the consumer segment, breadth of platforms and simplicity of delivery are critical advantages.



In 2002, we made significant progress toward our goal of providing single-bill simplicity and convenience for customers.

One customer, one bill; flexibility for Sympatico.ca

In 2002, Certen, the joint venture between Bell Canada and leading billing system specialist Amdocs, completed a major step toward realizing the goal of a single, consolidated bill for multiple services. In December, Certen delivered the single-bill capability for residential customers covering basic access, long distance, SmartTouch, Sympatico and Bell ExpressVu. Bell began a pilot program in January with a plan to phase in the capability over time. Once completed, the system will give Bell customers the simplicity of a single bill; it will give Bell a modernized, flexible billing platform that supports revenue growth while reducing costs through economies of scale.

Meanwhile, Certen worked with Sympatico.ca to create new billing system capabilities — designed to flow into the one-bill capability — that can evolve as the Internet service provider grows. Launched in June 2002, the new capabilities can quickly be adapted to accommodate new product offerings, which is key to getting to market faster and giving customers more choice. A similar system for Bell wireless service is planned for launch in the third quarter of 2003.



Call centre agents at 310-BELL are key to retaining and growing our customer relationships. With advanced tools and technology at their fingertips, agents are equipped to solve problems and provide answers more quickly than ever before. Equally important, 310-BELL is focused on cross-selling a full range of Bell services, using bundling and other means to help customers take advantage of opportunities for single-provider simplicity, efficiency and value.

Bundling to simplify choice

Increasingly, we're packaging services together to make it easier for customers to understand their options and make choices that fit their lives. In the fourth quarter of 2002, we launched pilots for consumer bundles such as the "Connected Home," which combines local and long-distance telephone service with high-speed Internet and Bell ExpressVu; "Surf & Watch," high-speed Internet and Bell ExpressVu; and a product package for basic telephone service. The goal over time is to support bundling with single-bill and advanced call centre capabilities to deepen relationships and reduce churn while simplifying choice, payment and service for customers.

Just call 310-BELL

Easy to remember and easy to use, 310-BELL represents a key to our ongoing drive to simplify customer interaction, quickly deliver what callers want and support future efforts to provide single-provider convenience. During the year, 310-BELL call centre agents, using software that puts customer information at their fingertips, focused on matching the right mix of products to each caller's unique needs with targeted cross-selling and bundled service offerings.

Eventually the goal is for 310-BELL to be a single front door to all of Bell's offerings — wireless, wireline, Internet, DSL and satellite television — for sales and service.

Say hello to Emily

Beginning in January 2003, callers to 310-BELL in Ontario were greeted with a very pleasant surprise: the voice of Emily, the most advanced voice-activated call routing technology in Canada. Emily is friendly, knowledgeable, helpful — and she's a computer. She answers each call with an engaging, thoroughly human voice, providing prompt assistance to customers needing changes in phone services or information on any of Bell's products. Emily also efficiently directs callers who have questions about billing, repair, technical support or customer service. Part of Bell's broader plan to simplify customer access, Emily significantly reduces the number of steps and time required to accomplish what callers want, proving that technology can be used to make life easier, not more complicated. The plan is to gradually introduce Emily throughout Bell's entire service area; she will be helping French-speaking customers by mid-year 2003.



Top photo: *Is she a person, or is she a computer? Actually, she's both. Emily is Bell's new automated call routing capability. Emily's state-of-the-art voice recognition technology significantly reduces the number of steps between callers and what they want.* ***Bottom photo:*** *Subscriber and market share growth are evidence that more and more Canadian viewers are discovering the advantages of Bell ExpressVu satellite television.*

Bell ExpressVu: Great entertainment, Great technology, Great value

Bell ExpressVu continued its solid growth throughout 2002, increasing its subscriber base by 22 per cent to more than 1.3 million households. Customer choice and innovative technology were again the main drivers of growth as Bell ExpressVu offered subscribers the widest range of all-digital programming, featuring crystal-clear picture and sound on more than 300 video and audio channels in 16 themed packages that include sports, movies, kids and much more. Bell ExpressVu's innovative, one-button-recording Personal Video Recorder continued to win rave reviews from customers for the way it fundamentally changes the way they watch television, allowing them to pause live TV and replay, rewind and fast forward all at the touch of a remote.

Bell Globemedia creates Juno Award success

CTV broadcast The 2002 Juno Awards, Canada's annual preeminent music awards program — and Bell Globemedia brought its considerable assets together to promote it. High-energy program initiatives in the months leading to the event raised awareness and created a buzz. "Countdown to the Junos Concert Series," on CTV's late night talk show, "Open Mike with Mike Bullard," featured live performances by Juno nominees and performers. On CTV's morning news program "Canada AM," viewers saw "The Road to the Junos," where hosts profiled and interviewed Juno performers and nominees. During the Junos, Sympatico.ca treated Internet surfers to an exclusive backstage show with behind-the-scenes footage and interviews of nominees and winners. The result of the comprehensive promotion? More than 1.4 million Canadians tuned in to the broadcast, reversing a three-year ratings down-trend and establishing a new benchmark for success in Canada.



Top photo: *What's in the black box? Freedom and choice. Personal Video Recording (PVR) brings Bell ExpressVu subscribers the ability to pause, replay and digitally record live television.*

Bottom photo: *The Barenaked Ladies were hosts of the most successful Juno Awards presentation in years. For the first time, CTV, Sympatico.ca and* The Globe and Mail *combined to promote and broadcast the program.*



Small to mid-sized business

Small to mid-sized businesses represent an extremely broad and diverse group, with widely varying wants and needs. As different as businesses in this segment are from one another, all seem to share a desire for a telecom provider that takes the time to understand their operations and offer tailored solutions to help them compete.



Bell Mobility's exclusive offering of the Audiovox Thera puts a desktop — and unparalleled access to Canada's best wireless network — in the palm of your hand.

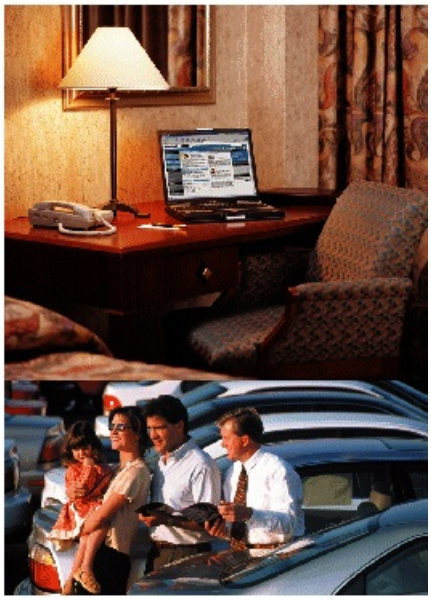
2002: The journey of understanding begins

Small to mid-sized business is a customer segment with a great deal of potential to drive profitable growth. Of customers in this segment, currently less than one in 10 use all of Bell's relevant services: telephone, high-speed Internet and wireless. 2002 was the year we used our call centres as a means to begin developing an understanding of this group's unique needs.

Call centre agents started by changing the way they approached calls. They asked questions, listened and offered more comprehensive solutions, rather than limiting their focus to just fulfilling a request. Based on initial insights gained, we developed a range of product bundles tailored to deliver maximum value, simplify the customer experience and build relationships in this important segment.

Bell Mobility for small business

With smarter devices and smarter applications, Bell Mobility is a key enabler for small and mid-sized businesses wanting to build their own mobile offices. Bell's exclusive offering of the Audiovox Thera, a wireless pocket PC, delivers computer, cell phone, organizer and entertainment functions in a handheld device. An exclusive relationship with Motivus, a mobile desktop company, provides a breakthrough application to easily view attachments. Tailored rate and wireless service plans, and VoiceNet,



Top photo: *Bell's DataValet brings high-speed Internet access to the comfort of a hotel room. It's faster. It's better. And with a low daily flat rate, it's less expensive for travelers accustomed to paying hotel long-distance telephone costs to access the Internet via conventional wireline.* ***Bottom photo:*** *Bell is making life simpler for Canada's leading car dealers by providing single-source convenience through an agreement with dealer co-op Leader Auto Resources.*

a wireless data product that allows Web navigation by voice through a cell phone or PDA, complete the picture.

DataValet keeps business travelers in touch

Small-business operators were among the growing number of travelers in Canada who enjoyed high-speed Internet access from their hotel rooms with Bell's DataValet. The service also provides a direct-from-the-room connection to participating hotels' business centre printers and fax machines — all for a daily user's fee that is far lower than the cost of accessing the Internet through conventional wireline.

Delivering simplicity for Canada's leading car dealers

Leader Auto Resources (LAR), a co-op of Canadian automotive dealers, chose Bell in 2002 to provide single-source convenience — local and long-distance telephone, wireless and Internet services — for its 1,100-plus members. LAR dealers, the majority of which are based in Québec, benefit from group rates, full access to Bell's industry-leading network and product offerings, and a dedicated Bell sales force. Signed in February 2002, the agreement was implemented in record time — we launched it, flawlessly, on March 1, 2002.

Large enterprise

Large businesses, institutions and municipalities are under pressure as never before. A strong and growing imperative to manage or reduce costs is colliding with an increasingly complex and dynamic technology landscape. The result is an active — and highly competitive — outsourced network services market.

Bell Nexxia: an MNS leader

Bell Nexxia's Managed Network Services (MNS) add value through outsourced network management, Virtual Private Networks (VPNs), security services and consulting. Security is a critical and increasingly complex concern. Bell Nexxia offers a comprehensive array of security services — among them audit and testing, network



protection and, in conjunction with BCE Emergis, privileged access services — to address issues at the network level. In addition, Bell Nexxia VPNs enable absolutely secure integration of voice, data and video traffic through a common Internet protocol (IP) infrastructure.

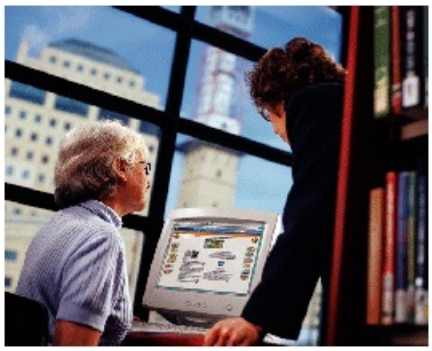
High-speed promise and potential

Bell Canada's advanced high-speed data networks create promising new applications for both private and public sector industries. One such application is a telerobotics capability that enables surgeons to complete surgical procedures from remote locations. The Canadian government spends more than $100 million per year transporting patients from outlying areas to centres of excellence for surgery. Telerobotics could reduce that figure while bringing top-quality care to a wider group of Canadians.



Photo above: *Bell Virtual Private Networks deliver integrated voice, data and video traffic to users' desktops — with total security — through a common Internet protocol (IP) infrastructure.*

Photo at left: *Bell's advanced network is making amazing strides possible in medical technology such as telerobotics, enabling certain procedures to be done from afar. (Photo courtesy of Computer Motion, Inc.)*



A Bell-developed "e-City portal" will make it possible for Mississauga residents to use the Internet to access city services. Even non-computer users can do it — just go to the public library.

An e-portal for Mississauga

In a groundbreaking public/private sector partnership, Bell won the contract to develop and maintain an "e-City portal" for the City of Mississauga that offers Internet access to many city services and information. Some of the features of the e-City portal will enable citizens to personalize their Web pages, interact with city staff and residents in real time, access online Planning and Building services and subscribe to mailing lists. Bell's solution will help Mississauga reduce operating costs while improving the quality of service the city provides its residents.

Measuring and building customer loyalty

Bell Nexxia is committed to building stronger, more long-term customer relationships in the large enterprise segment. Using a comprehensive customer feedback process called the "Voice of the Client" (VOC), Nexxia measures and defines degree of loyalty while identifying specific problems and issues that affect it. A comprehensive follow-through process called "Close the Loop" (CTL) ensures that VOC data/results are directed to the right individuals at all levels within the Bell organization to ensure timely, meaningful improvements.



Even in the largest corporations, strong customer relationships come down to satisfied and happy individual users. Bell Nexxia is using a proven customer feedback process, called the "Voice of the Client," to continuously convert complaints into meaningful improvements — and growth.

Doing the right thing

Exemplary corporate citizenship has been a guiding force for BCE throughout our 122-year history. We believe that our success as a company is inextricably linked to good relationships with all our stakeholders. We make a difference by:

Investing in communities

BCE strives to enhance the quality of life in Canadian communities by supporting arts and cultural, educational, health care, and community development initiatives with a special emphasis on programs that use communication technology in innovative ways. Contributions by Bell Canada and its employees in 2002 include:

- $6.7 million in donations to registered charities, including $2.03 million to United Way ($616,000 raised by employees and retirees).
- $1 million over three years to the Ontario *Community Development Fund* that supports local economic development commissions.
- $1 million donated by employees to registered charities through payroll deductions. Bell Canada matched $671,000.
- At least 226,923 hours of volunteer work by employees and retirees, which translates into an economic contribution of $3.83 million.

Bell Canada is designated by Imagine as a Caring Company and is committed to donating at least 1 per cent of pre-tax profit, including cash, sponsorship and in-kind donations, to charitable, non-profit organizations. In a 2002 survey, 81 per cent of Bell Canada customers gave the company a positive rating on Corporate Social Responsibility.



Evidence to Point of Care *uses technology to put valuable medical information at patients' bedsides, resulting in more accurate diagnoses and better health care. It's just one of the many research projects supported by Bell Canada's $5.7 million university R&D investment in 2002. Bell University Laboratories, where this innovative technology is being developed, is an integrated research and commercial network that links Bell with renowned university researchers and students in Ontario and Québec.*



Tele-working is one of the many flexible work options that help Bell employees achieve more balanced lives. Others include a reduced work week, additional time off with deferred payroll deductions, personal leave, community leave to do volunteer work and educational leave.

Supporting employees

In 2002, BCE companies employed 66,266 people. Bell had 42,729 employees (excluding Aliant and ExpressVu) and a training and development investment of more than $35 million. In response to employee feedback, Bell Canada introduced a number of programs including:

- *Omniflex*: A unique, flexible benefit program that integrates both a share component and a vacation component. Employees can purchase vacation days and other benefits.
- *Mentor Match*: Lets employees browse and select from a cross-organizational pool of potential mentors based on work experience, location, language and preferences.
- *Click & Learn*: More than 400 online learning solutions that help employees take charge of their development.
- *Wellness Checkpoint*: A confidential, interactive tool that helps employees assess lifestyle and well-being, while obtaining practical suggestions and health information.
- *Go Leadership Edge Attributes*: A defined model and performance evaluation tools that promote partnering, a winning mindset, speed and simplicity among employees.

Protecting the environment

In 2002, Bell Canada increased electronic services and transactions such as online billing, electronic directories and electronic data interchange, which saved considerable energy and resources. During the year, we also recovered 5,740 tons of recyclable materials such as cables and hardware, and 154 tons of hazardous residual materials such as batteries, aerosols and fluorescent tubes. BCE was rated first among telephone companies and in the top 10 overall in the Corporate Knights annual ranking of Canada's Most Environmentally Responsible Companies.

For more information on Bell's corporate and social responsibility initiatives, visit www.bell.ca.

Helping Canada prosper

Every dollar spent in the communities we serve has a ripple effect that fuels the country's economic engine. Bell's 2002 investments include:

- $3.77 billion in capital expenditures, $22 billion over the past six years (includes all BCE companies)
- $8 billion in goods and services in the communities we serve
- $2.95 billion in corporate income and sales taxes paid
- The first instalment of an $81 million investment over a four-year period to extend service to "unserved" areas in Ontario and Québec, where costs to provide service are unusually high.



Every day, 1,000 kids from almost 3,000 Canadian communities call a Kids Help Phone counsellor with questions or concerns about issues such as relationships, school, bullying, suicide and abuse. In May 2002, approximately 15,000 Canadians, including many BCE employees, raised more than $1 million for the cause by participating in the first annual Bell Walk for Kids.

Management's Discussion and Analysis

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on BCE's operations, performance and financial condition for the years ended December 31, 2002 and 2001.

The MD&A is presented in seven sections:

About Our Business describes BCE's businesses, objectives and strategies for growth.

Performance Highlights reviews the key measures we use to assess our performance and how our results in 2002 compare to our results in 2001.

Financial Results Analysis provides detailed information and analysis about our performance for the past two years. It focuses on our consolidated operating results and provides financial information for each of our four business segments.

Financial and Capital Management describes how we manage our financial condition and capital resources.

Risk Assessment provides an overview of the key risks that could affect our business.

Our Accounting Policies provides a discussion of the key estimates and assumptions that management has made in preparing the financial statements as well as a discussion of changes to the accounting standards.

Supplementary Financial Information provides tables on selected consolidated financial data and other useful financial information.

Please refer to the audited consolidated financial statements starting on page 54 when reading the MD&A.

MD&A AT A GLANCE

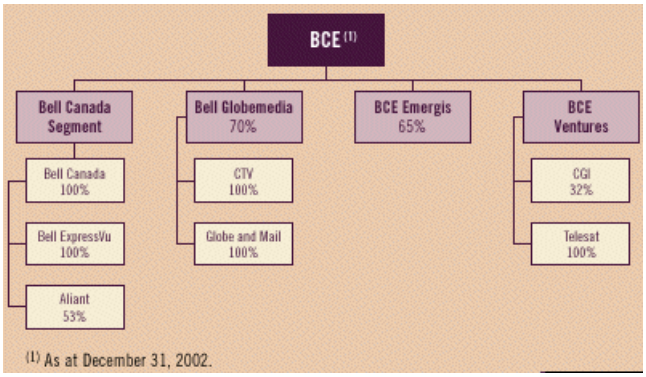
About Our Business	28
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In this MD&A, *we*, *us*, *our* and *BCE* mean BCE Inc., its subsidiaries, joint ventures and investments in significantly influenced companies.

Bell Canada, Aliant Inc. (Aliant), Bell ExpressVu Limited Partnership (Bell ExpressVu) and their subsidiaries and investments in significantly influenced companies are referred to as the Bell Canada segment.

Significantly influenced means that:

- we have a 20% to 50% equity interest in a company that we do not control or jointly control, and
- we have a significant influence on its operating, investing and financing activities.



ABOUT FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to disclose forward-looking information so that investors can better understand the company's future prospects and make informed investment decisions.

A statement we make is forward looking when it uses what we know today to make a statement about the future.

Forward-looking statements may include words such as *anticipate, believe, could, expect, goal, intend, may, objective, outlook, seek, strive,*

target and *will.*

This annual report, including this MD&A, and in particular the outlook sections of this MD&A, contains forward-looking statements about BCE's objectives, strategies, financial condition, results of operations and businesses.

These statements are "forward-looking" because they are based on our current expectations about the markets we operate in and on various estimates and assumptions.

It is important to know that:

- forward-looking statements describe our expectations on the day they are made. For this MD&A, it is February 26, 2003
- our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize
- forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions or other business combinations or transactions, nor do they include the effect of asset write-downs
- we assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

You will find a more detailed assessment of the risks that could cause our actual results to materially differ from our current expectations in the *Risk Assessment* section of this MD&A, starting on page 44. In particular, all of our expectations contained in the outlook sections of this MD&A are subject to these risks.

ABOUT OUR BUSINESS

WHO WE ARE

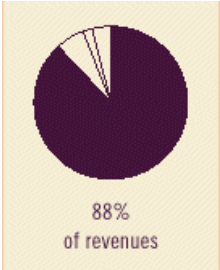
BCE is Canada's largest communications company. Through the Bell Canada segment, we provide local telephone, long distance, wireless communications, Internet access, data, satellite television and other services to residential and business customers through our 25 million customer connections.

We reach millions of people daily through Bell Globemedia Inc. (Bell Globemedia), a leading Canadian media company, which includes CTV Inc. (CTV), Canada's leading private broadcaster, and The Globe and Mail, the leading Canadian national newspaper. We also provide eBusiness services through BCE Emergis Inc. (BCE Emergis).

WHAT WE DO

BCE's primary focus is the Bell Canada segment, which represented 88% of our revenues in 2002. Bell Globemedia and BCE Emergis together represented about 8% of our revenues in 2002. For management purposes, all of BCE's other businesses are combined in the BCE Ventures segment.

BELL CANADA SEGMENT



The Bell Canada segment is Canada's leading provider of wireline and wireless communications services, Internet access, data services and Direct-to-Home (DTH) satellite television services to residential and business customers.

At December 31, 2002, the Bell Canada segment customer connections were as follows (in millions):

Telephone service subscribers	13.2
Cellular and personal communications service (PCS) customers	3.9
Paging customers	0.6
High-speed Internet	1.1
Dial-up access	0.9
DTH subscribers	1.3
Digital equivalent access lines (1)	3.7

(1) Derived by converting low-capacity data lines to the equivalent number of voice grade access lines.

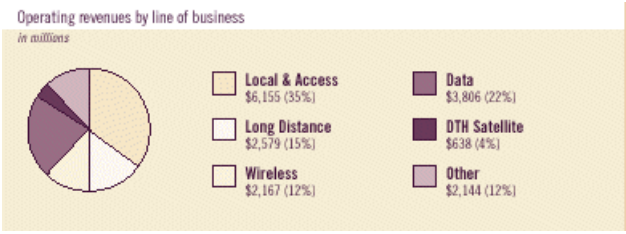
The Bell Canada segment operates primarily as the incumbent telephone company in:

- Ontario and Québec, through Bell Canada, Télébec Limited Partnership and Northern Telephone Limited Partnership
- Atlantic Canada, through Aliant
- Canada's northern territories, through Northwestel Inc.

We also operate as a competitive local exchange carrier (CLEC) in Alberta and British Columbia through Bell West Inc. (Bell West).

On April 11, 2002, Bell West was created by Bell Canada and Manitoba Telecom Services Inc. (MTS) to offer business customers in Alberta and British Columbia a range of local, long distance and data services. Bell Canada owns 60% of Bell West, and the balance is owned by MTS.

The following chart shows Bell Canada segment's operating revenues by line of business for the year ended December 31, 2002.



There is some seasonality in certain of our businesses. For example, our wireless and DTH satellite television services revenues tend to be higher in the fourth quarter due to increased consumer spending during the holiday season.

Local and access services

The Bell Canada segment operates an extensive local access network that provides local telephone services to business and residential customers. The 13.2 million local telephone lines, or network access services (NAS), we provide for our subscribers are key in establishing customer relationships and are the foundation for the other products and services we offer.

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

- value-added services such as call display, call waiting and voice mail
- services provided to competitors accessing our local network

- subsidies from the National Contribution Fund to support local service in high-cost areas.

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

Long distance services

We supply long distance voice services to business and residential customers. In addition, we provide the originating and terminating portion of long distance calls from and to our local telephone service customers for competing long distance companies. We also receive settlement payments from out-of-region carriers for completing their customers' long distance calls in our territory.

Prices for long distance services have been declining since this market was opened to competition. The rate of decline, however, has eased over the past several years. Price decreases have generally led to increased volume in conversation minutes.

Wireless services

We offer a full range of wireless communications services to business and residential customers, including cellular, PCS and paging. PCS customers can access our mobile browser service to gain wireless access to the Internet. We also provide value-added services such as call display and voice mail, and roaming services to other wireless service providers.

Customers can choose to pay for their cellular and PCS services through a monthly rate plan (post-paid) or in advance (prepaid).

Wireless communications services are provided in-territory by the wireless division of each of our incumbent telephone companies with the exception of Bell Mobility Inc. (Bell Mobility), which offers wireless services in Alberta and British Columbia, in addition to its home territory of Ontario and Québec. In 2002, Bell Mobility completed the construction of its network in Calgary, Edmonton and Vancouver.

In 2002, we were the first company to launch a high-speed wireless network, which allows customers to transmit data at speeds of up to 86 Kbps, five times faster than what was previously available. By the end of 2002, our high-speed network covered:

- centers in Ontario and Québec, representing 80% of the population in those provinces
- Halifax in Atlantic Canada
- Calgary, Edmonton and Vancouver in Western Canada.

Data services

Data services are a growth area for the Bell Canada segment in both the residential and business customer segments. We provide high-speed and dial-up Internet access to residential customers in our incumbent territories primarily through the Bell Sympatico brand. High-speed Internet access is driving growth in the residential portion of this business. In 2002, we expanded our product line to offer customers a choice of speeds and several value-added services.

We offer a full range of data services to business customers, including local network access, Internet access, frame relay, ATM Internet Protocol (IP)/broadband and e-commerce services as well as sales of equipment. In 2002, we launched Bell Managed Network Solutions, a single source for the delivery and management of end-to-end business communication services.

Data services for business customers are provided in-territory by our incumbent telephone companies and by Bell West in Western Canada.

DTH satellite television services

DTH satellite television services have rapidly become a major competitor to cable television. Bell ExpressVu has been delivering digital services on a national basis directly to Canadian homes and businesses since 1997. It is Canada's largest licensed DTH distributor of digital programming offering more than 300 digital television and CD-quality audio channels as well as more than 50 pay-per-view channels.

Bell ExpressVu uses two satellites in orbit owned by Telesat Canada (Telesat), Nimiq 1 and Nimiq 2. Nimiq 2 was successfully launched on December 29, 2002, although it has since experienced a malfunction affecting its available power. This malfunction is still being investigated. Notwithstanding the malfunction, the additional satellite capacity will allow Bell ExpressVu to offer additional programming in 2003. Please see *Risk assessment — BCE Ventures — Telesat* on page 49 for more details.

Signal piracy is a major issue facing all segments of the Canadian broadcasting industry. Bell ExpressVu has undertaken a number of actions to combat signal piracy, including taking legal action, implementing electronic countermeasures targeted at illegal devices and leading public awareness campaigns.

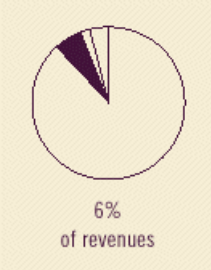
Other products and services

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

- renting, selling and maintaining business terminal equipment
- print and electronic directories' advertising until November 2002
- Aliant's remote communications, information technology and emerging businesses.

In November 2002, we sold the directories business for approximately $3 billion in cash, as part of the financing plan to repurchase SBC Communications Inc.'s (SBC) 20% interest in Bell Canada Holdings Inc. (BCH), the holding company of Bell Canada. BCE now owns 100% of BCH, 100% of Bell ExpressVu and 53% of Aliant.

BELL GLOBEMEDIA



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

In 2002, Bell Globemedia's revenues primarily came from selling advertising through its TV, print and Internet businesses. Revenue is also generated from subscriptions to The Globe and Mail and subscription fees that cable and DTH companies pay for carrying Bell Globemedia's specialty TV channels such as TSN, RDS and Discovery.

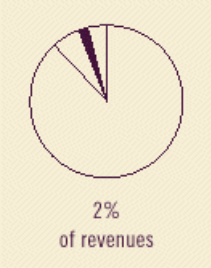
On September 13, 2002, Bell Globemedia bought Lycos Inc.'s 29% stake in the Sympatico-Lycos joint venture and took full control of Sympatico.ca, Canada's largest Internet portal. Bell Globemedia then transferred its electronic directories business to Bell Canada, which Bell Canada then sold in November 2002.

On February 7, 2003, an agreement was announced to transfer the Sympatico.ca portal from Bell Globemedia to Bell Canada so that it could be more closely tied to Bell Canada's Sympatico Internet access services. In conjunction with this announcement, Bell Globemedia announced that it will be aligning its online operations with its core media products to best leverage this capability for the future. The operations of Bell Globemedia's other online products will be aligned with the specific Bell Globemedia brands that they support (e.g., CTV.ca will be aligned with the CTV network).

On February 11, 2003, Bell Globemedia announced an agreement to acquire an approximate 15% interest in Maple Leaf Sports and Entertainment Ltd., the owner of the Toronto Maple Leafs, the Toronto Raptors and the Air Canada Center. This acquisition is subject to regulatory and other approvals.

BCE Inc. currently owns 70.1% of Bell Globemedia, and the balance is owned by The Thomson Corporation and an affiliated company. Upon closing of the transfer of Sympatico.ca to Bell Canada and of the $100 million additional equity investment to be made equally by BCE Inc. and an affiliate of The Thomson Corporation, BCE Inc.'s ownership will be reduced to 68.5%.

BCE EMERGIS



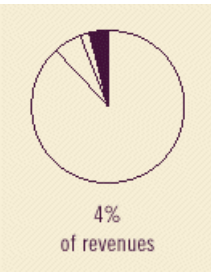
BCE Emergis provides eBusiness services focusing on business-to-business transactions in the financial services and health industries.

Its revenues come from recurring and non-recurring sources. Recurring revenues include transaction or usage-based charges for access to BCE Emergis' technology and for services including claims processing and cost containment, drug-claim adjudication and payment, invoice presentment and payment processing and electronic messaging, as well as fixed and/or user-based monthly charges, primarily for hosting and secure network services and access to its provider network. Non-recurring revenues include fees for professional services related to the development, integration, installation and maintenance of BCE Emergis' solutions for clients and initial software license fees and activation fees. It is important to note that recurring revenues refer to the underlying nature of the revenues as described above and that revenues from contracts that are not likely to be renewed will be included in this category if they result from the activities described above.

In 2002, BCE Emergis completed a major streamlining of its services and reduced its workforce by 20%.

BCE Emergis is publicly traded. BCE Inc. owns approximately 65% of the company.

BCE VENTURES



The BCE Ventures segment combines, for management purposes, various assets including Telesat and CGI Group Inc. (CGI).

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

CGI is one of Canada's largest information technology (IT) services companies. It provides a full range of IT services and business solutions including outsourcing, systems development and integration, and consulting. CGI is publicly traded. As at December 31, 2002, BCE Inc. owned approximately 32% of the outstanding shares of CGI.

OUR OBJECTIVES AND STRATEGY

Our governing objective is to *achieve balanced performance that will lead to profitable growth, positive free cash flow* and *improving returns.* The successful achievement of our governing objective is dependent on achieving three key strategic objectives: *Simplicity, Efficiency* and *Financial Discipline.*

Our customers want simplicity. Our research demonstrates that they want products and services that are easy to use and understand, and they want dealing with us to be easy. To do this, we must continue to simplify our processes, reduce bureaucracy and improve the effectiveness of our sales and distribution channels. In addition to simplicity, we need to continue gaining better insight into the needs of each of our customer segments. By better understanding our customers' needs, we will be able to provide them with compelling value propositions.

As part of our strategy, we are shifting our focus to further position our key customer segments at the center of our business. We continue to develop a better understanding of the needs of each of our customer segments: consumers, small and medium enterprises, and large enterprises.

Efficiency has become an integral part of the way we do business. We generated productivity gains of more than $1 billion over the past two years and are targeting more than $600 million in further efficiency gains in 2003. We have substantially reduced our capital expenditures while growing our customer connections. But increased efficiency cannot come at the expense of service. Service is the cornerstone of our brand, and we are committed to improving customer service as we continue to focus on efficiency.

Financial discipline demands decisive action to ensure long-term financial success. The steps we took in 2002 have made us stronger and have put us in full control of our future. We will continue to manage our company with a view to providing consistent, solid returns while strengthening our balance sheet and generating free cash flow for our shareholders.

PERFORMANCE HIGHLIGHTS

In 2002, we set a new course for BCE and began the process of simplifying our business. BCE faced a number of challenges.

We took decisive steps to address these issues. In late April, we stopped the long-term funding of Teleglobe Inc. (Teleglobe) and began treating it as a discontinued operation. On December 31, 2002, we sold our shares of Teleglobe to the monitor appointed by the court in the Teleglobe restructuring proceedings.

We came to a mutually agreeable arrangement with SBC to repurchase its 20% interest in BCH. Despite unprecedented turbulence in the capital markets, we put the necessary financing in place by successfully executing Canada's largest-ever debt and equity offerings by a public company and by selling our directories business.

As a result, we exited the international connectivity business and gained full control of our core asset, Bell Canada. These actions strengthened our balance sheet, increased our financial flexibility and brought a renewed strategic focus to BCE.

Revenues

Revenues increased by 2.2% to $19.8 billion in 2002, driven by subscriber growth in wireless, data and DTH services. Excluding revenues from the directories business in 2002, we expect these services to drive continued revenue growth in 2003.

EBITDA[(1)] margin and productivity improvements

BCE generated productivity improvements of $655 million in 2002 in addition to the $470 million of productivity improvements made in 2001. This contributed to an improvement in our EBITDA margin from 37.4% in 2001 to 38.6% in 2002. For 2003, we are targeting additional productivity improvements at similar levels to those achieved in 2002.

Free cash flow

Free cash flow improved significantly from negative $2.8 billion in 2001 (including the one-time acquisition of spectrum licenses) to negative $670 million in 2002, largely due to lower levels of capital spending and improved cash flow from operations. Our target is to achieve a modestly positive free cash flow in 2003.

Capital intensity

We reduced our capital spending as a percentage of revenue from 25.8% in 2001 to 19.1% in 2002. In 2003, we expect to further reduce our capital expenditures as a percentage of revenues.

Net debt to total capitalization

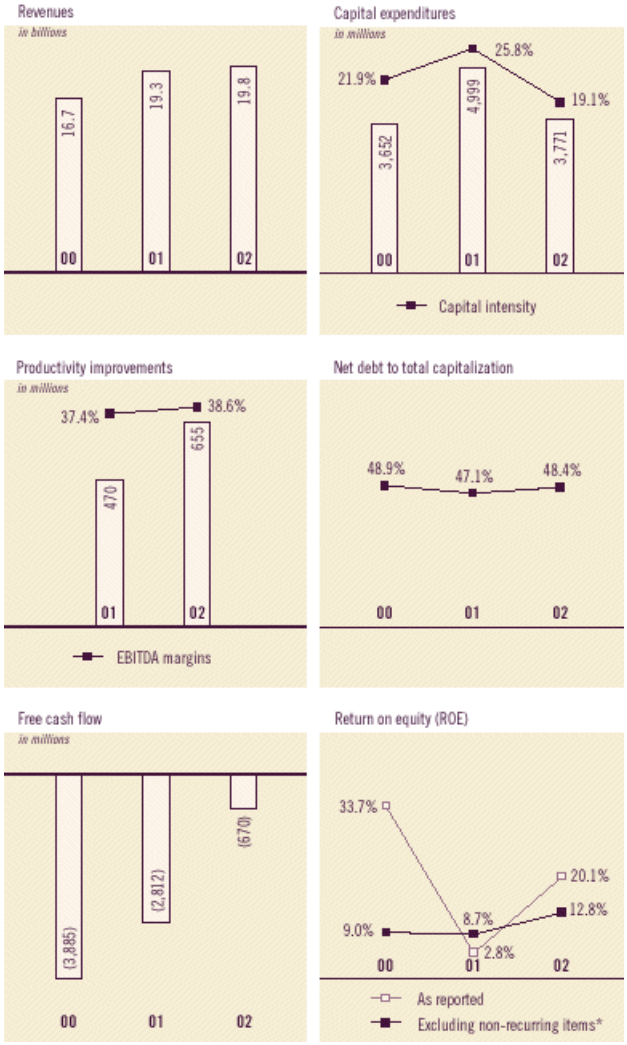
The net debt to total capitalization ratio increased from 47.1% in 2001 to 48.4% in 2002, mainly due to the financing of our $6.3 billion repurchase of SBC's 20% interest in BCH. The increase in debt related to this financing was offset by the deconsolidation of the debt of Teleglobe and Bell Canada International Inc. (BCI) from our balance sheet. Our net debt to total capitalization ratio is still below the year 2000 level. Our objective in 2003 is for net debt to total capitalization to decrease as we pay down debt.

Return on equity (ROE)[(1)]

BCE achieved an ROE of 20.1% in 2002 compared to 2.8% in 2001 mainly as a result of:

- net gains on investments (principally relating to the gain on the sale of the directories business in 2002)
- the loss from discontinued operations in 2001
- the transitional goodwill impairment charge that significantly reduced common shareholders' equity in 2002
- improved earnings in 2002.

ROE excluding non-recurring items was 12.8% in 2002 compared to 8.7% in 2001 mainly as a result of the transitional goodwill impairment charge that significantly reduced common shareholders' equity in 2002, and improved earnings.



Return on common shareholders' equity (ROE) is calculated as net earnings applicable to common shares as a percentage of average common shareholders' equity.

* Adjustments to GAAP results to derive earnings excluding non-recurring items are outlined on the next page, along with comments on the use of this measure.

(1) EBITDA and ROE do not have any standardized meaning under Canadian GAAP. Please see *Non-GAAP Measures* on the next page for more information on EBITDA and ROE.

NON-GAAP MEASURES

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standardized meaning under Canadian generally accepted accounting principles (GAAP). We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans (credit) expense and restructuring and other charges. The way we define EBITDA may be different from the way other publicly traded companies define it or similar terms. EBITDA should not be confused with net cash flows from operating activities. We use EBITDA, amongst other measures, to assess the operating performance of our ongoing businesses. The most comparable Canadian GAAP earnings measure is operating income. Please see the reconciliation below by operating segment and on a consolidated basis of EBITDA to operating income.

	Bell Canada	Bell Globe-media	BCE Emergis	BCE Ventures	Corpo-rate and other	BCE Consoli-dated
For the year ended December 31, 2002						
EBITDA	**7,289**	**180**	**30**	**289**	**(166)**	**7,622**
Amortization expense	**2,935**	**67**	**66**	**122**	**(44)**	**3,146**
Net benefit plans (credit) expense	**(38)**	**3**	**2**	**—**	**—**	**(33)**
Restructuring and other charges	**675**	**—**	**119**	**—**	**93**	**887**
Operating income (loss)	**3,717**	**110**	**(157)**	**167**	**(215)**	**3,622**
For the year ended December 31, 2001						
EBITDA	6,876	108	127	290	(159)	7,242
Amortization expense	2,934	265	452	152	23	3,826
Net benefit plans (credit) expense	(128)	1	—	—	6	(121)
Restructuring and other charges	975	5	—	—	—	980
Operating income (loss)	3,095	(163)	(325)	138	(188)	2,557

ROE

Return on common shareholders' equity (ROE) is calculated as net earnings applicable to common shares as a percentage of average common shareholders' equity.

Net earnings applicable to common shares before non-recurring items represent net earnings applicable to common shares adjusted for non-recurring items, which include (on an after-tax basis) BCE's share of: net gains (losses) on investments; the results of discontinued operations; restructuring and other charges; and goodwill expense. Each of the items listed above was excluded because they were considered to be of a non-operational or non-recurring nature.

Net earnings applicable to common shares before non-recurring items does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies.

The following table outlines BCE's non-recurring items and their impact on BCE's GAAP-based net earnings applicable to common shares.

	2002	2001	2000
Net earnings applicable to common shares as reported	**2,416**	450	4,706
Non-recurring items:			
Goodwill amortization	**—**	775	485
Restructuring and other charges	**887**	980	—
Other income	**(2,390)**	(4,008)	—
Impairment charges	**770**	—	—
Income taxes	**319**	343	—
Non-controlling interest	**109**	(191)	(125)
Discontinued operations (Note 8)	**(577)**	3,057	(3,812)
Effect on net earnings applicable to common shares	**(882)**	956	(3,452)
Net earnings applicable to common shares before non-recurring items	**1,534**	1,406	1,254

FINANCIAL RESULTS ANALYSIS

This section discusses the financial results of BCE Inc. and of each of our four operating segments.

Operating revenue and EBITDA are analyzed on a segmented basis. All below-EBITDA income and expenses are analyzed on a consolidated basis.

OPERATING REVENUES

2002 Highlights

	2002	2001	% change
Bell Canada segment	**17,489**	17,202	1.7%
Bell Globemedia	**1,290**	1,203	7.2%
BCE Emergis	**540**	656	(17.7)%
BCE Ventures	**1,064**	1,044	1.9%
Corporate and other	**(615)**	(765)	19.6%
Total operating revenues	**19,768**	19,340	2.2%

We generated overall revenue growth of 2.2%

In 2002, we continued to focus on growth in the wireless, data and DTH segments to offset declines in the local and access and long distance segments, and to strive towards outpacing industry growth expectations.



Our customer connections grew to 25 million this year. Most of the growth in these connections came from wireless, data and DTH services.

In 2002, the Bell Canada segment increased its subscriber base in these services as follows:

- cellular and PCS subscribers grew 13.5% to reach 3.9 million, representing a 33% market share on a national level
- high-speed Internet subscribers rose 47% to reach 1.1 million, capturing 42% of the consumer high-speed Internet market in Ontario and Québec
- DTH subscribers grew 22% to reach 1.3 million, representing a 62% share of the national DTH market share or 13% of the combined national DTH and cable market.

Recent CRTC decisions on price caps and contribution combined with continued economic and competitive pressures have resulted in a 3.2% decrease in local and access revenues in 2002. The price cap decision and competitive pressures have also led to a 2.7% decline in long distance revenues in 2002.

Bell Globemedia's revenue growth in 2002 reflected a stronger television advertising market, growth in subscription revenues and the positive impact of the CFCF-TV, CKY-TV and ROB TV acquisitions made in late 2001.

BCE Emergis experienced a significant decline in non-recurring revenues in 2002. It has implemented its revised business plan to focus on key growth areas, drive recurring revenue growth and streamline its service offerings and operating costs.

Outlook for 2003

Revenues in 2003 will be negatively impacted by the sale of our directories business, which contributed approximately $500 million to our total revenues in 2002.

Excluding the revenues of the directories business in 2002, we are targeting modest growth in total revenues for 2003, reflecting continued regulatory impacts, competitive pressures and a continuation of the current economic climate.

We expect our revenue growth will come largely from increasing our total customer connections, with a significant portion of the growth coming from our wireless, data and DTH businesses.

BELL CANADA SEGMENT

Local and access revenues declined by 3%

Local and access revenues fell to $6.2 billion in 2002 compared to $6.4 billion in 2001. The decline was primarily the result of recent regulatory decisions and a reduction in the number of NAS in service.

The price cap decision was issued on May 30, 2002. This decision led to a reduction in some rates charged for business services and services provided to competitors and accordingly led to lower revenues from June to December of 2002. This decision also expanded the list of services regulated under the price cap regime to include value-added services, limiting our ability to implement price increases for these services.

Also contributing to the decline were lower subsidies that the Bell Canada segment received for servicing high-cost areas. This was the result of a change in the way companies must calculate the subsidies that came into effect in 2002 under the CRTC's Contribution Decision that was issued on November 30, 2000.

NAS in service fell 1.1% because of:

- growth in high-speed Internet access, which reduced the need for second telephone lines
- losses resulting from competition and business failures or downsizings
- customers substituting wireline for wireless telephone service.

Outlook for 2003

In 2003, we expect regulatory decisions and NAS losses to negatively impact local and access revenues. The CRTC price cap decision will continue to reduce local and access revenues in 2003 as we experience the full-year impact of the price reductions for business services and services provided to competitors identified above.

NAS levels are expected to continue to be influenced by economic and competitive pressures and wireless and high-speed alternatives as identified above.

Long distance revenues declined by 3%

Long distance revenues fell 3% to $2.6 billion in 2002 from $2.7 billion in 2001, reflecting the recent price cap decision and competitive pressures. The price cap decision led to a reduction in the rates charged to competing long distance companies for carrying originating and terminating long distance traffic from and to our local telephone service customers and accordingly led to lower revenues from June to December 2002.

We continued to experience competitive pressures on both residential and business long distance prices, although at a more moderate rate than previously experienced.

The average revenue per minute (ARPM) stabilized in late 2002 at 12 cents, which was one cent lower than it was in 2001. The slight decline in total ARPM was partly offset by a 5% increase in the volume of conversation minutes. In 2002, long distance market share in Ontario and Québec remained relatively stable at 63%.

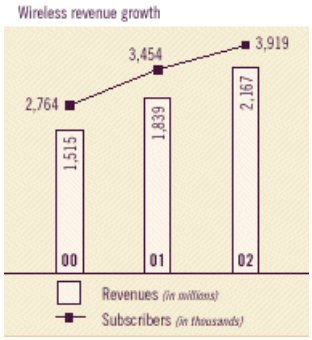
Outlook for 2003

The recent industry trend of more moderate pricing pressure is expected to continue in 2003. With lower pricing likely to drive further increases in the volume of conversation minutes, we are targeting relatively stable long distance revenues from our business and residential customers.

The CRTC price cap decision will continue to negatively impact revenues in 2003 as we experience the full-year impact of the price reductions for services provided to long distance competitors identified above.

Wireless revenues grew by 18%

In 2002, our customer base grew 13.5% to 3.9 million, the largest wireless customer base in Canada, representing a 33% share of the national market. This gain in subscribers led to wireless service revenues of $2.2 billion, an increase of 18% compared to the previous year.



More than 97% of the subscribers added in 2002 were on post-paid rate plans. At December 31, 2002, 75% of our subscribers were on post-paid plans, up from 72% in 2001. This reflects our continued focus on acquiring and retaining higher value and more profitable customers.

The monthly average revenue per unit (ARPU) from post-paid subscribers grew to $59 in 2002 from $58 in 2001, reflecting additional revenues from value-added services and minor price increases in system access fees. Prepaid ARPU declined to $12 in 2002 from $13 in 2001 due to competitive pricing pressures on off-peak rates.

The increase in post-paid subscribers as a percentage of the total base and higher post-paid ARPU offset the decline in prepaid ARPU and left overall ARPU stable at $46.

Outlook for 2003

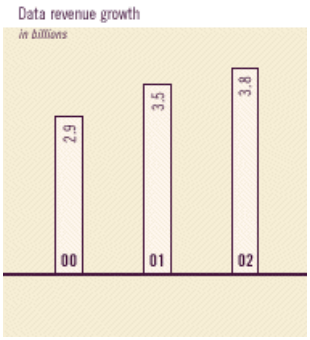
Our expectation is that the continued strength of consumer spending in Canada, combined with relatively low wireless penetration, should lead to further growth in both the number of wireless customers and in wireless service revenues.

As the industry focuses on profitability, we expect slower subscriber and revenue growth in 2003 than the growth experienced in 2002. Our continued focus is to maintain or increase our market share and to focus on high-value post-paid customers and on customer service. This should lead to relatively stable ARPU in 2003.

Data revenues grew by 8%

Data revenues grew to $3.8 billion in 2002, an increase of 8% over 2001, reflecting growth in high-speed Internet, IP broadband and e-commerce services.

In 2002, the number of high-speed Internet subscribers increased 47% to reach 1.1 million, reflecting customer preference for higher speed alternatives to dial-up Internet access. For the first time, the number of high-speed Internet access subscribers surpassed the number of dial-up subscribers. The number of dial-up subscribers declined to 957,000 from 2001 levels of over 1 million.



Residential represents the largest segment of high-speed Internet subscribers and comprises 924,000 customers. During the year, we implemented several initiatives to increase revenues in this segment, including raising the price of our main service by $5 per month and the introduction of bandwidth charges and several value-added services. Our high-speed Internet market share in Ontario and Québec remained stable at 42%, despite the price increase. At year-end, approximately 28% of households in Ontario and Québec had high-speed Internet access.

Revenue from business and wholesale customers grew by approximately 4% in 2002, a much slower rate than in previous years, reflecting a general weakening in demand. Competitive pressures on prices also played a role, but by far, slower growth in demand had the greatest impact on revenue. Demand from business customers was soft as customers in the key sectors we serve, mainly financial services, technology and governments, have minimized their investments, choosing to use existing capacity instead of expanding. The wholesale market was also weak. Our market share remains stable, and growth continues to move at or above market rates, reflecting that slower growth is a market phenomenon.



Outlook for 2003

Based on our expectation of the same level of economic growth in 2003 as in 2002, but with slower growth in high-speed Internet subscribers, we expect data revenue to grow but at a lesser rate than experienced in 2002.

We expect large companies will continue to be cautious in their investments given the uncertainty in the economy. In addition, given the financial state of many competitors, we are not expecting significant increases in wholesale demand. However, small and medium-sized businesses are expected to provide some stability.

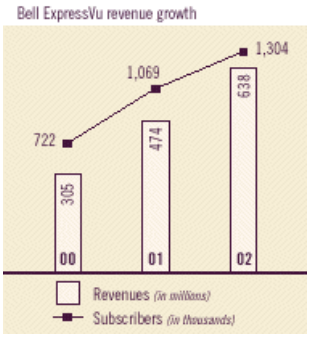
Given current residential high-speed Internet penetration levels, the rate of growth in subscribers is expected to lessen as our target market shifts from early adopters to the mass market where potential new subscribers are likely to be more price-sensitive. Customer demand for lower speed offerings may lead to lower average revenue per subscriber (ARPS). We will strive to differentiate our offerings in the marketplace with value-added services, unique bundles and superior customer service.

DTH revenues grew by 35%

In 2002, DTH revenues increased by 35% to $638 million, driven by a 22% increase in the number of customers. By year-end, Bell ExpressVu had over 1.3 million customers, reflecting a 38% share of the growing market for digital TV service.

Bell ExpressVu acquired 70% of all new Canadian DTH subscribers this year, increasing its DTH market share to 62%. Bell ExpressVu has steadily increased the number of subscribers in urban areas, where cable has traditionally dominated the market. At December 31, 2002, 59% of

Bell ExpressVu's customers were from urban areas, up from 56% in 2001.



ARPS was down slightly from $45 per month to $44, reflecting the netting of programming credits against revenues. This was offset by the positive impact of pricing initiatives such as the monthly second receiver charge for new customers, increases in transfer and reconnect fees and gains from program package upgrading by customers

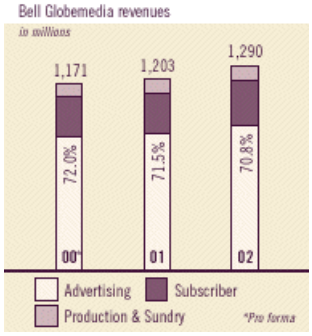
Outlook for 2003

In 2003, we expect consumer spending and the growth in demand for digital TV services to continue. However, as we focus on improving profitability, we expect more modest, managed DTH subscriber growth.

Accordingly, DTH revenues are expected to grow at a slower rate than in 2002, reflecting slower subscriber growth. We are expecting revenue growth through the launch of new programming and interactive services and a number of other initiatives aimed at improving revenues.

BELL GLOBEMEDIA

Bell Globemedia revenues grew by 7%



Bell Globemedia's revenues grew 7% to $1.3 billion in 2002. This growth reflects the positive effects of the acquisitions of CFCF-TV, CKY-TV and ROB TV during the latter part of 2001.

Excluding these acquisitions, revenues would have increased by 3%, primarily from:

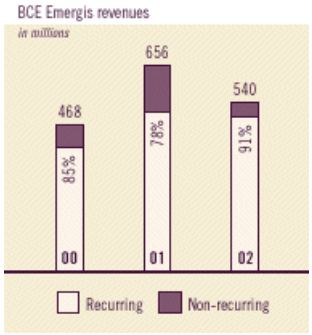
- strengthening in the television advertising market in the second half of the year
- higher subscription levels from specialty TV channels
- subscription rate increases at The Globe and Mail.

Outlook for 2003

In 2003, Bell Globemedia will rely on the continued strengthening of the advertising market and the ratings success of the fall 2002 CTV lineup to improve performance.

BCE EMERGIS

BCE Emergis revenues declined by 18%



In 2002, revenues fell 18% to $540 million, reflecting a decline in its non-recurring revenue stream, due to lower demand for its solutions in soft technology markets.

In April 2002, BCE Emergis announced its revised business plan, which focuses on key growth areas, driving recurring revenue growth and streamlining its service offerings and operating costs.

As part of that plan, BCE Emergis made a decision to exit a number of activities in 2002 that it no longer considered core. 26% of BCE Emergis' revenues in 2002 were from BCE affiliates, compared to 31% in 2001.

Outlook for 2003

Despite a planned reduction of $34 million from certain contracts with Bell Canada, BCE Emergis expects its revenues to remain relatively stable in 2003. In addition, BCE Emergis is also pursuing its strategic review of its various lines of products and businesses to ensure that they continue to meet BCE Emergis' strategic objectives.

BCE VENTURES

	2002	2001
CGI	**709**	657
Telesat	**327**	321
Other	**28**	66
Total operating revenues	**1,064**	1,044

BCE Ventures had an increase of 2% in total revenues in 2002.

Our proportionate share of CGI's revenues grew 8% in 2002, which came mainly from business acquisitions and new outsourcing contracts.

Revenues increased by 2% at Telesat, reflecting ongoing modest growth in its operations.

Other revenues were lower, reflecting the sale of the 1000 de la Gauchetière headquarters building in early 2002.

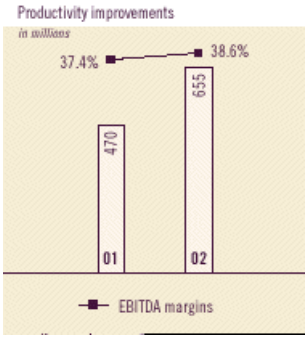
EBITDA

2002 Highlights

	2002	2001	% change
Bell Canada segment	**7,289**	6,876	6.0%
Bell Globemedia	**180**	108	66.7%
BCE Emergis	**30**	127	(76.4)%
BCE Ventures	**289**	290	(0.3)%
Corporate and other	**(166)**	(159)	(4.4)%
Total EBITDA	**7,622**	7,242	5.2%

Productivity improvements as a business discipline

- EBITDA increased by 5.2% to $7.6 billion despite competitive, regulatory and economic pressures



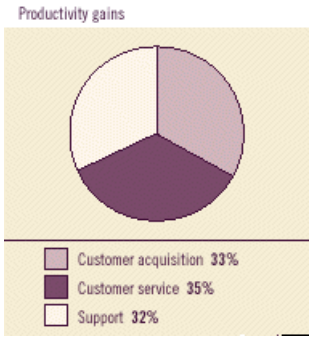
- The main factor contributing to higher EBITDA was our focus on productivity improvements within the Bell Canada segment
- Productivity initiatives resulted in:
  - productivity improvements of $655 million in 2002, including $630 million of gains at the Bell Canada segment, compared to $470 million in 2001
  - an improvement in the EBITDA margin from 37.4% in 2001 to 38.6% in 2002.
- Our EBITDA margin improvement is significant considering that our mix of traditional and growth services is transitioning to an increasing level of growth services, which tend to have lower margins than traditional services. For 2002, 51% of our revenues came from growth services compared to 49% in 2001.

Outlook for 2003

EBITDA in 2003 will be negatively impacted by the sale of our directories business, which contributed approximately $310 million to EBITDA in 2002. Excluding the EBITDA of the directories business in 2002, it is anticipated that revenue growth combined with continued productivity improvements at similar levels to those achieved in 2002 will result in modest EBITDA growth.

BELL CANADA SEGMENT

Bell Canada segment's EBITDA grew 6% to $7.3 billion in 2002 from the $6.9 billion achieved in 2001 driven by productivity gains of $630 million.



These productivity gains were achieved throughout the Bell Canada segment and can be categorized as either:

- reducing costs associated with customer acquisition
- reducing costs associated with serving existing customers or
- reducing "back-office" support costs.

Our productivity improvements program included numerous projects reflecting both cross-enterprise initiatives and initiatives at the local business unit level. However, the key elements of the program included:

- supply chain sourcing and delivery process improvements that have realized over $180 million in savings
- gaining operating efficiencies in key functional areas such as call centers and field services. Improvements in these areas generated savings of $75 million and $30 million, respectively
- improving margins on newer services, such as consumer high-speed Internet service and our broadband/IP services, by improving the processes around customer provisioning and customer servicing. This area generated $50 million in savings.

The CRTC Contribution decision of November 2000 had a modest positive effect on EBITDA. This decision called for a change, effective in 2002, in the way companies calculate the subsidies they require to serve high-cost areas, significantly lowering the amount of those subsidies. It also reduced, effective 2002, the amount companies had to contribute to the National Contribution Fund, reducing the Bell Canada segment's expenses more than it reduced the subsidy the Bell Canada segment receives.

Outlook for 2003

EBITDA in 2003 will be negatively impacted by the sale of the directories business, which contributed approximately $310 million to EBITDA in 2002.

In 2003, the Bell Canada segment expects to achieve a similar level of productivity improvements as 2002 by achieving further savings in many of the same areas targeted in 2002. Productivity gains will also reflect the reduction of approximately 1,700 positions in our workforce and the significant operating benefits that are expected to result from the strategic network alliance initiated by Bell Canada and Aliant.

Excluding the EBITDA of the directories business in 2002, the Bell Canada segment is targeting modest revenue growth in 2003. Combined with continued productivity improvements, the Bell Canada segment's objective is to achieve modest EBITDA growth in 2003.

BELL GLOBEMEDIA

Bell Globemedia had EBITDA of $180 million in 2002, a 67% increase over 2001, reflecting higher revenues against relatively fixed costs and productivity gains of approximately $25 million.

This EBITDA growth included approximately $12 million of start-up losses related to the launch of new digital television channels at the end of 2001.

Productivity improvements came from cost efficiencies gained from the CFCF-TV, CKY-TV and ROB TV acquisitions, cost savings on newsprint and strict cost controls throughout its businesses.

Outlook for 2003

In 2003, Bell Globemedia's objective is to deliver EBITDA growth based on an advertising market that is expected to continue to strengthen, the rationalization of the interactive operations and an ongoing disciplined approach to focusing on performance and profitability.

BCE EMERGIS

BCE Emergis' EBITDA declined to $30 million in 2002 from $127 million in 2001 as a result of a significant decline in non-recurring revenues.

During the year, BCE Emergis repositioned its business by:

- streamlining its services
- aligning its operating costs with its recurring revenue base
- focusing on cost control
- reducing its workforce by 20%.

These actions resulted in consecutive quarter-over-quarter improvements in EBITDA in the last three quarters of 2002.

Outlook for 2003

In 2003, BCE Emergis is targeting growth in EBITDA based on improvements to its cost structure and a focus on sustainable recurring revenues.

BELOW-EBITDA INCOME AND EXPENSES

The table below shows a reconciliation of EBITDA to net earnings applicable to common shares for each of the past two years.

	2002	2001	% change
EBITDA	**7,622**	7,242	5.2%
Amortization expense	**3,146**	3,826	(17.8)%
Net benefit plans credit	**(33)**	(121)	72.7%
Restructuring and other charges	**887**	980	(9.5)%
Operating income	**3,622**	2,557	41.7%
Other income	**2,468**	4,015	(38.5)%
Impairment charge	**(770)**	—	n.m.
Interest expense	**(1,161)**	(1,056)	(9.9)%

Pre-tax earnings from continuing operations	**4,159**	5,516	(24.6)%
Income taxes	**1,593**	1,759	(9.4)%
Non-controlling interest	**668**	186	n.m.
Earnings from continuing operations	**1,898**	3,571	(46.8)%
Discontinued operations	**577**	(3,057)	n.m.
Net earnings	**2,475**	514	n.m.
Dividends on preferred shares	**(59)**	(64)	(7.8)%
Net earnings applicable to common shares	**2,416**	450	n.m.

Amortization expense

The amount of our amortization expense in a year is affected by:

- how much we have invested in new capital assets in the past few years
- how many assets we have retired during the current year
- changes in accounting rules and estimates. Each year, we review our estimate of the useful life of our capital assets.

The table below shows our amortization expense for each of the past two years.

	2002	2001
Capital and other assets	**3,146**	3,050
Goodwill	**—**	776
Total amortization expense	**3,146**	3,826

Our total amortization expense fell by $680 million or 18% in 2002. This was largely a result of a new accounting rule that required us to stop amortizing goodwill, starting in 2002. Please see *Our accounting policies — Changes to accounting standards* in this MD&A for more information.

Amortization of capital and other assets increased slightly from 2001 to 2002 because of the higher levels of investments in capital assets in the last several years.

There were no notable changes in the amortization method or estimates of the useful life of our capital assets. The average useful life of our capital assets is between 13 to 15 years.

Outlook for 2003

We expect a modest increase in amortization expense in 2003. We have made significant investments in capital assets during the past few years, but we plan to reduce our capital spending levels in the future.

Net benefit plans credit

We maintain plans that provide two types of benefits:

- pension benefits — we are responsible for adequately funding these plans as entitlements are earned. We make contributions based on actuarial methods permitted by the pension regulatory bodies. Because our plans have had a surplus, we have not had to make any contributions in the past several years.
- other retirement and post-employment benefits — we do not generally fund these benefit plans in advance. We make contributions every year as actual benefit payments are made.

The amount of the net pension benefit plans (credit) expense in a year primarily depends on:

- the return on pension plan assets expected to be generated during the year — the lower the return, the lower the credit
- the present value of future pension benefit payments to employees — the lower the present value, the higher the credit
- actuarial gain (loss) — the difference between the actual net benefit asset and credit and that calculated based on our accounting assumptions. We amortize this into earnings over time.

The table below is a summary of the net benefit plans credit for each of the past two years.

	2002	2001
Pension benefits credit	**(190)**	(275)
Other retirement and post-employment benefits expense	**157**	154
Total net benefit plans credit	**(33)**	(121)

We had $12.5 billion of pension plan assets at December 31, 2002. Our pension plan surplus was $727 million, which is significant in relation to plan assets.

Our total net benefit plans credit fell by $88 million or 73% in 2002. About half of the decrease was from weak fund performance in 2001. The rate of return was significantly below our assumption of 8.8%, which created an actuarial loss. As a result, the fair value of plan assets at the beginning of the year, which is used to calculate the pension credit, was lower in 2002 than in 2001.

After a review of market trends and our outlook, we reduced our assumption of expected long-term return on plan assets to 8.3% in 2002. This also contributed to the decrease.

Outlook for 2003

The fund performance in 2002 reflected the negative returns in most markets. This resulted in an actuarial loss in 2002 and a reduction in the fair value of plan assets, which we expect will contribute to a further decrease in the pension benefit credit. Based on a review of market trends and our investment outlook, we have further reduced our assumption of the long-term return on plan assets to 7.5% for 2003.

As a result, our business plan reflects a net benefit plans expense of $135 million to $155 million in 2003. We expect that the lower return assumption will contribute to about one-third of the decline in the net benefit plans (credit) expense and weak fund performance in 2002 will contribute to the balance.

RESTRUCTURING AND OTHER CHARGES

This includes various operating expenses that are not directly related to the operating revenues generated during the year, such as costs related to streamlining initiatives, asset write-downs and other types of charges.

2002

Streamlining at Bell Canada and other charges

Bell Canada recorded a pre-tax charge of $302 million in the fourth quarter of 2002 ($190 million after-tax). This charge represented restructuring charges of $232 million and other charges of $70 million.

The restructuring charges were primarily from streamlining Bell Canada's management, line and other support functions, and included severance for approximately 1,700 employees, enhanced pension benefits and other employee costs. This is expected to be completed in 2003.

Other charges consisted primarily of various accounts receivable write-downs relating to billing adjustments and unreconciled balances from prior years that were identified during the year.

At December 31, 2002, $111 million of the restructuring provision remained unpaid.

Write-off of deferred costs

BCE Inc. recorded a pre-tax charge of $93 million ($61 million after-tax) in the fourth quarter of 2002. This charge represented a write-off of deferred costs relating to various convergence initiatives after an analysis indicated that it is unlikely that these costs will be recovered.

Pay equity settlement

On September 25, 2002, the members of the Canadian Telecommunications Employees' Association (CTEA) ratified a settlement reached between the CTEA and Bell Canada relating to the 1994 pay equity complaints that the CTEA filed on behalf of its members before the Canadian Human Rights Commission. The settlement included a cash payout of $128 million and related pension benefits of approximately $50 million.

As a result of the settlement, Bell Canada recorded a one-time charge of $79 million in the third quarter of 2002. BCE's share was $37 million on an after-tax basis. The one-time charge is equal to the $128 million cash payout, net of a previously recorded provision. We are deferring and amortizing the pension benefits into earnings over the estimated average remaining service life of active employees and the estimated average remaining life of retired employees.

Write-down of Bell Canada's accounts receivable

Coincident with the development of a new billing platform, Bell Canada has adopted a new and more precise methodology to analyze the amount of receivables by customer as well as by service line and that permits a more accurate determination of the validity of customer balances owed to Bell Canada. This analysis indicated that as at June 30, 2002, a write-down of accounts receivable amounting to $272 million (BCE's share is $142 million on an after-tax basis) was appropriate.

As these amounts arose from legacy billing systems and processes, Bell Canada has carried out a detailed review of billings and adjustments for the period from 1997 to 2002. This review determined that these amounts arose as the cumulative result of a series of individually immaterial events and transactions pertaining to its legacy accounts receivable systems dating back to the early 1990s.

Streamlining at BCE Emergis

BCE Emergis recorded a pre-tax charge of $119 million in the second quarter of 2002. BCE's share was $63 million on an after-tax basis. This pre-tax charge represented restructuring charges of $95 million and other charges of $24 million that together were related to the write-off of certain assets, employee severance and other employee costs, contract settlements and costs of leased properties no longer in use, and was reduced by the proceeds of disposition of certain exited activities. All of these charges were primarily from streamlining BCE Emergis' services and reducing its operating cost structure. At December 31, 2002, $23 million of the restructuring provision remained unpaid.

2001

Streamlining the Bell Canada segment

The Bell Canada segment recorded pre-tax charges totalling $975 million in the first and fourth quarters of 2001. BCE's share was $461 million on an after-tax basis. These charges represented restructuring charges of $555 million and other charges of $420 million.

The restructuring charges were from the Bell Canada segment's streamlining initiatives and included employee severance for approximately 4,700 employees, enhanced pension benefits and other employee costs. The restructuring programs were completed in 2002.

Other charges consisted of the write-down of Bell Mobility's wireless capital assets, in particular, its analogue networks, paging networks and PCS base stations.

OTHER INCOME

This includes income we receive from activities that are not part of our regular business, such as:

- net gains on investments, including gains or losses when we dispose of, write-down and reduce our ownership in investments
- foreign currency gains (losses). We have debt denominated in foreign currencies (mainly in U.S. dollars) that is exposed to exchange fluctuations. We recognize a foreign currency gain when the Canadian dollar strengthens compared to the U.S. dollar, and a loss when the Canadian dollar weakens against the U.S. dollar
- other items, including interest income, equity in net earnings (losses) in significantly influenced companies and miscellaneous income.

The table below shows our sources of other income for each of the past two years.

	2002	2001
Net gains on investments	**2,427**	4,044
Foreign currency gains (losses)	**36**	(83)
Other	**5**	54
Total other income	**2,468**	4,015

Net gains on investments

In 2002, our net gains on investments were primarily from:

- selling the directories business ($2.3 billion)
- selling a 37% interest in each of Télébec Limited Partnership and Northern Telephone Limited Partnership when the Bell Nordiq Income Fund was created ($222 million)
- writing down our remaining portfolio investment in Nortel Networks Corporation (Nortel Networks) ($98 million).

In 2001, our net gains on investments were primarily from:

- settling short-term forward contracts on approximately 47.9 million Nortel Networks common shares and selling the same number of Nortel Networks common shares ($3.7 billion)
- the reduction of our ownership interest in CGI, Aliant and BCE Emergis, resulting from them issuing shares to third parties relating to business acquisitions and public offerings ($265 million).

Foreign currency gains (losses)

The Canadian dollar strengthened during 2002, resulting in a foreign currency gain. It weakened during 2001, resulting in a foreign currency loss.

IMPAIRMENT CHARGE

In the fourth quarter of 2002, BCE completed its annual assessment of goodwill of all of its reporting units, as required by the provisions of CICA Handbook section 3062. It recorded a charge to pre-tax earnings of $770 million ($530 million after non-controlling interest) relating to impaired goodwill of reporting units in Bell Globemedia ($715 million) and Aliant ($55 million).

In each case, the goodwill was written down to its fair value, which was determined based on estimates of discounted future cash flows and confirmed by market-related values.

The primary factor contributing to the impairment at Bell Globemedia was a revised estimate of future cash flows, which reflected management's decision to scale back its trials in convergence products and other non-core businesses, as well as current market conditions for the media business.

The write-down at Aliant was determined to be appropriate in light of current market conditions and the recent weak performance of its information technology business.

INTEREST EXPENSE

Our debt structure consists of a combination of short-term and long-term debt. The interest rate on our short-term debt is usually variable, while the rate on our long-term debt is usually fixed.

The table below shows the average interest rate and average total debt for each of the past two years.

	2002	2001
Average annual interest rate	**7.7%**	8.1%
Average total debt [(a)]	**15,168**	13,080
Interest expense	**1,161**	1,056

(a) excludes total debt of discontinued operations of Teleglobe and BCI

Total interest expense grew by 9.9%, primarily due to increased debt levels.

Average total debt increased 16% in 2002 from 2001 because of debt financings to fund:

- $3.1 billion of the repurchase price of SBC's 20% interest in BCH
- $670 million of negative free cash flows.

The average interest rate on our short-term debt was slightly lower in 2002 than in 2001, which resulted in a small decline in the average interest rate in 2002.

Some of the outstanding debt was repaid from the proceeds from the sale of the directories business.

Outlook for 2003

We do not expect net debt in 2003 to increase if we achieve our objective of being modestly free cash flow positive. We expect some of our debt to be repaid in 2003 using tax refunds that we expect to receive. These refunds relate mainly to the use of some of the capital losses that were triggered on the sale of our interest in Teleglobe. However, due to the debt financing of the repurchase of SBC's 20% interest in BCH in late 2002, we are expecting a modest increase in our interest expense in 2003.

INCOME TAXES

The federal and provincial governments set the statutory rate of income tax. The table below is a summary of income tax rates that applied to BCE for the past two years, the impact of items that are taxed at different rates and the effective rate used to calculate our income tax expense.

	2002	2001
Canadian statutory income tax rate	**37.4%**	40.1%
Items reconciling statutory rate to effective rate:		
Goodwill amortization (not tax affected)	**0.0%**	5.4%
Goodwill impairment charge (not tax affected)	**6.9%**	0.0%
Net gains on investments (taxed at different rates)	**(8.0)%**	(16.5)%
Various other items	**2.0%**	2.9%
Effective income tax rate	**38.3%**	31.9%
Earnings before income taxes	**4,159**	5,516
Income tax expense	**1,593**	1,759

The statutory income tax rate was reduced to 37.4% in 2002 from 40.1% in 2001. However, the non-tax deductibility of the goodwill impairment charge, lower gains on investments in 2002 and greater other items led to an increase in the effective tax rate to 38.3% for the year.

In 2001, we used non-capital loss carryforwards and offset a portion of the taxes on the gains incurred on the transactions relating to the disposition of Nortel Networks shares in 2001. The carryback of a portion of the 2002 capital loss on the sale of our Teleglobe shares will result in a recovery of the 2001 taxes paid and release the non-capital losses for utilization against future business income.

Outlook for 2003

The Canadian statutory rate that applies to BCE is currently set at 35.4% for 2003. The decrease over 2002 results from federal corporate tax rate reductions.

NON-CONTROLLING INTEREST

Non-controlling interest is the portion of a subsidiary's common shares that we do not own. The non-controlling interest in the statements of operations is affected by:

- the percentage of a subsidiary that we do not own
- the amount of the subsidiary's after-tax earnings.

In 2002, the $482 million increase in non-controlling interest arose primarily because of:

- a $2.3 billion pre-tax gain on the sale of the directories business by Bell Canada in November, before we repurchased SBC's interest in BCH
- a $680 million decrease in amortization expense, mainly from the new accounting requirement to no longer amortize goodwill
- a $380 million improvement in EBITDA, resulting primarily from productivity initiatives and cost reductions at the Bell Canada segment and Bell Globemedia.

Outlook for 2003

Non-controlling interest will be impacted in 2003 by the repurchase of the 20% interest in BCH that we did not already own.

DISCONTINUED OPERATIONS

The table below is a summary of net gains (losses) on discontinued operations for the past two years.

	2002	2001

Teleglobe	**893**	(2,810)
BCI	**(316)**	(247)
Total discontinued operations	**577**	(3,057)

Teleglobe

Our exit from Teleglobe

On April 24, 2002, BCE Inc. announced that it would stop providing long-term funding to Teleglobe. This decision was based on a number of factors, including:

- a revised business plan and outlook for the principal operating segment of Teleglobe and associated funding requirements
- a revised assessment of its prospects
- a comprehensive analysis of the state of its industry.

In light of this decision, Teleglobe announced that it would explore a range of financial restructuring alternatives, potential partnerships and business combinations. Also on April 24, 2002, all of the Teleglobe board members who were affiliated with BCE Inc. resigned from the Teleglobe board.

In effect, these events resulted in BCE Inc. exiting the Teleglobe business and the eventual material reduction in our approximate 96% economic and voting interest in Teleglobe as a result of the ongoing restructuring of Teleglobe. As a result, effective April 24, 2002 we reclassified Teleglobe's financial results as a discontinued operation.

Our management completed its assessment of the net realizable value of our interest in the net assets of Teleglobe and determined it to be zero. This resulted in a loss from discontinued operations of $73 million in the second quarter of 2002. This loss is in addition to the transitional impairment charge of $7,516 million to opening retained earnings as of January 1, 2002, which was required by the transitional provisions of the new CICA Handbook section 3062. Please see *Changes to accounting standards — Goodwill and other intangible assets* in this MD&A for more information about the transitional provisions.

Teleglobe's results of operations include an impairment charge of $2,049 million that was recorded in the first quarter of 2001 after Teleglobe completed an assessment of the carrying value of its investment in the Excel Communications group.

Significant developments

On May 15, 2002 and later in the year, Teleglobe and certain of its subsidiaries filed for court protection under insolvency statutes in various countries, including Canada and the United States. On September 19, 2002, Teleglobe announced the execution of agreements for the sale of its core telecommunications business. Effective November 30, 2002, BCE Inc.'s debtor-in-possession and employee severance and retention facilities were fully repaid by Teleglobe and terminated.

On December 31, 2002, after obtaining court approval, we sold all of our common and preferred shares in Teleglobe to the court-appointed monitor for a nominal amount. The sale triggered approximately $10 billion of capital losses for tax purposes. We recorded a gain of $1,042 million, relating primarily to the tax benefit from:

- reinstating non-capital losses that were previously used to offset gains incurred on the transaction relating to the disposition of Nortel Networks shares in 2001
- applying a portion of the capital losses against the gain on the sale of the directories business in 2002.

The tax benefit associated with the unused capital losses has not been reflected in the financial statements.

Please see *Financial and capital management — Contingencies — Litigation* in this MD&A for information about the lending syndicate lawsuit filed against BCE Inc.

Change in how we account for Teleglobe

Effective May 15, 2002, we stopped consolidating Teleglobe's financial results and started accounting for the investment at cost. We made this change because:

- our management did not expect to realize any future economic benefits from our approximate 96% economic and voting interest in Teleglobe
- we had not guaranteed any of Teleglobe's obligations
- we stopped providing long-term funding to Teleglobe.

BCI

BCI's plan of arrangement

BCI completed the sale of its interest in Telecom Américas Ltd. in July 2002. BCI held most of its investments through Telecom Américas Ltd.

BCI will be liquidated once all of its assets have been disposed of and all claims against it have been determined. A final distribution will be made to BCI's creditors and shareholders with the approval of the court.

Change in how we account for BCI

Effective June 30, 2002, we stopped consolidating BCI's financial results and started accounting for the investment at cost. We recorded a charge of $316 million in 2002 ($191 million in the second quarter and $125 million in the fourth quarter). This represents a write-down of our investment in BCI to our estimate of its net realizable value at that time.

DIVIDENDS ON PREFERRED SHARES

In March 2002, we issued $510 million of Series AA preferred shares and redeemed the $300 million Series W preferred shares, for a net increase of $210 million in our preferred shares issued. More dividends were declared as a result of this increase.

For some time now, we have had agreements in place that swap the fixed dividend rates on some of our preferred shares with variable ones. The average variable rate in 2002 was lower than in 2001, which led to a decrease in the amount of dividends on preferred shares charged to retained earnings.

The net result was an overall reduction of $5 million in the amount of dividends on preferred shares to $59 million in 2002.

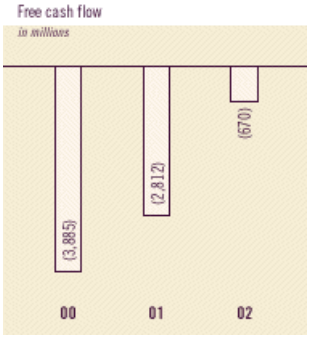
FINANCIAL AND CAPITAL MANAGEMENT

This section tells you how we manage our cash and capital resources to carry out our strategy and deliver financial results.

2002 HIGHLIGHTS AND OUTLOOK FOR 2003

In 2002, our efforts for managing liquidity and cash flow were directed at:

- reducing financial risk to the company
- focusing on our core business



- improving capital efficiency and productivity through disciplined financial management.

We reduced financial risk by:

- ending our long-term funding of Teleglobe
- implementing a wind-down of BCI.

We focused on our core business by regaining a 100% interest in our core asset, Bell Canada.

We improved our fundamentals by:

- reducing our capital intensity ratio to 19% in 2002 from 26% in 2001
- improving free cash flow after common dividends by 76% or $2.1 billion compared to 2001

...while maintaining our common share dividend of $1.20 per share.

We are targeting modestly positive free cash flow in 2003, after payment of capital expenditures and dividends on common and preferred shares.

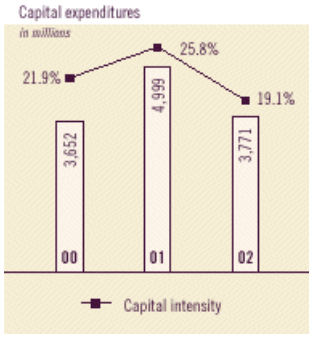
Free cash flow

Free cash flow is a key financial measure we use to assess our performance.

Free cash flow is derived directly from the statement of cash flows. Please see the calculations in tabular form on the next page.

A positive free cash flow means that we generated more cash from our operations than we needed to pay for capital expenditures, dividends and other investing activities.

In the past several years, we have had significantly negative free cash flow, after common dividends, primarily from high capital spending, which we describe below. We funded this shortfall through a combination of increased debt and cash generated from various divestitures.



In 2002, we improved our free cash flow shortfall position by 76%, mainly as a result of productivity improvements and reduced capital expenditures.

We reduced our capital intensity ratio to 19%.

Capital intensity

Capital intensity is capital expenditures as a percentage of revenues. It is a key financial measure that we use to assess our performance and that of our units.

Improving capital intensity is a key component to improved free cash flow. A positive trend over time means that we are becoming more efficient in using capital to generate growth in revenue and cash flows.

Our capital intensity ratio for 2002 was 19%, a significant improvement over the 2001 ratio of 26%.

We have made significant capital investments over the past few years, including:

- acquiring and completing a national broadband IP network
- building a next-generation wireless network and expanding PCS coverage
- acquiring regional spectrum licences
- expanding high-speed Internet coverage in our service territories
- developing a national satellite television business
- expanding into Western Canada
- enhancing our billing system capabilities.

These investments have allowed us to build a set of platforms that position us for future growth, reduced capital intensity and improved free cash flow.

BCE'S CAPITAL STRUCTURE

	2002	2001
Cash	(306)	(569)
Debt due within one year	2,026	5,263
Long-term debt	13,395	14,861
Retractable preferred shares	355	400
Total net debt	15,470	19,955
Non-controlling interest	3,596	5,625
Total shareholders' equity	12,871	16,799
Total capitalization	31,937	42,379
Net debt to total capitalization	48.4%	47.1%

Capital structure

Capital structure shows how much of our net assets are financed by debt and equity.

Net debt to capitalization ratio

The net debt to capitalization ratio is a key measure that we use to assess our financial condition. It tells you how much net debt (short-term and long-term debt net of cash) we have in relation to our capital (total net debt, non-controlling interest and shareholders' equity).

During the year, we repurchased SBC's 20% interest in BCH for $6.3 billion. We financed the repurchase through various transactions that gave us flexibility:

- $2.5 billion from equity issues
- $2 billion from a public debt issue
- $1.1 billion drawn from two-year bank facilities
- $0.7 billion financed by Bell Canada's sale of its directories business.

We completed the repurchase while preserving our credit quality and the strength of our balance sheet:

- we maintained investment grade credit ratings
- we ended the year with a net debt to capitalization ratio of 48%.

SUMMARY OF CASH FLOWS

The table below is a summary of the flow of cash into and out of our company for each of the past two years.

	2002	2001
Cash from operating activities	**4,531**	4,234
Capital expenditures	**(3,771)**	(4,999)
Dividends	**(1,510)**	(1,390)
Investments	**(6,604)**	(535)
Other investing activities	**10**	(122)
	(7,344)	(2,812)
Repurchase of 20% interest in Bell Canada	**6,386**	—
Taxes paid on divestitures	**288**	—
Free cash flow, after common dividends	**(670)**	(2,812)
Common dividends	**999**	969
Free cash flow, before common dividends	**329**	(1,843)
Divestitures	**3,230**	4,749
Net issuance (repayment) of equity instruments	**2,819**	(120)
Net issuance (repayment) of debt instruments	**1,805**	(1,522)
Financing activities of subsidiaries with third parties	**206**	1,112
Cash used by discontinued operations	**(936)**	(1,168)
Other	**(43)**	70
Net increase (decrease) in cash	**(263)**	309

Cash from operating activities

We generated a significant amount of productivity improvements during the year ($655 million pre-tax, compared to $470 million in 2001). Please see *Financial results analysis* in this MD&A for more details. These cost savings translated into additional cash from our operations.

Excluding the impact of $288 million of taxes paid on divestitures in 2002, cash from operating activities was 14% higher in 2002 than in 2001.

Capital expenditures

We continue to make investments to expand our networks to meet customer demand and for replacement purposes.

Having much of the significant capital expenditures relating to the build-out of our growth infrastructures behind us, we were able to reduce our capital expenditures by 25% in 2002 compared to 2001. This reduction in capital spending lowered our capital intensity ratio to 19% in 2002 from 26% in 2001.

The Bell Canada segment's capital intensity ratio fell to 20% in 2002 from 27% in 2001. The Bell Canada segment accounted for 91% of our total capital expenditures in 2002.

Dividends

We paid out $120 million or 9% more in dividends in 2002 than in 2001.

We paid a common share dividend of $1.20 per share in 2002 and 2001. However, total dividends paid on common shares increased in 2002 because the average number of common shares outstanding increased from 810 million to 850 million mainly as a result of equity offerings. Please see *Equity instruments* on this page for more information.

Dividends paid by subsidiaries to non-controlling interest increased in 2002 because Bell Canada paid larger dividends, which included a portion to SBC.

Investments

Our most significant investment in 2002 was the repurchase of SBC's 20% interest in BCH for $6.3 billion.

Other investments in 2002 included Bell Globemedia's purchase of a 40% interest in a newly created company that holds a 99% interest in the TQS network and other television stations for $72 million.

Investments in 2001 included Bell Globemedia's acquisition of CFCF-TV and CKY-TV and of a 30% interest in The Comedy Network for $219 million.

Divestitures

Our most significant divestiture in 2002 was the sale of the print and electronic directories business for approximately $3 billion in cash. Some of the proceeds were used to finance part of our repurchase of SBC's 20% interest in BCH. The balance was used for repaying debt at Bell Canada.

Other divestitures in 2002 included Bell Canada's sale of a 37% interest in each of Télébec Limited Partnership and Northern Telephone Limited Partnership for $324 million, when the Bell Nordiq Income Fund was created.

In 2001, our most significant divestiture was the sale of 47.9 million Nortel Networks common shares and the settlement of short-term forward contracts on those shares for net proceeds of $4.4 billion.

Equity instruments

In 2002, we publicly issued 85 million common shares for $2 billion and issued approximately 18 million common shares to SBC for $500 million. The proceeds were used to finance part of our repurchase of SBC's 20% interest in BCH.

We also issued 20 million Series AA preferred shares for $510 million and redeemed 12 million Series W preferred shares for $306 million.

Under our stock option and employee savings plans, we issued approximately 3 million common shares for $61 million in 2002 and approximately 3 million common shares for $71 million in 2001.

In 2001, we bought for cancellation approximately 5 million common shares for $191 million under a normal course issuer bid.

Debt instruments

We use a combination of long-term and short-term debt to finance our operations. Our short-term debt consists primarily of bank facilities and commercial paper programs. We usually pay fixed rates of interest on our long-term debt and market rates on our short-term debt.

The combined debt of BCE Inc. and Bell Canada makes up 90% of our total debt portfolio. The average annual interest rate on our total debt was approximately 7.7% and 8.1% in 2002 and 2001.

The interest rates we pay are mostly based on the quality of our credit ratings. The table below lists our credit ratings, all of which are investment grade. This usually means that we qualify for better interest rates when we borrow money. The BCE Inc. ratings were confirmed in October 2002. The Bell Canada ratings were confirmed in February 2003.

Financing activities of subsidiaries with third parties

In 2002, we generated $206 million of cash, primarily from common equity issues by Bell West and subsidiaries of Aliant.

In 2001, we generated $1.1 billion of cash from:

- Bell Globemedia's common share issue of $385 million when it was created
- Bell Canada's preferred share issues of $540 million
- BCE Emergis' common share issue of $100 million to the public.

	BCE Inc.			Bell Canada		
	S&P	DBRS	Moody's	S&P	DBRS	Moody's
Commercial paper	A-1 (mid) / stable	R-1 (low)/ stable	P-2 / (neg)	A-1 (mid) / stable	R-1 (mid) /stable	P-2 / (neg)
Extendable commercial notes	A-1 (mid) / stable	R-1 (low) / stable	—	A-1 (mid) / stable	R-1 (mid) / stable	—
Long-term debt	A- / stable	A / (neg)	Baa-1 / (neg)	A / stable	A (high) / stable	A-3 / (neg)
Preferred shares	P-2 / stable	Pfd-2 / (neg)	—	P-2 (high) / stable	Pfd-2 (high) /stable	—

CONTRACTUAL OBLIGATIONS

At December 31, 2002 (in millions)	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt (excluding capital leases)	1,593	978	1,197	1,131	1,818	7,907	**14,624**
Capital leases	102	96	61	48	37	123	**467**
Notes payable and bank advances	330	—	—	—	—	—	**330**
Operating leases	486	414	384	352	301	1,758	**3,695**
Purchase obligations	545	227	120	112	48	173	**1,225**
Other contractual obligations	124	10	7	6	5	11	**163**
Total	**3,180**	**1,725**	**1,769**	**1,649**	**2,209**	**9,972**	**20,504**

COMMERCIAL COMMITMENTS

We had the following commercial commitments at December 31, 2002:

- $4,866 million in total credit and other bank facilities, of which $767 million was drawn
- $196 million in standby letters of credit
- $279 million in various other commitments, including capital expenditures.

Of the $4.9 billion in total credit and other bank facilities, $1.3 billion is used to support our commercial paper program, excluding extendable Class E notes. No amount has been drawn on our commercial paper program.

Also included in total credit and other bank facilities is a bridge facility of $1.1 billion, which was not drawn at December 31, 2002.

In addition, at December 31, 2002, Bell Canada had $50 million of Class E Notes outstanding. BCE Inc. had no Class E Notes outstanding at December 31, 2002. The maximum principal amount that can be issued is $360 million for BCE Inc. and $400 million for Bell Canada. Although these notes are not supported by committed lines of credit, we may extend them in certain circumstances.

ACCESS TO CAPITAL

The primary uses of cash in 2003 will consist of capital expenditures, dividend payments and the refinancing of debt.

Our plan is built on the assumption that we will be able to generate enough cash from our operating activities to pay for capital expenditures and dividends. Also, the debt maturing in 2003 is expected to be refinanced through the issuance of new debt, or repaid from cash generated from our operations or from the tax refunds we are expecting in 2003.

Although our plan does not reflect any cash shortfall in the short term, the lines of credit and bank facilities are available for contingency purposes.

USE OF FINANCIAL INSTRUMENTS

We periodically use derivative instruments to manage our exposure to interest rate, foreign currency and share price movements. We do not use derivative instruments to speculate.

Because we do not actively trade in derivative instruments, we are not exposed to any significant liquidity risks.

The following derivative instruments were outstanding at December 31, 2002:

- interest rate swaps that, in effect, convert the fixed-rate dividends on some of our preferred shares to floating-rate dividends. We pay less when the variable rates are below the fixed rates, which has been the case for the past several years
- currency forward contracts relating mainly to a net investment in a foreign subsidiary
- forward contracts on BCE Inc. common shares to hedge the fair value exposure related to stock compensation payments.

At December 31, 2002, the carrying value of these derivative instruments was a net liability of $14 million. Their fair value amounted to a net asset of $82 million.

Please see Note 1 to the consolidated financial statements for a description of the significant accounting policies relating to financial instruments.

USE OF OFF-BALANCE SHEET ARRANGEMENTS

This section describes outstanding arrangements at December 31, 2002 and how they could affect our results of operations and financial condition.

About off-balance sheet arrangements

These are transactions that we enter into with third parties but that do not appear on our balance sheet. We do not generally enter into off-balance sheet arrangements.

Sale of accounts receivable

Bell Canada sold accounts receivable to a securitization trust for a total of $900 million in cash, under an agreement that came into effect on December 12, 2001 and expires on December 12, 2006. Bell Canada carried a retained interest in the transferred accounts receivable of $124 million at December 31, 2002, which equalled the amount of overcollateralization in the receivables transferred.

Aliant sold accounts receivable to a securitization trust for a total of $135 million in cash, under an agreement that came into effect on December 13, 2001 and expires on December 13, 2006. Aliant carried a retained interest in the transferred accounts receivable of $30 million at

December 31, 2002.

Bell Canada and Aliant continue to service the accounts receivable. The buyers' interest in collections of these accounts receivable ranks ahead of the interest of Bell Canada and Aliant. Bell Canada and Aliant remain exposed to certain risks of default on the amount of receivables under securitization and have provided various credit enhancements in the form of overcollateralization and subordination of its retained interests.

The buyers will reinvest the amounts collected by buying additional interests in the Bell Canada and Aliant accounts receivable until the agreements expire. The buyers and their investors have no claim on Bell Canada's and Aliant's other assets if customers fail to pay amounts owed on time.

Shared services agreement

Effective June 22, 2001, Bell Canada entered into a 10-year service contract with a special purpose entity. This contract will allow Bell Canada to reduce systems and administrative costs over time by streamlining and enhancing its systems and processes. Bell Canada is committed to paying approximately $150 million in service fees over the first three years of the agreement.

In 2004, Bell Canada may:

- exercise an option to buy the special purpose entity
- maintain the service contract and commit to paying at least $420 million more in service fees to the special purpose entity.

Sale leaseback transactions

In our long-term debt balance at December 31, 2002 we had capital leases of $71 million, which were presented net of loans receivable of $319 million. These obligations were from agreements that Bell Canada entered into in 1999 and 2001 to sell and lease back telecommunication equipment for total proceeds of $399 million. Some of the proceeds were invested in interest-bearing loans receivable.

CONTINGENCIES

Agreement with MTS

The agreement between Bell Canada and MTS to create Bell West includes put and call options relating to MTS' 40% ownership of Bell West.

Under the terms of the put option, MTS can require Bell Canada to buy its interest in Bell West:

- in February 2004 at a guaranteed floor value of $458 million plus ongoing incremental funding invested by MTS. The put price includes an 8% return on the incremental funding. The floor value was $549 million at December 31, 2002
- in January 2007 at fair market value less 12.5%
- at fair market value less 12.5%, under certain circumstances.

If MTS does not exercise its put option, Bell Canada can exercise its call option. Under the terms of the call option, Bell Canada has the option to buy MTS' interest:

- in March 2004 at the greater of the floor value described above and fair market value
- in February 2007 at fair market value
- at fair market value if there is a change of control of MTS to a party other than Bell Canada or its affiliates.

Bell Canada has not received any formal notice from MTS that it plans to exercise the put option.

Agreement with CGI

We entered into an agreement on July 1, 1998 with CGI's three majority individual shareholders. The agreement includes put and call options, and rights of first refusal, on the CGI shares that these shareholders hold.

The put options give these CGI shareholders the right to gradually sell a portion of their shares to BCE Inc. until January 4, 2004. The call option gives BCE Inc. the one-time right to buy all of their CGI shares that BCE Inc. has not already bought, during the period from January 5, 2004 to January 4, 2006.

The exercise price per share of any put or call option is 115% of the 20-day average market price of CGI shares prior to the exercise date, payable in BCE Inc. common shares. If the options were fully exercised, our equity ownership interest in CGI would increase to approximately 40%.

In December 2002, we informed CGI that our prior publicly stated intention to dispose of the control block in CGI following the exercise of the put and call options in 2003 and 2004 is no longer our preferred course of action.

We began discussions with CGI about the future of our investment in CGI. No final decisions have been made, but we have started discussions to develop a plan to:

- realize the maximum value of our investment in CGI
- enhance the value of CGI by taking steps to retain CGI's management and to ensure that the company continues to deliver high-quality services to its customers.

To allow enough time for these discussions, CGI's three majority individual shareholders have agreed to defer the exercise date of the put options until April 15, 2003.

Litigation

Teleglobe lending syndicate lawsuit

On July 12, 2002, some members of the Teleglobe and Teleglobe Holdings (U.S.) Corporation lending syndicate (the plaintiffs) filed a lawsuit against BCE Inc. in the Ontario Superior Court of Justice.

The claim makes several allegations, including that BCE Inc. and its management, in effect, made a legal commitment to repay the advances the plaintiffs made as members of the lending syndicate, and that the court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

The plaintiffs claim damages of US$1.19 billion, plus interest and costs, which they allege is equal to the amount they advanced. This represents approximately 95.2% of the total US$1.25 billion that the lending syndicate advanced. While we cannot predict the outcome of any legal proceeding, based on information currently available, BCE Inc. believes that it has strong defences, and it intends to vigorously defend its position.

Other litigation

We become involved in various other claims and litigation as a regular part of our business. While no one can predict the final outcome of claims and litigation that were pending at December 31, 2002, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

RISK ASSESSMENT

The following section describes general risks that could affect the BCE group of companies and specific risks that could affect BCE Inc. and each of our segments.

Because no one can predict whether any risk will happen or its consequences, the actual effect of any risk on our business could be materially different from what we currently anticipate. In addition, this description of risks does not include all possible risks, and there may be other risks that we are currently unaware of.

Risk

Risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, results of operations or business of one or more BCE companies.

Part of managing our business is understanding what these potential risks could be and working to minimize them where we can.

BCE GROUP OF COMPANIES

Our dependence on the Bell Canada segment

The Bell Canada segment is our largest segment, which means our financial performance depends in large part on how well the Bell Canada segment performs financially.

For the year ended December 31, 2002, the Bell Canada segment accounted for 88% of our operating revenues, 96% of our EBITDA and 100% of net earnings applicable to common shares on a consolidated basis.

Economic and market conditions

Our business is affected by general economic conditions, consumer confidence and spending, and the demand for, and the prices of, our products and services. When there is a decline in economic growth, and retail and commercial activity, there tends to be a lower demand for our products and services.

The slowdown and uncertainty in the global economy have reduced demand for our products and services, which negatively affected our financial performance in 2002 and may negatively affect it in 2003. In particular, weak economic conditions have led to:

- lower than expected growth in data revenue for the Bell Canada segment, because of softer demand from enterprises and wholesale customers
- some reductions in the number of network access lines due to business failures or contractions
- lower advertising spending from Bell Globemedia's customers in the first half of 2002
- lower spending on IT services, resulting in lower non-recurring revenue from BCE Emergis.

Weak economic conditions may also negatively affect the financial condition and credit risk of our subscribers. This could increase uncertainty about our ability to collect receivables.

Improving productivity and reducing capital intensity

We implemented several cost reduction initiatives in 2002. We intend to continue implementing more productivity initiatives in 2003, including the streamlining of approximately 1,700 positions in our workforce and further reducing our capital intensity.

There could be a material and negative effect on our profitability if we do not continue to successfully implement productivity improvements and reduce capital intensity while maintaining the quality of our service.

Increasing competition

We face intense competition from traditional competitors, as well as from new entrants to the markets we operate in. We compete not only with other telecommunications, media, satellite television and e-commerce companies but also with other businesses and industries, such as cable, software and Internet companies, systems integrators and a variety of companies that offer network services.

Many of our competitors have substantial financial, marketing, personnel and technological resources. We already have several domestic and foreign competitors, but the number of foreign competitors with a presence in Canada and large resources could increase in the future. New competitors may also appear as new technologies, products and services are developed, and for other reasons.

Competition could affect our pricing strategies, and lower our revenues and net income. It could also affect our ability to retain existing customers and attract new ones. Competition puts us under constant pressure to improve customer service and be price-competitive. It forces us to keep reducing costs, managing expenses and increasing productivity. This means that we need to be able to anticipate and respond quickly to the constant changes in our businesses and markets.

Anticipating technological change

We operate in markets that are experiencing constant technological change, evolving industry standards, changing client needs, frequent new product and service introductions, and short product life cycles.

Our success will depend in large part on how well we can anticipate and respond to changes in industry standards and introduce new and upgrade existing technologies, products and services.

We may face additional financial risks as we develop new products, services and technologies and update our networks to stay competitive. Newer technologies, for example, may quickly become obsolete or may need more capital than expected. Development could be delayed for reasons beyond our control. Substantial investments usually need to be made before new technologies prove to be commercially viable.

There is no assurance that we will be successful in developing, implementing and marketing new technologies, products, services or enhancements within a reasonable time, or that they will have a market. New products or services that use new or evolving technologies could make our existing ones unmarketable or cause their prices to fall.

Strategies and plans for revenue growth

We plan to increase our revenues through different strategies, including:

- cross-selling additional services to our existing customers
- adding enhanced features and applications that make our services more attractive
- expanding the Bell Canada segment's geographical base in Western Canada.

If our plans are unsuccessful, our growth prospects would be hurt. This could have a material and negative effect on our results of operations.

Financing our operations

We require substantial amounts of capital to finance capital expenditures to provide our services and to refinance our outstanding debts.

We finance our capital needs in three ways:

- from cash generated by our operations
- by borrowing from commercial banks
- through debt and equity offerings in the capital markets.

Equity financings would dilute the holdings of existing equity investors. Increased debt financings could increase our borrowing costs, lower our credit ratings and give us less flexibility to take advantage of business opportunities.

Our ability to finance operations and the cost of funding depends on our ability to access the capital markets and syndicated commercial loan market, and on market conditions. In addition, participants in the syndicated commercial loans market have internal policies limiting their ability to extend credit to any single borrower or group of borrowers or to a particular industry. Less capital has been available in the capital markets in general and to the telecommunications industry in particular for several reasons:

- the September 11, 2001 terrorist attacks on the United States
- accounting scandals relating to major North American companies
- bandwidth overcapacity
- a loss of investor confidence in the capital markets in general and in the telecommunications industry in particular.

If we cannot raise the capital we need, we may have to:

- limit our ongoing capital expenditures
- limit our investment in new businesses
- try to raise additional capital by selling assets or through monetizing transactions.

Any of these possibilities could have a material and negative effect on our growth prospects for the long term.

Monetizing

Monetizing means converting the value of a business or other asset into cash or a cash equivalent.

Litigation, regulatory proceedings and changes in laws

Pending or future litigation, regulatory initiatives or regulatory proceedings could have a material and negative effect on our business. Changes in laws or regulations or in their interpretation, or the adoption of new laws or regulations, could also have a material and negative effect on our businesses, operating results and financial condition.

In November 2002, Industry Canada initiated a review of the current foreign investment restrictions included in the Telecommunications Act. A similar process has been initiated by Canadian Heritage as it relates to the Broadcasting Act. Since the reviews by Industry Canada and Canadian Heritage have not yet been completed and as it is impossible to predict their outcome, we are not currently in a position to assess the impact, if any, these reviews may have on us.

BCE Inc.'s Annual Information Form for the year ended December 31, 2002 contains a detailed description of:

- the principal legal proceedings against us
- certain regulatory initiatives and proceedings affecting the Bell Canada segment.

Please see *Bell Canada segment — Changing wireline regulations* for a description of certain regulatory initiatives and proceedings that could affect the Bell Canada segment.

Pension fund contributions

Most of our pension plans currently have pension fund surpluses. As a result, we have not had to make regular contributions to the pension funds in the past years. It also means that we have qualified for pension credits, which have had a positive effect on our net earnings.

Surplus

A pension fund has a surplus when the value of its assets is more than the amount needed to pay accrued pension benefits to pensioners and active employees.

The recent decline in the capital markets, combined with historically low interest rates, however, has significantly reduced the pension fund surpluses and the pension credits. This has negatively affected our net earnings.

If these conditions continue, the surpluses could continue to decline and could eventually be eliminated. If this happens, we might have to recognize increased pension expenses and start contributing or increase our contributions to the pension funds. This would have a material and negative effect on our net earnings. For more details, refer to the discussion in this MD&A under *Financial Results Analysis — Below-EBITDA income and expenses — Net benefit plans credit.*

Funding subsidiaries

BCE Inc. is currently funding and may continue to fund the operating losses of certain of its subsidiaries in the future, but is not obligated to do so. If BCE Inc. decides to stop funding any of its subsidiaries and that subsidiary does not have other sources of funding, this would have a material and negative effect on the subsidiary's results of operations and financial condition.

The subsidiary might not be able to meet its financial obligations, which would require it to assess its alternatives, including refinancing, renegotiating or restructuring its debt, selling assets, changing its business plan or seeking other options available under applicable laws, including bankruptcy laws. The ability of a subsidiary to access capital on its own depends on a number of things, including its ability to meet the targets in its business plan.

If BCE Inc. stopped funding a subsidiary, stakeholders of the subsidiary might decide to take legal action against BCE Inc. While BCE Inc. believes that this type of claim would have no legal foundation, it could negatively affect the market price of BCE Inc.'s common shares. BCE Inc. would have to devote considerable management time and resources in responding to any claim.

Attracting and retaining skilled people

Our success depends in large part on our ability to attract and retain highly skilled people. The loss of key people could materially hurt our businesses and operating results.

Protecting our networks

Network failures could materially hurt our business, including our customer relationships and operating results. Our operations depend on how well we protect our networks, our equipment and the information stored in our data centres against damage from fire, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events. Any of these events could cause our operations to be shut down indefinitely.

Renegotiating labour agreements

Many of our employees are represented by unions and are covered by collective bargaining agreements.

Several of our collective bargaining agreements expire in 2003 or have already expired. These agreements, which cover approximately 15,650 employees, are the following:

- the collective agreements between Bell Canada and the Energy and Paperworkers Union of Canada (CEP) representing approximately 400 operator services employees and approximately 7,000 craft and services employees which expire at the end of November 2003
- the collective agreements between Bell Canada and the CTEA representing approximately 1,100 communications sales employees which expires on December 31, 2003
- several collective agreements between certain other companies of the Bell Canada segment (including Aliant, Expertech Network Installation Inc. and Connexim L.P.) and their respective employees, representing approximately 6,400 employees
- several collective agreements between certain companies of the Bell Globemedia segment, including CTV, and their respective employees, representing approximately 750 employees.

Renegotiating collective agreements could result in higher labour costs or work disruptions. Difficulties in renegotiations or other labour unrest could hurt our businesses, operating results and financial condition.

BCE INC.

Holding company structure

BCE Inc. is a holding company. That means it does not carry on any significant operations and has no major sources of income or assets of its own, other than the interests it has in its subsidiaries, joint ventures and significantly influenced companies. BCE Inc.'s cash flow and its ability to service its debts and to pay dividends on its shares all depend on dividends or other distributions it receives from its subsidiaries, joint ventures and significantly influenced companies.

BCE Inc.'s subsidiaries, joint ventures and significantly influenced companies are separate legal entities. They do not have to pay dividends or make any other distributions to BCE Inc. If any of these subsidiaries, joint ventures or significantly influenced companies are liquidated or reorganized, the rights of their creditors will rank ahead of any rights BCE Inc. has to receive assets.

Stock market volatility

In the past, the common shares of BCE Inc. have generally experienced price volatility when certain announcements concerning BCE have been made. Differences between BCE Inc.'s actual or anticipated financial results and the published expectations of financial analysts may also contribute to this volatility. All of these factors, as well as general economic and political conditions, could have a material and negative effect on the market price of BCE Inc.'s common shares.

BELL CANADA SEGMENT

Changing wireline regulations

The Bell Canada segment's business is affected by changes in policies resulting from decisions made by various regulatory agencies, including the CRTC. Many of these decisions balance requests from competitors for access to essential facilities, such as the telecommunications networks, switching and transmission facilities, and other network infrastructure of incumbent telephone companies, with the rights of the incumbent telephone companies to compete reasonably freely.

CRTC price cap decision

The CRTC recently introduced new price cap rules that reduce some rates that incumbent telephone companies charge competitors for services provided to them.

The new rules create certain risks for the Bell Canada segment. For example, the CRTC has established a deferral account but has not yet determined how the account will be used. There is a risk that the account could be used in a way that could have a negative financial effect on the Bell Canada segment.

AT&T Canada is the only party that has petitioned the Governor in Council for changes to the price cap decision. The Governor in Council must make a decision on AT&T Canada's petition by May 30, 2003. If AT&T's petition and filings that other parties have made relating to that petition were successful, it could have a material and negative effect on the Bell Canada segment.

CRTC decision on incumbent affiliates

On December 12, 2002, the CRTC released its decision on incumbent affiliates, which makes several important changes to the regulatory regime for the Bell Canada segment.

The decision ruled that contracts offered by Bell Canada or its carrier affiliates that bundle tariffed and non-tariffed products and services must receive CRTC approval. This means that:

- all contracts that currently bundle products and services must be filed with the CRTC for regulatory approval
- all new contracts must receive CRTC approval before implementation
- carrier affiliates must now meet the same requirements as Bell Canada for tariff approval on products and services they offer in Bell Canada's operating territory.

While the decision increases the regulatory burden for the Bell Canada segment at both the wholesale and retail levels in highly competitive markets, it is not currently possible to determine the financial effect of the decision or to separate it from the normal risk of loss of revenues resulting from competition.

Licences and changing wireless regulations

Companies must have a spectrum licence to operate cellular, PCS and other radio-telecommunications systems in Canada. Bell Mobility's cellular and PCS licences will expire on March 31, 2006. The PCS licences that were awarded in an auction in 2001 will expire on November 29, 2011. Although we expect that licences will be renewed when they expire, there is no assurance that this will happen. In addition, Industry Canada can revoke a company's licence at any time if the company does not comply with its terms.

Spectrum licences

Spectrum licences allow companies to use specified frequencies to operate wireless telephone equipment in Canada.

The Minister of Industry issues spectrum licences at his or her discretion under the Radiocommunication Act. Licences can be awarded through competitive bid, public auction or other ways.

In December 2002, Industry Canada initiated a cellular and PCS licensing and fees consultation. Industry Canada has proposed a new cellular and PCS fee structure that, while implemented over several years, could significantly increase the Bell Canada segment's licence fees if it is implemented as proposed.

In October 2001, the Minister of Industry announced his intention to initiate a national review of Industry Canada's procedures surrounding the approval and placement of wireless and radio towers throughout Canada. The review will include the role of municipal authorities in the approval process. There is a risk that if municipal involvement increases in the process for approval of new towers, it could significantly slow the expansion of wireless networks in Canada. This could have a material and negative effect on the operations of all of Canada's wireless carriers, including the Bell Canada segment.

Bankruptcy proceedings at Teleglobe
On September 19, 2002, Teleglobe, which had previously started bankruptcy proceedings to get protection from its creditors in Canada and in other jurisdictions, announced an agreement to sell its core telecommunications business.

Under court orders, contracts between Teleglobe and Bell Canada and some of its subsidiaries will be assigned on substantially the same terms to the buyers on the day the sale closes. If the sale is not completed, Teleglobe's business could be shut down and its remaining assets liquidated. If this happens, Bell Canada will have to transfer its traffic to other carriers. While Bell Canada will do its best to protect its customers, they could experience temporary service disruptions or a lower quality of service if there are delays in completing the transfer.

Increased accidents from using cell phones
Media reports have suggested that using handheld cell phones while driving may result in more accidents. It is possible that this could lead to new regulations or legislation banning the use of handheld cell phones while driving, as it has in Newfoundland and Labrador and several U.S. states. If this happens, cell phone use in vehicles would likely decline, which would negatively affect the Bell Canada segment and other wireless service providers.

Health concerns about radio frequency emissions
Media reports have suggested that some radio frequency emissions from cell phones may be linked to medical conditions, such as cancer. In addition, some interest groups have requested investigations into claims that digital transmissions from handsets used with digital wireless technologies pose health concerns and cause interference with hearing aids and other medical devices.

The findings of these kinds of studies could lead to government regulation, which could have a material and negative effect on the Bell Canada segment's business. Actual or perceived health risks of wireless communications devices could result in fewer new network subscribers, lower network usage per subscriber, higher churn rates, product liability lawsuits or less outside financing available to the wireless communications industry. Any of these would have a negative effect on the Bell Canada segment and other wireless service providers.

Churn rate
The rate at which existing subscribers cancel their services is called churn.

Bell ExpressVu
Bell ExpressVu continues to face competition from unregulated U.S. DTH services that are illegally sold in Canada. In response, it has initiated or is participating in several legal actions that are challenging the sale of U.S. DTH equipment in Canada. While Bell ExpressVu has been successful in increasing its share of the satellite television market despite this competition, there is no assurance that it will continue to do so.

Bell ExpressVu currently uses two satellites for its DTH services, Nimiq 1 and Nimiq 2, which are operated by Telesat. Please see *BCE Ventures — Telesat* for a description of certain risks affecting satellites and, in particular, Nimiq 2.

Satellites are subject to significant risks. Any loss, manufacturing defects, damage or destruction of the satellites used by Bell ExpressVu could have a material and negative effect on Bell ExpressVu's results of operations and financial condition.

Bell ExpressVu is subject to programming and carriage requirements under its CRTC licence. Changes to the regulations that govern broadcasting or to its licence could negatively affect Bell ExpressVu's competitive position or its costs of providing services. Bell ExpressVu's existing DTH Distribution undertaking licence is scheduled for renewal in August 2003. Although we expect that this licence will be renewed when it expires, there is no assurance that this will happen.

Finally, Bell ExpressVu faces a loss of revenue resulting from the theft of its services. Bell ExpressVu may reduce these losses by taking numerous actions including legal action, investigations, implementing electronic countermeasures targeted at illegal devices, leading information campaigns and developing new technology. Implementing these measures, however, could increase its capital and operating expenses.

BELL GLOBEMEDIA

Dependence on advertising
Bell Globemedia's revenue from its television and print businesses depends in large part on advertising revenues. Bell Globemedia's advertising revenues are affected by competitive pressures. In addition, the amount companies spend on advertising is directly related to economic growth. An economic downturn therefore tends to make it more difficult for Bell Globemedia to maintain or increase revenues.

Increasing fragmentation in television markets
Television advertising revenue depends on the number of viewers and the attractiveness of programming in a given market. The viewing market has become increasingly fragmented over the past decade because of the introduction of additional television services, the extended reach of existing signals and the launch of new digital broadcasting services in the fall of 2001.

We expect fragmentation to continue as new Web-based and other services increase the choices available to consumers. As a result, there is no assurance that Bell Globemedia will be able to maintain or increase its advertising revenues or its ability to reach viewers with attractive programming.

Revenues from distributing television services
A significant portion of revenues generated by CTV's specialty television operations comes from contractual arrangements with distributors, primarily cable and DTH operators. Many of these contracts have expired. There is no assurance that the contracts will be renewed on equally favourable terms.

New print competitors

The launch of a competing national newspaper and several commuter papers in the Toronto area in the past few years has increased competition in the print sector. While some of the commuter papers have recently stopped operating, the increased competition has resulted in higher circulation and other costs, more competition in advertising rates and lower profit margins at The Globe and Mail.

Broadcast licences
Each of CTV's conventional and specialty services operates under licences issued by the CRTC for a fixed term of up to seven years. These licences are subject to the requirements of the Broadcasting Act, the policies and decisions of the CRTC and the conditions of each licensing or renewal decision, all of which may change.

There is no assurance that any of CTV's licences will be renewed. Any renewals, changes or amendments may have a material and negative effect on Bell Globemedia.

BCE EMERGIS

Adoption of eBusiness
The success of BCE Emergis depends on widespread use of the Internet as well as other electronic networks as a way to do business. Because eBusiness and its related online transactions are relatively new and evolving, it is difficult to predict the size of this market and its sustainable rate of growth. Businesses and customers have not adopted eBusiness as quickly as originally expected.

BCE Emergis must increase the number of transactions it processes to build recurring revenue. This depends on how quickly its customers and its distributors' customers adopt its services. It will also depend on BCE Emergis' ability to build an effective sales force as well as stimulate its distributors' sales and influence their marketing plans for its solutions.

Security and privacy breaches
If BCE Emergis is unable to protect the physical and electronic security and privacy of its applications, databases and transactions, its business, including customer relationships, could be materially and negatively affected.

Operating results
BCE Emergis has announced plans to focus on key growth areas, drive recurring revenue growth, streamline its service offering and operating costs and add new services.

If these plans are unsuccessful, BCE Emergis' results of operations could be materially and negatively affected.

BCE Emergis has incurred losses in the past. Its revenue depends largely on the amount of services that its customers purchase. In addition, a large portion of BCE Emergis' revenue comes from a small number of clients. If BCE Emergis loses a contract with a major client and cannot replace it, it could have a material and negative effect on its results.

The operating results of BCE Emergis have fluctuated in the past, mainly because of variability in non-recurring revenue and the effect of acquisitions and exited activities. BCE Emergis expects fluctuations to continue in the future. It would also be affected by changes in currency exchange rates between the Canadian and U.S. dollars.

Success of U.S. operations
To be successful in the United States involves significant management and financial resources. If it is unsuccessful in the United States, its business and operating results could be materially and negatively affected.

Control by BCE Inc.
BCE Inc., which owns approximately 65% of the outstanding common shares of BCE Emergis, can, subject to applicable law, exercise significant control and influence over the affairs of BCE Emergis, including virtually all matters submitted to a shareholder vote.

BCE Inc. has no obligation to remain the majority shareholder of, or to maintain its current level of ownership in, BCE Emergis. The announcement of a decision by BCE Inc. to change the treatment of its investment in BCE Emergis, to sell all or a portion of its common shares of BCE Emergis, or any other decision to the same effect could materially and negatively affect BCE Emergis, its prospects and the market price of its common shares.

Defects in software and failures in the processing of transactions
Defects in BCE Emergis' owned or licenced software products and delays in delivery, as well as failures or mistakes in its processing of electronic transactions, could materially harm its business, including its customer relationships and operating results.

Making acquisitions
BCE Emergis' growth strategy includes making strategic internally funded acquisitions. There could be difficulties with integrating the operations of recently acquired companies with its existing operations. There is no assurance that it will find suitable companies to acquire or that it will have enough resources to complete any acquisition.

Reliance on strategic relationships
BCE Emergis relies on strategic relationships to increase its client base, including its relationships with Bell Canada, VISA and Freddie Mac. If these relationships fail, its business and operating results could be materially and negatively affected.

Dependence on contracting medical service providers
The growth of BCE Emergis' eHealth business unit depends on its ability to:

- retain contracts with existing providers
- attract new providers
- retain or improve the discounts given by providers.

In addition, the results of BCE Emergis could be adversely affected if:

- it loses a significant number of contracts with providers that have a large number of customers and is unable to replace them with contracts with other providers
- contracts with its providers are renegotiated with reduced discounts.

Exposure to professional liability
BCE Emergis uses medical treatment guidelines in its utilization review and case management services. That means it could be subject to claims relating to:

- adverse medical consequences because services were denied
- the cost of services that were denied

- errors or omissions of healthcare professionals.

These claims could have a material and negative effect on the business and operating results of BCE Emergis.

Protection of intellectual property
BCE Emergis depends on its ability to develop and maintain the proprietary aspects of its technology. It may not be able to enforce its rights or prevent other parties from developing similar technology, duplicating its intellectual property or designing around its intellectual property.

Integrity of cryptography technology
BCE Emergis' security solutions depend on key public cryptography technology. Any major advance in ways to attack cryptographic systems could make some or all of its Internet security solutions obsolete or unmarketable. This could reduce revenues from its security solutions and could materially hurt its business and operating results.

BCE VENTURES

Telesat
On February 20, 2003, Telesat's Nimiq 2 satellite experienced a malfunction affecting available power on the satellite. Telesat is working with the Nimiq 2 satellite manufacturer, Lockheed Martin, to understand the cause of the anomaly and determine the next steps to be taken.

In August 2001, Boeing Satellite Systems, the manufacturer of the Anik F1 satellite, advised Telesat of a gradual decline in available power on the satellite. It recently indicated that power levels on the Anik F1 satellite will continue to degrade at the rates observed to date. Telesat believes that this will result in some core services on the satellite being affected in mid-2005.

Telesat has a satellite under construction, Anik F1R, which will replace Anik F1 in a timeframe that will ensure continuity of service for its customers. Telesat has insurance in place to cover the power loss on Anik F1, and in December 2002 it filed a claim with its insurers. Although Telesat believes that the claim will be approved, there is no assurance that it will be. If the claim is approved, there is no assurance of how much Telesat will receive in the settlement or when it will receive it.

Telesat also has another satellite under construction, Anik F2. There is a risk that this or other satellites built in the future may not be launched successfully. Telesat already has part of the insurance coverage for Anik F2, but there is no assurance that it will be able to get launch coverage for the full value of the satellite at a favorable rate.

Once Telesat's satellites are in orbit, there is a risk that a failure could prevent them from completing their commercial mission. Telesat has put a number of measures in place to protect itself against this risk. These include engineering satellites with on-board redundancies by including spare equipment on the satellite and buying in-orbit insurance. There is no assurance that Telesat will be able to renew its in-orbit insurance coverage in sufficient amount at favorable terms.

OUR ACCOUNTING POLICIES

We have prepared our consolidated financial statements according to Canadian GAAP.

This section discusses key estimates and assumptions that management has made under these principles and how they affect the amounts reported in the financial statements and notes.

It also describes changes to accounting standards that affect how we account for and report certain items in our financial statements.

Please see Note 1 to the consolidated financial statements for more information about the accounting principles we use to prepare our financial statements.

KEY ESTIMATES AND ASSUMPTIONS

Under Canadian GAAP, we are required to make estimates and assumptions when we account for and report assets, liabilities, revenue and expenses and disclose contingent assets and liabilities in our financial statements. We are also required to constantly evaluate the estimates and assumptions we use.

We base our estimates and assumptions on past experience and other factors that we believe are reasonable under the circumstances. Because this involves varying degrees of judgment and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

We consider the estimates and assumptions described in this section to be an important part of understanding our financial statements because they rely heavily on management's judgment and are based on factors that are inherently uncertain.

Our senior management has discussed the development and selection of these key estimates and assumptions with the Audit Committee of the Board of Directors. The Audit Committee has reviewed the disclosures described in this section.

Employee benefit plans

We maintain defined benefit plans that provide pension, other retirement and post-employment benefits for most of our employees.

The amounts reported in the financial statements relating to pension, other retirement and post-employment benefits are determined using actuarial calculations that are based on several assumptions.

We perform a valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. The valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, healthcare cost trend and expected average remaining years of service of employees.

While we believe that these assumptions are appropriate, differences in actual results or changes in assumptions could affect employee benefit obligations and future credit or expense.

We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the working lives of the employees who benefit from the plans.

The two most significant assumptions used to calculate the net employee benefit plans credit or expense are:

- the discount rate
- the expected long-term rate of return on plan assets.

Discount rate

The discount rate is the interest rate used to determine the present value of the future cash flows that we expect will be needed to settle employee benefit obligations. It is usually based on the yield on long-term high-quality corporate fixed-income investments.

We determine the appropriate discount rate at the end of every year. Our discount rate was 6.5% at December 31, 2002, unchanged from 2001. Changes in the discount rate do not have a significant effect on our earnings. They do, however, have a significant effect on the projected benefit obligation. A lower discount rate results in a higher obligation, which could at some level require us to make contributions to the plan.

Expected long-term rate of return

In 2002, we assumed an expected long-term rate of return on plan assets of 8.3%. The actual rate of return has been substantially more than 8.3% on average over the long term. In the past two years, however, it has been substantially less than 8.3%.

We have lowered our assumption to a rate of return of 7.5% for 2003, because we expect lower long-term rates of return in the financial markets. We expect this to reduce pre-tax earnings by about $80 million.

Allowances for doubtful accounts
We maintain allowances for losses that we expect will result from customers who do not make their required payments.

We estimate the allowances based on the likelihood of recovering our accounts receivable. This is based on past experience, taking into account current and expected collection trends.

If economic conditions or specific industry trends become worse than we have anticipated, we will increase our allowances for doubtful accounts by recording an additional expense.

Useful life of long-lived assets
The estimated useful life of long-lived assets is used to determine amortization expense.

We estimate an asset's useful life when we acquire the asset. We base our estimate on past experience with similar assets, taking into account expected technological or other changes.

If technological changes happen more quickly or in a different way than we have anticipated, we might have to shorten the asset's estimated useful life. This could result in:

- a higher amortization expense in future periods
- an impairment charge to reflect the write-down in value of the asset.

Impairment
We assess the impairment of long-lived assets when events or changes in circumstances indicate that we may not be able to recover their carrying value.

We assess the impairment of goodwill and intangible assets with indefinite lives each year and when events or changes in circumstances indicate that goodwill might be impaired. We usually measure impairment using a projected discounted cash flow method. If the asset's carrying value is more than its fair value, we record the difference as an impairment charge.

We believe that our estimates of future cash flows and fair value are reasonable. The assumptions we have used are consistent with our internal planning and reflect our best estimates, but they have inherent uncertainties that management may not be able to control. As a result, the amounts reported for these items could be different if we used different assumptions or if conditions change in the future.

We cannot predict whether an event that triggers an impairment will occur, when it will occur or how it will affect the asset values we have reported.

Legal contingencies
We become involved in various litigation and regulatory matters as a regular part of our business. Pending litigation, regulatory initiatives or regulatory proceedings represent potential financial loss to our business.

We will accrue a potential loss if we believe the loss is probable and it can be reasonably estimated. We base our decision on available information.

We estimate the amount of the loss by consulting with the outside legal counsel who is handling our defence. This involves analyzing potential outcomes and assuming various litigation and settlement strategies.

If the resolution of a legal or regulatory matter results in a judgment against BCE or the payment of a large settlement by BCE, it could have a significant and adverse effect on our results of operations, cash flows and financial position in the period that the judgment or settlement occurs in.

Restructuring and other charges
We are required to develop formal plans for exiting businesses and activities as part of the restructuring initiatives we have been carrying out for the past several years.

These plans require significant estimates of the salvage value of assets that are made redundant or obsolete. We are also required to report estimated expenses for severance and other employee costs, lease cancellation and other exit costs.

Because exiting a business or activity is a complex process that can take several months to complete, it involves periodically reassessing estimates that were made when the original decision to exit the business or activity was made. In addition, we constantly evaluate whether the estimates of the remaining liabilities under our restructuring program are adequate.

As a result, we may have to change previously reported estimates when the payments are made or the activities are completed. There may also be additional charges for new restructuring initiatives.

Alternative acceptable accounting policies
Generally accepted accounting principles permit, in certain circumstances, alternative acceptable accounting policies. Two areas where we have made a choice are (1) the accounting for customer acquisition costs in our wireless and satellite television businesses and (2) the accounting for stock-based compensation cost.

Accounting for customer acquisition costs
We defer and amortize these costs over the life of the customer contract in the case of the wireless business and over three years in the case of the satellite television business. The alternative method would have been to expense these costs as they are incurred. We have selected to defer and amortize these costs because we believe it provides for a better matching of the costs with the future revenue stream being generated by providing monthly services to the customer.

Accounting for stock-based compensation cost
We account for employee stock options by using the compensation costs of options (the amount that the quoted market price of BCE's common shares exceeds the amount an employee must pay to buy the common shares). The alternative method would have been to use the fair value-based method of accounting using an option pricing model such as Black-Scholes. While we acknowledge that stock options represent a form of compensation, we elected to use the compensation costs of option method for 2002 to maintain comparability to other companies. In response to demands from the financial community and the fact that accounting standard setters in Canada and the United States are moving towards the adoption of mandatory fair value accounting, effective January 1, 2003, we will adopt the fair value-based method of accounting.

CHANGES TO ACCOUNTING STANDARDS

This section tells you about changes to the accounting standards and how they affect our financial statements.

About the CICA
The Canadian Institute of Chartered Accountants (CICA) conducts research into current business issues and sets accounting and assurance standards for business, not-for-profit organizations and government.

It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian accounting profession nationally and internationally.

Business combinations
The CICA issued a new section in its Handbook, section 1581, *Business Combinations,* which came into effect July 1, 2001. It requires us to use the purchase method to account for all business combinations.

Under the purchase method, the assets, liabilities, earnings and cash flows from an acquired business are recorded from the date of

acquisition.

Goodwill and other intangible assets

The CICA issued a new Handbook section, section 3062, *Goodwill and Other Intangible Assets,* which came into effect on January 1, 2002.

This section requires that goodwill and intangible assets with an indefinite life:

- no longer be amortized to earnings
- be assessed for impairment each year according to the new standards. This included a transitional test that required any impairment to be charged to opening retained earnings in the year of adoption.

As a result, we allocated our existing goodwill to our reporting units. We also conducted a quantitative assessment of how the transitional test would affect our financial statements.

Under the transitional provisions, we charged an impairment of $8,180 million to opening retained earnings as of January 1, 2002. This related to impaired goodwill of reporting units in Teleglobe ($7,516 million), Bell Globemedia ($545 million) and BCE Emergis ($119 million).

Foreign currency translation

Effective January 1, 2002, we adopted the revised recommendations in section 1650 of the CICA Handbook, *Foreign Currency Translation.* These standards require us to include all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies in earnings for the year. This includes gains and losses on long-term monetary assets and liabilities, such as long-term debt, which we previously deferred and amortized on a straight-line basis over the remaining lives of the related items.

We applied the recommendations retroactively and restated prior periods. On January 1, 2002, this resulted in:

- a decrease of $288 million in other long-term assets
- an increase of $27 million in future income taxes
- a decrease of $70 million in non-controlling interest
- a decrease of $191 million in retained earnings.

Stock-based compensation and other stock-based payments

Effective January 1, 2002, we adopted the new recommendations in section 3870 of the CICA Handbook, *Stock-based compensation and other stock-based payments.*

This section sets standards for recognizing, measuring and disclosing stock-based compensation and other stock-based payments made in exchange for goods and services. The standards require us to use a fair value-based method for:

- all stock-based awards to non-employees
- direct awards of stock and stock appreciation rights to employees
- awards to employees that are settled in cash or other assets.

The standards also encourage companies to use a fair value-based method for all other awards granted to employees.

Awards that are settled in stock are recorded as equity. Awards that are required to be, or are usually, settled in cash are recorded as liabilities.

Upon adoption, we elected to account for employee stock options by measuring the compensation cost of the options. This is the amount that the quoted market price of BCE Inc.'s common shares on the date of the grant exceeds the amount an employee must pay to buy the common shares.

In December 2002, we announced that effective January 1, 2003, we will account for employee stock options by measuring the compensation cost for options granted on or after January 1, 2002 under the fair value-based method of accounting using a Black-Scholes option pricing model. As a result of applying this new accounting policy, we expect to record additional operating expenses of approximately $40 million to $55 million in 2003, which represent an impact of approximately $0.04 to $0.05 on net earnings per share.

Impairment of long-lived assets

The CICA recently issued a new section in the CICA Handbook, section 3063, *Impairment of long-lived assets.* It provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. It replaces the write-down provisions in section 3061 of the CICA Handbook, *Property, plant and equipment.*

The new section requires us to recognize an impairment loss for a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is the amount that the carrying value of the asset exceeds its fair value.

This section comes into effect in 2004 for BCE, but the CICA encourages companies to start using the new standards before then. We do not expect that adopting these standards will affect our consolidated financial statements.

Disposal of long-lived assets and discontinued operations

The CICA recently issued a new section in its Handbook, section 3475, *Disposal of long-lived assets and discontinued operations.* It provides guidance on recognizing, measuring, presenting and disclosing long-lived assets to be disposed of. It replaces the disposal provisions in section 3061, *Property, plant and equipment,* and section 3475, *Discontinued operations.*

The new section provides criteria for classifying assets as held for sale. It requires an asset classified as held for sale to be measured at fair value less disposal costs.

It also provides criteria for classifying a disposal as a discontinued operation and specifies the presentation of and disclosures for discontinued operations and other disposals of long-lived assets.

This section comes into effect for disposal activities started on or after May 1, 2003, but the CICA encourages companies to start using the new standard before then. We do not expect that adopting this standard will affect our consolidated financial statements.

Disclosure of guarantees

In February 2003, the CICA issued Accounting Guideline 14 (AcG-14), *Disclosure of guarantees.* This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given regardless of whether it will have to make payments under the guarantees. Although the disclosure requirements of this guideline have been mostly harmonized with similar guidance in the United States, unlike the U.S. standard, this guideline does not require the fair value recognition of guarantees on the balance sheet and does not extend to product warranties. This guideline will come into effect for BCE's first quarter of 2003. Please see Note 21 to the consolidated financial statements for more information on guarantees.

Consolidation of special purpose entities

In August 2002, the CICA issued a draft accounting guideline titled *Consolidation of special purpose entities.* The final guideline is expected to be consistent, in all material respects, with the recently issued U.S. standard (see Note 23 to the consolidated financial statements), although the implementation date has not yet been determined. We are currently evaluating the impact of this draft guideline on our financial statements.

Asset retirement obligations

The CICA recently approved the issuance of a new section in the CICA Handbook, section 3310, *Asset retirement obligations.* This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. This section comes into effect in 2004 for BCE. We are currently evaluating the impact of this standard on our financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

ANNUAL FINANCIAL INFORMATION

The table below presents selected consolidated financial data for each of the years between 1997 and 2002.

For the year ended December 31	**2002**	2001	2000	1999	1998	1997
Statements of operations data ($ millions)						
Operating revenues	**19,768**	19,340	16,668	13,407	12,182	12,353
Earnings from continuing operations	**1,898**	3,571	973	5,479	1,421	812
Discontinued operations/Extraordinary item	**577**	(3,057)	3,812	(83)	3,153	(2,365)
Net earnings (loss)	**2,475**	514	4,785	5,396	4,574	(1,553)
Net earnings (loss) applicable to common shares	**2,416**	450	4,706	5,303	4,481	(1,627)
Balance sheets data ($ millions)						
Total assets	**39,563**	54,074	51,147	36,571	31,997	40,157
Long-term debt (including current portion)	**15,091**	16,537	14,615	9,862	10,349	12,784
Preferred shares	**1,510**	1,300	1,300	1,700	1,700	1,700
Common shareholders' equity	**11,361**	15,499	15,979	16,086	11,902	8,090
Capital expenditures	**(3,771)**	(4,999)	(3,652)	(2,862)	(3,477)	(3,259)
Common share data [(a)]						
Earnings (loss) per common share						
Continuing operations	**2.15**	4.34	1.33	8.38	2.08	1.16
Net earnings (loss)	**2.74**	0.56	7.32	8.25	7.03	(2.56)
Dividends declared per common share	**1.20**	1.20	1.24	1.36	1.36	1.36
Other data						
Number of employees (thousands) [(b)]	**66**	75	75	55	53	122

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

(b) Unaudited.

QUARTERLY FINANCIAL INFORMATION

The table below presents selected consolidated financial data for each quarter of 2002 and 2001. This quarterly information has been prepared on the same basis as the annual consolidated financial statements, but is unaudited.

	2002			
	4th quarter	**3rd quarter**	**2nd quarter**	**1st quarter**
Operating revenues	**5,172**	**4,822**	**4,940**	**4,834**
Earnings (loss) from continuing operations	**835**	**384**	**320**	**359**
Discontinued operations	**917**	**–**	**(295)**	**(45)**
Net earnings	**1,752**	**384**	**25**	**314**
Net earnings applicable to common shares	**1,736**	**368**	**11**	**301**
Net earnings per common share				
Continuing operations – basic	**0.92**	**0.43**	**0.38**	**0.43**
Continuing operations – diluted	**0.91**	**0.42**	**0.38**	**0.42**
Net earnings – basic	**1.92**	**0.43**	**0.01**	**0.37**
Net earnings – diluted	**1.89**	**0.42**	**0.01**	**0.37**
Average number of common shares outstanding (millions)	**909.1**	**864.1**	**808.7**	**808.6**

	2001			
	4th quarter	3rd quarter	2nd quarter	1st quarter
Operating revenues	5,113	4,818	4,767	4,642
Earnings (loss) from continuing operations	(90)	337	275	3,049
Discontinued operations	(195)	(465)	(253)	(2,144)
Net earnings (loss)	(285)	(128)	22	905
Net earnings (loss) applicable to common shares	(299)	(144)	6	887
Net earnings (loss) per common share				
Continuing operations – basic	(0.13)	0.40	0.32	3.75
Continuing operations – diluted	(0.13)	0.39	0.32	3.71

Net earnings (loss) – basic	(0.37)	(0.18)	0.01	1.10
Net earnings (loss) – diluted	(0.37)	(0.18)	0.01	1.08
Average number of common shares outstanding (millions)	808.5	807.9	807.4	808.1

Consolidated Financial Statements

This section of our annual report includes our audited financial statements and detailed notes with explanations and additional information.

The financial statements present a recent financial history of our financial condition, results of operations and cash flows.

The notes are an important part of understanding our performance. They explain how we arrived at the numbers in the financial statements, describe significant events or changes that affect the numbers, and explain certain items in the financial statements. They also include details about our financial results that are not shown in the financial statements.

FINANCIAL STATEMENTS AT A GLANCE

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Except in the auditors' report, *we, us, our* and *BCE* mean BCE Inc., its subsidiaries, joint ventures and investments in significantly influenced companies.

Because BCE consists of many businesses, we present the financial information for all of our holdings as one "consolidated" company.

Management's Report

This section of our annual report contains the consolidated financial statements of BCE. BCE consists of many businesses, including subsidiaries, joint ventures and investments in significantly influenced companies. We present the financial information for all these holdings as one "consolidated" company.

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements, and all of the information in this annual report, are the responsibility of the management of BCE and have been approved by the Board of Directors. Deloitte & Touche LLP, Chartered Accountants, the shareholders' auditors, have audited the financial statements.

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present BCE's consolidated financial position, results of operations and cash flows.

To ensure the accuracy and completeness of the financial statements, management has a system of internal controls, which is supported by an internal audit group that reports to the Audit Committee, and includes communication to employees about policies for ethical business conduct. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The Board of Directors has appointed an Audit Committee, made up of outside, unrelated directors. The Audit Committee's responsibilities include reviewing the financial statements and other information in this annual report, and recommending them to the Board of Directors for approval. You will find a description of the Audit Committee's other responsibilities on page 84. The internal auditors and the shareholders' auditors have free and independent access to the Audit Committee.



Michael J. Sabia
President and Chief
Executive Officer



Siim A. Vanaselja
Chief Financial Officer



Stephen P. Skinner
Senior Vice-President and
Corporate Controller

February 26, 2003

Auditors' Report

To the shareholders of BCE Inc.:

We have audited the consolidated balance sheets of BCE Inc. as at December 31, 2002 and 2001, and the consolidated statements of operations, retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 2002. These

consolidated financial statements are the responsibility of BCE Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BCE Inc. as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002, in accordance with Canadian generally accepted accounting principles.



Deloitte & Touche LLP
Chartered Accountants

Montréal, Canada
February 26, 2003

Consolidated Statements of Operations

For the year ended December 31 ($ millions, except share amounts)	2002	2001	2000
Operating revenues	**19,768**	19,340	16,668
Operating expenses	**12,146**	12,098	9,953
Amortization expense	**3,146**	3,826	3,352
Net benefit plans credit (Note 20)	**(33)**	(121)	(109)
Restructuring and other charges (Note 4)	**887**	980	–
Total operating expenses	**16,146**	16,783	13,196
Operating income	**3,622**	2,557	3,472
Other income (Note 5)	**(2,468)**	(4,015)	(97)
Impairment charge (Note 13)	**770**	–	–
Interest expense (Note 6)	**1,161**	1,056	935
Earnings from continuing operations before income taxes and non-controlling interest	**4,159**	5,516	2,634
Income taxes (Note 7)	**1,593**	1,759	1,338
Non-controlling interest	**668**	186	323
Earnings from continuing operations	**1,898**	3,571	973
Discontinued operations (Note 8)	**577**	(3,057)	3,812
Net earnings	**2,475**	514	4,785
Dividends on preferred shares	**(59)**	(64)	(79)
Net earnings applicable to common shares	**2,416**	450	4,706
Net earnings per common share – basic (Note 9)			
Continuing operations	**2.15**	4.34	1.33
Net earnings	**2.74**	0.56	7.32
Net earnings per common share – diluted (Note 9)			
Continuing operations	**2.13**	4.29	1.29
Net earnings	**2.71**	0.55	6.93
Dividends per common share	**1.20**	1.20	1.24
Average number of common shares outstanding (millions)	**847.9**	807.9	670.0
The following is a reconciliation of net earnings to reflect the comparative impact of no longer amortizing goodwill and indefinite-life intangible assets effective January 1, 2002 (Note 1):			
Adjusted net earnings			
Net earnings, as reported	**2,475**	514	4,785
Amortization expense on goodwill and indefinite-life intangible assets	**–**	971	485
Net earnings, adjusted	**2,475**	1,485	5,270
Adjusted net earnings per common share:			
Basic	**2.74**	1.76	8.04
Diluted	**2.71**	1.74	7.65

Consolidated Statements of Retained Earnings (Deficit)

For the year ended December 31 ($ millions)	2002	2001	2000
Balance at beginning of year, as previously reported	**712**	1,339	7,788
Adjustment for change in accounting policy (Note 1)	**(8,180)**	–	–
Balance at beginning of year, as restated	**(7,468)**	1,339	7,788
Net earnings	**2,475**	514	4,785
Dividends – Preferred shares	**(59)**	(64)	(79)
– Common shares	**(1,031)**	(969)	(849)
– Distribution of Nortel Networks Corporation common shares (Note 8)	**–**	–	(10,114)

	(1,090)	(1,033)	(11,042)
Costs relating to the issuance of common and preferred shares, net of $22 million of taxes	**(62)**	–	–
Premium on redemption of common and preferred shares (Note 18)	**(6)**	(108)	(216)
Other	**2**	–	24
Balance at end of year	**(6,149)**	712	1,339

Please read the notes starting on page 58. They are an important part of these consolidated financial statements.

At December 31 ($ millions)	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	**306**	569
Accounts receivable (net of allowance for doubtful accounts of $207 million and $333 million for 2002 and 2001, respectively)	**2,343**	4,118
Other current assets	**916**	1,213
Total current assets	**3,565**	5,900
Capital assets (Note 10)	**20,640**	25,962
Other long-term assets (Note 11)	**4,355**	5,381
Indefinite-life intangible assets (Note 12)	**900**	884
Goodwill (Note 13)	**10,103**	15,947
Total assets	**39,563**	54,074
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**3,834**	6,473
Debt due within one year (Note 14)	**2,026**	5,263
Total current liabilities	**5,860**	11,736
Long-term debt (Note 15)	**13,395**	14,861
Other long-term liabilities (Note 16)	**3,841**	5,053
Total liabilities	**23,096**	31,650
Non-controlling interest	**3,596**	5,625
Commitments and contingencies (Note 21)		
SHAREHOLDERS' EQUITY		
Preferred shares (Note 18)	**1,510**	1,300
Common shareholders' equity		
Common shares (Note 18)	**16,520**	13,827
Contributed surplus	**980**	980
Retained earnings (deficit)	**(6,149)**	712
Currency translation adjustment	**10**	(20)
Total common shareholders' equity	**11,361**	15,499
Total shareholders' equity	**12,871**	16,799
Total liabilities and shareholders' equity	**39,563**	54,074

On behalf of the Board of Directors:



Director



Director

Please read the notes starting on page 58. They are an important part of these consolidated financial statements.

For the year ended December 31 ($ millions)	2002	2001	2000
Cash flows from operating activities			
Earnings from continuing operations	**1,898**	3,571	973
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:			
Amortization expense	**3,146**	3,826	3,352
Net benefit plans credit	**(33)**	(121)	(109)
Restructuring and other charges	**805**	915	–
Impairment charge	**770**	–	–
Net gains on investments	**(2,435)**	(4,088)	(45)
Future income taxes	**602**	682	(130)
Non-controlling interest	**668**	186	323
Other items	**(298)**	(894)	(545)
Changes in non-cash working capital	**(592)**	157	(1,613)
	4,531	4,234	2,206
Cash flows from investing activities			
Capital expenditures	**(3,771)**	(4,999)	(3,652)
Investments	**(6,604)**	(535)	(4,729)
Divestitures	**3,230**	4,749	654
Other items	**10**	(122)	(120)
	(7,135)	(907)	(7,847)
Cash flows from financing activities			
Increase (decrease) in notes payable and bank advances	**(210)**	(2,744)	3,730
Issue of long-term debt	**4,908**	2,443	2,447
Repayment of long-term debt	**(2,893)**	(1,221)	(1,431)
Issue of common shares	**2,693**	71	36
Costs relating to the issuance of common and preferred shares	**(78)**	–	–
Purchase of common shares for cancellation	**–**	(191)	(384)
Issue of preferred shares	**510**	–	–
Redemption of preferred shares	**(306)**	–	–
Issue of equity securities and convertible debentures by subsidiaries to non-controlling interest	**206**	1,459	540
Redemption of preferred shares by subsidiaries	**–**	(347)	(295)
Dividends paid on common and preferred shares	**(1,042)**	(1,033)	(928)
Dividends paid by subsidiaries to non-controlling interest	**(468)**	(357)	(240)
Other items	**(46)**	72	110
	3,274	(1,848)	3,585
Effect of exchange rate changes on cash and cash equivalents	**3**	(2)	(19)
Cash provided by (used in) continuing operations	**673**	1,477	(2,075)
Cash used in discontinued operations	**(936)**	(1,168)	(60)
Net increase (decrease) in cash and cash equivalents	**(263)**	309	(2,135)
Cash and cash equivalents at beginning of year	**569**	260	2,395
Cash and cash equivalents at end of year	**306**	569	260

Please read the notes starting on page 58. They are an important part of these consolidated financial statements.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES**

ACCOUNTING PRINCIPLES

We have prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). We consolidate the financial statements of all the companies we control, and we proportionately consolidate our share in joint venture interests. All transactions and balances between these companies have been eliminated on consolidation.

We have reclassified some of the figures for previous years in the consolidated financial statements to make them consistent with the presentation in the current year.

Please see Note 23, *Reconciliation of Canadian GAAP to United States GAAP,* for a description and reconciliation of the significant differences between Canadian GAAP and United States GAAP that relate to our financial statements.

PRESENTATION OF FINANCIAL INFORMATION

We have restated all financial information for 2002 and previous years to reflect:

- the accounting treatment of BCE's investments in Teleglobe Inc. (Teleglobe) and Bell Canada International Inc. (BCI) as discontinued operations
- our adoption of the revised standards in section 1650 of the Canadian Institute of Chartered Accountants (CICA) Handbook, *Foreign currency translation.*

Effective the second quarter of 2002, we stopped consolidating the financial results of Teleglobe and BCI. Since then, these investments were held at cost.

Please see Note 8, *Discontinued operations,* for more information about Teleglobe and BCI. Please see Note 1, *Significant accounting policies – Recent changes to accounting standards,* for more information about the accounting treatment of foreign currency translation.

ACCOUNTING FOR INVESTMENTS

We use different methods to account for investments that are neither consolidated nor proportionately consolidated in our financial statements:

- the equity method for companies that we can significantly influence
- the cost method for our investments in other companies.

We include investments in *Other long-term assets* on the balance sheet. Earnings from investments are included in *Other income* in the statement of operations.

We expense declines in the market values of our investments when management considers them to be other than temporary.

Equity method
An investment is initially recorded at cost, and adjustments are made to include our share of the investment's net earnings or losses. These adjustments are included in the calculation of our net earnings. The amount of our investment is reduced by the amount of dividends we have received or have been declared and are due to be received.

Cost method
The investment is recorded at cost. Dividends received or receivable from the investment are included in the calculation of our net earnings.

USING ESTIMATES

When preparing financial statements in accordance with GAAP, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Actual results could be different from these estimates.

RECOGNIZING REVENUE

We recognize operating revenues when they are earned, specifically when:

- services are provided

- products are delivered to customers
- persuasive evidence of an arrangement exists
- amounts are fixed or determinable
- collectibility is reasonably assured.

In particular, we recognize:

- fees for long distance and wireless services, and other fees, such as network access fees, licence fees, hosting fees, maintenance fees and standby fees, when we provide the services or over the term of the contract
- subscriber revenue when customers receive the service
- advertising revenue when advertisements are aired, or printed and distributed
- revenues from the sale of equipment when the equipment is delivered to customers and accepted.

For transactions involving multiple elements, revenue is allocated based on relative fair values.

For arrangements in which subcontractors perform services for customers, we recognize revenue based on the amounts billed to the customers when we act as the principal in the arrangement. Otherwise, we record the net amount that we keep.

Accruals for sales returns are recorded when revenues are recognized and are based on past experience.

We defer payments we receive in advance until we provide the service or deliver the product to customers.

CASH AND CASH EQUIVALENTS

We classify all highly liquid investments with short-term maturities as *cash and cash equivalents.*

SALES OF ACCOUNTS RECEIVABLE

Effective July 1, 2001, we adopted CICA Accounting Guideline 12, *Transfers of Receivables.* This guideline covers the requirements for transferring and servicing receivables. Please see Note 17, *Financial instruments,* for more information.

We consider a transfer of accounts receivable to be a sale when we give up control over the accounts receivable in exchange for proceeds from a trust (other than our retained beneficial interest in such accounts receivable).

We recognize gains or losses on this type of transaction as *Other income or expense.* The gains or losses partly depend on the previous carrying amount of the accounts receivable transferred. We allocate this amount to accounts receivable sold or our retained interest according to their relative fair values on the day the transfer is made.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *continued*

We determine fair value based on the present value of future expected cash flows. Cash flows are projected using management's best estimates of key assumptions, such as discount rates, weighted-average life of accounts receivable and credit loss ratios. The accounts receivable are transferred on a fully serviced basis. As a result, we:

- recognize a servicing liability on the date the accounts receivable are transferred to the trust
- amortize this liability to earnings over the expected life of the transferred accounts receivable.

CAPITAL ASSETS

We carry capital assets at cost less accumulated amortization. In general, we use the straight-line method to amortize capital assets. We base the rates on the estimated useful life of the asset.

	Estimated useful life
Telecommunications assets	10 to 25 years
Machinery and equipment	2 to 20 years
Buildings	10 to 40 years
Finite-life intangible assets	3 years

Most of our capital assets are amortized using composite group depreciation methodology. When we retire a portion of these assets in the ordinary course of business, we charge their original cost to accumulated amortization. Each year, we review the estimate of the useful life of the assets.

Software is our only significant finite-life intangible asset.

We assess the impairment of capital assets when events or changes in circumstances indicate that we may not be able to recover their carrying value. We calculate the impairment by deducting the net recoverable amount of the assets (based on estimates of undiscounted future cash flows) from their carrying value. This amount is deducted from earnings.

SUBSCRIBER ACQUISITION COSTS

The costs of acquiring subscribers are classified in assets as short or long term, as appropriate. We account for these costs as follows:

- we defer and amortize the costs of acquiring Direct-to-Home (DTH) satellite service subscribers into earnings over three years
- we defer and amortize the costs of acquiring wireless subscribers into earnings over the terms of the contracts. The terms are normally up to 24 months
- we expense all other subscriber acquisition costs as they are incurred.

The costs we defer and amortize consist mainly of hardware subsidies.

ISSUING DEBT

The costs of issuing debt are recorded as an increase in other long-term assets and are amortized on a straight-line basis over the term of the related debt.

INDEFINITE-LIFE INTANGIBLE ASSETS

Effective January 1, 2002, we no longer amortize indefinite-life intangible assets.

We assess the impairment of these assets each year and when events or changes in circumstances indicate that an asset might be impaired. We calculate the impairment by deducting the fair value of the asset (based on estimates of discounted future cash flows) from its carrying value. This amount is deducted from earnings.

GOODWILL

Effective January 1, 2002, we no longer amortize goodwill. Instead, we are required to assess the impairment of goodwill of individual reporting units each year and when events or changes in circumstances indicate that goodwill might be impaired. Please see Note 1, *Significant accounting policies – Recent changes to accounting standards,* for more information.

We assess impairment of goodwill in two steps:

- we identify a potential impairment by comparing their fair values (based on estimates of discounted future cash flows or other valuation methods) of a reporting unit to its carrying value. When the fair value of the reporting unit is less than its carrying value, we allocate the fair value of the reporting unit to all of its assets and liabilities, based on the fair value. The amount by which the fair value of the reporting unit exceeds the amounts assigned to its assets and liabilities is the fair value of goodwill.

- we determine if there is an impairment by comparing the fair value of goodwill to its carrying value. Any excess is deducted from earnings.

Goodwill
Goodwill is created when we acquire businesses. It is calculated by deducting the fair value of the identifiable net assets acquired from the cost of the investment. Goodwill represents the value of factors that are expected to contribute to a greater earnings power, such as a good reputation, customer loyalty or intellectual capital.

TRANSLATION OF FOREIGN CURRENCIES

The way we account for a foreign operation depends on whether the operation is self-sustaining or integrated. Self-sustaining foreign operations are largely independent of the parent company. Integrated foreign operations depend on the parent company to finance or run their operations.

Self-sustaining foreign operations
For self-sustaining foreign operations, we use:

- the exchange rates in effect on the date of the balance sheet for assets and liabilities

- the average exchange rates during the year for revenues and expenses.

Translation exchange gains and losses are reflected as a currency translation adjustment in shareholders' equity. When we reduce our net investment in a self-sustaining foreign operation, we recognize an appropriate portion of the currency translation adjustment in earnings.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *continued*

Integrated foreign operations
For integrated foreign operations, we use:

- the exchange rates on the date of the balance sheet for monetary assets and liabilities (for example, cash, accounts receivable and payable, and long-term debt)
- the historical exchange rates for non-monetary assets and liabilities (for example, capital assets)
- the average exchange rates during the year for revenues and expenses.

Translation exchange gains and losses are reflected in earnings.

Domestic transactions and balances in foreign currencies
For domestic transactions made in foreign currencies, we use:

- the exchange rates on the date of the balance sheet for monetary assets and liabilities
- the average exchange rates during the year for revenues and expenses.

Translation exchange gains and losses are reflected in earnings.

DERIVATIVE FINANCIAL INSTRUMENTS

We use various derivative financial instruments to hedge against:

- interest rate risk
- foreign exchange rate risk
- movements in BCE Inc. share price and the impact on equity price risk related to special compensation payments (SCPs).

We expect that the derivatives we use will generate sufficient cash flows, gains or losses to offset these risks. We do not use derivative financial instruments to speculate.

We describe the derivatives we use and how we account for them below. Please see Note 17, *Financial instruments,* for more information about derivatives. Please see Note 19, *Stock-based compensation plans,* for more information about SCPs.

We formally document all relationships between hedging instruments and hedged items, and our risk management objective and strategy for using various hedges. This process includes linking all derivatives to:

- specific assets and liabilities on the balance sheet, or
- specific net investments in self-sustaining foreign operations, or
- specific firm commitments, or
- forecasted transactions.

We formally assess how effective derivatives are in managing risk when the hedge is put in place and on an ongoing basis.

We follow these policies when accounting for derivatives:

- deferred gains or losses relating to derivatives that qualify for hedge accounting are recognized in earnings when the hedged item or anticipated transaction is ended early or sold
- gains and losses related to hedges of anticipated transactions are recognized in earnings or are recorded as adjustments of carrying values when the hedged transaction occurs
- derivatives that are economic hedges, but do not qualify for hedge accounting, are recognized at fair value. We record the change in fair value through earnings
- any premiums paid for financial instrument contracts are deferred and expensed to earnings over the period of the contract.

The following is a description of our policies for specific types of derivatives.

Interest rate swap agreements

We use interest rate swap agreements to help manage the fixed and floating interest rate mix of:

- our total debt portfolio
- preferred shares.

These agreements often involve exchanging payments without exchanging the notional principal amount that the payments are based on. We record the exchange of payments as an adjustment of interest expense on the hedged debt or dividends declared on the preferred shares. We include the related amount payable or receivable from counterparties as an adjustment to accrued assets or liabilities.

Foreign currency swap agreements
We use foreign currency swap agreements to manage the exchange rate exposure of some of our debt that is denominated in foreign currencies.

We designate these agreements as hedges of firm commitments to pay interest and principal on the foreign currency risk. We recognize gains and losses on these contracts the same way we recognize the gains and losses on the hedged item.

Forward contracts
We use forward contracts to:

- hedge net investments in self-sustaining foreign operations. We defer gains and losses on these instruments in other assets or liabilities and report them as part of the currency translation adjustment in shareholders' equity
- manage equity price risk exposure related to SCPs. We recognize gains and losses on these contracts the same way we recognize the gains and losses on the hedged item. Unrealized gains or losses are included in other assets or liabilities.

EMPLOYEE BENEFIT PLANS

We maintain non-contributory defined benefit plans. These plans provide for pensions for almost all of our employees. The benefits are based on the employee's length of service and rate of pay.

The plans also provide other post-employment and retirement benefits, including:

- healthcare and life insurance benefits at retirement
- various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependents, from the time their employment ends until their retirement starts, under certain circumstances.

We accrue our obligations under employee benefit plans and related costs, net of the fair value of plan assets. Actuaries determine pension costs and other retirement benefits using:

- the projected benefit method, prorated on years of service
- management's best estimate of the plan's expected investment performance, salary escalation, retirement ages of employees and expected healthcare costs.

We use a market-related value approach to:

- value pension plan assets at fair value
- calculate the expected return on plan assets.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *continued*

We amortize past service costs from plan amendments on a straight-line basis over the average remaining service period of employees who were active on the date of the amendment. We deduct 10% of the benefit obligation or the fair value of plan assets, whichever is greater, from the net actuarial gain or loss, and amortize the excess over the average remaining service period of active employees.

When the restructuring of a benefit plan results in both a curtailment and a settlement of obligations, we account for the curtailment before we account for the settlement.

Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits.

Curtailment
A curtailment is a significant reduction in plan benefits that can result when a defined benefit pension plan is amended or restructured. Types of curtailments include:

- a reduction in the expected number of years of future service of active employees
- the elimination of the right to earn defined benefits for some or all of the future service of employees.

Settlement
A company makes a settlement when it substantially settles all or part of an accrued benefit obligation. An example is a lump-sum cash payment to employees in exchange for their rights to receive future benefits.

INCOME TAXES

We use the asset and liability method on all transactions recorded in the consolidated financial statements. Future income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. We calculate future income taxes using the rates and provisions in enacted and substantively enacted tax law.

Tax laws
A tax law is substantively enacted when it has been tabled in Parliament but has not necessarily been passed into law.

STOCK-BASED COMPENSATION PLANS

BCE Inc.'s stock-based compensation plans primarily include employee savings plans (ESPs) and long-term incentive programs. Before 2000, these plans sometimes included SCPs. Please see Note 19, *Stock-based compensation plans,* for more information.

We credit to share capital any amount employees pay when they exercise their stock options or buy shares. We recognize the contributions BCE Inc. makes under the ESPs as a compensation expense. We also recognize a compensation expense relating to SCPs.

RECENT CHANGES TO ACCOUNTING STANDARDS

Business combinations, goodwill and other intangible assets
The CICA issued a new section in the CICA Handbook, section 1581, *Business Combinations,* which came into effect on July 1, 2001. It requires us to use the purchase method to account for all business combinations.

The CICA issued a new section in the CICA Handbook, section 3062, *Goodwill and Other Intangible Assets,* which came into effect on January 1, 2002. It requires that goodwill and indefinite-life intangible assets:

- no longer be amortized to earnings
- be assessed for impairment each year according to the new standards. This included a transitional test that required any impairment to be charged to opening retained earnings in the year of adoption.

As a result, we allocated our existing goodwill to our reporting units. We also conducted a quantitative assessment of how the transitional test would affect our financial statements.

Under the transitional provisions, we charged an impairment of $8,180 million to opening retained earnings as of January 1, 2002. This related to impaired goodwill of reporting units in Teleglobe ($7,516 million), Bell Globemedia ($545 million) and BCE Emergis ($119 million).

Foreign currency translation
Effective January 1, 2002, we adopted the revised recommendations in section 1650 of the CICA Handbook, *Foreign Currency Translation.* These standards require us to include all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies in earnings for the year. This includes gains and losses on long-term monetary assets and liabilities, such as long-term debt, which we previously deferred and amortized on a straight-line basis over the remaining life of the related items.

We applied these amendments retroactively and restated prior periods.

On January 1, 2002, this resulted in:

- a decrease of $288 million in long-term assets
- an increase of $27 million in future income taxes
- a decrease of $70 million in non-controlling interest
- a decrease of $191 million in retained earnings.

Stock-based compensation and other stock-based payments

Effective January 1, 2002, we adopted the new recommendations of section 3870 of the CICA Handbook, *Stock-based compensation and other stock-based payments.* This section sets standards for recognizing, measuring and disclosing stock-based compensation and other stock-based payments made in exchange for goods and services.

The standards require us to use a fair value-based method for certain awards granted on or after January 1, 2002. These include:

- all stock-based awards to non-employees
- direct awards of stock and stock appreciation rights to employees
- awards to employees that are settled in cash or other assets.

The standards also encourage companies to use a fair value-based method for all other awards granted to employees.

Awards that are settled in stock are recorded as equity. Awards that are required to be, or are usually, settled in cash are recorded as liabilities.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *continued*

Upon adoption, we elected to account for employee stock options by measuring the compensation cost of options at the date of grant (1). This is the amount that the quoted market price of BCE Inc.'s common shares on the date of the grant exceeds the amount an employee must pay to buy the common shares.

(1) In December 2002, we announced that effective January 1, 2003, we will account for employee stock options by measuring the compensation cost for options granted on or after January 1, 2002 under the fair value-based method of accounting using a Black-Scholes option pricing model. As a result of applying this new accounting policy, we expect to record additional operating expenses of approximately $40 million to $55 million in 2003, which represent an impact of approximately $0.04 to $0.05 on net earnings per share.

FUTURE CHANGES TO ACCOUNTING STANDARDS

Impairment of long-lived assets
The CICA recently issued a new section in the CICA Handbook, section 3063, *Impairment of long-lived assets.* It provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. It replaces the write-down provisions in section 3061, *Property, plant and equipment.*

The new section requires us to recognize an impairment loss for a long-lived asset to be held and used when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

This section comes into effect in 2004 for BCE, but the CICA encourages companies to start using the new standard before then. We do not expect that adopting this standard will affect our consolidated financial statements.

Disposal of long-lived assets and discontinued operations
The CICA recently issued a new section in the CICA Handbook, section 3475, *Disposal of long-lived assets and discontinued operations.* It provides guidance on recognizing, measuring, presenting and disclosing long-lived assets to be disposed of. It replaces the disposal provisions in section 3061, *Property, plant and equipment,* and section 3475, *Discontinued operations.*

The new section provides criteria for classifying assets as held for sale. It requires an asset classified as held for sale to be measured at fair value less disposal costs.

It also provides criteria for classifying a disposal as a discontinued operation and specifies the presentation of and disclosures for discontinued operations and other disposals of long-lived assets.

This section comes into effect for disposal activities started on or after May 1, 2003, but the CICA encourages companies to start using the new standard before then. We do not expect that adopting this standard will affect our consolidated financial statements.

Disclosure of guarantees
In February 2003, the CICA issued Accounting Guideline 14 (AcG-14), *Disclosure of guarantees.* This guideline provides assistance regarding the identification of guarantees and requires a guarantor to disclose the significant details of guarantees that have been given regardless of whether it will have to make payments under the guarantees. Although the disclosure requirements of this guideline have been mostly harmonized with similar guidance in the United States, unlike the U.S. standard, this guideline does not require the fair value recognition of guarantees on the balance sheet and does not extend to product warranties. This guideline will come into effect for BCE's first quarter of 2003. Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for more information on guarantees.

Consolidation of special purpose entities
In August 2002, the CICA issued a draft accounting guideline titled *Consolidation of special purpose entities.* The final guideline is expected to be consistent, in all material respects, with the recently issued U.S. guidance (see Note 23), although the implementation date has not yet been determined. We are currently evaluating the impact of this draft guideline on our financial statements.

Asset retirement obligations
The CICA recently approved the issuance of a new section in the CICA Handbook, section 3310, *Asset retirement obligations.* This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. This section comes into effect in 2004 for BCE. We are currently evaluating the impact of this standard on our financial statements.

Note 2 **SEGMENTED INFORMATION**

We operate under four segments, the Bell Canada segment, Bell Globemedia, BCE Emergis and BCE Ventures. Our segments are organized by products and services, and reflect how we classify our operations for planning and measuring performance.

Bell Canada Segment – provides communications services to residential and business customers. It is Canada's leading provider of wireline and wireless voice and data communications, high-speed and wireless Internet access, DTH satellite television services and Internet Protocol (IP)/broadband services. It also provided print and electronic directory services until it sold this business in November 2002. Please see Note 3,

Business acquisitions and dispositions – Sale of directories business, for more information.

Note 2 **SEGMENTED INFORMATION** *continued*

This segment represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries and other entities. These include Bell Mobility Inc., BCE Nexxia Inc. (which carries on business under the name Bell Nexxia), Bell ActiMedia Inc., Bell Distribution Inc., Certen Inc., a 53% interest in Aliant Inc. (Aliant), a 60% interest in Bell West Inc. (Bell West) and Bell ExpressVu Limited Partnership (Bell ExpressVu).

BCE Inc. now owns 100% of BCH, which owns 100% of Bell Canada. Please see Note 3, *Business acquisitions and dispositions – Repurchase of SBC's 20% interest in BCH,* for details about BCE Inc.'s repurchase of SBC Communications Inc.'s (SBC) 20% interest in BCH in 2002.

Bell Globemedia Inc. (Bell Globemedia) – provides information and entertainment services to Canadian customers, as well as access to distinctive Canadian content.

This segment represents the consolidation of CTV Inc. (CTV), The Globe and Mail, Bell Globemedia Interactive and other media interests. BCE Inc. owns 70.1% of Bell Globemedia. The Thomson Corporation owns 20%, and The Woodbridge Company Limited owns 9.9%.

BCE Emergis Inc. (BCE Emergis) – provides eBusiness services that automate transactions between companies and allows them to interact and transact in real-time. It focuses on claims processing, electronic bill presentment and payment services for the finance services and health industries. BCE Inc. owns approximately 65% of BCE Emergis. The remaining common shares are publicly held.

BCE Ventures – consists of our interests in Telesat Canada (Telesat), CGI Group Inc. (CGI) and other investments.

The accounting policies of the segments are the same as those we describe in Note 1, *Significant accounting policies.* Segments negotiate sales between each other as if they were unrelated parties.

We measure the profitability of each segment based on its contribution to consolidated net earnings.

GEOGRAPHIC INFORMATION

The table below shows financial information by geographic area. The geographic areas are based on where the selling organization, capital assets and goodwill are located.

For the year ended December 31	**2002**		**2001**		**2000**	
	Revenues from external customers	**Capital assets and goodwill**	**Revenues from external customers**	**Capital assets and goodwill**	**Revenues from external customers**	**Capital assets and goodwill**
Canada	**18,766**	**29,403**	18,402	29,527	16,039	25,218
United States	**771**	**964**	684	6,201	493	10,169
Other foreign countries	**231**	**376**	254	6,181	136	3,218
Total	**19,768**	**30,743**	19,340	41,909	16,668	38,605

BUSINESS SEGMENTS

The table below is a summary of financial information by segment.

	Bell Canada	**Bell Globe-media**	**BCE Emergis**	**BCE Ventures**	**Corpo-rate and other [a]**	**BCE Consoli-dated**
For the year ended December 31, 2002						
Operating revenues						
External customers	**17,318**	**1,246**	**399**	**796**	**9**	**19,768**
Inter-segment	**171**	**44**	**141**	**268**	**(624)**	**–**
Total operating revenues	**17,489**	**1,290**	**540**	**1,064**	**(615)**	**19,768**
Operating expenses	**10,200**	**1,110**	**510**	**775**	**(449)**	**12,146**
Amortization expense	**2,935**	**67**	**66**	**122**	**(44)**	**3,146**
Net benefit plans (credit) expense	**(38)**	**3**	**2**	**–**	**–**	**(33)**
Restructuring and other charges	**675**	**–**	**119**	**–**	**93**	**887**

Operating income (loss)	**3,717**	**110**	**(157)**	**167**	**(215)**	**3,622**
Interest income	**42**	**–**	**3**	**2**	**18**	**65**
Interest expense	**1,145**	**39**	**4**	**35**	**(62)**	**1,161**
Equity in net earnings (losses) of significantly influenced companies	**(3)**	**1**	**–**	**–**	**16**	**14**
Goodwill impairment charge	**55**	**715**	**–**	**–**	**–**	**770**
Income tax recovery (expense)	**(1,637)**	**(34)**	**44**	**(65)**	**99**	**(1,593)**
Earnings (loss) from continuing operations [(b)]	**2,423**	**(492)**	**(51)**	**131**	**(113)**	**1,898**
Segment assets	**33,817**	**3,238**	**926**	**2,554**	**(972)**	**39,563**
Capital expenditures	**3,428**	**47**	**24**	**232**	**40**	**3,771**
Transitional goodwill impairment charge	**–**	**953**	**183**	**–**	**7,516**	**8,652**
Goodwill acquired through business combinations	**5,458**	**–**	**–**	**14**	**–**	**5,472**
For the year ended December 31, 2001						
Operating revenues						
External customers	17,038	1,175	451	670	6	19,340
Inter-segment	164	28	205	374	(771)	–
Total operating revenues	17,202	1,203	656	1,044	(765)	19,340
Operating expenses	10,326	1,095	529	754	(606)	12,098
Amortization expense	2,934	265	452	152	23	3,826
Net benefit plans (credit) expense	(128)	1	–	–	6	(121)
Restructuring and other charges	975	5	–	–	–	980
Operating income (loss)	3,095	(163)	(325)	138	(188)	2,557
Interest income	11	2	5	5	90	113
Interest expense	1,118	35	33	64	(194)	1,056
Equity in net losses of significantly influenced companies	(26)	(4)	–	–	11	(19)
Income tax expense	(866)	(15)	(21)	(27)	(830)	(1,759)
Earnings (loss) from continuing operations [(b)]	663	(150)	(281)	270	3,069	3,571
Segment assets	26,859	5,139	1,107	8,232	12,737	54,074
Capital expenditures	4,632	114	58	120	75	4,999

Note 2 **SEGMENTED INFORMATION** *continued*

Business segments *continued*

	Bell Canada	Bell Globe-media	BCE Emergis	BCE Ventures	Corpo-rate and other [a]	BCE Consoli-dated
For the year ended December 31, 2000						
Operating revenues	15,800	98	468	939	(637)	16,668
Operating expenses	9,280	106	393	742	(568)	9,953
Amortization expense	2,829	7	346	160	10	3,352
Net benefit plans credit	(109)	–	–	–	–	(109)
Operating income (loss)	3,800	(15)	(271)	37	(79)	3,472
Interest income	14	1	6	7	124	152
Interest expense	1,028	4	36	80	(213)	935
Equity in net earnings (losses) of significantly influenced companies	3	15	–	(9)	–	9
Income tax recovery (expense)	(1,238)	(7)	6	10	(109)	(1,338)
Earnings (loss) from continuing operations [b]	987	(78)	(209)	66	207	973

[a] This includes eliminations of revenues between segments and discontinued operations.

[b] This represents each segment's contribution to consolidated net earnings.

Note 3 **BUSINESS ACQUISITIONS AND DISPOSITIONS**

All of the acquisitions described in this note have been accounted for using the purchase method of accounting. The consolidated statements of operations include the results of the acquired businesses from the date of acquisition.

2002

Repurchase of SBC's 20% interest in BCH
On June 28, 2002, BCE Inc., BCH and entities controlled by SBC entered into agreements that ultimately led to BCE Inc.'s repurchase of SBC's 20% interest in BCH for $6.32 billion. Under these agreements, BCH bought for cancellation a portion of its outstanding shares from SBC on June 28, 2002 for $1.33 billion in cash. This increased BCE Inc.'s ownership in BCH to 83.5%. BCE Inc. completed the repurchase of SBC's remaining 16.5% interest in BCH on December 2, 2002 for $4.99 billion in cash.

We have preliminarily allocated $5.4 billion to goodwill, which is the amount of the purchase price that exceeds the carrying value of the 20% interest in BCH. The purchase price allocation will be completed in 2003, and this amount will be reallocated to BCH's individual net assets, including intangibles, based on a valuation of those assets. Any excess will remain in goodwill.

Sale of directories business
On November 29, 2002, Bell Canada and certain affiliates completed the sale of their print and electronic directories business for approximately $3 billion in cash. As a result, we recorded a pre-tax gain on the sale of $2.3 billion. The buyers own an approximate 90% equity interest of an acquisition vehicle that holds the directories business. Bell Canada indirectly acquired an approximate 10% interest in the acquisition vehicle for approximately $91 million, which is accounted for under the cost method.

Creation of Bell West Inc.
In April 2002, Bell Canada and Manitoba Telecom Services Inc. (MTS) created Bell West by combining Bell Canada's interests in the wireline assets of BCE Nexxia Inc. in Alberta and British Columbia with Bell Canada's and MTS' investment in Bell Intrigna Inc. Bell West provides telecommunications services in those two provinces and operates under the Bell brand.

As a result of this transaction, Bell Canada owns 60% of Bell West and MTS owns 40%. The terms of the agreement between Bell Canada and MTS also include certain put and call options relating to MTS' 40% ownership of Bell West. Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for details.

MTS is approximately 22% owned by Bell Canada and is a related party.

Creation of the Bell Nordiq Income Fund
In April 2002, Bell Canada announced the initial public offering of units of the Bell Nordiq Income Fund. The Fund acquired a 37% interest in each of Télébec Limited Partnership and Northern Telephone Limited Partnership from Bell Canada. Bell Canada retains management control over both partnerships and holds an approximate 63% interest in the partnerships. Bell Canada received gross proceeds of $324 million and

recorded a pre-tax gain of $222 million on this transaction.

2001

Creation of Bell Globemedia
On January 9, 2001, BCE created Bell Globemedia by transferring its interests in CTV, Sympatico-Lycos and other media interests to Bell Globemedia. Other parties contributed $385 million in cash and The Globe and Mail. We accounted for this transaction at fair value and recognized a $33 million gain on reduction of ownership in subsidiary companies. We allocated the purchase price to tangible assets ($172 million), liabilities ($63 million) and goodwill ($668 million).

Acquisition of CFCF-TV, CKY-TV and The Comedy Network
In December 2001, Bell Globemedia acquired 29.9% of The Comedy Network for approximately $36 million, bringing its total interest to 95.0%.

In November 2001, Bell Globemedia completed the acquisition of Report on Business Tv from affiliates of The Thomson Corporation, under a previous agreement, whereby Bell Globemedia had recorded an amount receivable of $60 million on its balance sheet, with an effective purchase price of $61 million.

Effective September 1, 2001, Bell Globemedia completed the acquisitions of two CTV-affiliated television stations, CFCF-TV in Montreal and CKY-TV in Winnipeg, for a total of approximately $183 million in cash.

We allocated the total purchase price to tangible assets ($45 million), liabilities ($42 million, including $34 million of benefits and other costs payable on the acquisition), and goodwill and other intangible assets ($277 million).

Note 3 **BUSINESS ACQUISITIONS AND DISPOSITIONS** *continued*

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

Acquisition of Telet and Americel
On March 13, 2001, Telecom Américas Ltd. (Telecom Américas), a joint venture of BCI, announced agreements to acquire an additional economic interest of approximately 65% in each of the Brazilian cellular companies, Telet S.A. (Telet) and Americel S.A. (Americel), for a total of approximately US$580 million. This acquisition was intended to increase Telecom Américas' economic interest to approximately 81% in both companies. In 2001, Telecom Américas bought an additional 60% interest in Telet and Americel for approximately US$545 million.

Investment in Algar Telecom Leste
On March 27, 2001, Telecom Américas invested $470 million in Algar Telecom Leste S.A (ATL), increasing its economic interest in ATL to 59% from 50%. As a result of this transaction, BCI indirectly invested $208 million in ATL and increased its economic interest to 24.6% from 22.1%. We allocated BCI's proportionate interest of the purchase price to tangible assets ($483 million), liabilities ($360 million) and goodwill ($85 million). Effective March 27, 2001, we changed how we account for ATL from proportionate consolidation to full consolidation.

Acquisition of Tess S.A
On April 9, 2001, Telecom Américas closed its agreement to acquire a 100% interest in Tess S.A. for a total of approximately US$950 million or $1,480 million. The purchase price included US$319 million in cash and US$631 million in notes payable, which had a fair value of US$571 million. The effective purchase price was US$890 million. We allocated BCI's proportionate interest of the purchase price of $617 million to tangible assets ($793 million), liabilities ($638 million) and goodwill ($462 million).

Acquisition of IMRglobal
On July 27, 2001, CGI acquired all of the outstanding common shares of IMRglobal Corp. for a total of $553 million, based on 1.5974 Class A subordinate shares of CGI for each IMRglobal Corp. common share. We allocated the total purchase price to tangible assets ($165 million), liabilities ($191 million) and goodwill ($579 million).

Acquisition of Techtel
On August 31, 2001, Telecom Américas acquired a 60% economic interest in Techtel-LMDS Comunicaciones Interativas, S.A. (Techtel), for a total of US$210 million. América Móvil S.A. de C.V. (América Móvil) contributed its investment in Techtel to Telecom Américas in exchange for shares, based on the September 25, 2000 joint venture agreement.

As a result of this transaction, BCI effectively acquired a 25% economic interest in Techtel for $135 million (US$88 million). We allocated BCI's proportionate interest of the purchase price to tangible assets ($112 million), liabilities ($72 million) and goodwill ($95 million). Please see in Note 3, *Business acquisitions and dispositions – Creation of Telecom Américas,* for more information about the September 25, 2000 agreement.

2000

Investment in Aliant
In January 2000, we increased our ownership in Aliant to approximately 53% from approximately 41% for $435 million in cash. Aliant is a provider of telecommunications services, as well as information technology, remote communications services and Internet-based solutions. We allocated the purchase price to tangible assets ($2,885 million), liabilities ($2,757 million) and goodwill ($307 million).

Acquisition of CTV
In April 2000, we completed the acquisition of all of the outstanding common shares of CTV, including those held by Electrohome Broadcasting Inc., for approximately $2.3 billion in cash. CTV, including its subsidiary NetStar Communications Inc., is a conventional and specialty broadcaster with a local presence across Canada.

The CTV shares were transferred to a trustee until the Canadian Radio-television and Telecommunications Commission (CRTC) and other regulatory bodies approved the acquisition on December 7, 2000. During this period, we accounted for the investment in CTV using the equity method. Starting in December 2000, our results reflect the consolidation of CTV.

As part of the CRTC approval process, by 2007 we are required to spend 10% of the value of the transaction – or approximately $230 million – on initiatives that will benefit the Canadian broadcasting industry. We have included these initiatives in the purchase price of the acquisition of CTV, bringing the total purchase price to approximately $2.5 billion. We allocated the purchase price to tangible assets ($1.7 billion), liabilities ($1.1 billion) and goodwill ($1.9 billion).

Acquisition of Teleglobe
On November 1, 2000, we completed the acquisition of all of the outstanding common shares of Teleglobe that we did not already own. The total purchase price of $7.4 billion consisted of $240 million in cash and $7.2 billion in BCE Inc. common shares. Approximately 174 million BCE Inc. common shares were issued at $41.20 per common share. This price was the average of the high and low market value of the shares on November 1, 2000.

We allocated the purchase price to tangible assets ($3.7 billion), liabilities ($4.4 billion) and goodwill ($8.1 billion). As a result of finalizing the purchase price allocation and Teleglobe's 2000 year-end financial statements, we recorded a charge of $60 million relating to our share of asset

write-downs and one-time charges that Teleglobe recorded in the fourth quarter of 2000.

We sold our interest in Teleglobe in 2002. Please see Note 8, *Discontinued operations,* for more information.

Acquisition of UP&UP

On March 24, 2000, BCE Emergis completed the acquisition of all of the outstanding shares of United Payors & United Providers, Inc. (UP&UP). UP&UP provides health claims processing services in the United States. The total purchase price was approximately $824 million in cash, subject to adjustments. We allocated the purchase price to tangible assets ($183 million), liabilities ($23 million) and goodwill ($664 million).

Note 3 **BUSINESS ACQUISITIONS AND DISPOSITIONS** *continued*

Creation of Telecom Américas
On November 16, 2000, BCI, América Móvil and SBC International, Inc. announced that they were closing their September 25, 2000 joint venture agreement and forming Telecom Américas.

Telefonos de Mexico S.A. de C.V., one of the parties to the September 25, 2000 agreement, later assigned its rights to América Móvil. América Móvil now holds the cellular operations and most of the international investments of Telefonos de Mexico S.A. de C.V.

BCI and América Móvil each initially held a 44.3% interest in Telecom Américas. SBC International held an 11.4% interest.

Telecom Américas' initial capitalization was approximately US$4 billion and included:

- the Latin American assets of BCI (not including Vésper S.A., Vésper São Paulo S.A. and the Internet service provider, Vento Ltda. (collectively, the Vésper companies) and Axtel S.A. de C.V. of Mexico)
- América Móvil's and SBC International's investments in the Brazilian wireless company ATL-Algar Telecom Leste S.A (ATL).

BCI sold its interest in Telecom Américas in 2002. Please see Note 8, *Discontinued operations,* for more information.

Note 4 **RESTRUCTURING AND OTHER CHARGES**

2002

Streamlining at Bell Canada and other charges
Bell Canada recorded a pre-tax charge of $302 million in the fourth quarter of 2002 ($190 million after-tax). This charge represented restructuring charges of $232 million and other charges of $70 million.

The restructuring charges were primarily from streamlining Bell Canada's management, line and other support functions, and included severance for approximately 1,700 employees, enhanced pension benefits and other employee costs. This is expected to be completed in 2003.

Other charges consisted primarily of various accounts receivable write-downs relating to billing adjustments and unreconciled balances from prior years that were identified during the year.

At December 31, 2002, $111 million of the restructuring provision remained unpaid.

Write-off of deferred costs
BCE Inc. recorded a pre-tax charge of $93 million ($61 million after-tax) in the fourth quarter of 2002. This charge represented a write-off of deferred costs relating to various convergence initiatives after an analysis indicated that it is unlikely that these costs will be recovered.

Pay equity settlement
On September 25, 2002, the members of the Canadian Telecommunications Employees' Association (CTEA) ratified a settlement reached between the CTEA and Bell Canada relating to the 1994 pay equity complaints that the CTEA filed on behalf of its members before the Canadian Human Rights Commission. The settlement included a cash payout of $128 million and related pension benefits of approximately $50 million.

As a result of the settlement, Bell Canada recorded a one-time charge of $79 million in the third quarter of 2002. BCE's share was $37 million on an after-tax basis. The one-time charge is equal to the $128 million cash payout, net of a previously recorded provision. We are deferring and amortizing the pension benefits into earnings over the estimated average remaining service life of active employees and the estimated average remaining life of retired employees.

Write-down of Bell Canada's accounts receivable
Coincident with the development of a new billing platform, Bell Canada has adopted a new and more precise methodology to analyze the amount of receivables by customer as well as by service line and that permits a more accurate determination of the validity of customer balances owed to Bell Canada. This analysis indicated that as at June 30, 2002 a write-down of accounts receivable amounting to $272 million (BCE's share is $142 million on an after-tax basis) was appropriate.

As these amounts arose from legacy billing systems and processes, Bell Canada has carried out a detailed review of billings and adjustments for the period from 1997 to 2002. This review determined that these amounts arose as the cumulative result of a series of individually immaterial events and transactions pertaining to its legacy accounts receivable systems dating back to the early 1990s.

Streamlining at BCE Emergis
BCE Emergis recorded a pre-tax charge of $119 million in the second quarter of 2002. BCE's share was $63 million on an after-tax basis. This pre-tax charge represented restructuring charges of $95 million and other charges of $24 million that were related to the write-off of certain assets, severance and other employee costs, contract settlements and costs of leased properties no longer in use, and was reduced by the proceeds of disposition of certain exited activities. All of these charges were primarily from streamlining BCE Emergis' services and reducing its operating cost structure. At December 31, 2002, $23 million of the restructuring provision remained unpaid.

2001

Streamlining the Bell Canada segment
The Bell Canada segment recorded pre-tax charges totalling $975 million in the first and fourth quarters of 2001. BCE's share was $461 million on an after-tax basis. These charges represented restructuring charges of $555 million and other charges of $420 million.

The restructuring charges were from the Bell Canada segment's streamlining initiatives and included employee severance for approximately 4,700 employees, enhanced pension benefits and other employee costs. The restructuring programs were completed in 2002.

Other charges consisted of the write-down of Bell Mobility's wireless capital assets, in particular, its analogue networks, paging networks and PCS base stations.

Note 5 **OTHER INCOME**

For the year ended December 31	**2002**	2001	2000
Net gains on investments	**2,427**	4,044	–
Foreign currency gains (losses)	**36**	(83)	(34)
Other	**5**	54	131
Total other income	**2,468**	4,015	97

Note 5 **OTHER INCOME** *continued*

2002

Net gains on investments were primarily from:

- selling the directories business ($2.3 billion)
- selling a 37% interest in each of Télébec Limited Partnership and Northern Telephone Limited Partnership when the Bell Nordiq Income Fund was created ($222 million)
- writing down our portfolio investment in Nortel Networks Corporation (Nortel Networks) ($98 million).

Included in *Other* is a $30 million write-down of deferred debt issuance costs relating to the early retirement of credit facilities.

2001

Net gains on investments were primarily from:

- settling short-term forward contracts on approximately 47.9 million Nortel Networks common shares and selling the same number of Nortel Networks common shares ($3.7 billion)
- the issuance of shares by CGI, Aliant and BCE Emergis to third parties relating to business acquisitions and public offerings ($265 million).

Note 6 **INTEREST EXPENSE**

For the year ended December 31	2002	2001	2000
Interest expense on long-term debt	**1,041**	952	737
Interest expense on other debt	**120**	104	198
Total interest expense	**1,161**	1,056	935

Note 7 **INCOME TAXES**

The table below is a reconciliation of income taxes at Canadian statutory rates of 37.4% in 2002, 40.1% in 2001 and 41.9% in 2000, and the amount of reported income taxes.

For the year ended December 31	2002	2001	2000
Income taxes computed at statutory rates	**1,555**	2,206	1,072
Gains on reduction of ownership in subsidiaries and joint ventures	**(18)**	(144)	(2)
Losses not tax affected	**15**	23	15
Equity in net losses (earnings) of significantly influenced companies	**(22)**	4	(40)
Net gains on disposal of investments	**(294)**	(766)	(210)
Difference between Canadian statutory rates and those applicable to subsidiaries	**37**	12	222
Large corporations tax	**31**	33	17
Reduction in Canadian statutory rate	**(3)**	48	48
Goodwill amortization	**–**	297	208
Goodwill impairment	**289**	–	–
Other	**3**	46	8
Total income tax expense	**1,593**	1,759	1,338

The table below shows the significant components of the provision for income taxes attributable to continuing operations.

For the year ended December 31	2002	2001	2000
Current income taxes	**991**	1,590	1,390

Future income taxes			
Recognition of loss carryforwards	**(303)**	333	(229)
Tax rate changes	**(9)**	59	59
Change in temporary differences and other	**914**	(223)	118
Total income tax expense	**1,593**	1,759	1,338

The table below shows future income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes as well as tax loss carryforwards.

At December 31	**2002**	**2001**
Non-capital loss carryforwards	**873**	813
Capital loss carryforwards	**25**	32
Capital assets	**(51)**	62
Employee benefit plans	**(257)**	(275)
Investment tax credits	**(40)**	(63)
Investments	**42**	71
Other	**(608)**	(434)
Net future income taxes	**(16)**	206
Future income taxes are composed of:		
Future income tax asset – current portion	**124**	99
Future income tax asset – long-term portion	**675**	1,031
Future income tax liability – long-term	**(815)**	(924)
Net future income taxes	**(16)**	206

At December 31, 2002, BCE Inc. had the following non-capital loss carryforwards:

- approximately $2,593 million for which we recognized a future tax asset of $873 million for financial reporting purposes. $2,404 million expires in varying annual amounts through 2009. $189 million expires in varying annual amounts between 2010 and 2022
- approximately $164 million for which no future tax asset has been recognized for financial reporting purposes. $61 million expires in varying annual amounts through 2009. $103 million expires in varying annual amounts between 2010 and 2022.

At December 31, 2002, BCE Inc. had the following capital loss carryforwards:

- approximately $147 million that can be carried forward indefinitely, for which we recognized a future tax asset of $25 million for financial reporting purposes
- approximately $4,098 million that can be carried forward indefinitely, for which no future tax asset has been recognized for financial reporting purposes.

Note 8 **DISCONTINUED OPERATIONS**

For the year ended December 31	2002	2001	2000
Teleglobe	**893**	(2,810)	(359)
BCI	**(316)**	(247)	116
Nortel Networks	**–**	–	4,055
Net earnings (loss) from discontinued operations	**577**	(3,057)	3,812

TELEGLOBE

Teleglobe provided international voice and data telecommunications services. Until the second quarter of 2002, it also provided retail telecommunications services through its investment in the Excel Communications group (Excel). These services included long distance, paging and Internet services to residential and business customers in North America.

Teleglobe's results of operations include an impairment charge of $2,049 million that was recorded in the first quarter of 2001 after it completed an assessment of the carrying value of its investment in Excel.

Our exit from Teleglobe
On April 24, 2002, BCE Inc. announced that it would stop providing long-term funding to Teleglobe. This decision was based on a number of factors, including:

- a revised business plan and outlook for the principal operating segment of Teleglobe and associated funding requirements
- a revised assessment of its prospects
- a comprehensive analysis of the state of its industry.

In light of this decision, Teleglobe announced that it would explore a range of financial restructuring alternatives, potential partnerships and business combinations. Also on April 24, 2002, all of the Teleglobe board members who were affiliated with BCE Inc. resigned from the Teleglobe board.

In effect, these events resulted in BCE Inc. exiting the Teleglobe business and the eventual material reduction in our approximate 96% economic and voting interest in Teleglobe as a result of the ongoing restructuring of Teleglobe. As a result, effective April 24, 2002 we reclassified Teleglobe's financial results as a discontinued operation.

Our management completed its assessment of the net realizable value of our interest in the net assets of Teleglobe and determined it to be zero. This resulted in a loss from discontinued operations of $73 million in the second quarter of 2002. This loss is in addition to the transitional goodwill impairment charge of $7,516 million to opening retained earnings as of January 1, 2002, which was required by the transitional provisions of the new CICA Handbook section 3062. Please see Note 1, *Significant accounting policies,* for more information about the transitional provisions.

Significant developments
On May 15, 2002 and later in the year, Teleglobe and certain of its subsidiaries filed for court protection under insolvency statutes in various countries, including Canada and the United States. On September 19, 2002, Teleglobe announced the execution of agreements for the sale of its core telecommunications business. Effective November 30, 2002, BCE Inc.'s debtor-in-possession and employee severance and retention facilities were fully repaid by Teleglobe and terminated.

On December 31, 2002, after obtaining court approval, we sold all of our common and preferred shares in Teleglobe to the court-appointed monitor for a nominal amount. The sale triggered approximately $10 billion of capital losses for tax purposes. We recorded a gain of $1,042 million, relating primarily to the tax benefit from:

- reinstating non-capital loss carryforwards that were previously used to offset gains incurred on the transactions related to the disposition of Nortel Networks shares in 2001
- applying a portion of the capital losses against the gain on the sale of the directories business in 2002.

The tax benefit associated with the unused capital losses has not been reflected in these financial statements.

Change in how we account for Teleglobe
Effective May 15, 2002, we stopped consolidating Teleglobe's financial results and started accounting for the investment at cost. We made this change because:

- our management did not expect to realize any future economic benefits from our approximate 96% economic and voting interest in Teleglobe

- we had not guaranteed any of Teleglobe's obligations
- we stopped providing long-term funding to Teleglobe.

Our interest in Teleglobe's net assets on May 15, 2002 included:

- current assets of $1.4 billion
- non-current assets of $4.3 billion
- current liabilities of $3.6 billion
- non-current liabilities of $2.1 billion.

Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for information about the lending syndicate lawsuit filed against BCE Inc.

BCI

Before selling its interest in Telecom Américas, BCI developed and operated communications companies in markets outside Canada, with a focus on Latin America. Effective January 1, 2002, we adopted a formal plan to dispose of our operations in BCI. As a result, we have reported BCI's results as a discontinued operation.

BCI's plan of arrangement
BCI completed the sale of its interest in Telecom Américas in July 2002. BCI held most of its investments through Telecom Américas.

BCI will be liquidated once all of its assets have been disposed of and all claims against it have been determined. A final distribution will be made to BCI's creditors and shareholders with the approval of the court.

Change in how we account for BCI
Effective June 30, 2002, we stopped consolidating BCI's financial results and started accounting for the investment at cost. We recorded a charge of $316 million in 2002 ($191 million in the second quarter and $125 million in the fourth quarter). This represents a write-down of our investment in BCI to our estimate of its net realizable value at that time.

NORTEL NETWORKS

Discontinued operations in 2000 include our share of Nortel Networks' net earnings and gains on the reduction of our ownership in Nortel Networks ($4.2 billion).

In May 2000, we distributed an approximate 35% interest in Nortel Networks to BCE Inc. common shareholders. BCE Inc. common shareholders received approximately 1.57 post-split common shares of Nortel Networks for each common share

Note 8 **DISCONTINUED OPERATIONS** *continued*

of BCE Inc. they held. We recorded this transaction as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE Inc.'s approximate 37% interest in Nortel Networks before the distribution. This resulted in:

- a decrease of $10 billion in our equity investment in Nortel Networks
- a decrease of $10.1 billion, including transaction costs of $70 million, in retained earnings
- an increase of $150 million in currency translation adjustment.

Since May 2000, we have recorded our remaining interest in Nortel Networks as an investment at cost.

The table below shows amounts included in the consolidated balance sheets that relate to discontinued operations.

At December 31	2002	2001
Current assets	**–**	1,957
Non-current assets	**50**	16,576
Current liabilities	**–**	(5,855)
Non-current liabilities	**–**	(5,250)
Net assets of discontinued operations	**50**	7,428

The table below is a summarized statement of operations for the discontinued operations.

For the year ended December 31	2002	2001	2000
Revenue	**681**	3,695	1,426
Operating earnings (loss) from discontinued operations, before tax	**(123)**	(3,407)	2,776
Gain (loss) on discontinued operations, before tax	**(407)**	461	1,158
Income tax recovery on operating earnings (loss)	**40**	209	16
Income tax recovery (expense) on loss (gain)	**1,060**	(45)	(82)
Non-controlling interest	**7**	(275)	(56)
Net earnings (loss) from discontinued operations	**577**	(3,057)	3,812

Note 9 **EARNINGS PER SHARE DISCLOSURES**

The table below is a reconciliation of the data used to determine basic and diluted earnings per common share.

For the year ended December 31	2002	2001	2000
Earnings from continuing operations (numerator) ($ millions)			
Earnings from continuing operations	**1,898**	3,571	973
Dividends on preferred shares	**(59)**	(64)	(79)
Earnings from continuing operations – basic	**1,839**	3,507	894
Exercise of put options by CGI shareholders	**12**	2	(19)
Earnings from continuing operations – diluted	**1,851**	3,509	875
Weighted-average number of common shares outstanding (denominator) (millions)			
Weighted-average number of common shares outstanding – basic	**847.9**	807.9	670.0
Exercise of stock options	**2.0**	4.4	2.3
Exercise of put options by CGI shareholders	**13.0**	5.6	3.8
Weighted-average number of common shares outstanding – diluted	**862.9**	817.9	676.1

Note 10 **CAPITAL ASSETS**

At December 31	2002			2001
	Cost	Accumulated Amortization	Net book value	Net book value
Telecommunications assets	**34,573**	**21,848**	**12,725**	13,799
Machinery and equipment	**6,144**	**3,253**	**2,891**	3,348
Buildings	**2,585**	**1,307**	**1,278**	1,561
Plant under construction	**1,743**	**–**	**1,743**	3,832
Land	**99**	**–**	**99**	124
Other	**357**	**139**	**218**	513
Total property, plant and equipment	**45,501**	**26,547**	**18,954**	23,177
Finite-life intangible assets	**3,021**	**1,335**	**1,686**	2,785
Total capital assets	**48,522**	**27,882**	**20,640**	25,962

Amortization of capital assets was $3,127 million in 2002, $3,331 million in 2001 and $3,084 million in 2000. We capitalized total interest cost of $25 million in 2002, $47 million in 2001 and $21 million in 2000 as capital assets.

Note 11 **OTHER LONG-TERM ASSETS**

At December 31	2002	2001
Investments at equity [(a)]	**495**	521
Investments at cost	**282**	585
Future income taxes (Note 7)	**675**	1,031
Accrued benefit asset (Note 20)	**2,070**	1,988
Long-term notes and other receivables	**211**	253
Customer acquisition costs	**371**	336
Deferred development costs	**34**	159
Deferred debt issuance costs	**95**	110
Other	**122**	398
Total other long-term assets	**4,355**	5,381

(a) This includes implicit goodwill of $207 million at December 31, 2002 and $171 million at December 31, 2001.

Amortization of deferred charges was $39 million in 2002, $62 million in 2001 and $118 million in 2000.

Note 12 **INDEFINITE-LIFE INTANGIBLE ASSETS**

At December 31	2002	2001
Intangible assets, January 1	**884**	–
Intangible assets acquired during the year	**–**	861
Capitalized interest on spectrum licences	**16**	23
Intangible assets, December 31	**900**	884
Consisting of:		
Spectrum licences	**754**	738
Television licences	**128**	128
Cable licences	**18**	18
Total	**900**	884

In the fourth quarter of 2002, BCE completed its annual impairment test for indefinite-life intangible assets, as required by the provisions of the CICA Handbook section 3062, and determined that these assets were not impaired.

Note 13 **GOODWILL**

	2002
Goodwill, January 1	**15,947**
Transitional goodwill impairment charge [(a)]	**(8,652)**
Goodwill acquired during the year [(b)]	**5,472**
Goodwill disposed during the year [(c)]	**(218)**
Deconsolidation of Teleglobe and BCI [(d)]	**(1,754)**
Impairment charge [(e)]	**(770)**
Other	**78**
Goodwill, December 31	**10,103**

(a) An impairment of $8,652 million was applied to goodwill as of January 1, 2002, as required by the transitional provisions of the new CICA Handbook section 3062. Please see Note 1, *Significant accounting policies,* for more information.

(b) The goodwill acquired in 2002 relates primarily to the acquisition of SBC's 20% interest in BCH. Please see Note 3, *Business acquisitions and dispositions,* for more information.

(c) The goodwill disposed of in 2002 relates primarily to the sale of the directories business. Please see Note 3, *Business acquisitions and dispositions,* for more information.

(d) Effective in the second quarter of 2002, BCE stopped consolidating the financial results of Teleglobe and BCI. Please see Note 8, *Discontinued operations,* for more information.

(e) In the fourth quarter of 2002, BCE completed its annual assessment of goodwill of all of its reporting units, as required by the provisions of CICA Handbook section 3062. It recorded a charge to pre-tax earnings of $770 million ($530 million after non-controlling interest), relating to impaired goodwill of reporting units in Bell Globemedia ($715 million) and Aliant ($55 million). In each case, the goodwill was written down to its estimated fair value, which was determined based on estimates of discounted future cash flows and confirmed by market-related values.

The primary factor contributing to the impairment at Bell Globemedia was a revised estimate of future cash flows, which reflects management's decision to scale back its trials in convergence products and other non-core businesses, as well as current market conditions for the media business. The write-down at Aliant was determined to be appropriate in light of current market conditions and the recent weak performance of its information technology business.

Note 14 **DEBT DUE WITHIN ONE YEAR**

At December 31	Interest rate[(1)]	Maturity[(1)]	2002	2001
Bank advances	4.54%	N/A	**267**	2,589
Notes payable	3.48%	30 days	**63**	998
Long-term debt due within one year (Note 15)			**1,696**	1,676
Total debt due within one year			**2,026**	5,263

(1) Weighted-average

We expect to repay debt due within one year with funds generated internally, or by refinancing it with debt.

The conditions of some of the credit agreements require us to meet specific financial ratios and to place restrictions on acquiring capital assets and paying dividends.

Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for more details on our credit and other bank facilities.

Note 15 **LONG-TERM DEBT**

At December 31	Interest rate	Maturity	2002	2001
BCE Inc.				

Notes [a]	6.86%[1]	2006-2009	**2,000**	–
Notes payable to SBC	6.00%	2004	**314**	–
Total – BCE Inc.			**2,314**	–
Bell Canada				
Debentures and notes [b]	7.43%[1]	2003-2054	**9,609**	9,057
Subordinated debentures	8.21%[1]	2026-2031	**275**	275
Capital leases [c]			**427**	152
Other			**219**	415
Total – Bell Canada			**10,530**	9,899
Aliant				
Debentures and notes [d]	7.80%[1]	2003-2025	**1,058**	1,013
Acquisition facility (US $28 million)[e]	LIBOR + 2.50%	2004	**44**	318
Term debt (US $185 million) [f]	LIBOR + 2.50%	2005	**292**	199
Other			**15**	16
Total – Aliant			**1,409**	1,546
Bell Globemedia				
Revolving reducing term credit agreements [g]	3.85%[1]	2006-2007	**300**	325
Notes and other	7.15%	2009	**150**	160
Total – Bell Globemedia			**450**	485
Telesat – Notes and other	7.84%[1]	2003-2009	**295**	371
Teleglobe and BCI [h]			**–**	4,134
Other			**93**	102
Total debt			**15,091**	16,537
Less: Amount due within one year (Note 14)			**(1,696)**	(1,676)
Long-term debt			**13,395**	14,861

[1] Weighted-average interest rate

BCE Inc.

(a) All notes are unsecured. BCE Inc. has the option to redeem $1.7 billion in notes at any time.

Bell Canada

(b) All debentures and notes are unsecured and include:

- US$400 million maturing in 2006 and 2010. The US$200 million maturing in 2006 have been swapped into Canadian dollars.
- 300 million Swiss francs due in 2003, which have been effectively swapped or converted into Canadian dollars.

In addition, $375 million of long-term debt contains call options that allow for early repayment of the principal amounts when certain premiums are paid.

(c) Includes capital leases of $71 million in 2002 and $66 million in 2001, net of loans receivable of $319 million in 2002 and $335 million in 2001. These obligations were from agreements that Bell Canada entered into in 1999 and 2001 to sell and lease back telecommunication equipment for total proceeds of $399 million. Some of the proceeds were invested in interest-bearing loans receivable. These capital leases, net of loans receivable, were originally issued for US$39 million and have been swapped into Canadian dollar obligations.

Note 15 **LONG-TERM DEBT** *continued*

Aliant

(d) All debentures and notes are unsecured. The bonds are secured by deeds of trust and mortgage, and by supplemental deeds. These instruments consist of:

- a first fixed and specific mortgage
- a pledge and charge on all of Aliant Telecom Inc.'s real and immovable property and equipment
- a floating charge on all other present and future property of Aliant Telecom Inc.

(e) Stratos Global Corporation, a subsidiary of Aliant, has provided a first priority interest over all of its assets as collateral for the acquisition facility and term debt.

(f) US$180 million of the term debt has fixed interest rates through swap agreements.

Bell Globemedia

(g) Assets of CTV and one of its subsidiaries, CTV Specialty Television, are collateral for these agreements. CTV Specialty Television has fixed interest rates through swap agreements on $95 million of bank indebtedness.

Teleglobe and BCI

(h) Effective the second quarter of 2002, we stopped consolidating the financial results of Teleglobe and BCI.

Long-term debt maturities

Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for a schedule of maturities of long-term debt.

Restrictions

Certain debt agreements:

- require us to meet specific financial ratios
- impose covenants, maintenance and new issuance tests
- restrict the payment of dividends
- restrict our disposal of Bell Canada voting shares.

Note 16 **OTHER LONG-TERM LIABILITIES**

At December 31	2002	2001
Accrued benefit liability (Note 20)	**1,377**	1,217
Future income taxes (Note 7)	**815**	924
CRTC benefits packages	**187**	225
BCE Inc. Series P retractable preferred shares (a)	**355**	400
BCI deferred gain on transfer of assets to Telecom Americas (Note 3)	**–**	486
Deferred revenue and gains on assets	**438**	583
Other	**669**	1,218
Total other long-term liabilities	**3,841**	5,053

(a) 14.2 million shares were outstanding at December 31, 2002. The annual dividend rate was $1.60 per share. Shareholders have the option to direct BCE Inc. to redeem all or part of the shares at $25 per share each quarter. BCE Inc. may choose, at any time, to redeem the shares at $25 per share. BCE Inc. may, at any time, create another series of preferred shares that Series P shareholders will have the option to convert into on a share-for-share basis. 1.8 million Series P shares were redeemed for $45 million in 2002.

Note 17 **FINANCIAL INSTRUMENTS**

USING DERIVATIVES

We use various derivative instruments, such as interest rate swaps, foreign currency swaps and forward contracts, primarily to manage our foreign currency and interest rate positions. The main derivative financial instruments outstanding at December 31, 2002 were:

- interest rate swaps used to hedge dividends on BCE Inc. preferred shares and interest on long-term debt
- cross-currency swaps used to hedge foreign currency risk on debt
- currency forward contracts relating mainly to a net investment in a foreign subsidiary
- forward contracts on BCE Inc. common shares to hedge the cash flow exposures related to stock compensation payments.

Please see Note 1, *Significant accounting policies,* for information about how we account for derivative instruments.

Please see Note 21, *Contractual obligations, commercial commitments and contingencies,* for a description of the significant put and call options that are outstanding.

CREDIT RISK

We are exposed to credit risk if counterparties to our derivative instruments fail to meet their obligations. We expect that our counterparties will meet their obligations because we:

- deal only with highly rated institutions that have strong credit ratings
- regularly monitor credit risk and credit exposure.

As at December 31, 2002, credit risk related to derivative instruments amounted to $143 million.

We are also exposed to credit risk from our customers, but the concentration of this risk is minimized because we have a large and diverse customer base.

CURRENCY EXPOSURES

At December 31, 2002, principal amounts to be received under currency contracts are 300 million Swiss francs, US$516 million and $566 million, whereas principal amounts to be paid under these contracts are US$553 million and $812 million.

We use these derivatives mainly to hedge foreign-denominated debt and a net investment in a foreign subsidiary. Instruments that achieve hedge accounting are marked to spot, in the same way as the underlying hedged item, while others are carried at fair value.

$715 million of our $15.1 billion of total debt is exposed to fluctuations in foreign exchange rates after hedging strategies.

Note 17 **FINANCIAL INSTRUMENTS** *continued*

INTEREST RATE EXPOSURES

Long-term debt and preferred shares are usually issued at fixed interest rates. In managing our fixed to floating interest rate mix, we entered into interest rate swaps with a notional amount of $1.4 billion, maturing in 2003, 2005 and 2007. We pay interest on swaps of $1.1 billion at the Banker's Acceptance rate and receive a weighted-average rate of 6.1%. We pay interest on swaps of $284 million at a rate of 5.4% and receive a LIBOR rate plus 2.5%.

$775 million of our $15.1 billion of total debt is exposed to fluctuations in interest rates after hedging strategies. $1.1 billion of our $1.5 billion of preferred shares is exposed to fluctuations in interest rates after hedging strategies. $266 million of our $330 million of notes payable and bank advances is exposed to fluctuations in interest rates after hedging strategies.

FAIR VALUE

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. We base fair values on estimates using present value and other valuation methods.

These estimates are significantly affected by our assumptions for the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized in the event of an actual settlement of these instruments.

The carrying value of all financial instruments approximates fair value, except for those noted in the table below.

At December 31	**2002**		**2001**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Investment in Nortel Networks [(a)]	**36**	**34**	167	154
Long-term debt due within one year	**1,696**	**1,747**	1,676	1,669
Long-term debt	**13,395**	**14,780**	14,861	15,652
Derivative instruments, net asset (liability) position:				
Forward contracts – BCE Inc. shares	**(52)**	**(58)**	(24)	(31)
Currency contracts [(b)]	**38**	**44**	(50)	(53)
Interest rate swaps	**–**	**96**	–	75
Total	**(14)**	**82**	(74)	(9)

(a) We have designated 3 million of our approximately 14 million Nortel Networks common shares to hedge our exposure to outstanding rights to SCPs. Please see Note 19, *Stock-based compensation plans,* for more information.

(b) Currency contracts include cross currency interest rate swaps and foreign currency forward contracts. We included net gains of $8 million relating to foreign currency contracts hedging a self-sustaining operation in the currency translation adjustment account in 2002 (net losses of $23 million in 2001). Some of the cross currency interest rate swaps are economic hedges but are not given hedge accounting treatment. We carry these at fair value.

SALE OF ACCOUNTS RECEIVABLE

On December 12, 2001, Bell Canada signed an agreement to sell a co-ownership interest in a pool of present and future eligible accounts receivable to a trust. On December 13, 2001, Aliant sold a direct interest in present and future eligible accounts receivable to a different trust. These types of transactions are accounted for as sales because Bell Canada and Aliant give up control over the transferred accounts receivable when they receive proceeds from the trusts.

Under the agreements, Bell Canada and Aliant continue to service the accounts receivable. Our retained interest in the accounts receivable that are collected ranks below the trusts' interests. Both transactions represent revolving sales whereby the trusts will reinvest the funds they receive from collections by buying additional interests in Bell Canada's and Aliant's accounts receivable until the agreements expire or until such time as Bell Canada or Aliant requests a reduction in the facility. The Bell Canada agreement expires on December 12, 2006. The Aliant agreement expires on December 13, 2006. The trusts and their investors have no claim on any of Bell Canada's or Aliant's other assets if customers fail to pay amounts owed on time.

We estimate the fair value of retained interests and calculate the loss on sale using a present value of estimated cash flows model. In 2002, we recognized a pre-tax loss of $27 million on the revolving sale of accounts receivable for the combined securitizations. The accounts receivable are transferred on a fully serviced basis. As a result, we recognize a servicing liability on the date of the transfer and amortize this

liability to income over the expected life of the transferred accounts receivable.

The table below shows key balances for the combined securitizations at December 31, 2002 and the assumptions that were used in the model on both the date of transfer and at December 31, 2002.

	2002	2001
Securitized interest in accounts receivable	**1,035**	1,025
Retained interest	**154**	102
Servicing liability	**1.5**	1.5
Average accounts receivable managed	**1,150**	1,213

	Range [(a)]	2002	2001
Cost of funds	2.11%-3.12%	**2.76%**	2.53%
Average delinquency ratio	3.54%-6.01%	**6.01%**	3.46%
Average net credit loss ratio	0.61%-0.84%	**0.84%**	0.58%
Weighted-average life in days	38-40	**38**	39
Servicing fee liability	2.00%	**2.00%**	2.00%

(a) Securitizations during the year.

An immediate 10% and 20% adverse change in each of the above assumptions would have no significant effect on the current fair value of the retained interest.

The table below is a summary of certain cash flows received from and paid to the trusts during the year.

	2002	2001
Collections reinvested in revolving sales	**12,651**	11,847
Proceeds from additional sales	**10**	375

Note 18 **SHARE CAPITAL**

(i) PREFERRED SHARES

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

The table below is a summary of the principal terms and conditions of BCE Inc.'s authorized series of First Preferred Shares. BCE Inc.'s articles of incorporation show the details of the terms and conditions of these shares.

All First Preferred Shares outstanding at December 31, 2002:

- were non-voting, except under special circumstances when the holders were entitled to one vote per share
- were convertible at the holder's option into another series of First Preferred Shares, except for the Series P shares. Please see Note 16, *Other long-term liabilities,* for details about the Series P shares.

There were no Second Preferred Shares outstanding at December 31, 2002. All Series Q, T, V and AB shares were authorized but not issued. All of the authorized Series R, S, U, Y, Z and AA shares were issued and outstanding, except for:

- Series U shares, which had 14,000,000 shares outstanding
- Series Y shares, which had 1,147,380 shares outstanding
- Series Z shares, which had 8,852,620 shares outstanding.

On March 1, 2002, BCE Inc. issued 20 million Series AA shares. 8 million of these shares were issued through a public bought deal offering. The other 12 million Series AA shares were issued to the holders of the 12 million Series W shares to replace their Series W shares.

On March 1, 2002, all Series W and X shares were cancelled.

On December 1, 2002, 8,852,620 Series Y shares were converted into an equal number of Series Z shares.

ENTITLEMENT TO DIVIDENDS

Holders of Series R, U, Z and AA shares are entitled to fixed cumulative quarterly dividends.

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

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

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

If Series U shares are still issued and outstanding, their holders will be entitled to floating adjustable cumulative monthly dividends starting on March 1, 2007.

REDEMPTION FEATURES

The Series R, Z and AA shares are redeemable by BCE Inc. on the date of redemption and every five years after that date.

If and when Series Q and AB shares are issued, BCE Inc. may redeem them at any time, starting on the date of redemption.

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

BCE Inc. may redeem the Series S and Y shares at any time. BCE Inc. may redeem the Series U shares on or after March 1, 2007 at $25.00 per share. However, after March 1, 2007, and if listed, BCE Inc. may redeem them at $25.50 per share.

INTEREST RATE SWAPS

BCE Inc. has entered into interest rate swap agreements until 2007. These agreements, in effect, convert the fixed dividends on the Series U and AA shares into floating rate dividends. The floating dividend rate is equal to the 90-day bankers' acceptance rate less 0.675%.

Series	Annual dividend rate	Convertible into	Conversion date	Redemption date	Redemption price	Authorized Number of shares	Stated capital At December 31 2002	Stated capital At December 31 2001

Q		Series R	December 1, 2010	December 1, 2010	$ 25.50	8,000,000	**–**	–
R	$1.5435	Series Q	December 1, 2005	December 1, 2005	$ 25.00	8,000,000	**200**	200
S	floating	Series T	November 1, 2006	At any time	$ 25.50	8,000,000	**200**	200
T		Series S	November 1, 2011	November 1, 2011	$ 25.00	8,000,000	**–**	–
U	$1.3850	Series V	March 1, 2007	March 1, 2007	$ 25.00	22,000,000	**350**	350
V		Series U	March 1, 2012	March 1, 2012	$ 25.00	22,000,000	**–**	–
W		–	–	–	–	–	**–**	300
Y	floating	Series Z	December 1, 2007	At any time	$ 25.50	10,000,000	**29**	250
Z	$1.3298	Series Y	December 1, 2007	December 1, 2007	$ 25.00	10,000,000	**221**	–
AA	$1.3625	Series AB	September 1, 2007	September 1, 2007	$ 25.00	20,000,000	**510**	–
AB		Series AA	September 1, 2012	September 1, 2012	$ 25.50	20,000,000	**–**	–
	–						**1,510**	1,300

Note 18 **SHARE CAPITAL** *continued*

ii) COMMON SHARES AND CLASS B SHARES

BCE Inc.'s articles of incorporation provide for an unlimited number of common shares and Class B Shares. The common shares and the Class B Shares rank equally in the payment of dividends and in the distribution of assets if BCE Inc. is liquidated, dissolved or wound up.

The table below provides details about the outstanding common shares of BCE Inc. No Class B Shares were outstanding at December 31, 2002 and 2001.

For the year ended December 31	**2002**		**2001**	
	Number of shares	**Stated capital**	**Number of shares**	**Stated capital**
Outstanding, beginning of year	**808,514,211**	**13,827**	809,861,531	13,833
Shares issued:				
publicly [(a)]	**85,000,000**	**2,078**	–	–
to SBC [(a)]	**17,862,714**	**500**	–	–
to employees (under stock option, employee savings and dividend reinvestment plans)	**4,491,003**	**115**	3,178,980	71
Shares purchased for cancellation [(b)]	**–**	**–**	(4,526,300)	(77)
Outstanding, end of year	**915,867,928**	**16,520**	808,514,211	13,827

(a) BCE Inc. publicly issued 85,000,000 common shares in 2002 for a total of $2.1 billion. BCE Inc. issued 17,862,714 common shares through private placements to SBC for $500 million. The net proceeds were used to pay for part of the repurchase of SBC's 20% interest in BCH.

(b) In 2001, BCE Inc. bought and cancelled 4.5 million of its common shares for a total of $191 million.

Note 19 **STOCK-BASED COMPENSATION PLANS**

EMPLOYEE SAVINGS PLANS (ESPs)

ESPs are designed to encourage employees of BCE Inc. and its participating subsidiaries to own shares of BCE Inc. Employees who participate in the plans can buy BCE Inc. common shares through regular payroll deductions. In some cases, the employer may also contribute to the plan. There were 37,311 employees participating in the plans at December 31, 2002.

Each year, employees can choose to have up to a certain percentage of their annual earnings withheld to buy BCE Inc. common shares. Each participating company decides on its maximum percentage. In the case of Bell Canada, it is between 10% to 12%. The employer may contribute up to a certain maximum percentage of the employee's annual earnings. In the case of Bell Canada, the maximum is 2%.

The trustee of the ESPs buys BCE Inc. common shares for the participants on the open market, by private purchase or from BCE Inc. BCE Inc. chooses the method the trustee uses to buy the shares.

The total number of common shares bought for employees was 6,368,907 in 2002 and 4,953,410 in 2001. Compensation expense related to ESPs was $43 million in 2002, $42 million in 2001 and $37 million in 2000. At December 31, 2002, 18,465,011 common shares were reserved for issuance under the ESPs.

BCE INC. STOCK OPTIONS

Under BCE Inc.'s long-term incentive programs, BCE Inc. may grant options to our officers, vice-presidents and other key employees to buy BCE Inc. common shares. The subscription price is generally 100% of market value on the last trading day before the grant comes into effect. A total of 34,428,054 common shares were authorized for issue under these programs at December 31, 2002.

The right to exercise options generally accrues by 25% annual increments over a period of four years of continuous employment from the date of grant, except when a special vesting period is provided for. Options generally start to become exercisable 12 months after the date of the grant and for a period of up to 10 years.

Special vesting provisions may apply when:

- there is a change of control of BCE Inc. and the option holder's employment ends under certain circumstances
- the option holders are employed by a designated subsidiary of BCE Inc. and BCE Inc.'s ownership interest in such subsidiary falls below the percentage outlined in the programs.

When the Nortel Networks common shares were distributed in May 2000, each outstanding BCE Inc. stock option was cancelled and was replaced by two new stock options. The first option gives the right to buy one BCE Inc. common share. The second option gives the right to buy approximately 1.57 post-split common shares of Nortel Networks (Nortel option) at exercise prices that maintain the holder's economic position.

We ensured that exercising the Nortel options will not cause a dilution of Nortel Networks shares by:

- calculating how many BCE Inc. common shares could be issued under options granted under stock option programs immediately before the date of the distribution
- factoring this number into the calculation that determined how many Nortel Networks common shares were distributed for each BCE Inc. common share held.

BCE Inc. may exercise all Nortel options that expire unexercised or are forfeited. The exercise price paid to Nortel Networks is remitted to BCE Inc. shortly after the Nortel options are exercised. We credit an amount to retained earnings equivalent to the market share price of Nortel Networks.

The table below is a summary of the status of BCE Inc.'s stock option programs. We have adjusted the weighted-average exercise price to reflect the distribution of the Nortel Networks common shares in May 2000.

For the year ended December 31	2002		2001		2000	
	Number of shares	Weighted-average exercise price ($)	Number of shares	Weighted-average exercise price ($)	Number of shares	Weighted-average exercise price ($)
Outstanding, beginning of year	**18,527,376**	**35**	9,114,695	27	5,767,012	56
Granted	**8,051,159**	**32**	11,629,250	41	4,812,218	39
Exercised	**(297,319)**	**12**	(335,669)	11	(986,244)	33
Expired/forfeited	**(5,810,516)**	**39**	(1,880,900)	37	(478,291)	42
Outstanding, end of year	**20,470,700**	**33**	18,527,376	35	9,114,695	27
Exercisable, end of year	**6,468,320**	**33**	2,300,387	25	1,057,731	11

Note 19 **STOCK-BASED COMPENSATION PLANS** *continued*

The table below tells you more about BCE Inc.'s stock option programs at December 31, 2002.

		Options outstanding		Options exercisable	
Range of exercise price	Number	Weighted-average remaining life	Weighted-average exercise price ($)	Number	Weighted-average exercise price ($)
Below $20	3,252,620	6 years	15	1,479,339	13
$20 – $30	1,565,233	9 years	27	8,516	26
$30 – $40	7,830,192	9 years	34	1,658,858	35
Over $40	7,822,655	8 years	41	3,321,607	41
	20,470,700		33	6,468,320	33

TELEGLOBE STOCK OPTIONS

Since we acquired a controlling interest in Teleglobe in November 2000, holders of Teleglobe stock options have been allowed to exercise their options under their original terms, except that when they exercise their options, they will receive 0.91 of one BCE Inc. common share for every Teleglobe stock option they hold.

Because of the sale of Teleglobe on December 31, 2002, all of the outstanding Teleglobe stock options are now vested. Please see Note 8, *Discontinued operations,* for more information about the recent developments relating to Teleglobe.

The table below is a summary of the status of Teleglobe's stock option programs.

For the period ended December 31	2002		2001		2000	
	Number of BCE Inc. shares	Weighted-average exercise price ($)	Number of BCE Inc. shares	Weighted-average exercise price ($)	Number of BCE Inc. shares	Weighted-average exercise price ($)
Outstanding, January 1, 2002 and 2001, and Nov. 1, 2000	**10,204,966**	**39**	18,934,537	36	20,106,612	37
Exercised	**(182,554)**	**16**	(2,911,216)	24	(330,223)	13
Expired/forfeited	**(5,755,689)**	**40**	(5,818,355)	44	(841,852)	38
Outstanding, December 31	**4,266,723**	**37**	10,204,966	39	18,934,537	36
Exercisable, December 31	**4,266,723**	**37**	6,073,732	38	8,035,329	33

The table below tells you more about Teleglobe's stock option programs at December 31, 2002.

		Options outstanding		Options exercisable	
Range of exercise price	Number	Weighted-average remaining life	Weighted-average exercise price ($)	Number	Weighted-average exercise price ($)
Below $20	463,366	3 years	12	463,366	12
$20 – $30	327,364	3 years	25	327,364	25
$30 – $40	1,202,235	1 year	37	1,202,235	37
Over $40	2,273,758	1 year	44	2,273,758	44
	4,266,723		**37**	**4,266,723**	**37**

PRO FORMA NET EARNINGS

The table below shows the impact on net earnings and net earnings per common share, and the assumptions used if the compensation cost of stock options granted on or after January 1, 2002 was calculated using the fair value-based method of accounting.

Please see Note 1, *Significant accounting policies – Recent changes to accounting standards,* for more information on the impact of applying a new accounting policy for stock-based compensation plans.

For the year ended December 31	**2002**
Net earnings, as reported ($ millions)	**2,475**
Pro forma impact ($ millions)	**(27)**
Pro forma net earnings ($ millions)	**2,448**
Pro forma net earnings per common share (basic) ($)	**2.71**
Pro forma net earnings per common share (diluted) ($)	**2.67**
Assumptions used in Black-Scholes option pricing model:	
Dividend yield	**3.3%**
Expected volatility	**30%**
Risk-free interest rate	**4.6%**
Expected life (years)	**4.4**
Number of options granted	**8,051,159**
Weighted-average fair value of options granted ($)	**7**

SPECIAL COMPENSATION PAYMENTS (SCPs)

Before 2000, when BCE Inc. granted options to our officers and key employees, related rights to SCPs were also sometimes granted. SCPs are cash payments representing the excess of the market value of the shares on the date of exercise of the related options over the exercise price of such options.

When the distribution of Nortel Networks common shares was made in 2000, the outstanding options were divided into options to buy BCE Inc. common shares and options to buy Nortel Networks common shares. The related SCPs were adjusted accordingly.

For each right to an SCP held before the distribution, right holders now have rights related to both BCE Inc. and Nortel Networks common shares.

To manage the cost of SCPs, we have:

- entered into forward contracts to hedge our exposure to outstanding rights related to options on BCE Inc. common shares
- designated approximately 3 million Nortel Networks common shares to hedge BCE's exposure to outstanding rights related to the options on the Nortel Networks common shares.

The number of SCPs outstanding at December 31, 2002 was:

- 2,936,431 relating to BCE Inc. common shares
- 2,849,029 relating to Nortel Networks common shares.

All of the outstanding SCPs covered the same number of shares as the options they relate to. It is the employer's responsibility to make the payments under the SCPs. The expense related to SCPs was $1 million in 2002, $64 million in 2001 and $82 million in 2000. The expense of $1 million in 2002 includes a recovery of $59 million relating to forfeitures of SCPs.

Note 20 **EMPLOYEE BENEFIT PLANS**

We maintain defined benefit plans that provide pension, other retirement and post-employment benefits for most of our employees. These benefits are based on the employee's length of service and rate of pay. We make contributions to these pension plans based on various actuarial cost methods that are permitted by pension regulatory bodies.

We are responsible for adequately funding the plans. Contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. Plan assets primarily include Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages.

The table below shows the change in benefit obligations, change in the fair value of plan assets and the funded status of the plans.

A number of individual pension benefit plans had projected benefit obligations that exceeded the fair value of their related plan assets at December 31, 2002. The aggregate projected benefit obligation of these plans was $2,598 million, and the aggregate fair value of plan assets was $1,880 million.

Similarly, a number of individual pension benefit plans had plan assets that exceeded projected benefit obligations at December 31, 2002. The aggregate projected benefit obligation of these plans was $9,217 million, and the fair value of their related plan assets was $10,662 million.

	Pension benefits		Other benefits	
	2002	**2001**	**2002**	**2001**
Projected benefit obligation, beginning of year	**11,737**	10,497	**1,607**	1,637
Current service cost	**223**	212	**35**	31
Interest cost	**749**	732	**115**	116
Actuarial (gains) losses	**(19)**	799	**173**	(100)
Estimated benefits payments	**(654)**	(794)	**(77)**	(74)
Employee contributions	**6**	6	**–**	–
Business combinations	**26**	–	**1**	–
Special termination costs	**122**	266	**–**	–
Plan amendment	**50**	–	**–**	–
Divestitures and other	**(425)**	19	**(42)**	(3)
Projected benefit obligation, end of year	**11,815**	11,737	**1,812**	1,607
Fair value of plan assets, beginning of year	**13,922**	14,254	**385**	361
Expected return on plan assets	**1,127**	1,012	**32**	28
Actuarial gains (losses)	**(1,365)**	(597)	**(110)**	(3)
Estimated benefits payments	**(654)**	(794)	**(77)**	(74)
Employer contribution	**21**	17	**76**	73
Employee contribution	**6**	6	**–**	–
Business combinations	**25**	65	**–**	–
Divestitures and other	**(540)**	(41)	**(7)**	–
Fair value of plan assets, end of year	**12,542**	13,922	**299**	385
Funded status	**727**	2,185	**(1,513)**	(1,222)
Unamortized net actuarial (gains) losses	**1,286**	(18)	**–**	(286)
Unamortized past service costs	**95**	52	**1**	1
Unamortized transitional (asset) obligation	**(143)**	(259)	**376**	440
Valuation allowance	**(136)**	(122)	**–**	–
Accrued benefit asset (liability), end of year	**1,829**	1,838	**(1,136)**	(1,067)

The table below shows the components of the accrued benefit asset for pension and other benefits for financial statement purposes:

At December 31	**2002**	**2001**
Accrued benefit asset	**2,070**	1,988
Accrued benefit liability	**(1,377)**	(1,217)
	693	771

The table below shows the significant weighted-average assumptions we used to measure pension and other benefit obligations.

Other assumptions we used were:

- 4.5% annual rate of increase in the cost per person of covered healthcare benefits for 2002, except for the cost of medication
- 10.5% annual rate of increase in the cost of medication for 2002 with a gradual decline to 4.5% over six years, where we assumed it will remain.

	Pension benefits		Other benefits	
At December 31	**2002**	**2001**	**2002**	**2001**
Discount rate	**6.5%**	6.5%	**6.5%**	6.5%
Expected long-term return on plan assets	**8.3%**	8.8%	**8.3%**	8.8%
Rate of compensation increase	**3.5%**	3.5%	**3.5%**	3.5%

Approximately 1% of the plan assets were held in BCE Inc. common shares at December 31, 2002.

The table below shows the components of the net benefit plans expense (credit).

			Pension benefits			Other benefits
For the year ended December 31	**2002**	**2001**	**2000**	**2002**	**2001**	**2000**
Current service cost	**223**	212	191	**35**	31	30
Interest cost	**749**	732	696	**115**	116	109
Expected return on plan assets	**(1,127)**	(1,198)	(1,104)	**(32)**	(28)	(28)
Amortization of past service costs	**6**	12	3	**–**	–	–
Amortization of net actuarial (gains) losses	**1**	(4)	(7)	**–**	(6)	(5)
Amortization of transitional (asset) obligation	**(56)**	(60)	(64)	**39**	40	40
Increase in valuation allowance	**14**	102	30	**–**	–	–
Other	**–**	(71)	–	**–**	1	–
Net benefit plans (credit) expense	**(190)**	(275)	(255)	**157**	154	146

Note 21 **CONTRACTUAL OBLIGATIONS, COMMERCIAL COMMITMENTS AND CONTINGENCIES**

CONTRACTUAL OBLIGATIONS

The table below shows our contractual obligations at December 31, 2002. Rental expense relating to operating leases was $363 million in 2002, $700 million in 2001 and $410 million in 2000.

	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt (excluding capital leases)	1,593	978	1,197	1,131	1,818	7,907	14,624
Capital leases [(a)]	102	96	61	48	37	123	467
Notes payable and bank advances	330	–	–	–	–	–	330
Operating leases	486	414	384	352	301	1,758	3,695
Purchase obligations	545	227	120	112	48	173	1,225
Other contractual obligations	124	10	7	6	5	11	163
Total	3,180	1,725	1,769	1,649	2,209	9,972	20,504

(a) The imputed interest to be paid in connection with the capital leases amounts to $67 million.

COMMERCIAL COMMITMENTS

We had the following commercial commitments at December 31, 2002:

- $4,866 million in total credit and other bank facilities, of which $767 million was drawn
- $196 million in standby letters of credit
- $279 million in various other commitments.

Of the $4,866 million in total credit and other bank facilities, $1.3 billion is used to support our commercial paper programs, excluding extendable Class E notes. No amount has been drawn on our commercial paper programs.

Also included in total credit and other bank facilities is a bridge facility of $1.1 billion that was not drawn at December 31, 2002.

In addition, at December 31, 2002, Bell Canada had $50 million of Class E Notes outstanding. BCE Inc. had no Class E Notes outstanding at December 31, 2002. The maximum principal amount that can be issued is $360 million for BCE Inc. and $400 million for Bell Canada. Though these notes are not supported by committed lines of credit, we may extend them in certain circumstances.

CRTC price cap decision 2002-34
On May 30, 2002, the CRTC released Decision 2002-34, Second Price Cap Decision. This decision made a number of changes to the rules governing local service in Canada's telecommunications industry for the next four years.

One of the changes is a new mechanism, called the deferral account, which will be used to fund initiatives such as service improvement or reduced rates and/or rebates. We estimated Bell Canada's commitment relating to this decision to be $74 million at December 31, 2002.

GUARANTEES

In the normal course of our operations, we execute agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, the sale of assets, the sale of services, securitization agreements and operating leases.

These indemnification undertakings and guarantees may require us to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, intellectual property right infringement, loss of or damages to property, environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences, claims that may arise while providing services, or as a result of litigation that may be suffered by the counterparties. Also, in the context of the sale of all or a part of a business, we may from time to time agree to compensate the purchaser for certain costs that may result from certain future events such as the failure of the disposed business to reach certain operational thresholds (earn-out guarantees), the resolution of contingent liabilities of the disposed businesses or the reassessment of prior tax filings of the corporations carrying on the business.

Certain indemnification undertakings can extend for an unlimited period and generally do not provide for any limit on the maximum potential amount, although certain agreements do contain specified maximum potential exposure representing a cumulative amount of approximately $4 billion. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay counterparties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we

have not made any significant payments under such indemnifications. As at December 31, 2002, an aggregate amount of $42 million has been accrued in the consolidated balance sheet with respect to these indemnification undertakings, relating mainly to environmental liabilities.

AGREEMENT BETWEEN BCE INC. AND SBC

As part of the repurchase of SBC's 20% interest in BCH, on June 28, 2002 BCH granted SBC an option to buy 20% of BCH's outstanding common shares. The option expired on January 30, 2003.

BCE Inc. has agreed to buy $314 million of BCH Convertible Series B Preferred Securities held by SBC at face value on or before December 31, 2004.

AGREEMENT WITH MANITOBA TELECOM SERVICES INC. (MTS)

The agreement between Bell Canada and MTS to create Bell West Inc. includes put and call options relating to MTS' 40% ownership of Bell West.

Under the terms of the put option, MTS can require Bell Canada to buy its interest in Bell West:

- in February 2004 at a guaranteed floor value of $458 million plus ongoing incremental funding invested by MTS. The put price includes an 8% return on the incremental funding. The floor value was $549 million at December 31, 2002
- in January 2007 at fair market value less 12.5%
- at fair market value less 12.5%, under certain circumstances.

Note 21 **CONTRACTUAL OBLIGATIONS, COMMERCIAL COMMITMENTS AND CONTINGENCIES** *continued*

If MTS does not exercise its put option, Bell Canada can exercise its call option. Under the terms of the call option, Bell Canada has the option to buy MTS' interest:

- in March 2004 at the greater of the floor value described above and fair market value
- in February 2007 at fair market value
- at fair market value if there is a change of control of MTS to a party other than Bell Canada or its affiliates.

Bell Canada has not received any formal notice from MTS that it plans to exercise the put option in February 2004.

AGREEMENT WITH CGI

We entered into an agreement on July 1, 1998 with CGI's three majority individual shareholders. The agreement includes put and call options, and rights of first refusal, on the CGI shares that these shareholders hold.

The put options give these CGI shareholders the right to gradually sell a portion of their shares to BCE Inc. until January 4, 2004. The call option gives BCE Inc. the one-time right to buy all of their CGI shares that BCE Inc. has not already bought, during the period from January 5, 2004 to January 4, 2006.

The exercise price per share of any put or call option is 115% of the 20-day average market price of CGI shares before the exercise date, payable in BCE Inc. common shares. If the options were fully exercised, our equity ownership interest in CGI would increase to approximately 40%.

In December 2002, we informed CGI that our prior publicly stated intention to dispose of the control block in CGI following the exercise of the put and call options in 2003 and 2004 is no longer our preferred course of action.

We began discussions with CGI about the future of our investment in CGI. No final decisions have been made, but we have started discussions to develop a plan to:

- realize the maximum value of our investment in CGI
- enhance the value of CGI by taking steps to retain CGI's management and to ensure that the company continues to deliver high-quality services to its customers.

To allow enough time for these discussions, CGI's three majority individual shareholders have agreed to defer the exercise date of the put options until April 15, 2003.

SHARED SERVICES AGREEMENT

Effective June 22, 2001, Bell Canada entered into a 10-year service contract with a special purpose entity. This contract will allow Bell Canada to reduce systems and administrative costs over time by streamlining and enhancing its systems and processes. Bell Canada is committed to paying approximately $150 million in service fees over the first three years of the agreement.

In 2004, Bell Canada may:

- exercise an option to buy the special purpose entity at fair market value, or
- maintain the service contract and commit to paying at least $420 million more in service fees to the special purpose entity.

As at December 31, 2002, the special purpose entity had $123 million of total assets, of which $99 million are capital assets, and $133 million of total liabilities, of which $123 million is long-term debt.

LITIGATION

Teleglobe lending syndicate lawsuit
On July 12, 2002, some members of the Teleglobe and Teleglobe Holdings (U.S.) Corporation lending syndicate (the plaintiffs) filed a lawsuit against BCE Inc. in the Ontario Superior Court of Justice.

The claim makes several allegations, including that BCE Inc. and its management, in effect, made a legal commitment to repay the advances the plaintiffs made as members of the lending syndicate, and that the court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

The plaintiffs claim damages of US$1.19 billion, plus interest and costs, which they allege is equal to the amount they advanced. This represents approximately 95.2% of the total US$1.25 billion that the lending syndicate advanced. While we cannot predict the outcome of any legal proceeding, based on information currently available, BCE Inc. believes that it has strong defences, and it intends to vigorously defend its

position.

Other litigation
We become involved in various other claims and litigation as a regular part of our business. While no one can predict the final outcome of claims and litigation that were pending at December 31, 2002, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

Note 22 **SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS**

For the year ended December 31	2002	2001
Interest paid on long-term debt	**1,019**	1,381
Income taxes paid	**1,284**	1,348
Cash restricted to collateralize short-term bank loans	**–**	233

Note 23 **RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP**

We have prepared these consolidated financial statements according to Canadian GAAP. The tables that follow are a reconciliation of significant differences relating to the statement of operations and total shareholders' equity reported according to Canadian GAAP and United States GAAP.

STATEMENTS OF OPERATIONS

For the year ended December 31			2002			2001 [1]			2000 [1]
($ millions, except share amounts)	**Canadian GAAP**	**Adjust-ments**	**U.S. GAAP**	**Canadian GAAP**	**Adjust-ments**	**U.S. GAAP**	**Canadian GAAP**	**Adjust-ments**	**U.S. GAAP**
Operating revenues	**19,768**	**–**	**19,768**	19,340	–	19,340	16,668	–	16,668
Operating expenses [(a)(b)(l)]	**12,146**	**256**	**12,402**	12,098	363	12,461	9,953	230	10,183
Amortization expense [(c)]	**3,146**	**–**	**3,146**	3,826	11	3,837	3,352	31	3,383
Net benefit plans (credit) expense [(d)]	**(33)**	**37**	**4**	(121)	(216)	(337)	(109)	(114)	(223)
Restructuring and other charges [(e)]	**887**	**–**	**887**	980	10	990	–	–	–
Total operating expenses	**16,146**	**293**	**16,439**	16,783	168	16,951	13,196	147	13,343
Operating income	**3,622**	**(293)**	**3,329**	2,557	(168)	2,389	3,472	(147)	3,325
Other expense (income) [(b)(f)(m)]	**(2,468)**	**(28)**	**(2,496)**	(4,015)	54	(3,961)	(97)	9	(88)
Impairment charge	**770**	**–**	**770**	–	–	–	–	–	–
Interest expense [(g)]	**1,161**	**(10)**	**1,151**	1,056	–	1,056	935	–	935
Earnings from continuing operations before income taxes and non-controlling interest	**4,159**	**(255)**	**3,904**	5,516	(222)	5,294	2,634	(156)	2,478
Income taxes [(b)(h)]	**1,593**	**(198)**	**1,395**	1,759	(108)	1,651	1,338	(137)	1,201
Non-controlling interest [(i)]	**668**	**(14)**	**654**	186	(24)	162	323	(8)	315
Earnings from continuing operations	**1,898**	**(43)**	**1,855**	3,571	(90)	3,481	973	(11)	962
Discontinued operations [(j)]	**577**	**198**	**775**	(3,057)	146	(2,911)	3,812	(5,033)	(1,221)
Net earnings before cumulative effect of change in accounting policy	**2,475**	**155**	**2,630**	514	56	570	4,785	(5,044)	(259)
Cumulative effect of change in accounting policy [(m)(n)]	**–**	**(7,268)**	**(7,268)**	–	21	21	–	–	–
Net earnings (loss)	**2,475**	**(7,113)**	**(4,638)**	514	77	591	4,785	(5,044)	(259)
Dividends on preferred shares	**(59)**	**–**	**(59)**	(64)	–	(64)	(79)	–	(79)
Net earnings (loss) applicable to common shares	**2,416**	**(7,113)**	**(4,697)**	450	77	527	4,706	(5,044)	(338)
Other comprehensive earnings (loss) items									
Change in currency translation adjustment			**30**			158			107
Change in unrealized gain or loss on investments [(k)]			**9**			(168)			2,788
Additional minimum liability for pension obligation [(d)]			**(81)**			–			–
Comprehensive earnings (loss)			**(4,739)**			517			2,557
Net earnings (loss) per common share – basic									
Continuing operations			**2.09**			4.23			1.32
Net earnings (loss)			**(6.07)**			0.65			(0.50)
Net earnings (loss) per common share – diluted									
Continuing operations			**2.06**			4.18			1.28
Net earnings (loss)			**(6.10)**			0.64			(0.53)
Dividends per common share			**1.20**			1.20			1.24

Average number of common shares outstanding (millions)			**847.9**			807.9			670.0
Adjusted net earnings (loss) [(o)]									
Net earnings (loss), as reported			**(4,638)**			591			(259)
Amortization expense on goodwill and other intangible assets			**–**			918			511
Net earnings (loss), adjusted			**(4,638)**			1,509			252
Adjusted net earnings (loss) per common share									
Basic			**(6.07)**			1.79			0.26
Diluted			**(6.10)**			1.77			0.23

(1) The figures for 2001 and 2000 have been restated for the United States GAAP difference relating to the pension valuation allowance (see Note 23(d)).

Note 23 **RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP** *continued*

STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)

For the year ended December 31	**2002**	**2001**	**2000**
Currency translation adjustment	**10**	(20)	(178)
Unrealized gain (loss) on investments [k]	**(1)**	(10)	2,788
Additional minimum liability for pension obligation [d]	**(81)**	–	–
Accumulated other comprehensive earnings (loss)	**(72)**	(30)	2,610

RECONCILIATION OF TOTAL SHAREHOLDERS' EQUITY

For the year ended December 31	**2002**	**2001[1]**	**2000[1]**
Canadian GAAP	**12,871**	16,799	17,279
Adjustments			
Operating expenses [a]	**(622)**	(564)	(360)
Purchase price adjustment [c]	**–**	(768)	(768)
Employee future benefits [d]	**17**	330	114
Gain on disposal of investments and on reduction of ownership in subsidiary companies [f]	**163**	163	179
Other	**56**	40	83
Tax effect of the above adjustments [h]	**97**	(35)	6
Non-controlling interest effect of the above adjustments [i]	**120**	21	2
Discontinued operations [j]	**–**	(342)	(425)
Unrealized gain (loss) on investments [k]	**(1)**	(10)	2,788
United States GAAP	**12,701**	15,634	18,898

(1) The figures for 2001 and 2000 have been restated for the United States GAAP difference relating to the pension valuation allowance (see Note 23(d)).

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

(b) **Investment tax credits**
Under Canadian GAAP, investment tax credits are recorded as a reduction of the related expenditure. Under United States GAAP, they are recorded as a reduction of the income tax provision.

(c) **Goodwill**
Under Canadian GAAP, prior to July 1, 2001, the total purchase price on acquisitions is based on the market value price for a reasonable period before and after the date of acquisition. Under United States GAAP, the aggregate purchase price on acquisitions is based on the market price for a reasonable period before and after the date the transaction is announced. This difference between Canadian GAAP and United States GAAP results in a difference in the amount of purchase price allocated to goodwill.

(d) **Future benefits for employees**
The accounting for future benefits for employees under Canadian GAAP and United States GAAP is essentially the same, except for the recognition of certain unrealized gains and losses.

Additionally, Canadian GAAP requires recognition of a pension valuation allowance for any excess of the accrued benefit asset over the expected future benefit. Changes in the pension valuation allowance are recognized in the consolidated statement of operations. United States GAAP does not specifically address pension valuation allowances. Recently the United States regulators have interpreted this to be a difference between Canadian and United States GAAP. In light of these recent developments, we retroactively increased previously reported United States GAAP net income for fiscal 2001 and 2000 by $61 million (net of a tax expense of $41 million) and $18 million (net of a tax expense of $12 million), respectively (2001 – $0.07 per basic share and $0.07 per diluted share; 2000 – $0.03 per basic share and $0.02 per diluted share).

Under United States GAAP, an additional minimum liability is recorded for the excess of the unfunded accumulated benefit obligation over the recorded pension benefits liability. An offsetting intangible asset is recorded equal to the unrecognized prior service costs, with any difference recorded as a reduction in accumulated other comprehensive income.

(e) **Restructuring and other charges**
Under Canadian GAAP, when assessing the impairment of capital assets, estimated future net cash flows are not discounted in computing the net recoverable amount. Under United States GAAP, the calculation of impairment is made on a discounted basis.

(f) **Gains on investments**
Under Canadian GAAP and United States GAAP, gains on investments are calculated in a similar manner. Differences in Canadian GAAP and United States GAAP, however, will cause the underlying carrying value of the investment to be different. This will cause the resulting gain to be different.

(g) **Interest expense**
Under Canadian GAAP, convertible debentures are split in two components, debt and equity. Over time, the debt component is increased to reach its original face value at maturity by recognizing an accretion expense as part of interest expense. Under United States GAAP, convertible debentures are recorded as long-term debt and no accretion expense is recognized.

(h) **Income taxes**
In addition, the income tax adjustment also reflects the impact on income taxes of the United States GAAP adjustments that we describe above. The accounting for income taxes under Canadian GAAP and United States GAAP is essentially the same, except that:

- income tax rates of enacted or substantively enacted tax law must be used to calculate future income tax assets and liabilities under Canadian GAAP
- only income tax rates of enacted tax law can be used under United States GAAP.

(i) **Non-controlling interest**
The non-controlling interest adjustment represents the impact on non-controlling interest of the United States GAAP adjustments that we describe above.

(j) **Discontinued operations**
Under United States GAAP, the gain on reduction of our ownership in Nortel Networks in 2000 resulting from the distribution of our interest in Nortel Networks was credited directly to retained earnings. Additionally, other differences between Canadian GAAP and United States GAAP will cause the historical carrying values of the net assets of discontinued operations to be different.

(k) **Change in unrealized gain (loss) on investments**
Our portfolio investments would be classified as “available-for-sale” under United States GAAP and carried at fair value with any unrealized gains or losses included in other comprehensive earnings, net of tax.

(l) **Accounting for stock-based compensation**
In December 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure,* which applies to fiscal years ending after December 15, 2002. It amends the transitional provisions of SFAS 123 for companies that choose to recognize stock-based compensation under the fair value-based method of SFAS 123, instead of choosing to continue following the intrinsic value method of APB 25.

In accordance with this standard, we adopted the fair value-based method of accounting on a prospective basis, effective January 1, 2002 and accordingly recorded operating expenses of $27 million in 2002 ($2 million in the first quarter, $3 million in the second quarter, $15 million in the third quarter and $7 million in the fourth quarter). The impact on both basic and diluted earnings per share is nil in the first and second quarters, $0.02 in the third quarter and $0.01 in the fourth quarter.

Under SFAS No. 123, however, we are required to make pro forma disclosures of net earnings and basic and diluted earnings per share, assuming that the fair value-based method of accounting had been applied from the original date of adoption of SFAS 123. In the table below, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes pricing model.

For the year ended December 31	**2002**	**2001**	**2000**
Net earnings (loss), as reported	**(4,638)**	591	(259)
Compensation cost included in net earnings	**27**	**–**	**–**
Total compensation cost	**(68)**	(60)	(276)
Pro forma net earnings (loss)	**(4,679)**	531	(535)
Pro forma net earnings (loss) per common share (basic)	**(6.12)**	0.58	(0.92)
Pro forma net earnings (loss) per common share (diluted)	**(6.14)**	0.57	(0.94)
Assumptions used in Black-Scholes option pricing model for BCE stock options granted:			
Dividend yield	**3.3%**	3.3%	2.8%
Expected volatility	**30%**	25%–37%	29%–37%
Risk-free interest rate	**4.6%**	5.1%	6.3%
Expected life (years)	**4.4**	4.5	4.5
Weighted-average fair value of options granted ($)	**7**	10	13

Assumptions used in Black-Scholes option pricing model for Nortel Networks Corporation stock options granted:	
Dividend yield	0.1%
Expected volatility	54%
Risk-free interest rate	4.9%
Expected life (years)	4
Weighted-average fair value of options granted ($)	41

(m) **Accounting for derivative instruments and hedging activities (SFAS 133)**

On January 1, 2001, we adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS 138. In accordance with this standard, all derivatives must be recorded on the balance sheet at fair value under United States GAAP. Additionally, certain economic hedging strategies such as the use of interest rate swaps to hedge preferred share dividends and the SCP hedging strategy no longer qualified for hedge accounting under United States GAAP. As a result, other assets increased by $44 million and a net gain of $21 million was recorded on the transition to the new rule.

Note 23 **RECONCILIATION OF CANADIAN GAAP TO UNITED STATES GAAP** *continued*

Furthermore, on January 1, 2001, the forward contracts relating to the Nortel Networks shares, which we previously recorded in other comprehensive income at their fair value of $2,005 million, and the offsetting change in the value of the hedged Nortel Networks shares, were reclassified to earnings on the transition to the new rule. There was no effect on net earnings.

The change in the fair value of derivative contracts no longer qualifying for hedge accounting under United States GAAP is reported in net earnings. This resulted in a pre-tax gain of $27 million ($44 million in 2001).

(n) **Recent changes to accounting standards**

Business combinations and goodwill and other intangible assets

The Financial Accounting Standards Board (FASB) recently issued new Standards No. 141, *Business Combinations,* and No. 142, *Goodwill and Other Intangible Assets.*

Effective July 1, 2001, Standard No. 141 requires us to account for all business combinations using the purchase method.

Effective January 1, 2002, Standard No. 142 requires us to no longer amortize goodwill and indefinite-life intangible assets to earnings and to assess them for impairment each year. This includes a transitional impairment test.

As of June 30, 2002, we had allocated our existing goodwill and indefinite-life intangible assets to our reporting units and completed the assessment of the quantitative impact of the transitional impairment test measured as at January 1, 2002 on our financial statements.

In performing the transitional impairment test, we:

- estimated the fair value of our reporting units based on discounted future cash flows
- compared the fair values to those implied by public company trading multiples.

We determined a transitional impairment loss of $7,268 million in the second quarter of 2002. We recorded it as a cumulative effect of a change in accounting policy as of January 1, 2002, as required by the transitional provisions of Standard No. 142. The impairment loss related to impaired goodwill of reporting units in Teleglobe ($6,604 million), Bell Globemedia ($545 million) and BCE Emergis ($119 million).

Impairment or disposal of long-lived assets

The FASB recently issued new Standard No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets.* This standard applies to fiscal years beginning after December 15, 2001 and covers how to account for and report impairments or disposals of long-lived assets. We are required to record an impairment loss on long-lived assets that are held and used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is the difference between the asset's carrying amount and estimated fair value.

Long-lived assets that are disposed of:

- by sale are recorded at the lower of their carrying amount or estimated fair value (less costs to sell) when certain criteria are met. Depreciation stops at the same time.
- other than by sale are accounted for and reported like assets being held and used.

Costs relating to exits and disposals

The FASB recently issued new Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* Effective January 1, 2003, the standard requires costs relating to exits or disposal activities started after December 31, 2002 to be recorded at their fair values when a liability has been incurred. Under the previous guidance of Emerging Issues Task Force Issue 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit and Activity (including Certain Costs Incurred in a Restructuring),* certain exit costs were recorded when management committed to an exit plan. We do not expect that Standard No. 146 will have a significant effect on our financial position or results of operations.

Accounting for asset retirement obligations

In August 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations,* which applies to financial statements for fiscal years beginning after June 15, 2002. It covers how to recognize and remeasure obligations associated with the retirement of tangible long-lived assets. We have not yet determined whether SFAS 143 will have any effect on our business, results of operations and financial condition.

Disclosure of guarantees

In November 2002, the FASB issued Interpretation (FIN) No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,* which requires companies that act as guarantors to disclose more information in their financial statements about their obligations under certain guarantees. It defines a guarantee and also requires guarantors to recognize a liability for the fair value of their obligation when they enter into these guarantees.

The disclosure requirements of FIN No. 45 apply to financial statements issued after December 15, 2002. We have applied them to the presentation of our consolidated financial statements. The recognition requirements of FIN No. 45 apply to guarantees made or changed after December 31, 2002. We have not yet determined whether the recognition requirements will have any effect on our business, results of operations and financial condition.

Consolidation of variable interest entities

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities.* This interpretation clarifies how to apply Accounting Research Bulletin No. 51, *Consolidated Financial Statements to those entities defined as "Variable Interest Entities,"* when equity investors are not considered to have a controlling financial interest or they have not invested enough equity to allow the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are commonly referred to as special purpose entities.

FIN No. 46 applies immediately to all special purpose entities created after January 31, 2003, and by the beginning of the first interim or annual reporting period beginning after June 15, 2003 for special purpose entities created before February 1, 2003.

We currently conduct certain transactions through special purpose entities and are assessing the structure of these transactions against the criteria set out in FIN No. 46.

(o) **Adjusted net earnings**

The adjusted net earnings reflect the impact of no longer amortizing goodwill and indefinite-life intangible assets, effective January 1, 2002. Please see Note 23(n), *Recent changes to accounting standards,* for more information.

(p) **Pro forma disclosures**

If we assume that Bell Globemedia was created on January 1, 2000, the unaudited pro forma consolidated figures for the year ended December 31, 2000 would have been $17,741 million in revenues, $4,663 million in net earnings, $7.26 basic earnings per share and $6.87 fully diluted earnings per share. For the year ended December 31, 2001, the figures would have had an insignificant effect on pro forma consolidated revenues, net earnings, basic earnings per share and diluted earnings per share.

Note 24 **SUBSEQUENT EVENT**

ISSUANCE OF SERIES AC PREFERRED SHARES

On February 20, 2003, BCE Inc. filed a short form prospectus with Canadian securities regulatory authorities relating to the issue of 20 million Series AC Preferred Shares for total proceeds of $510 million.

BCE Inc. is proposing to issue six million of the 20 million Series AC Preferred Shares under a public bought deal offering, the net proceeds from which to be used to redeem a portion of the outstanding Series P Preferred Shares or repay our indebtedness under the bridge facility relating to the repurchase of SBC's 20% interest in BCH.

The remaining 14 million Series AC Preferred Shares would be issued to the holders of BCE Inc.'s 14 million Series U Preferred Shares if BCE Inc. elects to exercise its option to buy all of their shares.

Holders of the Series U Preferred Shares would use the proceeds from the sale of their shares to buy the 14 million Series AC Preferred Shares for the subscription price of $357 million.

These transactions are scheduled to close on or about February 28, 2003.

LAWSUIT LAUNCHED AGAINST FIVE FORMER DIRECTORS OF TELEGLOBE

In February 2003, a lawsuit was filed in the Ontario Superior Court of Justice by Kroll Restructuring Ltd., in its capacity as interim receiver of Teleglobe, against five former directors of Teleglobe. This lawsuit was filed in connection with Teleglobe's redemption of its third series preferred shares in April 2001 and the retraction of its fifth series preferred shares in March 2001.

The plaintiff, without establishing any basis on which its allegations are made, is seeking a declaration that such redemption and retraction were prohibited under the Canada Business Corporations Act and that five former directors should be held jointly and severally liable to restore to Teleglobe all amounts paid or distributed on such redemption and retraction, being an aggregate of approximately $661 million, plus interest.

While BCE Inc. is not a defendant in this lawsuit, Teleglobe was at the relevant time a subsidiary of BCE Inc. Pursuant to standard policies and subject to applicable law, the five former Teleglobe directors are entitled to be indemnified by BCE Inc. in connection with this lawsuit.

While we cannot predict the outcome of any legal proceeding, based on information currently available, BCE Inc. believes that the defendants have strong defences and that the claims of the plaintiffs will be vigorously defended against.

Board of Directors

as at February 26, 2003

André Bérard, O.C.
Montréal, Québec
Chairman, National Bank of Canada.

A director since January 2003.
A director of Bell Canada and
Telesat Canada.

Richard J. Currie, C.M.
Toronto, Ontario
Chairman, BCE Inc.

A director since May 1995.
Chairman of the Pension Fund
Committee. Chairman of
Bell Canada and Telesat Canada.

Anthony S. Fell, O.C.
Toronto, Ontario
Chairman, RBC Dominion
Securities Limited.

A director since January 2002.
A member of the Audit Committee
and the Pension Fund Committee.
A director of Bell Canada and
Telesat Canada.

Donna Soble Kaufman
Toronto, Ontario
Lawyer and Corporate Director.

A director since June 1998.
A member of the Corporate
Governance Committee.
A director of Bell Canada,
Bell Canada International Inc.,
Bell Globemedia Inc. and
Telesat Canada.

Thomas E. Kierans, O.C.
Toronto, Ontario
Chairman, Canadian Institute
for Advanced Research (CIAR).

A director since April 1999.
A member of the Audit Committee.
A director of Bell Canada and
Telesat Canada.

Brian M. Levitt
Montréal, Québec
Co-Chair, Osler, Hoskin & Harcourt
LLP, Business Lawyers.

A director since May 1998.
A member of the Corporate
Governance Committee and the
Management Resources and
Compensation Committee.
A director of Bell Canada,
Bell Globemedia Inc. and
Telesat Canada.

The Honourable
Edward C. Lumley, P.C.
South Lancaster, Ontario
Vice-Chairman, BMO Nesbitt Burns Inc.

A director since January 2003.
A director of Bell Canada and Telesat Canada.

Judith Maxwell, C.M.
Ottawa, Ontario
President, Canadian Policy Research Networks Inc.

A director since January 2000.
A member of the Corporate Governance Committee and the Pension Fund Committee.
A director of Bell Canada and Telesat Canada.

John H. McArthur
Wayland, Massachusetts
Dean Emeritus, Harvard University Graduate School of Business Administration.

A director since May 1995. A member of the Management Resources and Compensation Committee.
A director of BCE Emergis Inc., Bell Canada and Telesat Canada.

J. Edward Newall, O.C.
Calgary, Alberta
Chairman, Newall and Associates.

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

Thomas C. O'Neill, F.C.A.
Don Mills, Ontario
Corporate Director.

A director since January 2003.
A director of Bell Canada and Telesat Canada.

Robert C. Pozen
Newton, Massachusetts
Chief of Commerce and Labour, Massachusetts State House.

A director since February 2002.
A member of the Audit Committee and the Pension Fund Committee.
A director of Telesat Canada.

Michael J. Sabia
Montréal, Québec
President and Chief Executive Officer, BCE Inc.

A director since October 2002.
A director and Chief Executive Officer of Bell Canada.
Chairman of BCE Emergis Inc.,

BCE Nexxia Inc., and
Bell Globemedia Inc.
A director of Bell ExpressVu Inc.,

Bell Mobility Holdings Inc., and
Telesat Canada.

Guy Saint-Pierre, C.C.
Montréal, Québec
Chairman, Royal Bank of Canada.

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

Paul M. Tellier, P.C., C.C., Q.C.
Montréal, Québec
President and Chief Executive
Officer and a director,
Bombardier Inc.

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

Victor L. Young, O.C.
St. John's, Newfoundland
Corporate Director.

A director since May 1995.
A member of the Audit Committee
and the Management Resources
and Compensation Committee.
A director of Aliant Inc.,
Bell Canada and Telesat Canada.

Corporate Officers

as at February 26, 2003

Michael J. Sabia
President and Chief
Executive Officer

William D. Anderson
President, BCE Ventures

Alain Bilodeau
Senior Vice-President

Michael T. Boychuck
Senior Vice-President and
Corporate Treasurer

Linda Caty
Corporate Secretary*

Francis P. Crispino
Chief Strategy Officer

Leo W. Houle
Chief Talent Officer

Lawson A.W. Hunter
Executive Vice-President –
Competitive Affairs

Barry W. Pickford
Senior Vice-President, Taxation

Stephen P. Skinner
Senior Vice-President and
Corporate Controller

Martine Turcotte

Chief Legal Officer

Siim A. Vanaselja
Chief Financial Officer

Stephen G. Wetmore
Executive Vice-President

* Effective March 31, 2003


Michael A. Sabia
Thomas C. O'Neill
Richard J. Currie
Paul M. Tellier
Guy Saint-Pierre
André Bérard
Donna Soble Kaufman
Anthony S. Fell
Brian M. Levitt
Victor L. Young
J. Edward Newall
Iain H. McArthur
The Honourable Edward C. Lumley
Thomas E. Kierans
Judith Maxwell

The committees of the Board of Directors, and their principal responsibilities and their members are identified below.

THE AUDIT COMMITTEE

- Reviews BCE's annual and interim consolidated financial statements, including the management's discussion and analysis, and recommends them to the Board for approval
- Evaluates the integrity of our financial reporting
- Monitors our risk management and regulatory compliance programs
- Monitors our internal control system
- Reviews and monitors our policies and practices on business ethics
- Reviews and recommends the appointment of the external auditor, including the terms, independent relationship and fees
- Reviews and recommends the mandate of our internal auditor
- Monitors the relationship between the Audit Committee and the audit committees of related entities
- Monitors the relationship between the Audit Committee, the other committees of the Board and management
- Reviews the audited financial statements of our pension plan, pension fund and the unitized pooled fund that we sponsor for the collective investment of our pension fund and the pension funds of our participating subsidiaries (the master fund)

The Audit Committee contacts the internal and external auditors directly to discuss and review specific issues when necessary.

The Audit Committee met seven times in 2002.

THE CORPORATE GOVERNANCE COMMITTEE

- Reviews and makes recommendations on corporate governance issues, including the size and structure of the Board, responsibilities, tenure and performance standards of directors, and composition of Board committees
- Identifies candidates for directors
- Reviews directors' remuneration in relation to current compensation practices
- Evaluates the performance of directors
- Evaluates shareholder proposals
- Reviews each director's comments on the effectiveness of the Board and his or her own participation and reports the results to the Board
- Helps new directors become acquainted with BCE and our governance process

The Corporate Governance Committee met five times in 2002.

THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

- Reviews and recommends the appointment of the Chief Executive Officer and other officers
- Monitors management resources and succession planning
- Reviews and recommends executive compensation policy, and the compensation of the Chief Executive Officer and other officers
- Monitors the performance of the Chief Executive Officer and other officers
- Reviews any proposed major changes to the organization, and to our pension and benefit plans

The Management Resources and Compensation Committee met five times in 2002.

THE PENSION FUND COMMITTEE

- Advises on policies relating to the administration, funding and investment of our pension plan, pension fund and master fund
- Reviews the impact of the pension plan's liabilities and funding of proposed changes to the benefits under the plan

- Approves long-term funding objectives in relation to the pension plan's liabilities
- Approves the appointment or removal of the pension plan's actuary
- Reviews and monitors the process for carrying out our responsibilities as employer and administrator of the pension plan, pension fund and master fund
- Approves changes to the investment policies and goals of the pension fund and the master fund
- Reviews the investment performance of the pension fund and the master fund

The Pension Fund Committee was created in November 2002 and had its first meeting in January 2003.

MEMBERS OF COMMITTEES OF THE BOARD

Audit
J.E. Newall – Chairman
A.S. Fell
T.E. Kierans
R.C. Pozen
V.L. Young

Corporate Governance
G. Saint-Pierre – Chairman
D. Soble Kaufman
B.M. Levitt
J. Maxwell
J.E. Newall

Management Resources and Compensation
P.M. Tellier – Chairman
B.M. Levitt
J.H. McArthur
V.L. Young

Pension Fund
R.J. Currie – Chairman
A.S. Fell
J. Maxwell
R.C. Pozen

SHARE FACTS

Symbol
BCE

Listings
Toronto (TSX), New York (NYSE) and Zurich (SWX) stock exchanges

Common Shares Outstanding
915,867,928 as at December 31, 2002

Stock Splits
Three-for-one on April 26, 1979 and two-for-one on May 15, 1997

Quarterly Dividend*
$0.30 per common share

2003 Dividend Schedule*

Record Date	*Payment Date*
March 17, 2003	April 15, 2003
June 16, 2003	July 15, 2003
September 15, 2003	October 15, 2003
December 15, 2003	January 15, 2004

* Subject to approval by the Board of Directors.

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

Since January 1, 2001, BCE is required to solicit TINs (taxpayer identification numbers) and W9 declarations of residency from certain U.S. investors. Where these have not been received, BCE may be required to deduct the Internal Revenue Service's specified backup withholding tax at a rate of 30% on all dividends.

2003 ANNUAL MEETING

The annual meeting of BCE shareholders will take place at 9:00 a.m. (Montréal Time), Wednesday, May 28, 2003, at Le Centre Sheraton Montréal, 1201, boul. René-Lévesque Ouest, Montréal, Québec, in the Ballroom, Level 4.

The meeting will also be webcast live on our website at www.bce.ca.

We offer various ways to vote your proxy form. For more details, visit our website during proxy season or read the instruction form accompanying your annual package.

2003 QUARTERLY EARNINGS RELEASE DATES

First quarter – April 30, 2003
Second quarter – July 30, 2003
Third quarter – October 29, 2003
Fourth quarter – February 4, 2004

CORPORATE DOCUMENTS

Quarterly and annual reports as well as other corporate documents can be found on our website. If you wish to be notified electronically when documents are posted, register online at www.bce.ca for our service "Our News, Your Way". Corporate documents can also be requested from the Investor Relations group.

SHAREHOLDER SERVICES

Dividend Reinvestment and Stock Purchase Plan
This plan provides a convenient method for eligible holders of BCE common shares to reinvest their dividends and make optional cash contributions to purchase additional common shares without brokerage costs.

Dividend Direct Deposit Service
Avoid postal delays and trips to the bank by joining the dividend direct deposit service.

E-delivery Service

Enrol in our e-delivery service to receive the annual and/or quarterly documents by e-mail.

Duplicate Mailings
Help us control costs and eliminate duplicate mailings by consolidating your accounts.

For more details on any of these services, please contact our transfer agent and registrar.

CONTACT INFORMATION

Transfer Agent and Registrar
For information on shareholder services or any other inquiries regarding your account (including stock transfer, address change, lost certificates, tax forms), contact:

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
e-mail: bce@computershare.com
Tel.: (514) 982-7555
or 1 800 561-0934 (toll free in Canada and the U.S.)
Fax: (416) 263-9394
or 1 888 453-0330 (toll free in Canada and the U.S.)

Investor Relations
For any other shareholder inquiries, contact:

BCE Inc.
Investor Relations
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7
e-mail: investor.relations@bce.ca
Tel.: 1 800 339-6353
Fax: (514) 786-3970
or visit the Investor Relations section on our website at www.bce.ca

TRADE-MARKS

BCE, BCE Emergis and Emergis are trade-marks of BCE Inc. The Rings and Head design, Bell, Sympatico.ca and Sympatico are trade-marks of Bell Canada. VoiceNet is a trade-mark of Bell Mobility Inc./Bell Mobilité Inc. ExpressVu is a trade-mark of Bell ExpressVu Limited Partnership. SmartTouch is a trade-mark of Stentor Resource Centre Inc. *The Globe and Mail* is a trademark of Bell Globemedia Publishing Inc./Bell Globemedia Publications Inc. Juno Awards is a trade-mark of Canadian Academy of Recording Arts and Sciences. Open Mike With Mike Bullard is a trade-mark of Insight Production Company Ltd. Audiovox Thera is a trade-mark of Audiovox Corporation. Data Valet is a trade-mark of Travelnet Technologies, Inc. Any other trade-marks, corporate, trade or domain names mentioned in this annual report are properties of their respective owners.

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Printed in Canada

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EXHIBIT 99.2

BCE INC.

2003 MANAGEMENT PROXY CIRCULAR

Notice of 2003 Annual Meeting and Management Proxy Circular



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Dear Shareholder:

You are invited to attend our Annual Meeting which will be held at:

Le Centre Sheraton Montréal
The Main Ballroom
1201, boulevard René-Lévesque Ouest
Montréal, Québec

on **Wednesday, May 28,** 2003, at **9:00 a.m.** (Montréal time).

The items of business to be acted upon are included in the Notice of 2003 Annual Meeting and accompanying Circular. Following the custom of past annual meetings, we will also review our business operations and will be anwering your questions.

Your participation in BCE's business is important. This year, we are again making it easy for you to vote, by using either the telephone, Internet, mail, facsimile or by coming to the meeting in person.

Please consult the attached Circular which contains all the information you need about the meeting and how to exercise your right to vote. Your vote does count.

Sincerely yours,



R. J. Currie
Chairman of the Board



M. J. Sabia
President and Chief Executive Officer

This Circular, as well as our 2002 Annual Report and quarterly financial information, are posted on our website (www.bce.ca), along with other information regarding BCE. Enrol to receive shareholder communications electronically (see Questions No. 14 to 16). If you cannot join us in person at our meeting, take advantage of the simultaneous webcast available on our website.

April 10, 2003



Notice of 2003 Annual Meeting

The Annual Meeting of the shareholders of BCE Inc. will be held at:

Le Centre Sheraton Montréal
The Main Ballroom
1201, boulevard René-Lévesque Ouest
Montréal, Québec

on **Wednesday, May 28,** 2003, at **9:00 a.m.** (Montréal time)

for the following purposes:

- to receive the consolidated financial statements for the year ended December 31, 2002 and the auditors' report thereon
- to elect directors until the close of the next annual meeting
- to appoint auditors until the close of the next annual meeting
- to transact such other business as may properly be brought before the meeting.

Shareholders registered at the close of business on April 4, 2003 will be entitled to receive notice of and vote at the meeting.

By order of the Board,



Martine Turcotte
Chief Legal Officer and Acting Corporate Secretary

Montréal, March 13, 2003

NOTE:

Proxies to be used at the meeting must be received **prior to 4:45 p.m.** (Montréal time) on **Tuesday, May 27**, 2003, by our transfer agent, Computershare Trust Company of Canada (or by other agents appointed for such purpose) (see Question No. 17 for registered shareholders or Question No. 18 for non-registered (or beneficial) shareholders).

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Management Proxy Circular dated March 13, 2003*

QUESTIONS AND ANSWERS ON VOTING AND PROXIES

Your vote is important to us, and you can vote whether you attend the Meeting or not. Here is how:

1. **Q: WHOM CAN I CALL IF I HAVE QUESTIONS ABOUT THE INFORMATION CONTAINED IN THIS CIRCULAR OR REQUIRE ASSISTANCE IN COMPLETING MY PROXY FORM?**

   A: Georgeson Shareholder Communications Canada Inc. ("Georgeson"), our proxy solicitation agent, at 1-866-798-3283, for service in English, and at 1-866-273-3283, for service in French.

2. **Q: WHO IS SOLICITING MY PROXY?**

   A: The management of BCE Inc. ("BCE", "we", "us", "our" and other similar expressions). Solicitation of proxies will be primarily by mail, supplemented by telephone or other contact, by our employees or agents at a nominal cost, and all such costs will be borne by us. We have retained the services of Georgeson for the solicitation of proxies in Canada and in the United States. Georgeson's services are estimated to cost $55,000.

3. **Q: WHAT AM I VOTING ON?**

   A: Two items: (1) the election of directors to our Board until the close of the next annual meeting and **(2)** the appointment of auditors until the close of the next annual meeting. Shares may be voted for or withheld from voting in both cases. **Our Board and management recommend that you vote FOR both items.**

4. **Q: WHO IS ENTITLED TO VOTE?**

   A: Common shareholders as at the close of business on April 4, 2003 or their duly appointed representatives will be entitled to cast a vote. As at March 10, 2003, 917,418,459 common shares are entitled to be voted at the Meeting.

5. **Q: BY WHEN MUST I VOTE?**

   A: No later than 4:45 p.m. (Montréal time) on Tuesday, May 27, 2003 (if you do not attend the Meeting in person).

6. **Q: WHAT IF I SIGN THE PROXY FORM AS DESCRIBED IN THIS CIRCULAR?**

   A: Signing the proxy form gives authority to Mr. R. J. Currie, Mr. M. J. Sabia, Ms. J. Maxwell or Mr. A. Bérard, all of whom are directors, to vote your shares at the Meeting in accordance with your voting instructions. A PROXY MUST BE IN WRITING AND MUST BE EXECUTED BY YOU OR BY YOUR ATTORNEY AUTHORIZED IN WRITING OR, IF THE SHAREHOLDER IS A CORPORATION OR OTHER LEGAL ENTITY, BY AN OFFICER OR ATTORNEY THEREOF DULY AUTHORIZED. A PROXY MAY ALSO BE COMPLETED OVER THE TELEPHONE OR OVER THE INTERNET (See Question No. 17(1) (a) and (b) and 18(1)).

7. **Q: CAN I APPOINT SOMEONE OTHER THAN THESE DIRECTORS TO VOTE MY SHARES?**

   A: Yes. You have the right to appoint some other person of your choice, who need not be a shareholder, to attend and act on your behalf at the Meeting. If you wish to do so, please strike out those four printed names appearing on the proxy form, and insert the name of your chosen proxyholder in the space provided thereon to this effect. YOU CANNOT APPOINT A PERSON TO VOTE YOUR SHARES OTHER THAN OUR DIRECTORS WHOSE PRINTED NAMES APPEAR ON THE PROXY FORM IF YOU DECIDE TO VOTE BY TELEPHONE.

   IT IS IMPORTANT TO ENSURE THAT ANY OTHER PERSON YOU APPOINT IS ATTENDING THE MEETING AND IS AWARE THAT HIS OR HER APPOINTMENT HAS BEEN MADE TO VOTE YOUR SHARES. PROXY HOLDERS SHOULD, AT THE MEETING, PRESENT THEMSELVES TO A REPRESENTATIVE OF COMPUTERSHARE AT THE TABLE IDENTIFIED "ALTERNATE ATTORNEYS/EXTERNAL PROXYHOLDERS"

8. **Q: HOW WILL MY SHARES BE VOTED IF I VOTE BY PROXY?**

   A: The persons named in the proxy form must vote or withhold from voting your shares in accordance with your instructions on the proxy form. In the absence of such instructions, however, your shares will be voted FOR the election to our Board until the close of the next annual meeting of the nominees proposed by management mentioned in this Circular and on the proxy form, FOR the appointment of Deloitte & Touche LLP as auditors until the close of the next annual meeting and FOR management's proposals generally.

9. **Q: IF I CHANGE MY MIND, CAN I TAKE BACK MY PROXY ONCE I HAVE GIVEN IT?**

A: **Yes.** A shareholder who has voted by proxy may revoke it by voting again in any manner (telephone, Internet, mail or fax). In addition,

* Information as of March 13, 2003, except as otherwise indicated.

you may revoke a voted proxy by depositing an instrument in writing (which includes another proxy form with a later date) executed by you or by your attorney authorized in writing with our Corporate Secretary at 1000, rue de La Gauchetière Ouest, Suite 3700, Montréal, Québec, Canada H3B 4Y7, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement thereof, or by depositing it with the chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof. You may also revoke a proxy in any other manner permitted by law.

It should be noted that your participation in person in a vote by ballot at the Meeting will automatically revoke any proxy previously given by you in respect of business covered by that vote.

10. Q: WHAT IF AMENDMENTS ARE MADE TO THESE MATTERS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: The person named in the proxy form has discretionary authority with respect to amendments or variations to matters identified in the Notice of 2003 Annual Meeting and to other matters which may properly come before the Meeting. As of the date of this Circular, our management knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the proxy form will vote on them in accordance with their best judgment.

11. Q: HOW WILL THE VOTES BE COUNTED?

A: The election of directors and the appointment of auditors will each be determined by a majority of votes cast at the Meeting by proxy or in person. In the event of equal votes, the chairman of the Meeting is entitled to a second or casting vote.

12. Q: IS MY VOTE CONFIDENTIAL?

A: Yes. Computershare counts and tabulates the proxies. This is done independently to preserve the confidentiality of individual shareholder votes. Proxies are referred to us only in cases where you clearly intend to communicate with management (by making a written statement on the proxy form), in the event of questions as to the validity of a proxy or when it is necessary to do so to meet the requirements of applicable law.

13. Q: HOW CAN I CONTACT THE TRANSFER AGENT?

A: You can contact the transfer agent as follows:

By mail:
Computershare Trust Company of Canada
100 University Avenue
9th Floor
Toronto, Ontario, Canada M5J 1V6

By telephone:
1-800-561-0934 (toll-free within Canada and the United States) or 514-982-7555 (in the Montréal area or from any country other than Canada and the United States)

By fax:
1-888-453-0330 (toll-free within Canada and the United States) or 416-263-9394 (outside) Canada and the United States)

or

By e-mail:
bce@computershare.com.

14. Q: WHAT IS ELECTRONIC DELIVERY?

A: A voluntary program for e-mail notification to participating shareholders advising them that documents which must be delivered pursuant to securities legislation are available on our website. Every year, we mail to our shareholders documentation, such as this Circular and our Annual Report, that must by law be delivered to shareholders of a public company. We would like to make this process more convenient by notifying by e-mail those shareholders who so wish when our documentation is posted on our website (www.bce.ca). We believe that electronic delivery will benefit the environment and reduce our costs.

15. Q: IS ELECTRONIC DELIVERY MANDATORY?

A: No. Electronic delivery is voluntary; if you do not consent, you will continue to receive documentation by mail.

16. Q: HOW CAN I CONSENT TO ELECTRONIC DELIVERY?

A: **By going to our website: www.bce.ca.** Click on the vote online link and follow the instructions on screen. You will need your Access Codes (Holder Account Number and Proxy Access Number; you will find these two numbers on the enclosed proxy form).

Voting by Registered Shareholders

You are a registered shareholder if your name appears on your share certificate. THE ENCLOSED PROXY FORM INDICATES WHETHER YOU ARE A REGISTERED SHAREHOLDER.

17. Q: HOW DO I VOTE?

A: You can vote your shares by proxy or in person at the Meeting if you are a registered shareholder:

(1) BY PROXY

There are four ways that you can vote by proxy:

(a) By telephone

Call 1-866-673-3260 (from Canada or the United States) **or 1-312-601-6919** (outside Canada or the United States) **from your touch-tone phone and follow the instructions.** You will need your Access Codes (Holder Account Number and Proxy Access Number; you will find these two numbers on the enclosed proxy form).

(b) On the Internet

Go to our website: www.bce.ca. Enter your Access Codes (Holder Account Number and Proxy Access Number; you will find these two numbers on the enclosed proxy form) and follow the instructions on screen.

(c) By mail

By completing, dating and signing the enclosed proxy form and returning same in the envelope provided.

(d) By fax

By completing, dating and signing the enclosed proxy form and forwarding same by fax at 1-866-249-7775 (toll-free within Canada and the United States) **or at 1-416-263-9524** (outside Canada and the United States). IF YOUR SHARES ARE NOT REGISTERED IN YOUR NAME (E.G., IF THEY ARE HELD THROUGH A BANK, TRUST COMPANY, SECURITIES BROKER OR OTHER NOMINEE), DO NOT USE THE ABOVE FAX NUMBERS AS THEY ARE RESERVED FOR REGISTERED SHAREHOLDERS. INSTEAD, USE THE FAX NUMBERS, IF ANY, PROVIDED BY YOUR NOMINEE (See Question No. 18(1)).

(2) BY ATTENDING THE MEETING IN PERSON

By presenting your admission ticket (attached to the enclosed proxy form) at the Meeting in order to facilitate your admission. If you wish to vote in person at the Meeting, do not complete or return the proxy form. Shareholders who do not bring their admission ticket will nevertheless be admitted to the Meeting after addressing themselves to a representative of Computershare. Persons who are not shareholders may be admitted after addressing themselves to a representative of Computershare, subject to the discretion of the chairman of the Meeting.

Voting by Non-Registered Shareholders

You are a non-registered (or beneficial) shareholder if your shares are held through a bank, trust company, securities broker or other nominee. FOR MOST OF YOU, THE PROXY FORM SENT OR TO BE SENT BY YOUR NOMINEE INDICATES WHETHER YOU ARE A NON-REGISTERED (OR BENEFICIAL) SHAREHOLDER.

18. Q: HOW DO I VOTE?

A: There are two ways that you can vote your shares if you are a non-registered (or beneficial) shareholder:

(1) BY PROVIDING VOTING INSTRUCTIONS TO YOUR NOMINEE.

Your nominee is required to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee either a request for voting instructions or a proxy form for the number of shares you hold.

Every nominee has its own procedures which should be carefully followed by non-registered shareholders to ensure that their shares are voted at the Meeting. These procedures generally allow voting by telephone, on the Internet (go to our website: www.bce.ca and follow the instructions on screen), by mail or by fax.

IF YOUR SHARES ARE NOT REGISTERED IN YOUR NAME, DO NOT USE THE FAX NUMBERS PROVIDED IN QUESTION NO. 17(1) (d) AS THESE NUMBERS ARE RESERVED FOR REGISTERED SHAREHOLDERS.

(2) BY ATTENDING THE MEETING IN PERSON.

We do not have access to the names of our non-registered shareholders. Therefore, if you attend the Meeting, we will have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder. If you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions or proxy form to appoint yourself as proxyholder and follow the instructions of your nominee.

Non-registered shareholders who instruct their nominee to appoint themselves as proxyholders should, at the Meeting, present themselves to a representative of Computershare at the table identified as “Alternate attorneys/External proxyholders”. Do not otherwise complete the form sent to you as your vote will be taken and counted at the Meeting.

BUSINESS TO BE TRANSACTED AT THE MEETING

(See Notice of 2003 Annual Meeting)

1. Presentation of Financial Statements

The consolidated financial statements for the year ended December 31, 2002, and the report of the auditors thereon will be placed before the Meeting. The consolidated financial statements are included in our 2002 Annual Report which you received as part of this package.

2. Election of Directors *(See item 1 on proxy form)*

Fourteen directors are to be elected to hold office until the close of the next annual meeting of the shareholders.

All nominees were elected at our 2002 Annual and Special Meeting except for Mr. M. J. Sabia who was appointed in October 2002 and Mr. A. Bérard, The Honourable E. C. Lumley and Mr. T. C. O'Neill, who were appointed in January 2003. Messrs. J. E. Newall and G. Saint-Pierre, who had been serving on our Board since 1989 and 1995, respectively, have decided that they will not stand for re-election as directors at the Meeting.

If, prior to the Meeting, any of the listed nominees should become unavailable to serve, the persons designated in the proxy form will have the right to use their discretion in voting for a properly qualified substitute.

The persons named as proxies in the enclosed proxy form intend to cast the votes represented by proxy at the Meeting FOR the election as directors of the fourteen persons nominated in this Circular unless you directed otherwise.

3. Appointment of Auditors *(See item 2 on proxy form)*

A firm of auditors is to be appointed at the Meeting to serve until the close of the next annual meeting. The Board, on the advice of the Audit Committee, recommends that Deloitte & Touche LLP be re-appointed as our auditors. Deloitte & Touche LLP and its predecessors have been acting as auditors since the creation of Bell Canada in 1880 and since our own creation in 1983.

The persons named as proxies in the enclosed proxy form intend to cast the votes represented by proxy at the Meeting FOR the appointment of Deloitte & Touche LLP as auditors unless you directed otherwise.

4. Other Business

The chairman of the Meeting will report on recent events of significance to us and on other matters of interest to the shareholders and will invite questions and comments from the floor.

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NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL OWNERSHIP OF VOTING SECURITIES

Abbreviations **Aliant** = Aliant Inc., **BCI** = Bell Canada International Inc., **BCE Emergis** = BCE Emergis Inc., **Bell Globemedia** = Bell Globemedia Inc., **Telesat** = Telesat Canada

	Director since	Committees (2002)	Holdings	
André Bérard, O.C. Montréal, Québec Chairman of the Board, National Bank of Canada (Schedule I bank). Mr. Bérard has held the above position since March 2002. He previously served as Chairman of the Board and Chief Executive Officer of the National Bank of Canada from September 1990 to March 2002. Also Chairman of the Board of NBC Export Development Inc. and National Bank Export Finance Co. Inc. and a Director of Bell Canada, Groupe BMTC Inc., Groupe Saputo Inc., Kruger Inc., Natcan Finance (Asia) Ltd., Natcan International Trade Finance and Investment Co. Ltd., Noranda Inc., Société financière Bourgie Inc., Telesat and Vasogen Inc. Mr. Bérard holds a Fellow's Diploma of the Institute of Canadian Bankers and was Chairman of the Executive Council of the Canadian Bankers' Association from 1986 to 1988.	January 2003		BCE common BCE Emergis common	1,225 700
Richard James Currie, C.M. Toronto, Ontario Chairman of the Board, BCE and Bell Canada. Mr. Currie was President of Loblaw Companies Limited (grocery chain) from July 1976 to January 2001 and a Director thereof from September 1973 to May 2001. He was also President of George Weston Limited (food distribution, retail and production) from July 1996 until May 2002 and a Director thereof from May 1975 until May 2002. He was a Director of Imperial Oil Limited (petroleum company) from October 1987 until April 2002. Also Chairman of the Board of Telesat and a Director of CAE Inc. and Staples Inc.	May 1995	Chairman, Pension Fund Committee	BCE common BCE share units[1]	1,030,189 25,146
Anthony Smithson Fell, O.C. Toronto, Ontario Chairman of the Board, RBC Dominion Securities Limited (investment bank). Mr. Fell has held the above position since 1998. He was also Chief Executive Officer of RBC Dominion Securities Limited from 1980 to 1998. Also Chairman and a Director of Munich Reinsurance Company of Canada and a Director of Bell Canada, CAE Inc., Loblaw Companies Limited and Telesat.	January 2002	Member, Audit Committee and Pension Fund Committee	BCE common BCE share units[1]	10,000 3,351
Donna Soble Kaufman Toronto, Ontario Lawyer and Corporate Director. Mrs. Soble Kaufman was a partner of Stikeman Elliott (law firm) from 1985 until 1997.	June 1998	Member, Corporate Governance Committee	BCE common BCE share units[1] BCI common BCI share units[2]	2,000 9,488 8.33 7,770

Also a Director of Bell Canada, BCI, Bell Globemedia, Hudson's Bay Company, Public Sector Pension Investment Board (Canada), Telesat, TransAlta Corporation and UPM-Kymmene Corporation (Finland).

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1 See **Directors' Share Unit Plan** on page 21 for a description of the share unit plan in effect for our non-employee directors.

2 See the description of the BCI Share Unit Plan for non-employee directors of BCI in the most recent BCI management proxy circular filed with Canadian securities regulatory authorities.

3 On July 12, 2002, BCI consolidated its outstanding common shares on the basis of approximately 120 to one.

	Director since	Committees (2002)	Holdings	
Thomas Edward Kierans, O.C. Toronto, Ontario Chairman of the Board, Canadian Institute for Advanced Research (conducts basic research programs in the social and natural sciences). Mr. Kierans has held the above position since September 1999. He was President and Chief Executive Officer of the C.D. Howe Institute (independent, nonprofit economic and social policy research institution) from 1989 until September 1999, Chairman of Moore Corporation Limited (management and distribution of print and digital information) from October 1977 to March 2001, Chairman of Petro-Canada (petroleum company) from April 1996 to January 2000 and Chairman of First Marathon Securities Limited (investment bank) from September 1997 to January 1999. Also Chairman of the Board of CSI Global Education Inc. and Toronto Centre and a Director of Bell Canada, Inmet Mining Corporation, IPSCO Inc., Manulife Financial Corporation, Petro-Canada and Telesat.	April 1999	Member, Audit Committee	BCE common BCE share units[1]	17,027 4,157
Brian Michael Levitt Montréal, Québec Co-Chair, Osler, Hoskin & Harcourt LLP (law firm). Mr. Levitt has held the above position since 2001. He was President and Chief Executive Officer of Imasco Limited (consumer products and services company) from 1995 to 2000. Also a director of Alcan Inc., Bell Canada, Bell Globemedia, Cossette Communication Group Inc., Domtar Inc., Montreal Museum of Fine Arts and Telesat.	May 1998	Member, Corporate Governance Committee and Management Resources and Compensation Committee	BCE common BCE share units[1]	2,813 15,936
The Honourable Edward C. Lumley, P.C. South Lancaster, Ontario Vice-Chairman, BMO Nesbitt Burns Inc. (investment bank). Mr. Lumley has held the above position since 1991. Also a Director of Air Canada, Bell Canada, Canadian National Railway Company, Dollar Thrifty Automotive Group, Intier Automotive Inc., Magna Entertainment Corp., Magna International Inc. and Telesat.	January 2003		BCE common	10,000
Judith Maxwell, C.M. Ottawa, Ontario President, Canadian Policy Research Networks Inc. (non-profit organization conducting research on work, family, health, social policy and public involvement). Ms. Maxwell has held the above position since 1995. Before her current position, Ms. Maxwell was Associate Director of the School of Political Studies at Queen's University. Also a director of Bell Canada and Telesat.	January 2000	Member, Corporate Governance Committee and Pension Fund Committee	BCE common BCE share units[1]	1,000 4,176

1 See **Directors' Share Unit Plan** on page 21 for a description of the share unit plan in effect for our non-employee directors.

	Director since	Committees (2002)	Holdings	
John Hector McArthur Wayland, Massachusetts Dean Emeritus, Harvard University Graduate School of Business Administration. Mr. McArthur has held the above position since 1995. Also a director of AES Corporation, BCE Emergis, Bell Canada, Cabot Corporation, GlaxoSmithKline plc, HCA Inc., KOC Holdings, A.S., Reuters Founders Share Company Limited, Rohm and Haas Company and Telesat. Also a Senior Advisor to the President of the World Bank, Washington, DC.	May 1995	Member, Management Resources and Compensation Committee	BCE common BCE share units[1] BCE Emergis common BCE Emergis share units[2]	812 21,568 1,000 5,603
Thomas Charles O'Neill, F.C.A. Don Mills, Ontario Corporate Director and Chartered Accountant. Mr. O'Neill is currently Vice-Chair of the Board of Governors at Queen's University. He was Chairman and Chief Executive Officer of Price Waterhouse Canada (accounting firm) from 1996 to 1998. He was Chief Executive Officer of PricewaterhouseCoopers LLP in Canada from 1998 to 2001 and was Chief Operating Officer of PricewaterhouseCoopers LLP global Organization from 2000 until January 2002. He also served as Chief Executive Officer of PricewaterhouseCoopers Consulting from January 2002 to May 2002 and then Chairman of the Board until October 2002. Also a Director of Bell Canada, Nexen Inc., Ontario Teacher's Pension Plan and Telesat.	January 2003		BCE common	3,000
Robert Charles Pozen Newton, Massachusetts Chief of Commerce and Labour, Massachusetts State House. Visiting professor, Harvard Law School. Mr. Pozen has held the above position since January 2003. He previously served as President of Fidelity Management and Research Company (provider of financial services and investment resources) from 1997 to 2001 and as Vice-Chairman of the Board of Fidelity Investments in 2000 and 2001. Also a Director of Telesat.	February 2002	Member, Audit Committee and Pension Fund Committee	BCE common BCE share units[1]	121,970 4,009

1 See **Directors' Share Unit Plan** on page 21 for a description of the share unit plan in effect for our non-employee directors.

2 See the description of the BCE Emergis Share Unit Plan for non-employee directors of BCE Emergis in the most recent BCE Emergis management proxy circular filed with Canadian securities regulatory authorities.

	Director since	Committees (2002)	Holdings	
Michael Jonathan Sabia Montréal, Québec President and Chief Executive Officer and a Director, BCE and Chief Executive Officer and a Director, Bell Canada. Mr. Sabia has held the above executive positions since April 2002 and May 2002 respectively. Prior to his appointment as Vice-Chairman and Chief Executive Officer of BCI in October 1999, Mr. Sabia held the position of Executive Vice-President and Chief Financial Officer of Canadian National Railway Company (transportation company). In July 2000, Mr. Sabia was appointed Executive Vice-President of BCE and Vice-Chairman of Bell Canada. From December 2000 to March 2002, he held the position of President of BCE. In March 2002, Mr. Sabia was appointed President and Chief Operating Officer of BCE and Chief Operating Officer of Bell Canada. Also Chairman of the Board of BCE Emergis, BCE Nexxia Inc. and Bell Globemedia and a Director of Bell Mobility Holdings Inc., Bell ExpressVu Inc. and Telesat.	October 2002		BCE common BCE share units[1]	7,363 72,667
Paul Mathias Tellier, P.C., C.C., Q.C. Montréal, Québec President and Chief Executive Officer and a Director, Bombardier Inc. (manufacturer of business jets, regional aircrafts, rail transportation equipment and motorized recreational products). Mr. Tellier has held the above executive position since January 2003. He was President, Chief Executive Officer and a Director of Canadian National Railway Company (transportation company) from October 1992 to December 2002. Also a director of Alcan Inc., Bell Canada, McCain Foods Limited and Telesat.	April 1999	Chairman, Management Resources and Compensation Committee	BCE common BCE share units[1]	1,700 17,075
Victor Leyland Young, O.C. St. John's, Newfoundland Corporate Director. Mr. Young was Chairman and Chief Executive Officer of Fishery Products International Limited (frozen seafood products company) from 1984 until May 2001. Also a Director of Aliant, Bell Canada, Imperial Oil Limited, McCain Foods Limited, Royal Bank of Canada and Telesat.	May 1995	Member, Audit Committee and Management Resources and Compensation Committee	BCE common BCE share units[1] BCI common[2] Aliant common	5,315 8,671 4.2 1,500

1 See **Directors' Share Unit Plan** on page 21 for a description of the share unit plan in effect for our non-employee directors.

2 On July 12, 2002, BCI consolidated its outstanding common shares on the basis of approximately 120 to one.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of five outside and unrelated directors, namely Messrs. J. E. Newall (Chairman), A. S. Fell, T. E. Kierans, R. C. Pozen and V. L. Young. The roles and responsibilities of the Audit Committee, which met seven times in 2002, are specifically set forth in our Administrative Resolution. In carrying out its responsibilities, the Audit Committee has continued to focus on three key areas:

- assessing the appropriateness of our financial reporting
- reviewing the adequacy of policies and processes governing internal controls, risk management, compliance with applicable laws, regulations and sound business ethics
- overseeing all aspects of the audit function.

In the course of fulfilling its responsibilities, the Audit Committee communicates directly with our executive officers, management and both our internal and external auditors regularly.

Financial Reporting

The Audit Committee reviews with management and the external auditors and recommends for approval by the Board

- our annual and interim consolidated financial statements
- the related management's discussion and analysis
- our Annual Information Form

to ensure:

- the completeness, consistency and fair presentation of the financial reporting
- the appropriateness of accounting standards used, namely where judgement, estimates, risks and uncertainties are involved
- the adequacy of critical disclosures therein.

The Audit Committee also, where appropriate, reviews the adoption and disclosure of new accounting pronouncements and assesses the potential ramifications of selecting such alternatives. The recently enacted United States *Sarbanes-Oxley Act of 2002* ("*Sarbanes*") and related rules and regulations issued by the U.S. Securities and Exchange Commission (the "SEC") require that we design and maintain disclosure controls and procedures to ensure that information that we must publicly disclose is recorded, processed, summarized and reported on a timely basis.

We already had in place controls and procedures aimed at achieving the above-mentioned objectives. However, following the enactment of *Sarbanes* and the related SEC rules and regulations, we reviewed our existing disclosure controls and procedures for compliance with the new requirements. At its February 2003 meeting, our Board approved guidelines reflecting our revised disclosure controls and procedures. In addition, at the same meeting, our Board approved a written charter outlining the responsibilities, membership and procedures of our Disclosure and Compliance Committee (a committee comprised of officers and other key employees responsible for overseeing the accuracy and timeliness of our public disclosures).

As part of our disclosure controls and procedures, we have established a comprehensive process to support the annual certifications, required under *Sarbanes*, by our President and Chief Executive Officer and our Chief Financial Officer stating, among other things, that:

- they are responsible for establishing and maintaining our disclosure controls and procedures
- they have evaluated the effectiveness of such disclosure controls and procedures
- our financial statements and related management's discussion and analysis and the Annual Information Form contained in our annual report on Form 40-F to be filed with the SEC ("Form 40-F") does not contain any untrue statement of a material fact
- our financial statements, and other financial information, contained in our Form 40-F fairly present in all material respects our financial condition and results of operation.

Internal Controls

The Audit Committee assesses the adequacy and effectiveness of our internal control environment by reviewing the policies in place, monitoring compliance and approving recommendations for changes. The Audit Committee also ensures that we maintain adequate processes for identifying and mitigating risks including overall compliance with our Conflict of Interest Policy.

The recent enactments of *Sarbanes* and of related SEC rules and regulations have also expanded the Audit Committee's responsibilities. These new regulations require annual certifications by our President and Chief Executive Officer and our Chief Financial Officer stating that they have disclosed to our external auditors and to the Audit Committee any significant deficiencies in the design or operation of our internal controls which could adversely affect our ability to record, process, summarize and report financial data and have identified to the external auditors and to the Audit Committee any material weakness in our internal controls. We have reviewed our existing internal controls and made necessary adjustments in order to comply with these rules.

Audit Function

The evaluation of the auditors is carried out by the Audit Committee, and entails reviewing their performance in light of acceptable auditing standards as well as their qualifications, independence, audit plans and fees to ensure that the audit mandate is adequately fulfilled.

Auditor Independence Policy

At its February 2003 meeting, the Audit Committee approved a revised Auditor Independence Policy which governs the employment of auditors for audit and non-audit services and provides for:

- a process that must be followed to properly assess the impact on auditor independence of various audit and non-audit services provided by the external auditors
- clear guidance on permitted and prohibited services
- approval processes to be followed by us and our subsidiaries prior to the engagement of auditors.

The Audit Committee appointed the Chairman of the Audit Committee as the designated member to authorize all audit and non-audit services provided by our external auditors not already pre-approved by the Audit Committee.

The Audit Committee is responsible for the establishment of the Auditor Independence Policy, approving recommendations for changes and monitoring management's compliance with such policy, including the pre-approval process.

Auditors' Fees

The following table sets forth the fees paid by BCE and our subsidiaries to Deloitte & Touche LLP for services rendered in the last two years:

Deloitte & Touche LLP	2002	2001
($ millions)		
Audit services	**9.6**	10.5
Audit-related services	**15.0**	11.0
Tax services	**4.2**	5.7
Other services	**8.3**	20.5
	37.1	47.7

Audit-related fees paid to Deloitte & Touche LLP include fees relating to the issuance of prospectuses, due diligence in connection with divestitures and consultations regarding financial accounting and reporting standards. Other services relate to information systems consulting work and other advisory services.

Report presented February 25, 2003 by:
J. E. NEWALL, CHAIRMAN
A. S. FELL
T. E. KIERANS
R. C. POZEN
V. L. YOUNG

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (the "CGC") is composed of five outside and unrelated directors, namely Mr. G. Saint-Pierre (Chairman), Mrs. D. Soble Kaufman, Mr. B. M. Levitt, Ms. J. Maxwell and Mr. J. E. Newall. The CGC, which met five times in 2002, is generally mandated by the Board to ensure the highest standards of corporate governance practices.

In the context of its mandate, the CGC reviewed and reported or made recommendations to the Board with respect to the following matters in 2002 and up to the date of this Circular:

- the size and composition of the Board so as to ensure that, in the context of succession planning, the Board and its Committees continue to benefit from the range of skills and breadth of experience required to function effectively
- the appointment of six new directors (Messrs. A. S. Fell, R. C. Pozen and M. J. Sabia in 2002 and Mr. A. Bérard, The Honourable E. C. Lumley and Mr. T. C. O'Neill in 2003)
- the 14 director nominees to stand for election at the Meeting
- the role and responsibilities of our Committees
- the creation of the Pension Fund Committee with responsibility for pension matters previously assumed by the Audit Committee
- through individual director interviews and questionnaires, the review of the effectiveness of the Board as well as an assessment of the performance of each director and of the Chairman of the Board
- the directors' attendance record and report thereon to the Board
- the evaluation of outside directors' remuneration for Board and Committee service, including revamping the terms of such remuneration for 2003, cancelling our directors stock option plan and increasing our minimum shareholding guideline, all as set out in further details on pages 21 to 23
- adequate responses to the legislative reforms in the area of corporate governance, as discussed on pages 14 to 20
- the alignment of our corporate governance practices with the Corporate Governance Guidelines of The Toronto Stock Exchange ("TSX"), including the qualification as "related" or "unrelated" director of each Board member, and the preparation of our Statement of Corporate Governance Practices which you will find on the following page.

Directors' Attendance Record

Our Board held 21 meetings in 2002 while Committees of the Board met 17 times during the year. Each director attended at least 75 percent of the combined meetings of the Board and of the Committees on which such director served. Overall, the combined attendance by our directors at both Board and Committee meetings was 92 percent.

Report presented February 26, 2003 by:
G. SAINT-PIERRE, CHAIRMAN
D. SOBLE KAUFMAN
B. M. LEVITT
J. MAXWELL
J. E. NEWALL

Statement of Corporate Governance Practices

We seek to attain high standards of corporate governance as our Board and our management believe that good corporate governance practices tend to contribute to the creation and maintenance of shareholder value while poor ones may undermine it. The Board has carefully considered the corporate governance guidelines adopted by the TSX and believes that we are well aligned with such guidelines. The TSX has published proposed amendments to its current corporate governance guidelines in the spring of 2002 which have not yet been formally implemented by the TSX as of the date hereof. In November 2002, the TSX circulated a further set of proposed amended corporate governance guidelines. Once they are adopted, the Board will re-assess our corporate governance practices and make any necessary changes.

The Board has been reviewing its corporate governance practices in light of *Sarbanes* and proposed corporate governance rules published by the New York Stock Exchange (the "NYSE Proposals"). The SEC has issued rules and regulations ("SEC Rules") to give effect to certain provisions of *Sarbanes* and is currently considering approval of the NYSE Proposals. As those provisions come into effect, the Board will re-assess its corporate governance practices. Our corporate governance practices are compared below to the TSX Corporate Governance Guidelines and, where indicated, are also compared to certain *Sarbanes*, SEC Rules and NYSE Proposals which may differ from the TSX Corporate Governance Guidelines.

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
1. The Board should explicitly assume responsibility for our stewardship And, as part of its overall stewardship responsibility, the Board should assume responsibility for:	**Yes**	The Board has overall responsibility for the management and supervision of our affairs. The Board has established an administrative procedure which prescribes the rules governing the approval of transactions carried out in the course of our operations, the delegation of authority and the execution of documents on our behalf. For instance, the appointment of officers as well as the authorization of investments and expenditures above a certain dollar threshold are subject to review and approval by the Board.
(a) the adoption of a strategic planning process	**Yes**	The Board approves our overall strategic direction and objectives during a substantial strategic planning session held once a year, usually in November, at the same time as the business plan and budget are approved for the following year. In addition, the key objectives of our strategy as well as quantifiable financial and business targets related to the business plan objectives are incorporated in an annual management mandate (the "Corporate Mandate"), which is approved early in the following year.
(b) the identification of the principal risks of the business and ensuring implementation of appropriate systems to manage these risks	**Yes**	The Audit Committee reviews, reports and provides recommendations to the Board on the adequacy of our processes for identifying and managing our principal risks, including risk policies, internal control procedures and standards relating to risk management. The Audit Committee ensures that these policies are implemented and regularly reviewed. In 2003, the Board will be presented by the Audit Committee with a new plan to further enhance the integration of our strategic planning and risk management.

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
(c) succession planning, including appointing, training and monitoring senior management	**Yes**	As part of its mandate, the Board focuses on the integrity, quality, and continuity of management required to attain our corporate goals. The Management Resources and Compensation Committee ("MRCC") reviews and reports to the Board on succession planning, on senior management appointments and development and on the performance of management in relation to the Corporate Mandate at six-month intervals. Annually, the MRCC measures management's performance and compensation against the combined set of objectives comprised in the Corporate Mandate.
(d) our communications policy	**Yes**	The Board approves periodically a communications plan to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities. Procedures for receiving feedback from shareholders have also been developed. For instance, in addition to our annual meetings, lines of communication (meetings, conferences, press releases and quarterly conference calls) have been established with the investment community and the media to explain our results and corporate strategy as well as to answer questions. We have a toll free number for shareholder enquiries (1-800-561-0934) and for investor relations and general enquiries (1-800-339-6353). In addition, we present detailed information on our business on our website (www.bce.ca). The Board approved at its November 2002 meeting a revised Disclosure Policy applicable to BCE, Bell Canada and our non-public subsidiaries. Our Disclosure Policy ensures that our communications to the investment community, the media and the general public are timely, factual and accurate, and broadly disseminated, in accordance with applicable legal requirements.
(e) the integrity of our internal control and management information systems.	**Yes**	The Audit Committee assesses the adequacy and effectiveness of our internal control environment by: • reviewing the policies in place • monitoring compliance • approving recommendations for changes. The Audit Committee also ensures that we maintain adequate processes for identifying and mitigating risks including overall compliance with our Conflict of Interest Policy. The recent enactments of *Sarbanes* and of the SEC Rules have also expanded the Audit Committee's responsibilities. These new regulations require annual certifications by our President and Chief Executive Officer and our Chief Financial Officer stating that they have disclosed to our external auditors and to the Audit Committee any significant deficiencies in the design or operation of our internal controls which could adversely affect our ability to record, process, summarize and report financial data and have identified to the external auditors and to the Audit Committee any material weakness in our internal controls. We have reviewed our existing internal controls and made necessary adjustments in order to comply with these rules.

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
2. A majority of directors should be "unrelated" (independent of management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to our best interests).	**Yes**	Currently, only one of the 14 persons proposed for election to the Board in this Circular is a "related" director as determined pursuant to the TSX Corporate Governance Guidelines: • as our President and Chief Executive Officer, Mr. M. J. Sabia is considered to be a "related" director under the TSX Corporate Governance Guidelines.
The application of the definition of "unrelated" director is the responsibility of the Board which will be required to disclose on an annual basis whether it has a majority of "unrelated" directors and the analysis of the application of the principles supporting this conclusion.		Our directors represent a wide variety of business sectors. Certain directors may be partners in or officers of entities that provide legal, financial or other services to us or to our subsidiaries. These directors are considered unrelated given that: • such services are provided on customary commercial terms by such entities • are received by us or our subsidiaries in the ordinary course of our respective businesses • our ability or our subsidiaries' ability to obtain such services from any one of such entities in particular is not considered material to us and our subsidiaries on a consolidated basis • we are at liberty to choose amongst other service providers of similar quality standards • the amount of fees received by such entities for services rendered to us or our subsidiaries are not material to such entities.
Under the NYSE Proposals, there is also a requirement for a majority of "independent" directors. Certain relationships serve as bars to independence. In addition, no director qualifies as "independent" unless the Board affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).		*It is currently anticipated that following the adoption of the NYSE Proposals, the CGC will be developing standards for determining the independence of directors and members of Committees in line with the NYSE Proposals.*
3. The Board should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors, with responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis.	**Yes**	Our CGC is composed exclusively of outside and unrelated directors. The CGC receives suggestions for candidates from individual Board members, the President and Chief Executive Officer, shareholders, as well as professional search organizations. A guideline for the selection of directors provides that directors elected for the first time after 1996 will commit to being available for a minimum period of five years, and will not normally be eligible to stand for re-election if they have served on the Board for a period of 10 successive one-year terms. The CGC also undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his or her own participation on the Board.
The NYSE Proposals will require a nominating committee to be composed solely of "independent" directors.		*The functions of a nominating committee are performed by our CGC. It is currently anticipated that following the adoption of the NYSE Proposals, the composition of the CGC will comply with the NYSE Proposals.*

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
4. The Board should implement a process, to be carried out by an appropriate Committee, for assessing the effectiveness of the Board, its Committees and the contribution of individual directors.	**Yes**	The CGC is charged with the administration of our directors' attendance policy, pursuant to which our Corporate Secretary must report to the CGC the name of any director who held his or her position during the entire previous year and who did not attend 75% of Board and Committee meetings. The CGC must assess whether the director's attendance record is due to health or other exceptional non-recurring reasons and must take into account its assessment of the director's attendance record in recommending to the Board the list of nominees for election as directors at the next annual meeting of shareholders. In addition, the CGC canvasses, as required, all directors on the effectiveness of the Board (including through the conduct of individual director interviews with the CGC Chairman) and assesses the performance of the Chairman of the Board and of individual directors and reviews the results of such survey with the Board.
5. We should provide, as an integral element of the process for appointing new directors, an orientation and education program for new directors.	**Yes**	Upon joining the Board, directors are given the opportunity to meet with members of senior management to familiarize themselves with our business and are provided with a "Reference Book for Directors" which is periodically updated and contains information about our history and current status, the special legislation affecting us, our investments and our shareholders. It also contains our Code of Conduct, as well as the governance and mandate of the Board and of its Committees and a description of the directors' duties and liabilities.
6. The Board should examine its size and, with a view to determining the impact of number upon effectiveness, undertake where appropriate, a program to establish a board size which facilitates more effective decision- making.	**Yes**	The Board's objective, with respect to its composition, is to have a sufficient range of skills, expertise and experience to ensure that the Board can carry out its functions effectively and to have a reasonable geographical representation in relation to our shareholders. Directors are selected for their ability to contribute on the broad range of issues with which the Board must deal. The Board reviews, through the CGC, the contributions of the directors and determines whether its size promotes effectiveness and efficiency. Our Board believes that it has the proper size and range of skills to function effectively.
7. The Board should review the adequacy and form of compensation of directors in light of the risks and responsibilities involved in being an effective director.	**Yes**	The CGC is charged with conducting an annual review of the directors' remuneration for Board and Committee service in relation to current norms and to recommend any change for Board approval. In 2002, in part to address the risks and responsibilities involved in being an effective director, the CGC conducted a thorough review of our outside directors' compensation arrangements, culminating in the adoption of new compensation arrangements for such directors which were implemented as of January 1, 2003 (see **2003 Compensation of Outside Directors** on pages 22 and 23).
8. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated. *The NYSE Proposals will require that the Audit, compensation (our MRCC) and nominating (our CGC) committees be composed solely of "independent" directors.*	**Yes**	Each Committee of our Board is composed solely of outside directors, all of whom are "unrelated". *It is currently anticipated that following the adoption of the NYSE Proposals, such Committees' composition will comply with the NYSE Proposals.*

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
9. The Board should assume responsibility for, or assign to a Committee of directors responsibility for, developing the approach to corporate governance issues. This Committee would, among other things, be responsible for the response to the TSX Corporate Governance Guidelines.	**Yes**	The CGC, as part of its overall mandate, is responsible for recommending to the Board appropriate responses to the TSX Corporate Governance Guidelines, those of other securities regulatory authorities as well as developing our approach to corporate governance issues. For a more detailed discussion of the mandate of the CGC and its specific achievements in 2002, see **Report of the Corporate Governance Committee** on page 13.
10. The Board, together with the President and Chief Executive Officer, should develop position descriptions for the Board and for the Chief Executive Officer, including the definition of the limits to management's responsibilities.	**Yes**	The respective roles of the Board and the President and Chief Executive Officer are set out in our *Schedule of Authorities* which lists all transactions that management is authorized to carry out without necessitating specific Board approval. All corporate action that is not specifically authorized under the *Schedule of Authorities* requires approval by the Board.
The Board should approve or develop the corporate objectives which the President and Chief Executive Officer is responsible for meeting.		The corporate objectives for which the President and Chief Executive Officer has responsibility are set forth annually in the Corporate Mandate which is approved by the Board early in the first quarter of each year. The achievement of the objectives is assessed semi-annually by the MRCC and the Board on the basis of strategic business objectives and quantifiable financial targets incorporated in the Corporate Mandate.
The SEC Rules require disclosure as to whether or not and, if not the reasons why, a company has adopted a code of ethics for the principal executive officer and senior financial officers, applicable to the Chief Executive Officer, Chief Financial Officer and Controller.		This disclosure requirement will only be applicable to us for the year ending December 31, 2003. All of our employees are subject to a Code of Conduct governing ethical behaviour which must be reviewed and signed by each employee on an annual basis. We are currently in the process of reviewing our Code of Conduct to incorporate the recommended ethics guidelines for our President and Chief Executive Officer, Chief Financial Officer, Controller and other financial officers. Once completed and approved by the CGC, the Code will be posted on our website (www.bce.ca).
11. The Board should have in place appropriate structures and procedures to ensure that it can function independently of management. An appropriate structure would be to (i) appoint a chair of the Board who is not a member of management with responsibility to ensure that the Board discharges its responsibilities or (ii) assign this responsibility to an outside director, sometimes referred to as the "lead director".	**Yes**	Our By-Laws provide that the directors may determine from time to time whether the Chairman (i) shall not be an officer and shall act solely in a non-executive capacity or (ii) shall be an officer acting in an executive capacity. Should the Board decide that the Chairman shall be one of our officers acting in an executive capacity, the Board would then designate one of its members as "lead director" with the responsibility of ensuring that the Board can function independently of management. We currently have a non-executive Chairman.
Appropriate procedures may involve the Board meeting on a regular basis without management present or may involve expressly assigning responsibility for administering the Board's relationship to management to a Committee of the Board.		It is our Board's practice to reserve time for meeting without management at regularly scheduled Board meetings. In addition, directors can add items to Board agendas which are distributed in advance of meetings and agendas for Committee meetings are under the responsibility of the Chairman of each Committee. Furthermore, the Board meets without the President and Chief Executive Officer when his performance and compensation are discussed and, finally, there is a process (which includes a questionnaire distributed to directors by the Chairman of the CGC) by which feedback is periodically solicited from directors on how the Board can operate more effectively.

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
12. The Audit Committee should be composed only of outside directors. The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal controls, it is the Audit Committee's responsibility to ensure that management has done so.	**Yes**	Our Audit Committee is composed solely of outside and unrelated directors. The roles and responsibilities of the Audit Committee are specifically set forth in our Administrative Resolution. Such roles and responsibilities include reviewing, reporting and, where appropriate, approving or recommending to the Board on the adequacy of our internal control systems, the appointment, terms of engagement, independence and proposed fees of the auditors, the appointment and mandate of our internal auditors, the relationship between related entities' audit committees and our own Audit Committee and the relationship between the Audit Committee, other standing Committees of the Board and management. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate (see **Report of the Audit Committee** on page 11).
The NYSE has currently in place listing standards relating to the effectiveness of audit committees. Such standards include that audit committees: • should consist of at least three directors • all of whom have no relationship that may interfere with the exercise of their independence from management and the company • each member of such audit committees should be financially literate • at least one member of the audit committee should have accounting or related financial management expertise.		While we are not required to comply with such NYSE rules, our Audit Committee currently meets all four requirements.
The SEC Rules require disclosure as to whether or not, and if not the reasons why, the Audit Committee is comprised of at least one member who is a financial "expert" as defined in such SEC Rules.		This disclosure requirement will only be applicable to us for the year ending December 31, 2003, at which time we will comply therewith.

TSX Corporate Governance Guidelines	Do we align?	Our corporate governance practices
Sarbanes and the SEC Rules provide a new environment for the engagement of auditors, including the scope of services that can be provided and a pre-approval process for all audit and non-audit services.		At its February 2003 meeting, the Audit Committee approved a revised Auditor Independence Policy which governs the employment of auditors for audit and non-audit services and provides for: • a process that must be followed to properly assess the impact on auditor independence of various audit and non-audit services provided by the external auditors • clear guidance on permitted and prohibited services • approval processes to be followed by us and our subsidiaries prior to the engagement of auditors. Our Audit Committee appointed the Chairman of the Audit Committee as the designated member to authorize all audit and non-audit services provided by the external auditors not already pre-approved by the Audit Committee. The Audit Committee is responsible for the establishment of the Auditor Independence Policy, approving recommendations for changes and monitoring management's compliance with such policy, including the pre-approval process.
13. The Board should implement a system to enable an individual director to engage an outside advisor, at our expense in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate Committee of the Board.	**Yes**	In performing its responsibilities, the Board, a Committee of the Board or an individual director may, as required, and subject to the approval of the Chairman of the CGC, engage an outside advisor at our expense.

In addition, our corporate governance practices currently contemplate that each outside director should be invited to sit on at least one of our Board Committees and, in order to provide an effective process for supervising the businesses of our subsidiaries and associated companies, that each such outside director shall be invited to sit on the Board of at least one of our principal subsidiaries or business units.

At the date hereof, the following outside directors sit on the Board of the BCE group of companies indicated below:

Director	BCE group of companies
Mr. André Bérard	Bell Canada, Telesat
Mr. Richard J. Currie	Bell Canada, Telesat
Mr. Anthony S. Fell	Bell Canada, Telesat
Mrs. Donna Soble Kaufman	Bell Canada, Telesat, BCI, Bell Globemedia
Mr. Thomas E. Kierans	Bell Canada, Telesat
Mr. Brian M. Levitt	Bell Canada, Telesat, Bell Globemedia
The Honourable Edward C. Lumley	Bell Canada, Telesat
Ms. Judith Maxwell	Bell Canada, Telesat
Mr. John H. McArthur	Bell Canada, Telesat, BCE Emergis
Mr. J. Edward Newall	Bell Canada, Telesat
Mr. Thomas C. O'Neill	Bell Canada, Telesat
Mr. Robert C. Pozen	Telesat
Mr. Guy Saint-Pierre	Bell Canada, Telesat
Mr. Paul M. Tellier	Bell Canada, Telesat
Mr. Victor L. Young	Bell Canada, Telesat, Aliant

REPORT OF THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The MRCC is composed of four outside and unrelated directors, namely Mr. P. M. Tellier (Chairman) and Messrs. B. M. Levitt, J. H. McArthur and V. L. Young. The MRCC, which met five times in 2002, is mandated by the Board to ensure the consistent alignment of our human resources strategies with our business plan.

As such, in the context of the specific terms of its mandate in 2002, the MRCC made recommendations to the Board with respect to:

- the appointment of all officers, including the President and Chief Executive Officer
- the review with the President and Chief Executive Officer of various organizational changes
- the review with the President and Chief Executive Officer of management's assessment of existing management resources so as to ensure for appropriate succession planning
- talent management consisting of a review of the performance of the President and Chief Executive Officer against specific performance criteria and a review with the President and Chief Executive Officer of the performance assessments of all other officers
- the review of our executive compensation policy, as further detailed on pages 23 to 27 and the total compensation for the President and Chief Executive Officer and all other officers
- the administration of applicable benefit plans such as recommendations to the Board as to grants under applicable stock option plans and a review of the application of our share ownership guidelines
- the review of various changes to our benefit plans
- the review of this report on the compensation of directors and officers.

Report on Directors' Compensation

The compensation of our directors is set by our Board based on recommendations of the CGC. See **Report of the Corporate Governance Committee** on page 13 for a description of the CGC's mandate and composition.

COMPENSATION PHILOSOPHY

Consistent with the risks and responsibilities in being an effective director, our aim is to ensure that our Board membership is of the highest quality with an extensive and relevant breadth of experience.

2002 COMPENSATION OF OUTSIDE DIRECTORS

In 2002, the compensation of outside directors consisted of:

Annual Board Retainer	$35,000
Annual Committee Retainer	$ 5,000
Annual Committee Chairman Retainer	$ 5,000
Board Attendance Fees	$ 1,500
Committee Attendance Fees	$ 1,500

Notes:

- Our directors who are also employees of BCE or any of our subsidiaries do not receive any of the foregoing compensation
- In addition to the reimbursement for expenses, outside directors required to travel over 1,000 kilometers from their principal residence for attending meetings received twice the attendance fees (i.e. $3,000 in lieu of $1,500) otherwise payable (a) for Board meetings, and (b) for Committee meetings held on a day when the Board was not meeting
- Non-Canadian resident directors were entitled to be paid all (except for expenses incurred in Canadian funds) of the applicable foregoing face amounts in U.S. dollars.

Directors' Share Unit Plan

So as to align more closely the interests of our outside directors with those of our shareholders, since May 1, 1997, the annual Board retainer portion of the outside directors' remuneration has been paid in the form of share units under our Share Unit Plan for Non-Employee Directors (1997) (the "Directors' Share Unit Plan").

The annual Board retainer is payable quarterly. Accordingly, each quarter, a number of share units equal to the number of our common shares that could be purchased on the open market for a dollar amount equal to the quarterly Board retainer is credited to the account maintained for each outside director under the Directors' Share Unit Plan. Subject to the CGC's consent, outside directors also have the option of having the other fees to which they become entitled to be paid in share units under the Directors' Share Unit Plan. On each common share

dividend payment date, dividend equivalents in the form of additional share units at the same rate as dividends on our common shares are credited to each outside director's account.

No shares are purchased on the open market under the Directors' Share Unit Plan until such time as an outside director ceases to be a member of our Board and of the Board of our subsidiaries, as the case may be. Following such cessation of an outside director's Board service, we arrange for the purchase on the open market of a number of our common shares equal to the outside director's credit balance under the Directors' Share Unit Plan (after remittance of applicable withholding taxes), and such shares are then delivered to the departing director.

Directors' Stock Option Program

Prior to November 26, 2002, our outside directors were also granted a one time option grant covering 15,000 common shares (or 22,500 for non-Canadian resident directors) under our Long-Term Incentive (Stock Option) Program for Non-Employee Directors (2000) (the "outside directors Stock Option Program"). As described below, as part of the changes made to our outside director compensation on November 26, 2002, the directors forfeited all outstanding (vested and unvested) options. Thus, we cancelled the outside directors Stock Option Program.

Subsidiary Board Compensation

In 2002, some of our outside directors also received compensation from certain of our subsidiaries for services in their capacity as directors of such subsidiaries, at standard rates in effect at such subsidiaries for non-executive directors, as set out below. During all or part of 2002, Ms. J. Maxwell and Messrs. R. J. Currie, J. E. Newall, G. Saint-Pierre and P. M. Tellier were directors of Bell Canada; Mr. J. H. McArthur was a director of BCE Emergis and some of its subsidiaries; Mrs. D. Soble Kaufman and Mr. B. M. Levitt were directors of Bell Globemedia; Mrs. D. Soble Kaufman was a director of BCI; and Mr. V. L. Young was a director of Aliant and some of its subsidiaries. The 2002 compensation for the applicable subsidiaries was:

	Aliant	Bell Canada	BCI	BCE Emergis (effective October 23, 2002)	Bell Globemedia
Annual Retainer[1]					
Board	$25,000	$ 23,000	$ 20,000 US	$ 20,000	$23,000
Committees	$2,000	$4,000	—	$1,000	$ 4,000 (Audit)
Committee Chair	$5,000	$4,000	$1,000US	$1,000	—
Attendance Fees					
Board	$1,500	$1,000	$750US	$1,000	$1,000
Committees	$1,500	$1,000	$500US	$1,000[2]	$1,000 (Audit)

1 All or part of the Annual Board Retainer may be paid by way of share units under applicable share unit plans maintained by Aliant, BCI and BCE Emergis or by us for other subsidiaries that are eligible to participate in our Directors' Share Unit Plan being further described on the previous page. Refer to the most recent management proxy circular filed with Canadian securities regulatory authorities by Aliant, BCI and BCE Emergis and the most recent Annual Information Form of Bell Canada.

2 The attendance fee for the Audit Committee of BCE Emergis is $1,500.

Minimum Share Ownership Guideline

The minimum share ownership guideline in place for 2002 consisted of directors being required to own 3,000 common shares or share units within three years of their election to the Board.

Lead Director Compensation

In February 2001, Mr. Currie was granted 30,000 phantom stock options for the years 2001 to 2003 in recognition of his expected role as lead director for a three year period ending at the end of 2003. The right to exercise these 30,000 phantom stock options was to have accrued by 33 1/3% a year starting on February 28, 2001. These options had a ten-year term. Upon exercise of these options, he was to receive a cash payment equal to the difference between the market price at the time of exercise and the market price at the time of grant. However, as a result of Mr. Currie's resignation as lead director on April 23, 2002 and his appointment as Non-Executive Chairman of the Board, 66 2/3% of the original 30,000 phantom stock options grant was cancelled.

Effective with Mr. Currie's appointment as Non-Executive Chairman of the Board on April 23, 2002, his compensation arrangement was modified to reflect the increased duties and responsibilities incumbent with such position. The terms of such new arrangement are outlined below.

2003 COMPENSATION OF OUTSIDE DIRECTORS

We undertook in 2002 a comprehensive review of compensation arrangements for outside directors. In November 2002, the CGC recommended the following key changes, which were approved by our Board to take effect on January 1, 2003:

- the cash compensation for our outside directors was increased to reflect their increased roles and responsibilities further to new governance standards under *Sarbanes* and the SEC Rules
- until the increased minimum share ownership level (described on the next page) is attained, compensation will be paid in the form of share units under our Directors' Share Unit Plan. Once an outside director attains the increased minimum share ownership level, he or she can elect the degree (if any) to which compensation will be paid in the form of share units
- effective November 2002, the outside directors Stock Option Program and all outstanding options under this program were cancelled
- comprehensive directors fees to cover the services of outside directors as directors of BCE and other BCE group companies the common shares of which are not publicly traded
- non-Canadian resident directors elected or appointed in the future will be paid in Canadian funds in the same amounts as Canadian directors.

2003 Cash Compensation

Effective January 1, 2003, an all-inclusive flat fee arrangement has been introduced in lieu of retainers and attendance fees, as follows:

• Canadian resident and future non-Canadian resident outside directors (except Mr. R. J. Currie as Chairman of the Board and Mr. J. E. Newall as Chairman of the Audit Committee)	flat fee of $150,000 per year, payable quarterly
• Two non-Canadian resident outside directors who were members of the Board when new compensation arrangements were approved in November 2002 (Messrs. J. H. McArthur and R. C. Pozen)	flat fee of $150,000 US per year, payable quarterly
• Chairman of the Audit Committee (who also currently serves as Chairman of the Audit Committee of Bell Canada, with no additional remuneration)	flat fee of $225,000 per year, payable quarterly
• Chairman of the Board (who also currently serves as Chairman of the Board of Bell Canada with no additional remuneration), effective April 23, 2002 upon his appointment as our Chairman of the Board	flat fee of $300,000 per year, payable quarterly

Minimum Share Ownership Guideline

Outside directors are expected to own at least 10,000 common shares and/or share units under the Directors' Share Unit Plan. Outside directors have five years from the later of becoming a Board member and November 26, 2002, to reach such threshold. This minimum share ownership guideline is an increase from the previous guideline which required directors to own 3,000 common shares or share units within three years of their election to the Board.

The Board believes that the increase in the share ownership guideline for our outside directors serves to further align the interests of our outside directors with those of our shareholders.

Cancellation of Outside Directors Stock Option Program

We have had in place an outside directors Stock Option Program since November 2000 under which each outside director (to November 2002) was awarded a one-time grant of options covering 15,000 common shares with an additional one-time grant covering 7,500 common shares for directors residing outside of Canada. These options had a term of 10 years and an exercise price equal to the market price of our common shares on the day prior to the time of grant. No options have been exercised under this program. In connection with the changes in director compensation arrangements described above, on November 26, 2002 all outstanding options (whether vested or unvested) were forfeited and the program was terminated.

Report on Officers' Compensation

COMPENSATION PHILOSOPHY

The objectives of our executive compensation policy are to assist in attracting and retaining executives and to motivate them to achieve and surpass individual and group performance objectives consistent with creating shareholder value and advancing our corporate success. Our compensation philosophy is to offer total compensation based on a comparator group of major Canadian and U.S. companies.

A substantial portion of the executive's annual cash compensation is tied to the attainment of corporate performance objectives. In addition, we have in place long-term incentive programs consisting principally of stock option plans which align executive and shareholder interests and provide an incentive to executives to pursue growth opportunities for BCE by enabling them to participate in the appreciation in share value. Long-term incentive programs serve both as a retention tool and as a compensation element.

The MRCC periodically reviews our executive compensation policy, generally to ensure that it continues to be effective in meeting objectives set out above. This review also includes a specific review of the compensation of our Chief Executive Officer and senior officers and certain subsidiaries. In this document, our officers whose compensation is set forth under the Summary Compensation Table are referred to as the "Named Executive Officers". The compensation of two of our Named Executive Officers, Messrs. Blouin and Fecan, is approved by the boards of BCE Emergis and Bell Globemedia, respectively, based in each case on a compensation philosophy which is substantially similar to our philosophy.

TOTAL COMPENSATION

Total compensation is comprised of four elements:

- Base salary
- Annual short-term incentive awards
- Long-term incentives
- Benefits and perquisites.

Total compensation is compared to a group of widely-held Canadian and U.S. companies. For 2002, this comparator group consisted of twenty-two North-American publicly-traded companies including large capitalization Canadian companies and U.S. companies in the telecommunications industry. This comparator group of companies is reviewed periodically to ensure its continued relevance.

Our total compensation levels reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal fairness). The total compensation policy is positioned at the middle value of what is offered in the market for similar positions. This means that 50% of the companies in the comparator group pay more and 50% pay less. Actual total compensation of our executives is positioned between the 50th and 75th percentile of what is offered for similar positions in the comparator group depending on the level of individual contribution and achievement of strategic business objectives and financial targets. The 75th percentile means that 25% of the companies pay more and 75% of the companies pay less. With this total compensation approach, each compensation element is targeted to be at the middle value of what is offered in the market and consequently, the MRCC does not assign pre-determined weighting to any of the compensation elements.

Base Salary

The MRCC determines the base salary of each officer within a salary range. Such range is established by setting the minimum and maximum of the range at 20% below and 20% above the mid-point. The mid-point of a given salary range corresponds to the salary that reflects the middle value of the salaries paid by the comparator group for positions with similar responsibilities.

Chief Executive Officer

Following his appointment as President and Chief Executive Officer and going forward, Mr. Sabia has requested that the balance between base salary and incentive compensation be adjusted to reflect an increase in the compensation at risk. To that end, the MRCC has repositioned the mid-point of the salary range for the Chief Executive Officer position at 90% of the middle value of the salaries paid by the comparator group for similar positions. Mr. Sabia's annual salary of $1,000,000 for 2002 as President and Chief Executive Officer placed him at the minimum of the salary range. This decrease in the mid-point, combined with an increase in the annual short-term incentive target (125%) (see **Annual Short-Term Incentive Awards** on the next page) puts more compensation at risk while maintaining the cash compensation of the Chief Executive Officer position in line with our compensation philosophy.

Mr. Monty's 2002 salary of $1,385,000 per year as Chairman and Chief Executive Officer was set at 100% of the middle value of the salaries paid in the comparator group for similar positions.

Annual Short-Term Incentive Awards

As part of the executive compensation policy, the MRCC established annual short-term incentive target awards ranging in 2002 from 35% of salary for the lowest eligible officer position to 125% of salary for the Chief Executive Officer. With respect to the Named Executive Officers the minimum target award was 60%.

Annual awards are based upon two factors:

• **corporate performance** – this is assessed on the basis of strategic business objectives and quantifiable financial targets both being set at the beginning of the year as the Corporate Mandate by the Board (see **Statement of Corporate Governance Practices**, No. 1(a) on page 14 and No. 1(c) on page 15). Strategic business objectives might include, for example, a specific corporate objective with respect to a particular subsidiary, the development of new businesses, the improvement of management development, or the strengthening of certain relationships. Quantifiable financial targets might include, for example, earnings per share or contribution to earnings from core businesses. Primary consideration is generally given to the quantifiable financial targets for BCE and its principal business units; and

• **individual contribution** – this is evaluated on the basis of criteria which affect corporate performance such as creativity and initiative in addressing business issues, succession planning and management development.

On the basis of the above factors, the MRCC determines the size of the annual short-term incentive awards. More specifically, amounts of the awards are computed based on the product of the corporate performance factor and of the individual contribution factor. Actual awards may vary between zero and, depending on the position held, a maximum of three times the target awards based on achievement of the above two factors. In most instances, awards for a given performance year are only paid at the beginning of the following year.

Executive Officers who are eligible to participate in the BCE Inc. Share Unit Plan for Senior Executives and Other Key Employees (1997) (the "Executive Share Unit Plan") can, prior to the end of the year preceding the year of payment, elect to receive up to 100% of their annual short-term incentive awards in the form of share units (see Share Units on page 26) or have up to 100% of their annual short-term incentive awards contributed to the Employees' Profit Sharing Plan (the "Profit Sharing Plan"). Contributions to the Profit Sharing Plan permit tax on the incentive award to be paid by the time of filing an income tax return for the year of contribution. Election to receive the award in the form of share units can be used as a means to achieve mandatory minimum share ownership levels as described under **Share Ownership Guidelines** on page 26.

Chief Executive Officer

Upon the appointment of Mr. Sabia as President and Chief Executive Officer, the annual short-term incentive target for that position was increased from 100% to 125% of base salary, retroactive to the beginning of 2002. The increase in the annual short-term incentive target coincides with a decrease in the mid-point of the salary range so as to preserve the alignment of the total cash compensation payable to the Chief Executive Officer with our compensation policy. Mr. Sabia's 2002 bonus was established at $650,000 by the MRCC. The awards reflect the fact that, in 2002, we did not fully achieve the Corporate Mandate targets and with respect to the individual contribution factor, the MRCC and the Board assessed that Mr. Sabia had exceeded his targets. Mr. Sabia elected to receive 100% of his 2002 short-term incentive award in share units. Therefore, no short-term incentive award in the form of cash was paid to him for 2002.

Mr. Monty did not receive any 2002 short-term incentive awards.

In November 2001, the Board of Bell Canada introduced a special one-year incentive for all Bell Canada management employees, to recognize the degree of difficulty linked to 2002 Bell Canada EBITDA[1] objectives in a period of economic uncertainty. Messrs. Sheridan and Wetmore were eligible to receive up to an additional 33% of their 2002 annual short-term incentive award. However, as the Bell Canada EBITDA[1] objectives were not met, no payments were made with respect to this special one-year incentive program.

Two-Year Bell Canada Capital Efficiency Incentive Plan

A two-year incentive plan designed to reward executives of Bell Canada for reducing capital intensity, expressed as capital expenditures over revenues, was introduced for 2002 and 2003. Messrs. Sabia, Sheridan and Wetmore are eligible for this incentive. The capital intensity targets were approved by the Board of Bell Canada in November 2001.

Upon achievement of 2002 and/or 2003 targets, payments will be made in 2004 at the time short-term incentive awards are normally paid. The maximum payout for fully achieved 2002 and 2003 objectives are 50% and 65%, respectively, of the short-term incentive target. The total aggregate maximum potential payout is 115% of the short-term incentive target to be calculated using the base salary and target in effect at the end of 2003, subject to the executive maintaining satisfactory individual performance until payment. Given the new emphasis in the BCE group and in the telecommunications industry from a focus on capital intensity to a focus on free cash flow, the plan was modified in early 2003 to change the capital intensity target for the year 2003 to a free cash flow target. For more information, see **Bell Canada Capital Efficiency Incentive Plan** on page 30.

1 The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standard meaning under Canadian generally accepted accounting principles. We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans credit (expense) and restructuring and other charges. The way we define EBITDA may be different from the way other publicly traded companies define it or similar terms. EBITDA should not be confused with net cash flows from operating activities. The most comparable earnings measure is operating income.

Long-Term Incentives

STOCK OPTIONS

The MRCC may grant options to purchase BCE common shares under our stock option plans to our officers and other key employees and those of certain of our subsidiaries (such stock option plans being herein collectively referred to as the "Stock Option Program"). Stock option awards do not take outstanding options into account. Grant levels depend on the position of the incumbent and the appropriate level of total compensation relative to the market based on individual contribution. Grant levels are set to bring the total compensation between the 50th and 75th percentile, as previously discussed on page 23 under **Total Compensation**. The number of options granted is calculated by dividing the value of the grant by the market value of our common shares on the day prior to the effective date of the grant of the options ("Subscription Price"). In addition, special grants of stock options may be approved to recognize singular achievements or, exceptionally, to retain and motivate officers and key employees ("Special Grants").

The term of an option is normally ten years from the date of the grant except in the case of retirement, cessation of employment, death or an optionee's employer ceasing to be BCE or one of our subsidiaries. In such instances, the term may be reduced in accordance with the provisions of the Stock Option Program or in accordance with decisions made from time to time by the MRCC.

Except as indicated below, the right to exercise an option accrues by 25% annual increments over a period of four years from the date of grant, unless otherwise determined by the MRCC at the time of grant. For Special Grants, the right to exercise may accrue over a longer period of time.

The Stock Option Program was modified in 1999 to provide special vesting provisions in the event of a Change of Control (as defined below) of BCE. If such a Change of Control occurs and an optionee's employment is terminated by BCE other than for cause or by the optionee for good reason ("Unjustified Termination") within 18 months following such Change of Control, the options then held by such optionee with respect to which the right to exercise has not yet accrued (unvested options) become exercisable in full for a period of 90 days as of the date of termination, or such longer period as the MRCC may determine. "Change of Control" is defined, in essence, as:

- an offeror acquiring 50% or more of the outstanding securities of a class of voting or equity securities of BCE
- certain changes to the composition of the majority of our Board such as those which may result from a dissident proxy solicitation
- the approval by our shareholders of plans or agreements providing for the disposition of all or substantially all our assets, our liquidation or dissolution or, in certain cases, our merger, consolidation or amalgamation, or
- such other event as the MRCC may determine to be a "Change of Control" in its sole discretion.

Options held by an optionee principally employed in a BCE business unit, such as Bell Canada or such other subsidiary identified by the MRCC (a "Designated Business Unit"), with respect to which the right to exercise has not yet accrued will, in the event that we cease to hold at least a 50% interest but continue to hold at least a 20% interest in such Designated Business Unit, become exercisable in the same manner as described above with respect to a Change of Control. The exercisability of such options is conditional upon the employment of the optionee being terminated in a manner which constitutes an Unjustified Termination within 18 months following the decrease of our interest in the Designated Business Unit. Options held by an optionee principally employed in a Designated Business Unit with respect to which the right to exercise has not yet accrued will, in the event that we cease to hold at least a 20% interest in such Designated Business Unit, become exercisable in full, effective upon the earlier of (a) one year following the occurrence of such event or (b) the date of an Unjustified Termination of the optionee. Such options are exercisable for a period of 90 days or such longer period as the MRCC may determine.

Options granted since 2001 provide that, should the holder cease to be employed by BCE or its subsidiaries and subsequently engages in Unfair Employment Practices (which includes using our confidential information for the benefit of a subsequent employer), all then unexercised options forfeit, and, in addition, the holder must reimburse us the after tax profit realized upon any option exercised in the preceding twelve months.

The exercise price payable for each common share covered by an option is at least equal to the Subscription Price. The MRCC, in certain circumstances, may set at time of grant a higher exercise price. Subject to any required approval of the stock exchanges on which our common shares are listed and posted for trading, the MRCC may also set an exercise price below the Subscription Price. This would occur where an option to acquire shares of one of our subsidiaries or of a company which is proposed to become one of our subsidiaries is converted into an option to acquire our common shares with an exercise price set so as to preserve the economic position of the optionee.

Prior to November 1999, simultaneously with the granting of an option, rights to a Special Compensation Payment ("SCP") may have been granted by the optionee's employer. A SCP is a cash payment representing the excess of the market value of the shares on the date of exercise over their Subscription Price. SCPs, if any, are attached to options and are triggered when the options are exercised.

Effective January 1, 2003, we adopted the fair value method of accounting for stock option compensation on a prospective basis. [1]

Named Executive Officers

Mr. Sabia received an annual grant of 360,000 options in February 2002.

As a result of his appointment as Chief Executive Officer in April 2002, based on our compensation policy, Mr. Sabia would have been entitled to an additional grant of options which was replaced by 4.5 years of service for pension purposes. The range of the option grant for the Chief Executive Officer was also reduced on a going forward basis to partially offset a minimum pension at age 55. For more information, see **Pension Arrangements** on page 32.

1 In December 2002, we announced that effective January 1, 2003, we will account for employee stock options by measuring the compensation cost for options granted on or after January 1, 2002 under the fair value based method of accounting, using a Black Scholes option pricing model. As a result of applying this new accounting policy, we expect to record operating expenses of approximately $40 million to $55 million in 2003, representing an impact of approximately $0.04 to $0.05 on net earnings per share.

Mr. Monty received a grant of 650,000 options in February 2002 as our Chairman and Chief Executive Officer. Pursuant to the terms of Mr. Monty's employment with BCE, all his options vested upon his retirement and will remain outstanding for the remaining normal term.

The stock option plan of Aliant, one of our subsidiaries, in which Mr. Wetmore participated as President and Chief Executive Officer until the end of February 2002 is substantially similar to the Stock Option Program with the exception that the right to exercise options, rather than accruing by 25% annual increments over a period of four years from the date of grant, accrues by 33 1/3% annual increments over a period of three years from the date of grant. For additional information on the Aliant Stock Option Plan, refer to Aliant's most recent management proxy circular filed with Canadian securities regulatory authorities.

Mr. Blouin, as Chief Executive Officer of BCE Emergis, one of our subsidiaries, participates in the BCE Emergis Share Option Plan. The stock option plan of BCE Emergis is substantially similar to the Stock Option Program with the exception that the term of the options is six years instead of ten, and the right to exercise options, rather than accruing by 25% annual increments over a period of four years from the date of grant, accrues as follows: 25% after two years, 75% after three years and 100% after four years. For additional information on the BCE Emergis Share Option Plan, refer to BCE Emergis' most recent management proxy circular filed with Canadian securities regulatory authorities.

The number of options granted to Bell Canada officers each year is linked to the degree of achievement of the prior year's Economic Profit Target. If the Economic Profit Target is missed by more than 10%, the option grants are reduced by 50% from normal grant levels. If the Economic Profit Target is exceeded, this will result in an award of 110% of the normal grant. Based on the achievement of the 2001 Economic Profit Target, Bell Canada officers received 100% of the normal grant in February 2002.

SHARE UNITS

To increase the alignment of executive and shareholder interests, we have in place an Executive Share Unit Plan pursuant to which share units ("Units"), each one being equivalent in value to one BCE common share, may be awarded to certain of our officers and other key employees and of certain subsidiaries (the "Participants"). In addition, special awards may be granted by the MRCC to recognize singular achievements or to achieve certain corporate objectives. The number and terms of outstanding Units are not taken into account when determining whether and how many new Units will be awarded. Furthermore, there are no vesting conditions under the terms of our Executive Share Unit Plan.

Units earn dividends in the form of additional Units at the same rate as dividends on outstanding common shares. Following cessation of employment of a Participant, Units are paid, after remittance of applicable withholding taxes, in BCE common shares purchased on the open market.

The Executive Share Unit Plan allows eligible officers to elect to be paid up to 100% of their annual short-term incentive awards in the form of Units in lieu of being paid in cash. Thus, once the MRCC approves the annual short-term incentive awards based on the factors described on page 24 under **Annual Short-Term Incentive Awards,** on the basis of the election of each eligible officer, the MRCC establishes the number of Units granted. This election can be used as a mean to achieve mandatory minimum share ownership levels as described below under **Share Ownership Guidelines**. All Named Executive Officers, except Mr. Fecan and Mr. Blouin (with respect to awards paid by BCE Emergis), qualify as eligible officers.

Chief Executive Officer

Mr. Sabia elected to receive 100% of his 2002 annual short-term incentive award of $650,000 in Units, for a total of 23,222 Units based on a market price of $27.99.

Further to a MRCC recommendation, the Board approved a special grant of 40,000 Units to Mr. Monty in February 2002 as part of his overall compensation arrangements.

BELL GLOBEMEDIA DEFERRED CASH PLAN

Executives of Bell Globemedia participate in a deferred cash plan (the "Deferred Cash Plan"). This Plan is designed to reward executives on the basis of achievement of specific EBITDA[1] objectives. The target grant value is determined at the beginning of each year by the Board of Bell Globemedia and becomes effective on February 28th of the same year. If Bell Globemedia achieves EBITDA objectives for the year in which the grant was made, the grant becomes vested and will be payable over a three-year period in equal installments commencing on the first anniversary of the grant. Achievement of 100% of the objectives results in an award equal to 100% of the target grant value; achievement of the objectives at a level of 67% results in an award equal to 50%; and achievement of the objectives at a level of 120% or more results in an award equal to 200% of the target grant value; with percentage achievement in between resulting in a scaling of the actual award amount between 50% and 200%. The executive must remain employed by Bell Globemedia at the time of each payment to be eligible for the payments. For 2002, the target grant value for Mr. Fecan was established at 70% of base salary.

Bell Globemedia also introduced a one-time three-year Enterprise Value Plan to recognize the degree of difficulty linked to the 2004 EBITDA objective. If the 2004 EBITDA objective is achieved at target, Mr. Fecan will be entitled to an additional incentive payment equal to 1.5 times the 2005 payout under the Deferred Cash Plan.

SHARE OWNERSHIP GUIDELINES

Our compensation programs emphasize share ownership. Our officers are required to attain specified share ownership levels (through common share or Units) over a five-year period with the objective that 50% of those target levels will be reached within three years. Such levels are expressed as a percentage of annual base salary and range from 200% to 500% depending on the officer position:

- Chief Executive Officer: 500%
- Heads of Line of Business: 300%

- Business Unit Presidents/Chief Officers/ Senior Vice-Presidents: 200%.

NOTE: The target level for Mr. Fecan is 150% with a lower annual grant of BCE stock options to account for his participation in the Bell Globemedia Deferred Cash Plan.

1 See the definition of “EBITDA” in footnote 1 on page 24

Participation in our following plans can contribute to the attainment of the minimum share ownership target:

- Executive Share Unit Plan described on the previous page under SHARE UNITS
- Employees' Savings Plan described on page 30 in footnote (7) of the Summary Compensation Table
- Shares acquired pursuant to the exercise of stock options granted under the Stock Option Program described on page 25 under STOCK OPTIONS, for as long as they are held by the officer.

COMPENSATION PHILOSOPHY OF OUR SUBSIDIARIES

The compensation policies of Bell Canada are substantially similar to ours except that their short-term incentive plans tie payouts to their specific corporate objectives set out at the beginning of the year. Bell Canada has also introduced special incentive awards towards the achievement of specific financial targets for years 2002 and 2003 as mentioned on page 24 under **Annual Short-Term Incentive Awards** and under **Two-Year Bell Canada Capital Efficiency Incentive Plan.** The compensation policies of Bell Globemedia, Aliant and BCE Emergis are compatible with ours except that their short-term incentive plans tie payouts to their specific corporate objectives set out at the beginning of the year. Grants of BCE options to Messrs. Fecan, Sheridan and Wetmore in 2002 were approved by our Board upon the recommendation of each subsidiary. Stock option grants to Mr. Wetmore while he was employed by Aliant were made under the Aliant Stock Option Plan in accordance with the Aliant compensation policies. Stock option grants to Mr. Blouin since he joined BCE Emergis have been awarded by BCE Emergis under the BCE Emergis Share Option Plan in accordance with the BCE Emergis compensation policies.

CONCLUSION

It is our view that the total compensation of the Named Executive Officers for 2002 was appropriate and well positioned compared to the total compensation of our comparator group. We believe that it was also consistent with our compensation policy of linking an important portion of our executives' cash compensation to the attainment of corporate performance objectives and the creation of shareholder value. For those Named Executive Officers employed by entities where corporate objectives were not fully achieved, annual short-term incentives paid were below target. Overall, we are confident that our compensation approach has allowed us to attract, motivate and retain officers while aligning the interests of shareholders and officers.

Report presented February 25, 2003 by:
P. M. TELLIER, CHAIRMAN
B. M. LEVITT
J. H. McARTHUR
V. L. YOUNG

EXECUTIVE COMPENSATION TABLE

The table below sets forth the compensation for the financial years ended December 31, 2002, 2001 and 2000 for the two individuals who occupied the position of Chief Executive Officer and the four other most highly compensated Named Executive Officers for 2002.

Summary Compensation Table

		Annual compensation			Long-term compensation		
					Awards		
Name and principal position (1)	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($) (2)	Securities under Options / SARs granted (#) (3)(4)	Restricted Shares or Restricted Share Units (#) (5)(6)	All Other Compensation ($) (4)(7)
Michael J. Sabia President and Chief Executive Officer, BCE Chief Executive Officer, Bell Canada	2002	931,667	—	9,177	360,000	23,222 Share Units based on $650,000	27,542
	2001	690,000	—	51,926	50,000	21,556 Share Units based on $720,000	19,136
	2000	525,000	—	126,854	342,900	19,200 Share Units based on $792,000	25,402
Jean C. Monty Former Chairman and Chief Executive Officer, BCE Former Chairman and Chief Executive Officer, Bell Canada	2002	692,500	—	271,588	650,000	40,000 Share Units based on $1,336,000	19,642
	2001	1,300,000	—	312,163	650,000	44,910 Share Units based on $1,500,000	33,094
	2000	1,218,000	—	132,319	—	53,928 Share Units based on $2,114,300	24,311,401
Ivan Fecan President and Chief Executive Officer, Bell Globemedia	2002	700,000	490,000	29,615	50,000	—	57,602
	2001	700,000	367,500	—	150,000	—	952
	2000	—	—	—	—	—	—
John W. Sheridan President and Chief Operating Officer, Bell Canada	2002	711,398	305,620	90,071	530,000	—	93,249
	2001	600,000	720,000	259,928	200,000	—	90,701
	2000	489,248	—	929,711	200,379	17,712 Share Units based on $720,000	289,321
Stephen G. Wetmore Executive Vice-President, BCE Vice-Chairman, Corporate, Bell Canada	2002	591,731	146,700	61,154	395,000 60,832 (Aliant)	— —	652,147
	2001	524,865	256,861	1,119,151	72,164 (Aliant)	—	—
	2000	498,953	276,000	300,000	121,355 (Aliant)	—	—
Pierre J. Blouin Chief Executive Officer, BCE Emergis	2002	483,805	155,320	22,684	130,000 230,000 (BCE Emergis)	449 Share Units based on $12,580	105,096
	2001	355,000	349,600	37,800	105,634	910 share units based on $30,400	9,282
	2000	274,612	280,000	344,205	80,098	—	8,804

(1) **Mr. Sabia** was appointed Executive Vice-President of BCE and Vice-Chair, Corporate of Bell Canada on July 3, 2000. He became President of BCE later in 2000 while maintaining his responsibilities at Bell Canada. In March 2002, he was appointed President and Chief Operating Officer of BCE and Chief Operating Officer of Bell Canada. He became President and Chief Executive Officer of BCE on April 24, 2002 and Chief Executive Officer of Bell Canada on May 2, 2002. His 2002 compensation was determined by our Board in accordance with our

compensation policies and paid to him by us. 65% of his total compensation was charged to Bell Canada for services rendered. The principal terms of his employment are described under **Termination and Other Employment Arrangements** on page 33. Prior to joining BCE, Mr. Sabia was Chief Executive Officer of BCI with his compensation established and paid by BCI.

Mr. Monty resigned as Chairman and Chief Executive Officer of BCE on April 23, 2002 and Bell Canada effective May 2, 2002. Until his retirement on July 1, 2002, he remained on salary continuation with benefits. His 2002 compensation and the terms of his retirement were determined by our Board in accordance with our compensation policies and pre-existing contractual arrangements and paid to him by BCE. 50% of his total compensation was charged to Bell Canada for services rendered. The principal terms of his retirement arrangements with BCE are described under **Pension Arrangements** on page 32. The salary figure included in this table for 2002 reflects actual salary paid to July 1, 2002 based on an annual salary of $1,385,000.

Mr. Fecan joined Bell Globemedia, one of our subsidiaries, as President and Chief Executive Officer on January 9, 2001. Mr. Fecan's compensation was determined by the Board of Bell Globemedia and paid in accordance with Bell Globemedia's compensation policies. Mr. Fecan was not one of our executive officers prior to January 9, 2001.

Mr. Sheridan was appointed President of Bell Ontario on January 1, 1999, Vice-Chair, Market Groups, Bell Canada on January 27, 2000 and President, Bell Canada on October 25, 2000. On May 2, 2002, he was appointed President and Chief Operating Officer of Bell Canada. His entire compensation is determined by Bell Canada's Board in accordance with Bell Canada's compensation policies and paid by Bell Canada.

Mr. Wetmore was appointed Vice-Chairman, Corporate of Bell Canada on March 1, 2002 and also Executive Vice-President of BCE on May 2, 2002. From April 22, 1999 to February 28, 2002, Mr. Wetmore was President and Chief Executive Officer of Aliant, which became one of our subsidiaries on April 27, 2000. Mr. Wetmore's compensation was paid by Aliant until March 1, 2002 in accordance with Aliant's compensation policies and, for the remainder of the year, paid by Bell Canada in accordance with Bell Canada's compensation policies. The principal terms of his employment with us are described under **Pension Arrangements** and **Termination and Other Employment Arrangements** on pages 32 and 33, respectively. All figures included in this table for 2000 show the total compensation received by Mr. Wetmore during 2000, including the period before Aliant became a subsidiary.

Mr. Blouin was appointed Chief Executive Officer of BCE Emergis on May 13, 2002. Between January 27, 2000 and March 1, 2002 Mr. Blouin was President and Chief Executive Officer of Bell Mobility, a subsidiary of Bell Canada. From March 1, 2002 until his appointment at BCE Emergis, he occupied the position of Executive Vice-President at BCE in addition to his role at Bell Mobility. His 2002 compensation was paid by Bell Mobility and BCE during part of 2002 in accordance with Bell Canada and BCE's compensation policies and since May 2002 it has been paid by BCE Emergis in accordance with BCE Emergis' compensation policies.

(2) In the case of **Mr. Sabia,** "Other Annual Compensation" primarily includes cash payments of $100,000 and $41,667 for 2000 and 2001 respectively as per his compensation arrangements with BCI and an amount of $21,552 paid in lieu of vacation in 2000.

In the case of **Mr. Monty,** "Other Annual Compensation" consists of perquisites and other benefits comprised primarily, in 2000, of an amount of $112,136 (converted from U.S. dollars to Canadian dollars at the rate of 1.4852 being the average of the exchange rates in effect during 2000), in 2001, of an amount of $288,359 (converted from U.S. dollars to Canadian dollars at the rate of 1.5484 being the average of the exchange rates in effect during 2001), and in 2002, of an amount of $130,888 (converted from U.S. dollars to Canadian dollars at the rate of 1.5704 being the average of the exchange rates in effect during 2002), representing our aggregate incremental cost related to the personal use by Mr. Monty of our corporate aircraft. Moreover, in 2002 an amount of $42,452 was paid in lieu of vacation.

In the case of **Mr. Fecan,** "Other Annual Compensation" consists of an amount of $29,615 paid in lieu of 2002 vacation.

In the case of **Mr. Sheridan,** "Other Annual Compensation" refers to the gains from the exercise of SCPs attached to options under the Stock Option Program in the amounts of $929,711, $259,928 and $90,071 for 2000, 2001 and 2002, respectively.

In the case of **Mr. Wetmore,** "Other Annual Compensation" consists of an amount of $61,154 paid by Aliant in 2002 in lieu of vacation. For 2001, it includes an amount of $1,119,151 which relates to the sale to Aliant of Aliant stock options received further to the conversion of a previous option grant awarded by NewTel Enterprises Limited (one of the predecessor companies which formed Aliant in May 1999), under the terms of the employment agreement between Mr. Wetmore and Aliant. The amount of $300,000 included in "Other Annual Compensation" for 2000 refers to a supplementary bonus paid by Aliant to Mr. Wetmore in recognition of his contribution to the success of the Aliant merger.

In the case of **Mr. Blouin,** "Other Annual Compensation" for 2002 includes an amount of $16,284 paid in lieu of vacation. It also includes amounts of $37,800 and $6,400 for 2001 and 2002, respectively, relating to the lease by us of an apartment used by Mr. Blouin when working in Toronto. For 2000, it includes an amount of $344,205 which represents the gain from the exercise of SCPs attached to options under the Stock Option Program.

No amount is included in this table for perquisites and other personal benefits where they amount to less than the $50,000 disclosure threshold.

(3) These represent options granted under the Stock Option Program which is described under STOCK OPTIONS on page 25 **.** See also the stock options table on page 31. For Messrs. Wetmore and Blouin, also included are options granted by Aliant and BCE Emergis, respectively.

In the case of **Mr. Sabia,** he was granted in 1999 options to acquire 65,000 common shares as well as options to acquire 180,000 BCI common shares under the Bell Canada International Long-Term Incentive (Stock Option) Program (1997) (the "BCI Stock Option Program'') of which 90,000 were replaced by options to acquire 114,557 BCE common shares converted in accordance with a share price ratio methodology which preserved the existing economic interest and which are included in the options to acquire 342,900 BCE common shares granted in 2000. All other BCI options remain outstanding. For a description of the BCI Stock Option Program refer to BCI's most recent management proxy circular filed with Canadian securities regulatory authorities.

In the case of **Mr. Fecan,** the number of options that would have normally been granted to him in 2002 in accordance with our compensation policies was reduced by half to account for his participation in Bell Globemedia Deferred Cash Plan which is described under BELL GLOBEMEDIA DEFERRED CASH PLAN on page 26.

In 2002, **Mr. Sheridan** received, in addition to an annual grant of 230,000 options, a special grant of 300,000 options with 20% vesting each year over five years serving to recognize a valuable contribution and important future challenges.

In 2002, **Mr. Wetmore** received, in addition to his hiring grant of 170,000 options, a special grant of 225,000 options with 20% vesting per year over five years serving to recognize a valuable contribution and important future challenges. The options shown for 2000 and 2001 were granted under the Aliant Stock Option Plan. In 2000, Mr. Wetmore was granted 100,000 Aliant stock options to become exercisable at such time as a pre-determined share price was reached. None of these options have vested and they were cancelled upon his appointment at Bell Canada. For a more detailed description of this special grant, refer to Aliant's 2002 management proxy circular filed with Canadian securities regulatory authorities. All other non vested Aliant options continue to vest based on Aliant's vesting schedule.

In the case of **Mr. Blouin,** he was granted 130,000 options in 2002 under the Stock Option Program. In addition, Mr. Blouin received three grants of stock options under the BCE Emergis Share Option Plan, which is referred to under STOCK OPTIONS on page 25: a hiring grant of 130,000 options, an advance grant of 20,000 options (representing the target portion of the 2003 annual stock option grant), and a special grant of 80,000 options with special vesting rules for retention purposes. These 80,000 options will vest after three years from the date of grant.

Freestanding Stock Appreciation Rights ("SARs") are not granted under the Stock Option Program.

(4) For 2000, the numbers shown in this table represent the number of securities under new options granted in 2000 under the Stock Option Program and under the Aliant and BCE Emergis Plans, as the case may be, and do not include the number of BCE Replacement Options (as defined below) or Nortel Replacement Options (as defined below) granted in connection with the distribution by BCE of an approximate 35% ownership interest in Nortel Networks Corporation ("Nortel Networks") on May 1, 2000. Options to acquire our common shares outstanding on May 1, 2000 were cancelled and replaced by (a) options to acquire an equal number of our common shares on the same terms and conditions as the original options (the "BCE Replacement Options") and (b) options to acquire approximately 1.57 post-split common shares of Nortel Networks (the "Nortel Replacement Options"), with exercise prices established so as to preserve the economic value of the options originally granted.

The SCPs attached to options granted prior to November 1999 under the Stock Option Program and still outstanding at the time of the Nortel Networks common share distribution were adjusted accordingly and remained the responsibility of BCE and/or its subsidiaries. SCPs are triggered when the options to acquire our common shares or Nortel Networks common shares, as the case may be, are exercised.

(5) Units which are equivalent in value to BCE common shares were awarded. The number of Units awarded was determined on the basis of the closing price of BCE common shares on The Toronto Stock Exchange on the day prior to the effective date of the award of Units. The dollar amount included in the Summary Compensation Table represents the pre-tax value of the Units at the time of the award. On each BCE common share dividend payment date, additional Units are credited to the account of the Named Executive Officers in an amount equivalent to dividends on outstanding BCE common shares. For further information, see SHARE UNITS on page 26. Aggregate holdings of Units and their value as at December 31, 2002 based on a common share market price of $28.50 are as follows: Mr. Sabia: 48,951 Units with a value of $1,395,090, Mr. Monty: 238,241 Units with a value of $6,789,874, Mr. Sheridan: 18,930 Units with a value of $539,527 and Mr. Blouin: 942 Units with a value of $26,855.

(6) The numbers of Units originally awarded have been adjusted to reflect the arrangements entered into in connection with the distribution of the interest in Nortel described in footnote (4) above.

(7) "All Other Compensation" for Messrs. Sabia, Monty, Sheridan, Wetmore and Blouin includes company contributions under the BCE Employees' Savings Plan (1970). Under this plan, our employees and those of Bell Canada, including executive officers, are eligible to make a basic contribution towards the purchase of our common shares of up to 6% of their base salary and short-term incentive awards matched by a BCE or Bell Canada contribution of $1 for every $3 contributed by the employee. BCE Emergis offers a similar plan to its employees where BCE Emergis contributes $1 for every $2 contributed by the employee. For Mr. Blouin, company contributions under the BCE Emergis Employee Share Purchase Plan are included in "All Other Compensation". "All Other Compensation" also includes payments for life insurance premiums.

In the case of **Mr. Sabia,** "All Other Compensation" also includes a health allowance of 1.5% of salary which was paid by BCI for the year 2000.

In the case of **Mr. Monty,** "All Other Compensation" also includes, for 2000, gains from the exercise of SCPs under the Stock Option Program attached to Nortel Replacement Options received as a result of the arrangement described in footnote (4) above and exercised in 2000.

In the case of **Mr. Fecan,** "All Other Compensation" also includes, for 2002, an amount of $43,077 paid in lieu of 2001 vacation and an amount of $13,500 in employer contributions to a defined contribution pension plan in which he participates.

In the case of **Mr. Sheridan,** "All Other Compensation" also includes an amount of $75,000 which was paid by Bell Canada in each of 2000, 2001 and 2002 with respect to Mr. Sheridan's relocation from Ottawa to Toronto to compensate for the market differential as well as gains from the exercise of SCPs under the BCE Stock Option Program attached to Nortel Replacement Options received as a result of the arrangement described in footnote (4) above and exercised in 2000.

In the case of **Mr. Wetmore,** "All Other Compensation" also includes primarily an amount of $600,000 paid by Aliant in 2002, which represents a portion of the retention bonus of $950,608 awarded in connection with the merger of the predecessor companies which formed Aliant in May 1999. Also included is an amount of $22,218 paid by Aliant in 2002 and representing the remainder of an outstanding relocation allowance.

In the case of **Mr. Blouin,** "All Other Compensation" also includes an amount of $35,000 which was paid by BCE in 2002 as a relocation allowance, as well as an amount of $55,556 paid in lieu of 2001 vacation.

BELL CANADA CAPITAL EFFICIENCY INCENTIVE PLAN

The following table illustrates potential future payouts to the participating Named Executive Officers under the Bell Canada Capital Efficiency Incentive Plan established in 2002, and as amended in the early part of 2003. For a description of the terms of the Plan, refer to **Two-Year Bell Canada Capital Efficiency Incentive Plan** on page 24.

Awards in most recently completed year

	Performance or	Estimated Future Payouts Under Non-Securities-Price-Based plans (1)

Name	Securities, Units or Other Rights (#)	Other Period Until Maturation or Payout	Threshold ($ or #)	Target ($ or #)	Maximum ($ or #)
Michael J. Sabia	–	March 1, 2004	0	$1,437,500	$1,437,500
John W. Sheridan	–	March 1, 2004	0	$ 672,750	$ 672,750
Stephen G. Wetmore	–	March 1, 2004	0	$ 493,600	$ 493,600

(1) Both the Target and Maximum columns show the maximum potential payout calculated on the basis of 115% (50% for 2002 and 65% for 2003 target achievement) of the short-term incentive award target for each Named Executive Officer. Subject to the executives maintaining individual satisfactory performance, 50% of that amount will be payable in March 2004 given that the capital intensity target for 2002 has been achieved. The remaining portion of the award is subject to the same condition and will only be paid if the free cash flow target for 2003 is met, as described on page 24 under **Two-Year Bell Canada Capital Efficiency Incentive Plan.**

Amounts for 2002 and 2003 are estimated using current base salary and target bonus. Actual payments, if any, will be calculated using compensation data as of December 31, 2003. The amount for Mr. Wetmore for 2002 has been prorated to recognize the period of employment with Bell Canada.

STOCK OPTIONS

The following table sets forth individual grants of stock options to each of the Named Executive Officers under the Stock Option Program, the BCE Emergis Share Option Plan and the Aliant Stock Option Plan during the financial year ended December 31, 2002.

Option / SAR Grants during the most recently completed financial year

Name	Securities under options / SARs granted (#) (1)(2)	% of Total options / SARs granted to employees in financial year (2)	Exercise or base price ($ / Security) (3)	Market value of securities underlying options / SARs on the date of grant ($ / Security) (2)	Expiration date
Michael J. Sabia	360,000	4.5%	$ 33.40	$ 33.40	Feb. 26, 2012
Jean C. Monty	650,000	8.1%	$ 33.40	$ 33.40	Feb. 26, 2012
Ivan Fecan	50,000(4)	0.6%	$ 33.40	$ 33.40	Feb. 26, 2012
John W. Sheridan	230,000	2.9%	$ 33.40	$ 33.40	Feb. 26, 2012
John W. Sheridan	300,000(5)	3.7%	$ 25.60	$ 25.60	Aug. 6, 2012
Stephen G. Wetmore	170,000	2.1%	$ 33.40	$ 33.40	Feb. 26, 2012
Stephen G. Wetmore	225,000(5)	2.8%	$ 25.60	$ 25.60	Aug. 6, 2012
Stephen G. Wetmore (Aliant)	60,832(6)	9.6%(9)	$ 29.12	$ 29.12	Feb. 12, 2012
Pierre J. Blouin	130,000	1.6%	$ 33.40	$ 33.40	Feb. 26, 2012
Pierre J. Blouin (BCE Emergis)	150,000(7)	4.3%(10)	$ 9.05	$ 9.05	June 10, 2008
Pierre J. Blouin (BCE Emergis)	80,000(8)	2.3%(10)	$ 9.05	$ 9.05	June 10, 2008

(1) Each option granted under the Stock Option Program, the Aliant Stock Option Plan or the BCE Emergis Share Option Plan covers one common share of BCE, Aliant or BCE Emergis, respectively. No rights to Special Compensation Payments were attached to options granted in 2002 to the Named Executive Officers under the Stock Option Program, the Aliant Stock Option Plan and the BCE Emergis Share Option Plan. These stock option plans are described under STOCK OPTIONS on page 25.

(2) As freestanding SARs are not granted, the numbers relate solely to stock options.

(3) The exercise prices of the stock options outlined in this table are equal to the closing prices of the common shares of BCE, Aliant or BCE Emergis, as the case may be, on the TSX on the day prior to the effective date of each grant of options.

(4) Number of options set at one-half the normal grant level to account for Mr. Fecan's participation in the Bell Globemedia Deferred Cash Plan.

(5) These options vest over a five-year period i.e., 20% per annum.

(6) These options to purchase Aliant's common shares were granted by Aliant under the Aliant Stock Option Plan. Options vest in annual increments of 33 1/3% over a three-year period.

(7) These options to purchase BCE Emergis' common shares were granted by BCE Emergis under the BCE Emergis Share Option Plan. Options vest over a four-year period as follows: 25%, 75% and 100% after two, three and four years, respectively.

(8) These options to purchase BCE Emergis's common shares were granted by BCE Emergis under the BCE Emergis Share Option Plan and will vest three years after the date of grant.

(9) Calculated based on total number of options granted in 2002 under the Aliant Stock Option Plan.

(10) Calculated based on total number of options granted in 2002 under the BCE Emergis Share Option Plan.

The following table sets forth details of all exercises of stock options by each of the Named Executive Officers under the BCE Stock Option Program, the BCI Stock Option Program, the Aliant Stock Option Plan and the BCE Emergis Share Option Plan during the financial year ended December 31, 2002, and the financial year-end value of unexercised options of each issuer on an aggregate basis for each Named Executive Officer.

Aggregated option / SAR exercises during the most recently completed financial year and financial year-end option / SAR values

Name		Securities acquired on exercise (#)	Aggregate value realized ($) (1)	Unexercised options / SARs at December 31, 2002 (#) (2)(6)		Value of unexercised "in-the-money" options / SARs at December 31, 2002 ($) (2)(3)(6)	
				Exercisable	Unexercisable	Exercisable	Unexercisable
Michael J. Sabia	BCE	—	—	268,042	549,858	1,962,381	638,298
Michael J. Sabia	BCI[4]	—	—	750	—	—	—
Jean C. Monty	BCE[5]	—	—	1,815,400	—	7,398,669	—
Ivan Fecan	BCE	—	—	37,500	162,500	—	—
John W. Sheridan	BCE	5,100	55,576	141,080	826,182	—	1,607,029
Stephen G. Wetmore	BCE	—	—	—	395,000	—	652,500
Stephen G. Wetmore	Aliant	—	—	144,133	149,133	989,169	—
Pierre J. Blouin	BCE	—	—	69,866	268,434	100,578	269,160
Pierre J. Blouin	Emergis BCE	—	—	—	230,000	—	—

(1) The aggregate value realized is calculated using the closing prices for a board lot of common shares of BCE, BCI, Aliant or BCE Emergis, as the case may be, on the TSX on the date of exercise, less the exercise price. Excludes value received as a Special Compensation Payment which is disclosed in the Summary Compensation Table under “Other Annual Compensation” and described under STOCK OPTIONS on page 25.

(2) As freestanding SARs are not granted, the numbers relate solely to stock options.

(3) The value of unexercised “in-the-money” options is calculated using the closing prices for a board lot of common shares of BCE, BCI, Aliant or BCE Emergis, as the case may be, on the TSX on December 31, 2002, less the exercise price of “in-the-money” options. “In-the-money” options are options that can be exercised at a profit, i.e. the market value of the shares is higher than the price at which they may be bought from BCE, BCI, Aliant or BCE Emergis, as the case may be.

(4) Reflects the July 12, 2002 BCI stock consolidation of 1 for 119.93284. For more information concerning the BCI Stock Option Program, refer to BCI’s most recent management proxy circular filed with Canadian securities regulatory authorities.

(5) Pursuant to the terms of Mr. Monty’s employment with BCE, all his BCE Replacement Options and Nortel Replacement Options and related SCPs vested upon his retirement and will remain outstanding for their remaining normal term.

(6) As disclosed under footnote (4) to the Summary Compensation Table, on May 1, 2000 each outstanding BCE option was cancelled and replaced by options to acquire an equal number of our common shares and options to acquire common shares of Nortel Networks. The number of unexercised options and aggregate value of unexercised in-the-money options for each executive officer shown in this table includes the value of the BCE Replacement Options but does not include the value of holdings of Nortel Replacement Options as BCE no longer holds a material shareholding interest in Nortel Networks.

PENSION ARRANGEMENTS

Named Executive Officers participate in the non-contributory defined benefit pension plan of BCE or of Bell Canada (the “Pension Plan”), with the exception of Mr. Fecan who participates in the Bell Globemedia Defined Contribution Pension Plan. BCE’s and Bell Canada’s plans are substantially similar. In addition, eligible Named Executive Officers (with the exception of Mr. Fecan) enter into supplementary executive retirement agreements (“SERPs”). The following table shows estimated annual pension benefits payable, under the Pension Plan and SERPs, upon retirement on December 31, 2002 at age 65, to eligible Named Executive Officers in specified average earnings and years of service classifications. In no case may an eligible officer receive under the basic Pension Plan and the SERP an annual aggregate pension benefit from BCE and our subsidiaries in excess of 70% of average pensionable earnings.

Pension Plan Table

Pensionable Earnings ($)	Credited years of service		
	20	30	40
500,000	164,500	240,900	313,400
700,000	232,500	340,500	443,000
900,000	300,500	440,100	572,600
1,300,000	436,500	639,300	831,800
1,700,000	572,500	838,500	1,091,000

2,100,000	708,500	1,037,700	1,350,200
2,500,000	844,500	1,236,900	1,609,400
2,900,000	980,500	1,436,100	1,868,600

Benefits shown above are not subject to any deductions for government benefits or other offset amounts. The benefits are partially indexed annually to increases in the Consumer Price Index but in no case can indexation exceed 4%.

The following describes the pensions payable to the eligible Named Executive Officers under the Pension Plan, as supplemented by the SERPs:

- pensions are based on pensionable service and the one-year average of the best consecutive 36 months of pensionable earnings. Pensionable earnings include salary and short-term incentive awards, up to the target, whether paid in cash or in Units. The inclusion of such awards is subject to a maximum limit.
- eligible Named Executive Officers are credited with 1.5 year of pensionable service for each year of service as an officer of BCE or one of our subsidiaries or associated companies. Pensionable service may include additional years of service credit pursuant to any special arrangement extended by the Board.
- pensions are payable for life with a spousal survivor benefit entitlement of approximately 60% of the pension payable to the Executive.
- a retirement allowance equal to one year's base salary is payable at time of retirement. (This amount is not included in computing the officer's pensionable earnings).
- eligible officers generally become eligible to SERP benefits upon reaching: (i) age 55 or more and the sum of age and service equals or exceeds 85; (ii) age 60 or more and the sum of age and service equals or exceeds 80; or (iii) age 65 and 15 years of service. For purposes of this paragraph, service excludes the additional 0.5 year of pensionable service credited for each year of service as an officer.
- for purposes of computing their total retirement benefits, as of December 31, 2002, Mr. Sabia had 20.0 years of credited service, Mr. Sheridan, 27.2 years and Mr. Blouin, 20.3 years.

Mr. Sabia, age 49, is entitled to retire at anytime from age 60 under his SERP agreement with BCE. In 2002, an additional 9 years of service were credited, such being offset by a reduction in the range used to determine future grant of options for the purpose of providing (i) a minimum replacement pension of 40% of his pensionable earnings at age 55 and (ii) a replacement pension at age 65 of 70% of his pensionable earnings. In the case of termination of employment on or after age 55 but prior to age 60, Mr. Sabia's pension would be at least equal to 40% of his pensionable earnings defined as the one-year average of his best consecutive 60-month. In the event of a termination other than for cause or a change in control before the age of 55, Mr. Sabia's pension at age 55 and beyond will be calculated as if he had reached age 55 prior to leaving.

Mr. Monty retired on July 1, 2002. His pension benefits were calculated in accordance with the terms of his employment arrangements with BCE, using 39.1 years of pensionable service and U.S. $1,575,600 as average pensionable earnings. The pensionable earnings were established based on his Nortel Networks salary and bonus history as per the terms of his employment arrangements with BCE. Upon retirement, Mr. Monty's monthly pension was calculated as U.S. $64,094 plus CDN $3,891.

Under his SERP with BCE, Mr. Wetmore, age 50, will be eligible for retirement at age 55. His BCE pension, inclusive of pension benefits earned with Aliant will equal 25% of average pensionable earnings if he retires at age 55, 40% at age 60 and 55% at age 65, respectively.

TERMINATION AND OTHER EMPLOYMENT ARRANGEMENTS

An agreement with the President and Chief Executive Officer setting out the terms and conditions of Mr. Sabia's employment was entered into effective April 24, 2002. In addition to the total compensation elements and pension arrangements described on pages 23 to 26 and pages 32 and 33 as well as in the Summary Compensation Table on page 28, the agreement provides for the following principal terms:

1. Upon termination either (i) without cause, including following a change in control or (ii) if Mr. Sabia resigns for reasons permitted under the agreement, such as a substantial alteration in Mr. Sabia's responsibilities including the removal of Mr. Sabia as a Director of BCE (other than if required by law), a reduction in Mr. Sabia's total compensation, specific benefits or perquisites or for any reason within one year of a change in control (as described below), the following amounts, at the rates in effect at the date of termination are payable to Mr. Sabia:
    - Base salary and annual short-term incentive award, prorated to the number of complete months expired immediately after such termination
    - A lump sum payment equal to the base salary plus annual short-term incentive award at target (currently 125% of base salary for the Chief Executive Officer) for a maximum of thirty-six months (or a period equal to the amount of time between the date of termination and the date Mr. Sabia becomes eligible to receive his pension at age 65, whichever is less)
    - Any other benefits such as pension, disability, insurance proceeds, stock options or other amounts as may be payable as a result of the termination of Mr. Sabia's employment under any plan or agreement.

    These payments are subject to his compliance with non-competition and non-solicitation provisions.
2. The vesting of all of Mr. Sabia's BCE stock options in the event of a change of control (as defined below), irrespective of whether his employment is terminated, or not. The agreement defines "Change of Control" principally as the acquisition of 33 1/3% or more of our voting shares or the acquisition of 33 1/3% or more of our assets.
3. Compensation and treatment of stock options upon illness, disability, retirement or death.

For Mr. Fecan, the terms of his employment with Bell Globemedia provide that perquisites and other benefits will continue for a period of one year subsequent to the termination of his employment.

For Mr. Wetmore, the terms of his employment with Bell Canada provide that the provisions dealing with termination other than for cause in

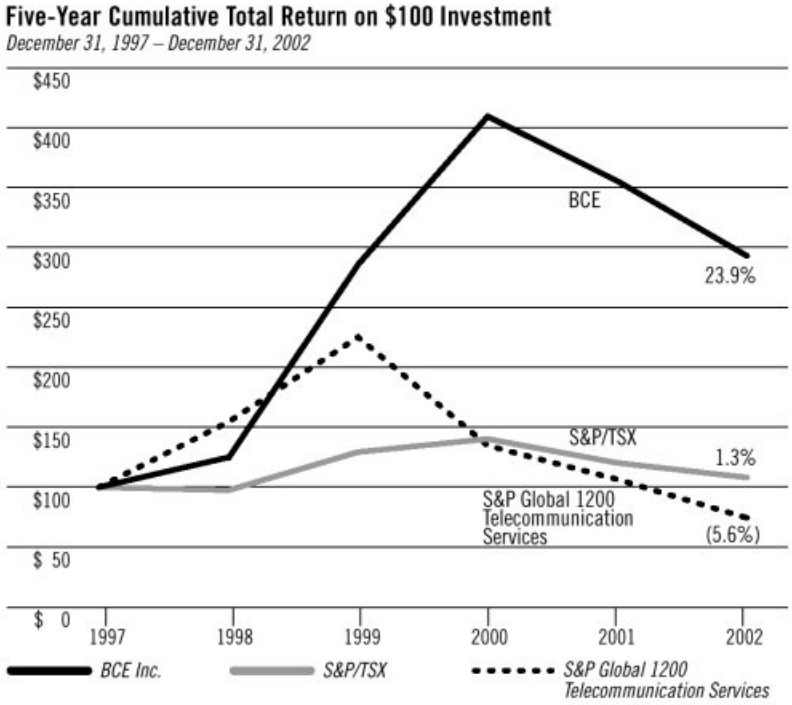
his employment agreement with Aliant will be honoured until February 1, 2004. On that date, a similar agreement will then replace the current arrangement and will provide, in the event of a termination other than for cause, for a severance payment equal to two times (rather than the current three times) annual salary and bonus. For a description of such arrangements with Aliant, refer to Aliant's 2002 management proxy circular filed with Canadian securities regulatory authorities.

Mr. Blouin continues to be covered by a BCE severance arrangement under which he would be entitled to two years severance (base salary and average short-term incentive) in the event he is no longer employed by the BCE group.

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Shareholder Return Performance Graphs

The graphs below compare the cumulative annual total return of our common shares against the cumulative annual total return of the S&P/TSX Composite Index and the S&P Global 1200 Telecommunication Services Index, assuming an initial investment of $100 and that all subsequent dividends were reinvested. Percentages shown within the graphs represent compounded annual rates of return over the period.



BCE Inc.						
	$100	124	287	410	352	292
S&P/TSX						
	$100	98	130	139	122	107
S&P 1200 Tel.						
	$100	153	225	136	104	75

BCE Index

Our total return index is based on our share price on the TSX plus any unpaid dividends. The five-year cumulative total return graph has been adjusted to reflect the distribution of our approximate 35% ownership interest in Nortel Networks to our shareholders on May 5, 2000. For the purposes of this graph, it has been assumed that the 1.570386 common shares of Nortel Networks received for each BCE common share held were sold on May 5, 2000 and that the proceeds from such disposition were invested into our common shares on the same day (without taking brokerage fees into account).

S&P/TSX Composite Index

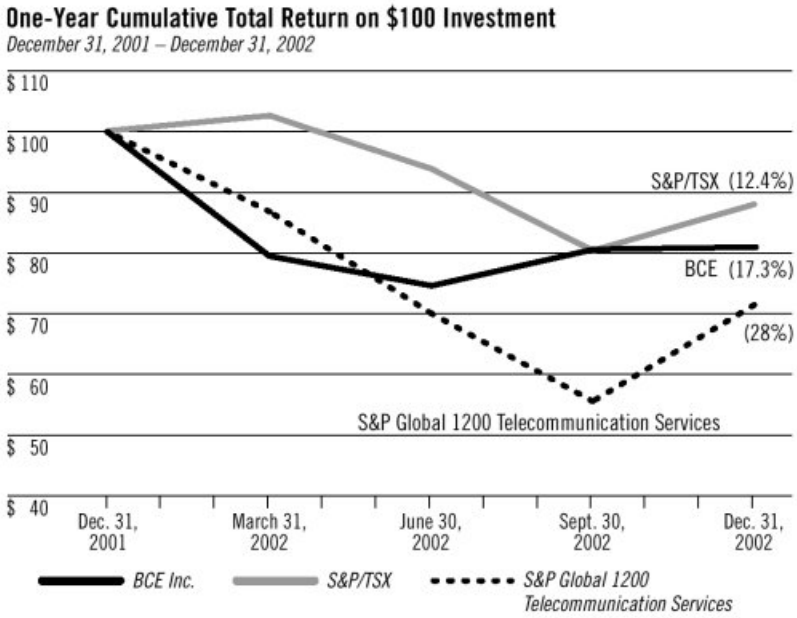
The S&P/TSX Composite Index comprises approximately 70% of the total market capitalization of Canadian-based companies listed on the TSX. Such companies include amongst others: BCE, Bombardier Inc., Nortel Networks, Royal Bank of Canada and Canadian National Railway Company.

The S&P/TSX total return data was obtained from The Globe and Mail.

S&P Global 1200 Telecommunication Services Index

The S&P Global 1200 Telecommunication Services Index consists of 50 companies worldwide including amongst others: BCE, Telus Corporation, the U.S. Regional Bell Operating Companies (BellSouth Corp., SBC Communications Inc., Verizon Communications Inc., Qwest Communications International Inc.), European Incumbent Local Exchange Carriers (BT Group PLC, Deutsche Telekom AG, France Telecom SA, Telecom Italia SpA, Telefonica S.A.), U.S. long-distance providers (Sprint Corp., AT&T Corp.), and wireless companies (AT&T Wireless Services Inc., Vodafone Group PLC, Orange SA, China Mobile (Hong Kong) Ltd., NTT Docomo Inc.).

The S&P Global 1200 Telecommunication Services total return data was obtained from Standard & Poor's.



Officers' and Directors' Indebtedness

Sarbanes provides that a company may not directly or indirectly, including through a subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or officer of that company. BCE and our subsidiaries have not granted loans as understood under this broad definition to any current directors or officers or to persons who have held such positions during the last financial year or their associates.

REPORT OF THE PENSION FUND COMMITTEE

The Pension Fund Committee (the “PFC”) is composed of four outside and unrelated directors, namely Mr. R. J. Currie (Chairman), Mr. A. S. Fell, Ms. J. Maxwell and Mr. R. C. Pozen. The PFC was established in November 2002 principally to assume the tasks related to our pension plan (the “Plan”) and fund (the “Fund”) and the unitized pooled fund we sponsor for the collective investment of the Fund and participating subsidiaries’ pension funds (the “Master Fund”).

The PFC principally advises the Board on policy with respect to the administration, funding and investment of the Plan, the Fund and the Master Fund. More particularly, the PFC:

- reviews the impact of proposed changes to benefits under the Plan on the Plan’s liabilities and funding requirements
- approves long-term funding objectives in relation to the Plan liabilities
- approves the appointment or removal of the actuary of the Plan
- with respect to the Plan, the Fund and the Master Fund, reviews the systems in place for carrying out our responsibilities as employer and administrator of the Plan, the Fund and the Master Fund, including supervision and monitoring procedures and reports to the Board on the appropriateness of such systems
- approves changes to the investment policies and procedures to be followed in the investment of the Fund and the Master Fund
- reviews the investment performance of the Fund and the Master Fund.

At its inaugural meeting on January 28, 2003, the PFC reviewed the governance structure for the Master Fund as well as the specific terms of the applicable pension plans and their respective funding requirements. The PFC further reviewed the thrusts of the Statement of Investment Policies and Procedures for the Master Fund.

Report presented February 26, 2003 by:
R. J. CURRIE, CHAIRMAN
A. S. FELL
J. MAXWELL
R. C. POZEN

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and Officers' liability insurance in the aggregate amount of U.S. $280 million (approximately $442 million) is purchased for the protection of all our directors and officers and those of our subsidiaries against liability incurred by such directors and officers. In 2002, the aggregate amount charged against earnings by BCE for its portion of the premium paid in respect of its directors and officers as a group was $864,590. In any case in which we are not permitted by law to reimburse the insured, the deductible is nil. Where we are permitted to reimburse the insured, the deductible is U.S. $1,000,000 (approximately $1.6 million).

ADDITIONAL INFORMATION

One copy of the following documents are available to any person upon request. Requests should be addressed to the Corporate Secretary of BCE, at 1000, rue de La Gauchetière Ouest, Suite 3700, Montréal, Québec, Canada H3B 4Y7:

- our latest Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein
- our comparative financial statements for our most recently completed financial year together with the accompanying report of the auditors thereon, both contained in our most recent Annual Report, and one copy of any of our interim financial statements subsequent to the financial statements for our most recently completed financial year
- the Circular for the most recent annual meeting of shareholders.

Canadian Ownership and Control Regulations

Since 1994, Canadian ownership and control regulations (the "Regulations") are prescribed under the *Telecommunications Act* (Canada) (the "Act"). To maintain the eligibility of Bell Canada and certain of its subsidiaries to act as Canadian common carriers under the Act, the level of non-Canadian ownership of our voting shares cannot exceed 33 1/3% and we may not be otherwise controlled by non-Canadians. The Regulations give BCE, as the holding corporation for Canadian common carriers such as Bell Canada, certain powers to monitor and control the level of non-Canadian ownership of its voting shares. Such powers include the right to refuse to register a transfer of voting shares to a non-Canadian, to force a non-Canadian to sell his or her voting shares and to suspend the voting rights attached to that person's shares, if that person's holding would jeopardize our status as a "Canadian" under the Regulations.

In 1996, the federal government brought the Canadian ownership rules for broadcasting licensees, such as CTV (one of our subsidiaries), generally in line with the foregoing rules for Canadian common carriers by raising the maximum allowable investment in voting shares from 20% to 33 1/3% at the holding company level. However, reflecting cultural concerns over increased foreign control of broadcasting activities, a restriction was introduced that prevents a holding company that exceeds the former 20% limit or its directors from exercising control or influence over any programming decisions of a subsidiary licensee. In addition, we hold a broadcasting license as a limited partner in Bell ExpressVu LP and therefore are subject to the 20% foreign ownership limit for broadcasting licensees.

To the best of our knowledge, the level of non-Canadian ownership of our common shares was approximately 15.5% as at March 10, 2003. We monitor and periodically report on the level of non-Canadian ownership of our common shares.

2004 SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than December 15, 2003 to be considered for inclusion in next year's Circular for the purposes of our 2004 Annual Meeting of shareholders.

INVESTOR RELATIONS

Information concerning us, in addition to the documents referred to under **Additional Information** above, is available upon request from Investor Relations, at 1000, rue de La Gauchetière Ouest, Suite 3700, Montréal, Québec, Canada H3B 4Y7, or by calling 1-800-339-6353. This additional information includes our management's discussion and analysis of our first, second and third quarter results and our quarterly supplements to our earnings press releases. These documents, as well as our Annual Information Form, annual and quarterly reports and news releases, are also available on our website (www.bce.ca).

I, the undersigned, Chief Legal Officer and Acting Corporate Secretary of BCE Inc., hereby certify that the contents of this Circular and the sending thereof to each shareholder entitled to receive notice of and vote at the Meeting, to each director and to the auditors were approved by our Board effective March 13, 2003.



Martine Turcotte
Chief Legal Officer and Acting Corporate Secretary

Certified at Montréal,
this 13th day of March, 2003

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Printed in Canada

Out of concern for the environment, BCE's Notice of 2003 Annual Meeting and
Management Proxy Circular is printed with vegetable-based ink and is completely recyclable.

Exhibit 99.3

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference of our auditors' report and comments by auditors for U.S. readers on Canada-U.S. reporting differences, both dated February 26, 2003, in Registration Statements No. 333-12130 on Form F-3, No. 333-12780, 333-12802 and 333-12804 on Form S-8 and No. 333-97069 on Form F-10 of BCE Inc. and to the use of our reports dated February 26, 2003, in this Annual Report on Form 40-F of BCE Inc. for the year ended December 31, 2002.

(signed) Deloitte & Touche LLP

Deloitte & Touche LLP

Montreal, Canada
April 10, 2003

Exhibit 99.4

COMMENTS BY AUDITORS FOR U.S. READERS
ON CANADA-U.S. REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the financial statements, such as the changes described in Note 1 to BCE Inc.'s consolidated financial statements or when there is a retroactive restatement such as that described in Note 23(d). Our report to the shareholders dated February 26, 2003 is expressed in accordance with Canadian reporting standards, which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

(signed) Deloitte & Touche LLP

Deloitte & Touche LLP

Montreal, Canada
February 26, 2003