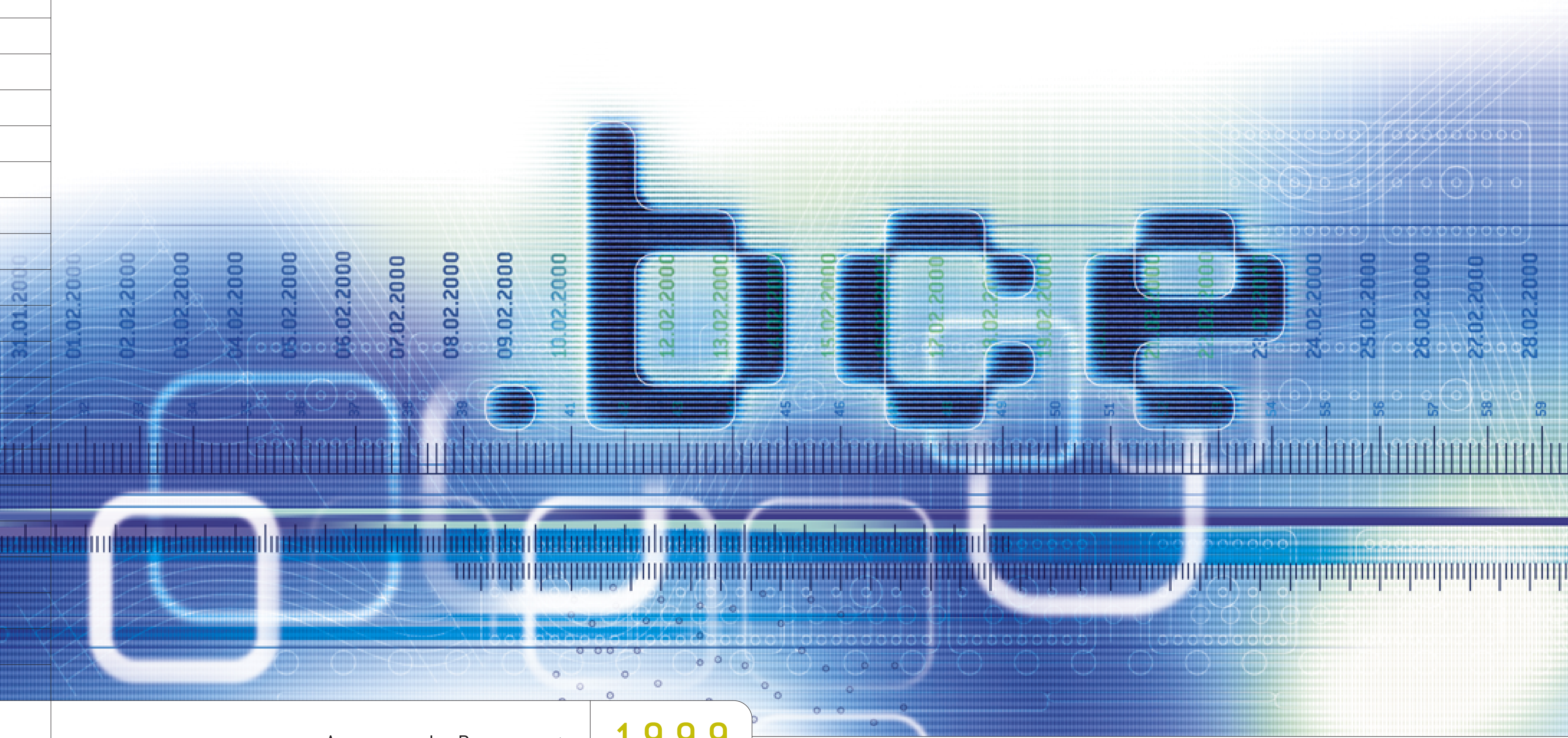
Bell Canada Enterprises



Annual Report 1999

BCE

say hello to the internet economy

Who could have predicted this? Not just the exhilarating vistas unfolding on the Internet, but the speed with which it's changed how we live, work and play. But wait... there's more on the way. And BCE is at the centre of it all. We're Canada's leading communications services company, at the crossroads where information, e-commerce and entertainment intersect. Through Bell Canada, we help to shape how Canadians access, view and use the Internet. We do this through Bell Nexxia, our national fibre optic backbone; Bell ActiMedia with Sympatico-Lycos, the leading source of Internet content and high-speed access; Bell Mobility, Canada's foremost wireless company; and Bell ExpressVu, the leading satellite-TV service. We're also the country's leading provider of e-commerce solutions, delivered by BCE Emergis and CGI. And now, through Teleglobe, our business services are also going global.

key indicators ($ millions, except per share amounts)	**1999**	1998
Revenues	**14,214**	27,207
Revenues excluding Nortel Networks	**14,214**	13,579
Net earnings	**5,459**	4,598
Baseline earnings[1]	**1,936**	1,592
Baseline earnings per common share (before goodwill expense)[1]	**3.26**	2.65

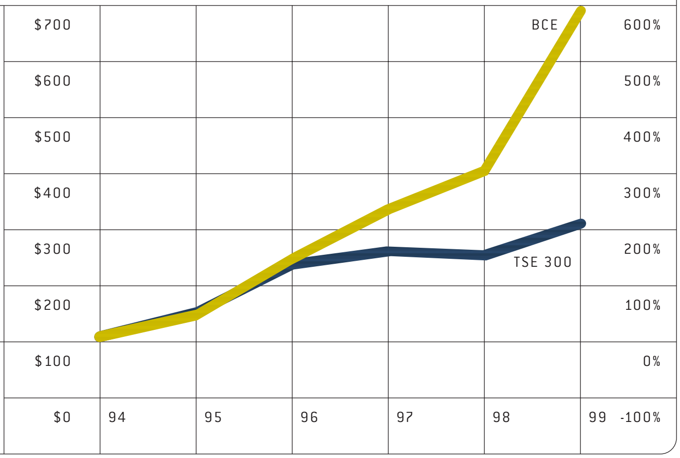
1 Excluding special items

price range of common shares	**1999**			1998		
	High	**Low**	**Close**	High	Low	Close
Toronto Stock Exchange ($)	**136.00**	**56.75**	**131.15**	68.05	39.75	57.85
NYSE Consolidated tape ($US)	**98.31**	**37.31**	**90.19**	46	25	37

financial highlights

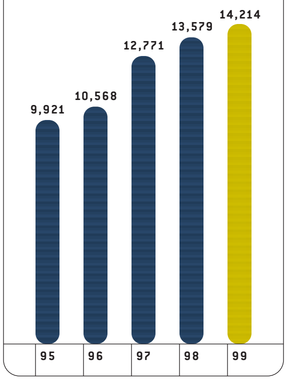
shareholders' return performance graph

The graph compares the yearly percentage change in the cumulative shareholder return of the Corporation's common shares against the cumulative total shareholder return of the TSE 300 Composite Index for the five-year period commencing December 31, 1994, and ending December 31, 1999.*

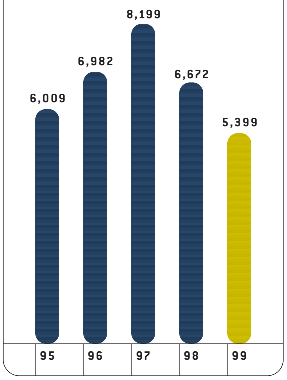


*Assumes that the initial value of the investment in the Corporation's common shares and the TSE 300 Composite Index was $100 on December 31, 1994, and that all subsequent dividends were reinvested. All prices for the Corporation's common shares were taken from the Toronto Stock Exchange's records.

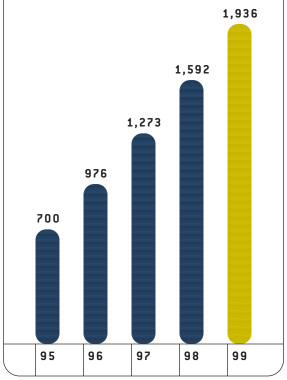
BCE Revenues
(excluding Nortel Networks)
($ millions)



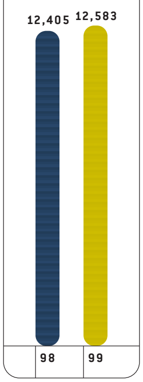
BCE Ebitda
(including Nortel Networks)
($ millions)



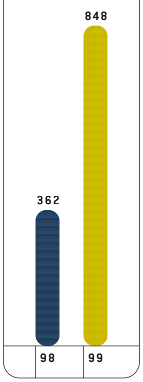
BCE Baseline Earnings
(including Nortel Networks)
($ millions)



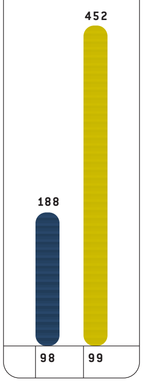
Revenues Bell Canada
($ millions)



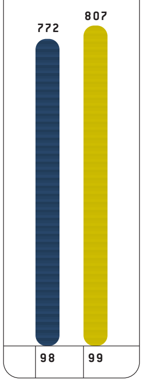
Revenues CGI/BCE Emergis
($ millions)



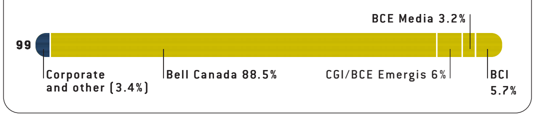
Revenues BCE Media
($ millions)



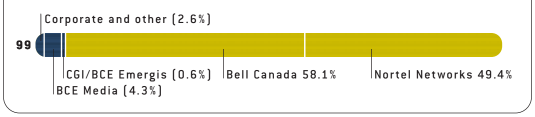
Revenues BCI
($ millions)



Contribution to BCE revenues
(excluding Nortel Networks)



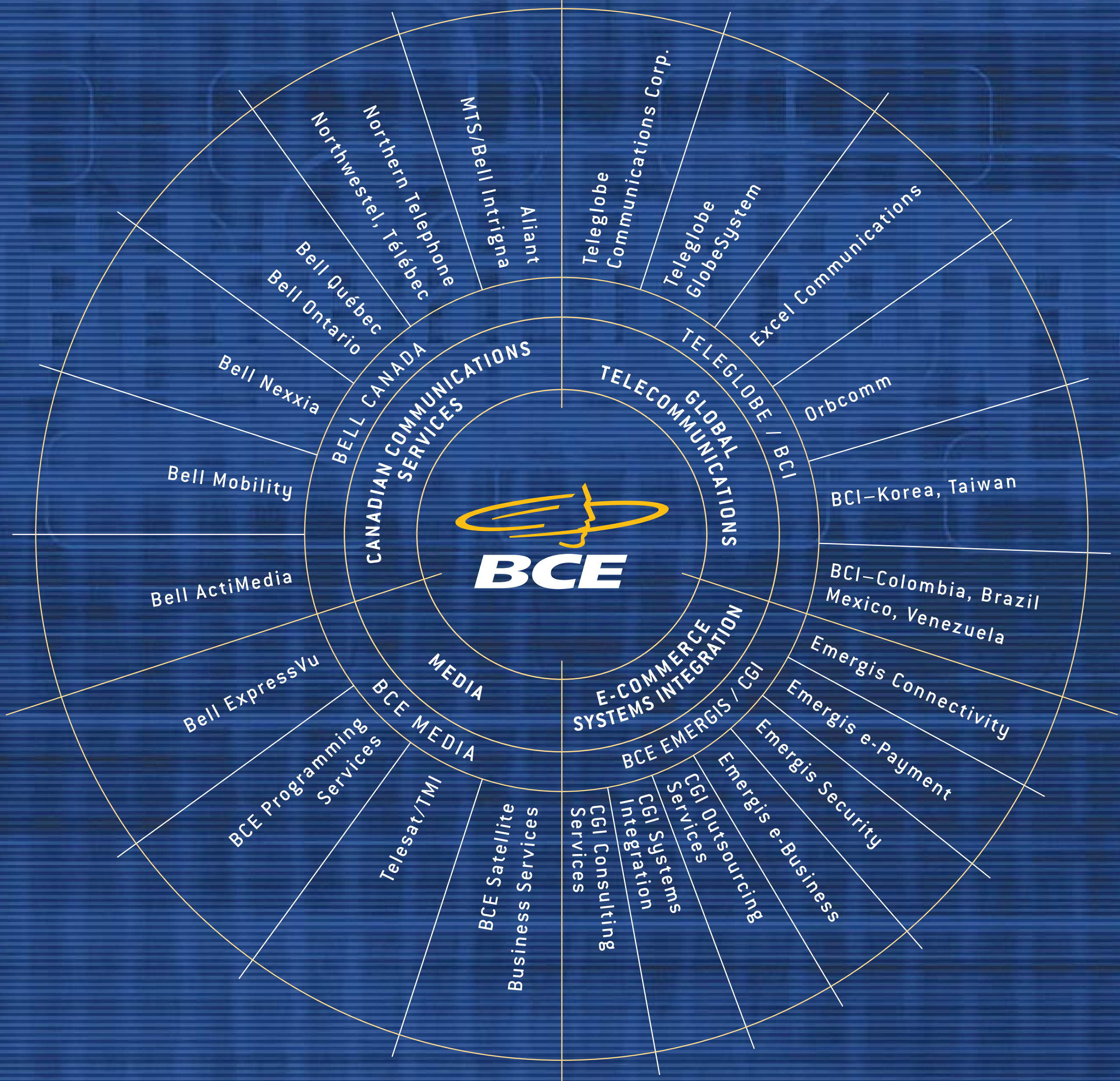
Contribution to BCE baseline earnings
(before preferred shares)



the shape of a communications leader

BCE is Canada's leading communications services company in size, scope and reach. Providing customers with the widest range of services, BCE's reach extends across Canada and, through Teleglobe and BCI, to countries around the world.

BCE companies operate in Canadian Communications Services; Global Telecommunications; E-Commerce and Systems Integration; and Media. Increasingly, BCE companies are creating integrated service solutions that no competitor can match for convenience and value.



AT A GLANCE

With the combined Bell Canada and Teleglobe networks and alliances stretching across North America and around the world, BCE can now deliver seamless voice and data services to customers, via integrated optical, wireline and wireless channels. In 1999, the number of Sympatico Internet subscribers increased by 113 per cent, and ExpressVu satellite TV subscribers by 130 per cent. BCE Emergis and CGI solidified their position as Canada's e-commerce and systems integration leaders. Internationally, BCI's wireless equity subscribers reached nearly 1.4 million, while total international traffic carried by Teleglobe was 5.1 billion minutes.

moving ahead on the internet

Is BCE the same company today as it was two years ago?

Yes, Bell Canada is still the bedrock upon which this company was founded more than a century ago. It supplies the sense of continuity, mission and dynamism that will propel us into the future.

No, we are a vastly different company, for reasons which can be summed up in one exciting word: the Internet. While Bell Canada remains central to our business, we are in the process of reinventing everything we do, transforming BCE into a communications leader in the Internet economy, active not just in enabling people to communicate, but helping to *shape* the information — or content — that flows across our nation and around the world.

Jean C. Monty
President and CEO

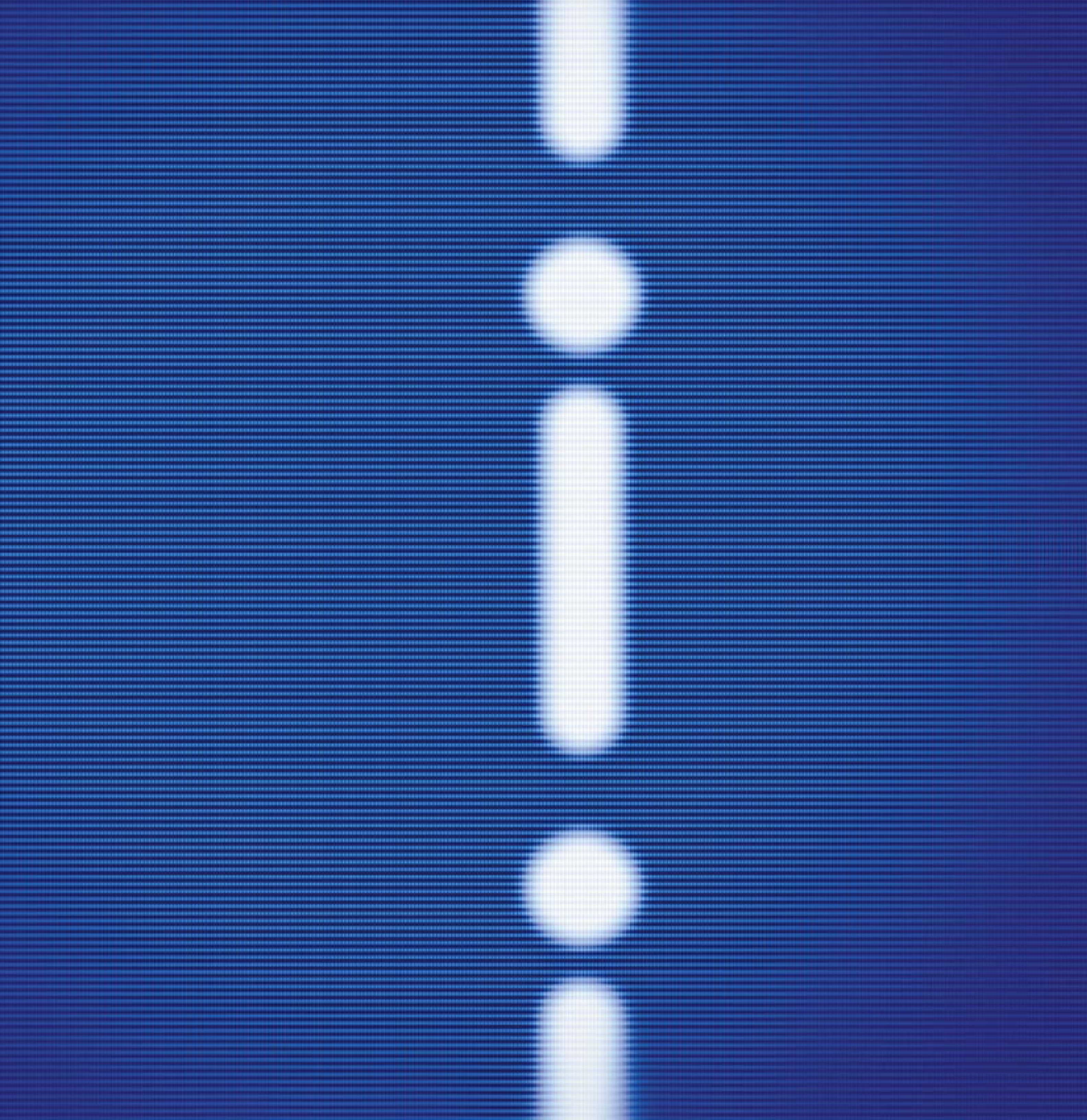
I am pleased to report that results for 1999 indicate our company is showing solid growth and significant progress in all its businesses. Baseline earnings grew by 22 per cent over the previous year, from $1.6 billion to $1.9 billion. Revenue, excluding Nortel Networks, rose 5 per cent to $14.2 billion, as compared with $13.6 billion in 1998. For a more detailed view of results, please turn to the Management's Discussion and Analysis section, which begins on page 18.

Focusing on communications services

BCE plans to distribute an approximate 36 per cent interest in Nortel Networks to BCE's nearly 500,000 common shareholders. Under this plan, shareholders will receive separate Nortel Networks shares, and continue to benefit from their ownership in two Canadian high-tech powerhouses. Two reasons lie behind this decision. First, Nortel Networks' impressive performance has tended to overshadow the inherent value of BCE's other assets. Indeed, in the latter part of 1999, financial markets have discounted the underlying value of our non-Nortel assets by more than $30 billion — or $47 per share. This transaction will enable markets to more accurately assess, and therefore unleash, the true value of BCE communications services companies, particularly Bell Canada, now including Bell Mobility, Bell Nexxia and Bell ActiMedia; BCE Emergis; CGI; BCE Media, which includes Bell ExpressVu and Telesat Canada; and BCI. The second reason is that it enables BCE to focus on communications services and the enormous opportunities of the Internet economy.

Teleglobe extends our reach

From a strong Canadian foundation, we are now ready to launch a global telecommunications company. We took the first step toward that goal on February 15, 2000, when we announced our intention to acquire all the outstanding common shares of Teleglobe we currently do not own. Bell Canada already holds approximately 23 per cent interest in Teleglobe.



moving to the internet

BCE is moving to the Internet because that's where our customers want to be. They want more speed, more content, more of the rich opportunities the Internet provides. They'll find it all at Bell's growing portfolio of Internet properties, including Sympatico-Lycos. And at Sympatico, the connection more Canadians choose to enjoy the full benefits of cyberspace. All told, the 24 per cent growth in data, Internet and IT services is powering the future prosperity of BCE customers and shareholders.

Once this acquisition is completed, BCE will be a global player in business communications services, connecting our customers to one of the most advanced data/Internet infrastructures in the world. Teleglobe currently delivers broadband services to Internet service providers, broadcasters, business customers and carriers around the world. Its network, which connects 150 countries, includes the world's third-largest submarine fibre optic cable facilities and 15 per cent of international Internet traffic.

A global strategic fit

Like BCE, Teleglobe has been investing to become a leading data/Internet company. Its five-year $6.5 billion Internet infrastructure program, called GlobeSystem, will deliver the world's first integrated Internet, data, video and voice network. The open system, linking 160 cities via Teleglobe's fibre optic and satellite facilities, will enable small-to-medium-size businesses to connect regardless of their technology platform. At the start of 2000, thirty cities were already part of GlobeSystem, with another thirty to be in service by year-end. The North American and European portions will be completed by 2001. And once fully operational in 2004, GlobeSystem will deliver 200 times Teleglobe's current network capacity.

At the same time, Teleglobe is the gateway through which our e-commerce and other Internet-based businesses can compete and grow on the world stage. This reciprocal relationship will benefit Bell Canada's international customers, as well as BCE Emergis' business-to-business e-commerce offering; CGI's systems integration business; and BCI's growth in overseas markets, especially in Brazil and Mexico. The potential strategic fit with Bell Nexxia is even stronger, as the two companies' combined networks, technical expertise and IP (Internet Protocol) product portfolios add up to a powerful business case for current and prospective customers.

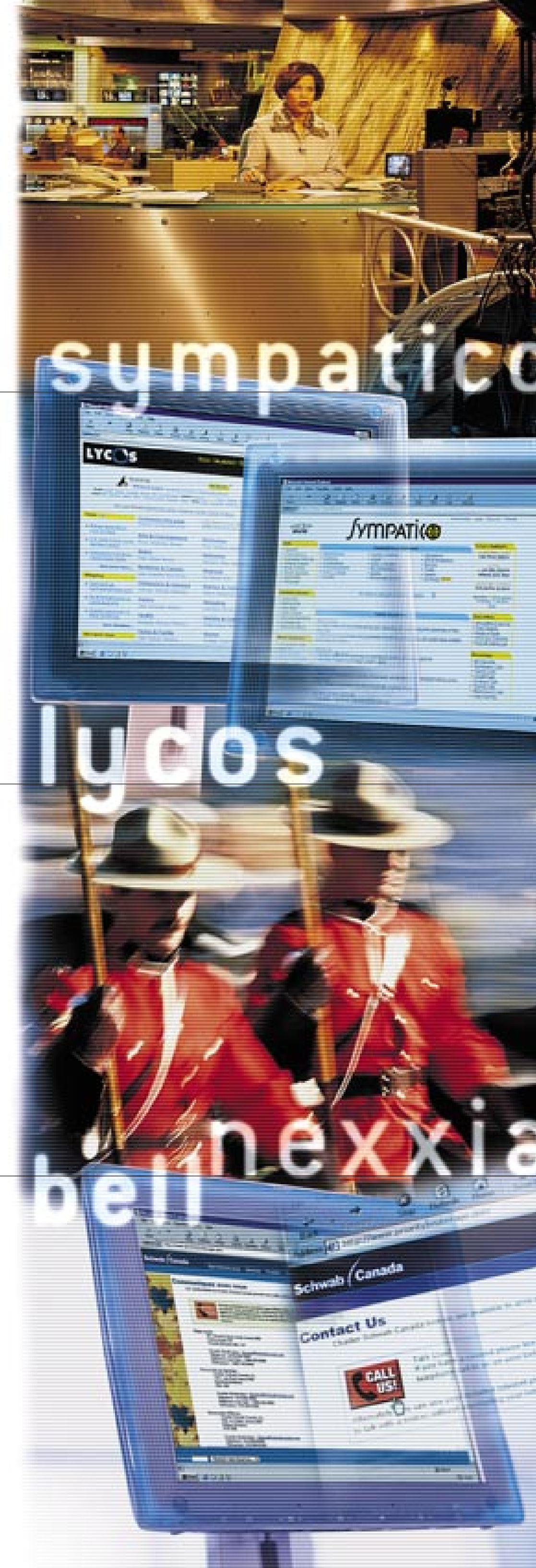
If our global growth strategy demands speed — as it must in the current environment — then Teleglobe brings all the requisite assets. In addition to its advanced digital infrastructure, Teleglobe has long-standing business relationships around the world, licences to operate at the national level in 27 countries, including the US and 15 in Europe, and offices in more than 50 countries.

The good news? Sympatico and Canada's premier national network have joined forces to create CTVNews.Sympatico.ca — Canada's first Internet news program delivered right to the desktop. With its advanced technology, the service sets new standards for colour and image resolution on the Net, streaming four 15-minute newscasts per hour from CTV News 1, Canada's 24-hour headline news network.

With the launch of Sympatico-Lycos in early 2000, Canada's busiest Internet portal will get a whole lot busier. US-based Lycos brings a vast array of technologies and Web tools, including powerful search engines, e-commerce, entertainment and more. Sympatico-Lycos also delivers on Bell's commitment to being Canada's preeminent Internet company.

Canada's celebrated police force, the RCMP, signed a three-year, $30 million contract with Bell Nexxia to supply one of the country's largest Internet Protocol wide area networks. It's the first step toward building the Canadian Public Safety Information Network, linking RCMP headquarters in Ottawa to 1,400 law enforcement agencies and partners.

How to combine the convenience of Web-shopping with live sales assistance? For Charles Schwab Canada, the answer is Bell Advantage Web Live Voice. On-line customers for Canada's first full-choice brokerage firm simply click on the Web Live Voice button, and a representative answers to assist. Bell's Web Live Voice is a major service breakthrough, integrating the customer's call centre and Web site.



1999: INVESTING TO BUILD SCOPE AND SCALE

As communications, information, commerce and entertainment converge on the Internet, BCE is harnessing their combined energy to power tomorrow's growth. We prepared the way in 1999 by focusing on our core communications services and the Bell brand; by building strong alliances to deliver services beyond our traditional borders; and by making strategic investments to drive future growth.

The partnership with SBC/Ameritech, announced last March, is part of our larger growth strategy. SBC/Ameritech's $5.1 billion investment, for a 20 per cent stake in Bell Canada, enables both partners to deliver new services, while providing a springboard for further expansion in North America and beyond.

In 1999 Bell Canada made key investments to build a national network. Bell's $1.6 billion purchase of the outstanding minority interest in BCE Mobile Communications, operating under the Bell Mobility banner, will enable the delivery of integrated voice and data services across Canada. This acquisition, together with Bell Nexxia's national roll-out and strategic Canadian alliances, amounted to nearly $5 billion in high-growth investments.

A pan-Canadian network

Bell Nexxia, Canada's first national IP network and one of the world's most advanced, is our flagship from coast to coast and into the US. Rolled out in just one year, Bell Nexxia's fibre optic backbone delivers unmatched speed, security and dependability.

With the Bell Nexxia infrastructure in place in 1999, we began building alliances to complete our pan-Canadian network. To the west, we partnered with SaskTel, Saskatchewan's leading communications company. We then purchased a 20 per cent stake in Manitoba Telecom Services (MTS), with whom we created Bell Intrigna, a competitive local carrier serving Alberta and British Columbia. To the east, we increased our equity position in Aliant, which serves Newfoundland, Nova Scotia, New Brunswick and PEI, to 53 per cent.

We were equally active building our national presence in wireless communications and on the Internet. Bell's purchase of Bell Mobility resulted in Canada's first national network capable of delivering integrated wireless, wireline and data services. Bell ActiMedia embarked on an ambitious Canadian portal strategy with Sympatico-Lycos and other Web properties, and extended into Western Canada.

Our century-long heritage in Bell Canada gives us a powerful competitive edge in a changing world. The familiar Bell brand, supporting our new, integrated portfolio of services, is a common thread that stretches across Canada, and binds together BellWorld retail stores and "virtual" stores at www.bell.ca.

Delivering the e-commerce goods

In 1999, more companies turned to BCE Emergis, Canada's e-commerce leader, to help them leverage the Internet's power to cut costs and win new customers. BCE Emergis solidified its lead with breakthroughs in financial services and health care.

Working with Bell Canada and Microsoft Canada, BCE Emergis was selected by e-route as the exclusive supplier for electronic bill presentment, which enables customers to receive and pay bills on-line. E-route, which could save billers, customers and processors more than $2 billion annually by 2002, is owned by leading Canadian banks and financial institutions. Also in 1999, BCE Emergis purchased SNS/Assure

accent on e-commerce

Business will never again be the same. Within moments of making a decision, you can supply customers around the world with new information; adjust price and service levels; and personalize goods and services. You can cut costs, raise productivity, find new partners and suppliers. No wonder the North American business-to-business e-commerce market is estimated at more than $200 billion in 2000 — and nearly double that in 2001. Through BCE Emergis and CGI, we have a commanding lead in e-commerce, an expertise we're growing to better serve our North American and global customers.

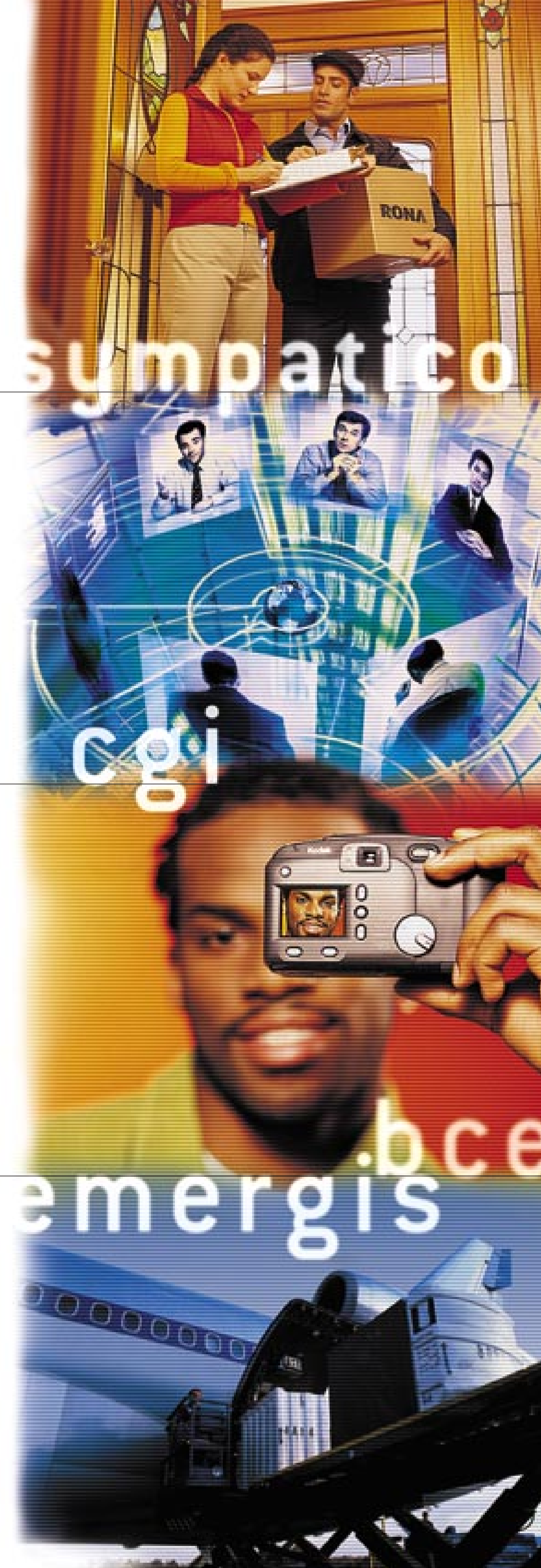
and Assure Health. The two companies provide e-commerce solutions to a range of industries, including health insurers, financial services companies, retailers and transport firms. Early in 2000, BCE Emergis also announced the acquisition of United Payors and United Providers (UP&UP), a US processor of claims between insurers and health care providers. UP&UP supports more than US$3 billion of medical claims annually.

Satellites: the other wireless technology

Buoyed by innovative marketing and the launch of NIMIQ, Canada's first direct broadcast satellite, Bell ExpressVu extended its leadership in the home satellite TV market, winning licences for several pay-per-view channels and launching Canal Évasion. With 416,000 subscribers at the end of 1999, and another 10,000 to 20,000 added each month, Bell ExpressVu expects to hit the one-million mark by 2002. Also in 1999, other BCE Media properties made significant breakthroughs. As the North American "Open Skies" agreement unfolded, Telesat and TMI won landmark approvals to provide satellite services in the US.

Growth in global wireless

Internationally, the global wireless market is booming, and with nearly 1.4 million equity subscribers in Latin America and the Pacific Rim, BCI is winning its share of new business. In 1999, a BCI-led consortium won a licence to serve Brazil's São Paulo state — the country's most populous and economically robust. Using advanced fixed wireless technology, the consortium will provide local phone service and access to Internet services. The São Paulo win expands the consortium's combined licensed territory to 125 million residents in Brazil. Also in 1999, BCI's Venezuelan subsidiary, Genesis Telecom, launched a wireless broadband data network for small and medium-sized businesses — the first of its kind in Latin America.



Rona.Sympatico.ca delivers the goods for Quebec's largest home renovation retailer. The e-commerce Web site is a hive of activity, showcasing everything from gardening and construction tools to home renovation plans. Visitors can even trade tips and post questions to Rona's home and garden specialists.

With more than $20 billion in trade at stake, in 1999 the Government of Canada chose CGI to develop a secure, fail-proof export/import control system. Operational in 2002, the Web/EDI system will enable more than 40,000 companies and customs brokers to easily speed cross-border transactions.

BCE Emergis' e-commerce solution makes shopping for Kodak Canada products a snap. The Kodak site provides hundreds of dealers with individual electronic storefronts, while BCE Emergis hosts the on-line catalogue and provides secure transactions.

With the purchase of SNS/Assure in 1999, BCE Emergis is now the world leader in cargo logistics, delivering e-commerce solutions to 47 airline and steamship customers. Swisscargo, the world's fifth-largest cargo carrier, also came on board in 1999. The exclusive agreement enables hundreds of Swisscargo trading partners in more than 90 countries to exchange waybills, book space and track shipments.

2000: CONNECTING TO THE INTERNET ECONOMY

As the Internet economy and the century take shape, BCE customers and shareholders stand at the threshold of unprecedented opportunity. Through Sympatico and Bell Nexxia, we're Canada's preeminent Internet access provider; through our recently announced Sympatico-Lycos portal, we will be delivering more quality content to Canadians; through BCE Emergis and CGI, we're foremost in e-commerce; and through Teleglobe, we now have the capability to grow internationally.

Going forward, BCE will consolidate its leadership in 2000 through three strategic thrusts. We will leverage the national and international broadband networks of Bell Nexxia and Teleglobe to increase Internet connectivity, raise and enrich Canadian content for our Internet and entertainment business, and extend our e-commerce lead through BCE Emergis and CGI, which will include evolving our own business on the Web.

Stepping up access speeds

As the volume of rich multimedia content grows, one in twenty Canadians is choosing the greater convenience of high-speed Internet access — a proportion expected to grow to 32 per cent by 2004. In its first year, Sympatico High-Speed Edition, based on Nortel Networks' 1-Meg Modem, attracted 50,000 subscribers. We expect to accelerate the roll-out of our high-speed technology and increase our market share in this segment.

In 1999, data traffic driven by the growth of the Internet overtook voice traffic for the first time on our network.

Data and wireless are now converging to spark a new communications revolution. Bell Mobility's Data to Go, which enables Internet connectivity from a customer's laptop, is just the beginning.

Ramping up content

To complement these access speeds, BCE companies are investing in richer Canadian content. Sympatico-Lycos, a joint venture with one of the world's leading Web media companies, through which Bell Canada will invest $125 million over the next two years, will be the most advanced business-to-consumer portal in Canada. Sympatico-Lycos will offer powerful search engines, free e-mail, on-line auctions, chat, shopping, personalized news, parental controls and more. The agreement also licenses future Lycos technologies, content, applications and properties. Sympatico.ca is already Canada's most-visited portal, with more than 100 million page views and 2.8 million unique visitors each month.

The Lycos agreement leverages a growing portfolio of Bell ActiMedia Internet properties, including YellowPages.ca; Canada411; VMP.com, an e-commerce retail marketplace; Adbag.ca, a discount coupon Web site; and city portals such as Toronto.com and MontrealPlus.ca.

Bell Mobility customers are also reaching into the Internet. Using Mobile Browser, they are the first Canadians to pull down e-mail, weather, stock quotes, traffic reports, hotel and restaurant locations, directories and more — and all this iusing a PCS handset.

wireless is hot

With nearly one-quarter of Canadians carrying mobile phones – close to thirty per cent by 2001 – we're a nation that's cutting the cord to go wireless. What's fuelling this growth? The customer's desire for freedom, mobility and access to information anywhere, anytime. Canadians are now taking the next leap forward, with Bell Mobility's Digital Data to Go and Mobile Browser, ushering in a new convergence between mobile phones and the Internet.

Leading with e-commerce

As the Internet economy grows, so will the number and size of new opportunities for BCE Emergis and CGI, Canada's e-commerce leaders. They will continue to help customers use the Internet to connect buyers and sellers, reduce the cost and increase the speed of transactions. To enable this process, BCE Emergis and Bell Nexxia have entered into a three-year partnership to provide customers with a single point of delivery for e-commerce and network solutions. BCE Emergis has also partnered with US-based Ariba to create Web-based marketplaces where an organization's suppliers can more efficiently sell their products and services. Bell Canada, one of the country's largest buyers, purchasing more than $4 billion of goods and services annually from 7,000 suppliers, will be the first customer.

The road ahead

Nineteen-ninety nine was in many respects a landmark year for BCE and indeed for the entire industry. As the new century begins, I am confident that our people, solutions and investments will continue to generate value for our shareholders, and opportunities for growth in the coming years.

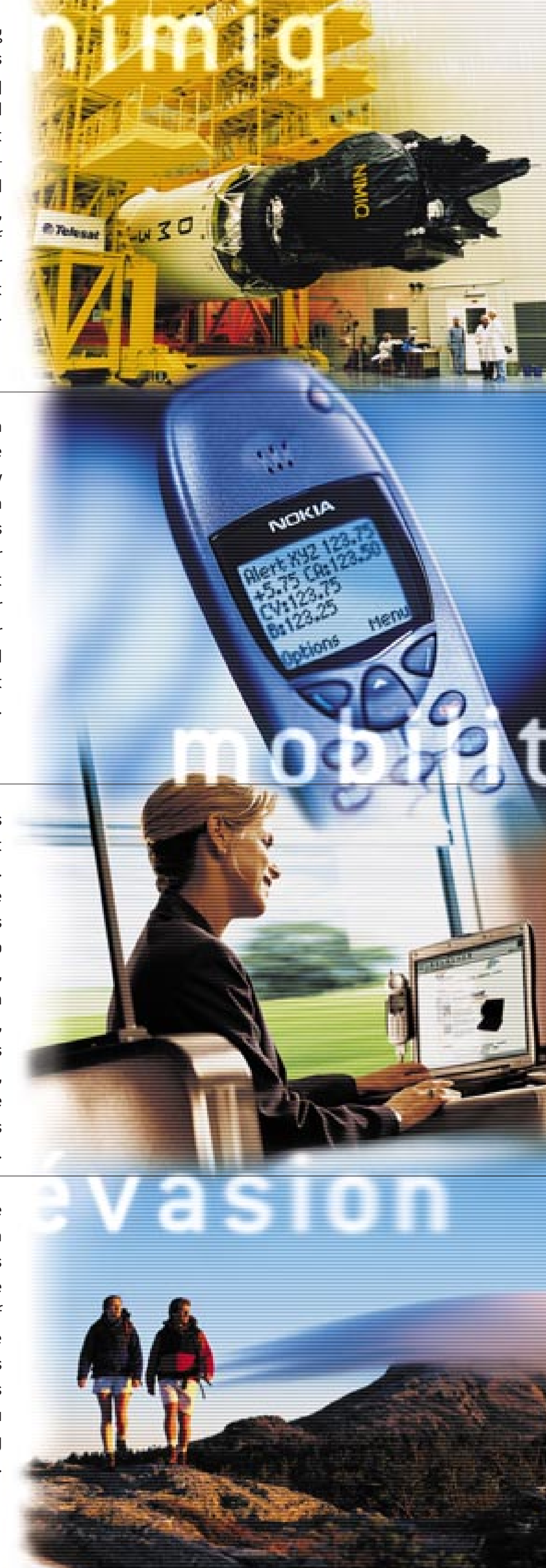
In closing, I would like to recognize the immeasurable contribution of Lynton R. "Red" Wilson, who will be retiring as Chairman of the Board on April 26, 2000. Mr. Wilson devoted close to 15 years of his career to BCE, seven as an executive. He was first appointed to BCE's Board of Directors in 1985 and has held the positions of President, Chief Operating Officer, Chief Executive Officer and Chairman of the Board. Mr. Wilson's vision and steady guidance served the company well through the turbulent period of deregulation in our industry and as he restructured BCE to focus on its core businesses. His work laid the foundations that have allowed us, over the last few years, to reshape BCE into what it is today. It was also under his stewardship that the BCE Board of Directors came to focus increasingly on Corporate Governance. On behalf of employess and shareholders, I want to extend to Mr. Wilson our sincerest appreciation.

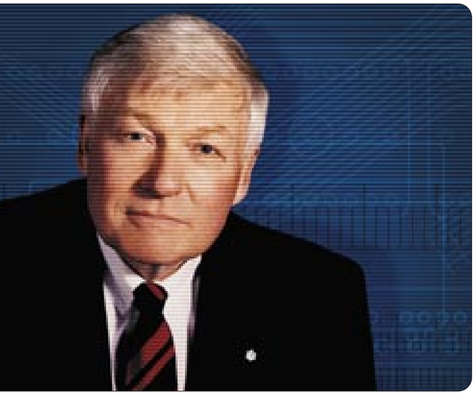
All systems are go, following the May launch of Nimiq, Canada's most powerful satellite. Nimiq now beams 200 digital TV and music channels — 25 per cent more than the competition — to nearly half-a-million Bell ExpressVu customers. Telesat, part of the BCE Media family of companies, was responsible for launching Canada's first direct broadcast satellite into orbit.

Thanks to a partnership between Bell Mobility and TD Waterhouse Investor Services, Canadians now have the financial markets in their back pockets. Customers of both services simply use their PCS phone to access free market information, monitoring their portfolio and making quicker decisions. The service is enabled by Mobile Browser, Canada's first wireless Internet browser.

With Bell Mobility's Digital Data to Go, the Internet goes live and unplugged. Using their PCS phone as a modem, subscribers have on-the-fly access to corporate intranets, e-commerce — anything on the Internet! A first in Canada, Digital Data to Go introduces powerful new productivity tools, made possible by the convergence of wireless and the Internet.

Canadians in search of the exotic can now find it on Canal Évasion, Bell ExpressVu's travel, tourism and adventure channel. Canal Évasion is one of four new French-language specialty networks that Canada's leading satellite TV company is now offering. Bell ExpressVu plans to add even more specialty channels in the future.





L.R. Wilson
Chairman of the Board

The past year witnessed tremendous change in our industry, as the Internet continued to transform how we communicate, work and play. BCE has stayed at the forefront of this advancing technological wave, raising its Internet presence and expertise, building alliances, and making key investments to ensure that our customers and shareholders realize all the benefits of the Internet age.

Change is also being reflected on our Board of Directors, as Judith Maxwell, President of Canadian Policy Research Networks Inc., joined the Board as of January 26, 2000.

On behalf of the Board of Directors, I would like to thank former director Jeannine Guillevin Wood, Chairman of the Board, Laurentian Bank of Canada, for her exceptional and long-standing service to our board since 1989 and as a member of the Corporate Governance and Audit committees. Her retirement took effect January 26, 2000. I would also like to thank Ralph Barford, President of Valleydene Corporation, for his devoted service as a board member since 1987. Mr. Barford has reached the mandatory age limit for service on the board and is therefore not seeking re-election. His retirement will take effect at the BCE Annual and Special meeting in April. Mr. Barford has been an outstanding director committed to the affairs of the company. In addition to his role as Chairman of the Management Resources and Compensation Committee and member of the Corporate Governance Committee, Mr. Barford acted as lead director from 1993 to 1998, with the mandate to ensure that the Board of Directors would be able to function independently of management. Ms. Wood and Mr. Barford have been dedicated and supportive directors and their counsel over the years has been greatly appreciated.

In 1999, the Board of Directors sought to increase its effectiveness by combining the Audit Committee and the Pension Fund Policy Committee into a single body. All functions previously performed by the Pension Fund Policy Committee are now performed by the Audit Committee.

People: the power behind BCE

These are exciting times, charged with immense opportunity. But no matter where the Internet economy takes us, one thing is certain – there will be leaders and followers. BCE is Canada's leading communications company because our people have kept faith with the customer. We got here through our employees' dedication, and will reach the next stage the same way.

We are confident that BCE will continue to lead the industry as in the past, and thereby create long-term value for our shareholders.

management's report

The accompanying consolidated financial statements of BCE Inc. (the Corporation) and its subsidiaries (collectively BCE), and all information in this annual report, are the responsibility of management and have been approved by the board of directors.

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

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

The board of directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of outside and unrelated directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the board of directors. Additional responsibilities of the Audit Committee are outlined on page 63 of this annual report. The internal and the shareholders' auditors have free and independent access to the Audit Committee.

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

Jean C. Monty
President and
Chief Executive Officer

William D. Anderson
Chief Financial Officer

Gary M. Davis
Vice-President and Controller

February 23, 2000

auditors' report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheets of BCE Inc. and its subsidiaries as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flows for the years then ended as they appear on pages 37 to 60. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Montréal (Québec)
February 23, 2000

This management's discussion and analysis of financial condition and results of operations (MD&A) for the year 1999 focuses on the results of operations and financial situation of BCE Inc. and its subsidiaries and significantly influenced companies (collectively BCE) by principal operating group of BCE Inc. and should be read in conjunction with the audited consolidated financial statements contained on pages 37 to 60 of this annual report. Bell Canada, CGI Group Inc. (CGI), BCE Emergis Inc. (BCE Emergis), Nortel Networks Corporation (Nortel Networks), and Bell Canada International Inc. (BCI) publish a more detailed discussion and analysis of their results of operations and financial condition in their year-end documents. You may obtain copies of these documents from the Investor Relations department of BCE Inc. (See page 64).

This MD&A reviews the historical 1999 financial condition and results of operations of BCE as it existed on December 31, 1999 without taking into account the proposed spin-off by BCE of an approximate 36% interest in Nortel Networks as discussed in more detail below under the heading "HIGHLIGHTS". For a brief discussion of BCE's pro forma 1999 financial results, excluding Nortel Networks, refer to the discussion below under "HIGHLIGHTS". For a detailed review of the proposed spin-off, refer to BCE Inc.'s and Nortel Networks' joint management proxy circular (Joint Circular). See also "Credit Ratings" on page 29 for further information concerning the spin-off.

Certain sections of this MD&A and other portions of this annual report contain forward-looking statements with respect to BCE. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors which could cause actual results or events to differ materially from current expectations are discussed on pages 30 to 34 under "FORWARD-LOOKING STATEMENTS".

HIGHLIGHTS

On January 26, 2000, BCE announced a plan to distribute an approximate 37% interest in Nortel Networks to BCE common shareholders. As at February 23, 2000, the interest to be distributed was approximately 36% as a result of the issuance of additional common shares by Nortel Networks. BCE and Nortel Networks have signed a definitive agreement, which was approved by their respective boards of directors, to implement the proposed transaction by way of a plan of arrangement. Under the proposed plan of arrangement, BCE common shareholders will receive, for each common share of BCE held, approximately 0.78 (subject to adjustment at the time of completion of the transaction) of a common share of a new publicly traded Canadian company that will own all of the shares of, and continue as, Nortel Networks. Each BCE shareholder will retain the same number of BCE common shares which will, after the distribution, reflect BCE's remaining interests in communications services. BCE is expected to retain an approximate 2% interest in Nortel Networks following completion of the distribution. The transaction will be recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's current approximate 38% interest in Nortel Networks (BCE's remaining approximate 2% interest in Nortel Networks will be recorded as an investment at cost). Accordingly, no gain or loss will be recorded on the transaction. Commencing in 2000, Nortel Networks will be presented as a discontinued operation. The transaction will be subject to customary conditions, including relevant tax rulings, and the approval of the plan of arrangement by the court and the common shareholders of BCE and Nortel Networks. BCE expects the new structure to be in place by the end of the second quarter of 2000. On an ongoing basis, the proposed distribution will, once completed, have a substantial impact on BCE's financial results. For example, BCE's 1999 baseline earnings and net earnings applicable to common shares, excluding Nortel Networks, would have been $1 billion and $5 billion respectively, instead of $1.9 billion and $5.4 billion, respectively. BCE's assets at December 31, 1999, would have been $31 billion instead of $37 billion.

On February 15, 2000, BCE announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Teleglobe Inc. (Teleglobe) it currently does not own for approximately $9.65 billion in BCE common shares. BCE currently owns 23% of Teleglobe through Bell Canada. The number of BCE common shares to be issued to Teleglobe's shareholders is subject to a fixed "collar" share exchange ratio and will be based on BCE's share price following the distribution of Nortel Networks common shares to BCE's shareholders. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including Teleglobe's shareholders' approval, and is anticipated to close as soon as possible after regulatory and shareholder approvals have been received.

On February 6, 2000, BCE Emergis announced that it had entered into a definitive agreement to acquire 100% of United Payors & United Providers, Inc.(UP&UP) of Rockville, Maryland. UP&UP provides claims processing between insurance companies and health care providers, designed to produce cost savings and to offer benefits for insurance companies while increasing liquidity and improving efficiency in claims submissions for providers. The aggregate purchase price will be for a cash consideration of approximately US $580 million, subject to certain adjustments. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including UP&UP shareholders' approval, and is anticipated to close in the second quarter of 2000. Management of UP&UP and other major shareholders have agreed to vote their shares in favour of this transaction. In order to facilitate this transaction, BCE Inc. has committed up to $800 million consisting of up to $650 million of BCE Emergis common equity, and a stand-by credit facility of up to $150 million represented by convertible notes.

On February 2, 2000, Bell Canada and Lycos, Inc. (Lycos), a Web media company and owner of the Lycos Network, announced the creation of a new Internet company, Sympatico-Lycos Inc., which will provide the primary BCE group portal for Canadian consumer Internet users. Under the terms of an agreement, Bell ActiMedia Inc. (Bell ActiMedia), a subsidiary of Bell Canada, will invest approximately $37 million to form Sympatico-Lycos Inc., which will be majority owned by Bell ActiMedia. In addition, Bell ActiMedia will also contribute its portfolio of consumer Internet properties to the new company. The transaction is subject to satisfying certain conditions, including the receipt of customary approvals. The transaction is expected to close in the near future and the Sympatico-Lycos portal is expected to be launched in May of 2000. Separately, Bell ActiMedia and Lycos signed a $60 million multi-year distribution agreement under which Bell ActiMedia products will be promoted to U.S. Lycos Network users accessing this network from Canada.

In January 2000, BCE Inc. successfully completed the acquisition of 15.8 million outstanding common shares, for $27.50 per share, of Aliant Inc. (Aliant) (the company under which, on May 31, 1999, Bruncor Inc. (Bruncor), Maritime Telegraph and Telephone Company Limited (MT&T) and NewTel Enterprises Limited (NewTel) were combined). This brings BCE Inc.'s and Bell Canada's total ownership in Aliant to 54% (approximately 41% held by Bell Canada and approximately 13% held by BCE Inc.), or approximately 53% on a fully diluted basis. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

On October 22, 1999, Bell Canada increased its ownership interest in Bell Mobility Inc. (Bell Mobility) (formerly BCE Mobile Communications Inc.) from 65% to 100%. The aggregate purchase price was approximately $1,570 million. The acquisition was funded by the issuance by Bell Canada of equity-settled notes to Bell Canada Holdings Inc. (BCH), the company which owns 100% of Bell Canada. BCH, in turn, issued convertible securities to its two shareholders (BCE Inc. and Ameritech Corporation (SBC/Ameritech), now a wholly-owned subsidiary of SBC Communications Inc.).

On June 1, 1999, BCE and SBC/Ameritech finalized their strategic partnership announced on March 24, 1999. Under the terms of the partnership, SBC/Ameritech acquired an indirect 20% minority interest in Bell Canada for cash proceeds of $5.1 billion. Bell Canada has been reorganized to hold certain telecommunications assets previously held by BCE. On May 31, 1999, Bell Canada acquired, at net book value from BCE, BCE's interests in Bell Mobility, Teleglobe, Aliant, three other regional Canadian telecommunications companies and other investments. Furthermore, Bell Canada transferred to BCE, at net book value, its investments in BCE Emergis and CGI.

RESULTS BY OPERATING GROUP

BCE's 1999 earnings excluding special items (baseline earnings), increased $344 million (22%) to $1,936 million compared with 1998. The improved results primarily reflected:

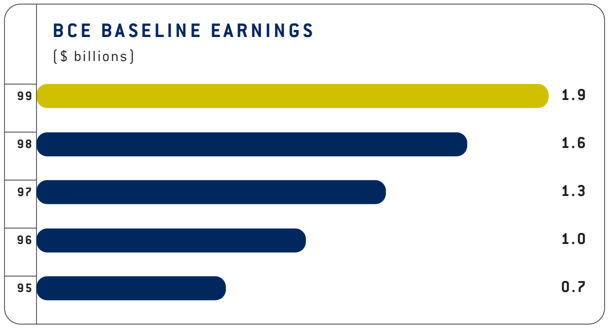
- increased contribution of $323 million at Nortel Networks; and
- improved results at Corporate and Other of $167 million partially offset by:
- decreased contribution of $140 million at Bell Canada.

BCE's net earnings applicable to common shares were $5,366 million in 1999 compared with $4,505 million in 1998. Included in BCE's 1999 net earnings were special

TABLE 1 **REVENUES**[1]

($ millions, except per share amounts)		1999	1998	Increase (Decrease)
Bell Canada[2]		**12,583**	12,405	178
CGI and BCE Emergis		**848**	362	486
BCE Media		**452**	188	264
Nortel Networks[3]		**–**	14,253	(14,253)
Bell Canada International		**807**	772	35
Corporate and Other		**34**	34	–
Intercompany eliminations		**(510)**	(807)	297
Total revenues		**14,214**	27,207	(12,993)
CONTRIBUTION TO NET EARNINGS APPLICABLE TO COMMON SHARES[1]				
Bell Canada[2]	– Operations	**1,179**	1,319	(140)
	– Special items	**4,185**	(133)	4,318
		5,364	1,186	4,178
CGI and BCE Emergis	– Operations	**(13)**	(11)	(2)
	– Special items	**(26)**	33	(59)
		(39)	22	(61)
BCE Media	– Operations	**(87)**	(53)	(34)
	– Special items	**(62)**	–	(62)
		(149)	(53)	(96)
Nortel Networks	– Operations	**1,002**	679	323
	– Special items	**(553)**	2,548	(3,101)
		449	3,227	(2,778)
Bell Canada International		**(354)**	(48)	(306)
Corporate and Other	– Operations	**14**	(153)	167
	– Special items	**240**	513	(273)
		254	360	(106)
Intercompany eliminations		**(66)**	(96)	30
Net earnings		**5,459**	4,598	861
Dividends on preferred shares		**(93)**	(93)	–
Net earnings applicable to common shares		**5,366**	4,505	861
Special items[4]		**(3,430)**	(2,913)	(517)
Baseline earnings		**1,936**	1,592	344
Net earnings per common share		**8.35**	7.07	1.28
Baseline earnings per common share		**3.01**	2.50	0.51

1 Effective March 31, 1999, BCE's business segments were modified and now include two new segments: (1) CGI and BCE Emergis and (2) BCE Media (which includes Bell ExpressVu and Telesat Canada). These companies were previously included in the Bell Canada segment. In addition, Corporate and Other includes BCE's equity investment in Cable & Wireless Communications plc (CWC) (which was sold in June 1998) and Jones Intercable, Inc. (Jones) (which was sold in April 1999). These companies were previously included in the International Telecommunications segment, which comprised BCI and Other International Telecom. BCI is now reported as a separate segment. Previously reported amounts have been reclassified to conform with the current presentation.
2 Represents the consolidation of BCH with Bell Canada and its consolidated subsidiaries. BCH owns 100% of Bell Canada. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech. In addition, as part of the reorganization of Bell Canada, Bell Canada assumed $3.1 billion of debt due to BCE which was repaid on June 1, 1999 using a portion of the proceeds received from SBC/Ameritech. For segment reporting purposes, the interest expense/income on this debt was not included in the Bell Canada or in the Corporate and Other segment results.
3 Effective September 1, 1998, BCE equity accounts for its investment in Nortel Networks.
4 Includes (on an after tax basis) BCE's share of gains on reduction of ownership in subsidiary and significantly influenced companies, Nortel Networks' acquisition related costs, net gains on disposal of investments, restructuring and other charges, amortization of purchased in-process research and development (R&D) expense and BCI's results.



items of $3,430 million compared with special items of $2,913 million in 1998.

The special items in 1999 related mainly to the following:

- a $4,242 million dilution gain on the reduction of BCE's ownership in Bell Canada, from 100% to 80%, as a result of the SBC/Ameritech partnership, for cash proceeds of $5.1 billion;
- $591 million in dilution gains on the reduction of BCE's ownership interest in Nortel Networks, from 40.4% to 39.2%, as a result of Nortel Networks' acquisitions, through the issuance of shares, of Periphonics Corporation and Shasta Networks, Inc. as well as the issuance of shares by Nortel Networks under its stock option plan; and
- a $234 million gain on the sale of BCE's interest in Jones for net cash proceeds of $763 million

partially offset by:

- BCE's share ($1,165 million) of Nortel Networks' acquisition related costs (the amortization of intangible assets from the acquisition of Bay Networks, Inc. (Bay Networks) and all subsequent acquisitions, together with the amortization of any purchased in-process R&D from prior acquisitions);
- BCE's share ($354 million) of BCI's losses; and
- restructuring and other charges of $201 million relating primarily to Bell Canada ($127 million) and to the write-down of BCE Media's investment in SkyView Media Group, Inc. (SkyView) ($62 million), a provider of foreign language ethnic media service to the American market.

The special items in 1998 related mainly to the following:

- a $3,613 million dilution gain on the reduction of BCE's ownership interest in Nortel Networks as a result of Nortel Networks' acquisition of Bay Networks;
- a $513 million net gain on the sale of BCE's interest in CWC for net cash proceeds of $2.3 billion; and
- a dilution gain of $315 million on the reduction of BCE's ownership in Teleglobe, from approximately 25% to 20%, following Teleglobe's acquisition of Excel Communications, Inc.

partially offset by:

- Bell Canada's restructuring and other charges of $392 million;
- BCE's share ($1,077 million) of Nortel Networks' acquisition related costs; and
- BCE's share ($48 million) of BCI's losses.

Excluding Nortel Networks, revenues increased $635 million (5%) in 1999 compared with last year due mainly to increased revenues at CGI and BCE Emergis, BCE Media and Bell Canada. BCE's reported revenues for 1999 decreased $12,993 million compared with 1998 due mainly to BCE changing, prospectively, its accounting for Nortel Networks from consolidation to equity accounting effective September 1, 1998.

During 2000, BCE will seek revenue growth mainly through growth at Bell Canada and CGI and BCE Emergis and baseline earnings growth (excluding Nortel Networks) through growth at Bell Canada and Corporate and Other. Baseline earnings will be negatively impacted by BCE's reduced ownership interest in Bell Canada.

Bell Canada

OVERVIEW

Bell Canada's results discussed in this MD&A represent the consolidation of BCH with Bell Canada and its consolidated subsidiaries (including Bell Mobility, BCE Nexxia Inc. (carrying on business under the name Bell Nexxia (Bell Nexxia)), Bell ActiMedia, Northern Telephone Limited, Northwestel Inc. and Télébec ltée) as well as Bell Canada's equity investments in Aliant, Manitoba Telecom Services Inc. (MTS) and Teleglobe. These entities provide a full range of domestic and international communications services to customers. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech. BCH owns 100% of Bell Canada.

Bell Canada's results for 1999 reflected increased operating revenues and increased cash operating expenses and lower depreciation and amortization compared with 1998. In addition, 1999 results were impacted by restructuring and other charges in the aggregate amount of $267 million (pre-tax) compared with $608 million (pre-tax) in 1998.

BELL CANADA OPERATING REVENUES

Local and access services revenues increased $50 million for 1999 compared with 1998 due mainly to growth in network access services (primarily business line growth), higher **SmartTouch**™ services revenues which were positively impacted by the increased penetration of these services combined with price increases implemented in mid 1999, and increased revenues from competitors accessing the local network, partially offset by lower single line

TABLE 2 **BELL CANADA OPERATING REVENUES**

($ millions)	**1999**	1998	% Change
Local and access services	**5,414**	5,364	1
Long distance and network services	**3,912**	4,196	(7)
Wireless services	**1,119**	1,047	7
Terminal sales, directory advertising and other	**2,138**	1,798	19
Total	**12,583**	12,405	1
NUMBER OF NETWORK ACCESS SERVICES[1] (EXCLUDING NEWTEL)			
(thousands)	**1999**	1998	% Change
Residence	**7,622**	7,519	1
Business	**3,957**	3,749	6
Total	**11,579**	11,268	3

1 Network access services represent, approximately, the number of lines in service at December 31.

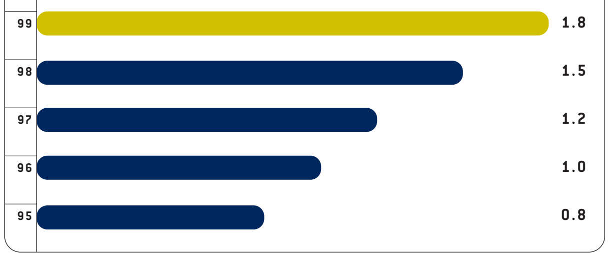
terminal sales, the deconsolidation of NewTel (as discussed below) and the impact of the reduction in local business rates.

Long distance and network services revenues decreased $284 million for 1999 compared with 1998. The decrease was due to lower long distance services revenues which were impacted by lower average prices of approximately 24% resulting from the increased penetration of discount calling plans for the consumer market such as **First Rate**™. The increased penetration of these discount calling plans has led to an increase in long distance service volumes as measured in conversation minutes (excluding NewTel) of 2,288 million (20%) to 13,550 million for 1999. Bell Canada's share of the long distance market decreased by 1.8 percentage points to an estimated market share of 62.1% as at December 31, 1999, compared with an estimated market share of 63.9% as at December 31, 1998. Also contributing to the decrease in long distance services revenues was the deconsolidation of NewTel. The decrease in long distance services revenues was partially offset by an increase in network services revenues for 1999, compared with 1998, due mainly to growth in digital frame-relay services and in other digital data services, partially offset by the deconsolidation of NewTel.

Wireless revenues increased $72 million for 1999 compared with 1998 due mainly to increased wireless voice revenues. The increased revenues resulted mainly from increases in the cellular and PCS subscriber base, partially offset by lower average revenue per cellular and PCS subscriber. Average revenue per cellular and PCS subscriber decreased from $60 per month in 1998 to $51 per month in 1999 reflecting the impact of increased competition in the wireless market and the growth in the number of prepaid subscribers. In response, Bell Mobility recently introduced new **RealTime**™ rate packages offering both competitive prices and industry leading wireless access to the Internet on the handset.

At December 31, 1999, there were 1,797,000 cellular and PCS subscribers of which 1,408,000 were cellular subscribers and 389,000 were PCS subscribers, reflecting net additions of 322,000 or 22% from December 31, 1998. Included in the total subscriber base were 509,000 prepaid subscribers.

BELL MOBILITY WIRELESS VOICE SUBSCRIBERS
(millions)



Terminal sales, directory advertising and other revenues for 1999 increased $340 million compared with 1998 due mainly to growth at Bell Nexxia (as a result of the provision of Internet and Internet Protocol/Broadband services), and increased revenues related to terminal equipment sales and Internet access, partially offset by the deconsolidation of NewTel.

Excluding NewTel (deconsolidated as of May 31, 1999 as a result of its combination into Aliant and Bell Canada's resulting 42% ownership in Aliant), local and access services revenues increased $128 million or 2%, long distance and network services revenues decreased $211 million or 5% and terminal sales, directory advertising and other revenues increased $372 million or 23% for 1999 compared with 1998.

During 2000, Bell Canada will seek revenue growth through network access services growth, increased penetration of **SmartTouch** services, new product introduction, targeted price increases, increased marketing efforts, growth from the data/Internet Protocol market (by increasing its penetration rate of high-speed users), various initiatives in data and product development and innovative bundled services. The potential increase in local service competition, lower average local rates due to the continuing impact of the price cap regime and competitive pressures in the long distance market will adversely affect revenues.

BELL CANADA CASH OPERATING EXPENSES

Cash operating expenses increased $203 million for 1999 compared with 1998 due mainly to cost increases associated with volume increases mainly related to the provision of Internet and Internet Protocol/Broadband services and the increased stock-based compensation expense related to the $73 increase in BCE Inc.'s share price during 1999, partially offset by lower long distance settlement payments and the deconsolidation of NewTel.

At December 31, 1999, the total number of employees was 43,995, reflecting a decrease of 2,036 from December 31, 1998, mainly as a result of the deconsolidation of NewTel, partially offset by the repatriation of employees from Stentor. Total salaries and wages (including capitalized amounts) were $2,391 million, down $68 million from 1998, reflective of the decrease in employee base impacted primarily by the deconsolidation of NewTel.

EBITDA (earnings before interest expense, income taxes, depreciation and amortization, pension credits and restructuring and other charges) was $5,399 million for 1999 representing a decrease of $25 million compared with 1998 as the higher operating revenues were offset by the higher cash operating expenses.

In May 1999, Bell Canada and its Operator Services employees and Craft and Services employees, represented by the Communications, Energy and Paperworkers' Union (CEP), signed new five-year agreements (effective May 15, 1999) replacing the collective agreements which expired on November 24, 1998 and November 30, 1998, respectively, putting an end to the five-week strike, which began on April 9, 1999. In December 1999, Bell Canada and its Communications Sales employees, represented by the Canadian Telephone Employees' Association (CTEA), signed a new four-year agreement (effective January 1, 2000), replacing the three-year collective agreement which expired on December 31, 1999.

TABLE 3 **BELL CANADA OPERATING EXPENSES**

($ millions)	1999	1998	% Change
Cash operating expenses	**7,184**	6,981	3
Pension credit	**(204)**	(316)	(35)
Depreciation and amortization	**2,440**	2,634	(7)
Restructuring and other charges	**267**	608	(56)
Total	**9,687**	9,907	(2)

During 2000, Bell Canada anticipates moderate increases in cash expenses mainly related to revenue growth initiatives, which are expected to be partially offset by lower settlement payments to other telecommunications companies. Modest growth in expenses supporting Internet and data initiatives is anticipated as part of an overall strategy to increase focus and presence in these areas.

DEPRECIATION AND AMORTIZATION

The decrease in depreciation and amortization expense of $194 million in 1999 compared with 1998 was primarily due to lower net average plant in service. In addition, certain assets, such as DMS™ switches installed in the late 1980s and early 1990s, have been almost entirely depreciated. Depreciation and amortization expense is expected to decrease moderately in 2000 compared with 1999.

RESTRUCTURING AND OTHER CHARGES

In 1999, Bell Canada recorded a pre-tax charge of $267 million ($141 million after tax and non-controlling interest) representing restructuring and other charges of $163 million and $104 million, respectively. The restructuring charges, mainly employee severance (for approximately 2,600 employees) and directly related incremental costs, resulted principally from the decision to outsource a portion of the Operator Services group, the windup of Stentor Canadian Network Management and cost rationalization within other operating groups. These restructuring programs are expected to be substantially completed by mid 2000. Other charges related mainly to the write-down of the Iridium investment.

In 1998, Bell Canada recorded a pre-tax charge of $608 million ($392 million after tax) representing restructuring and other charges of $102 million and $506 million, respectively. The restructuring charges related to plans for rationalization of real estate and the integration of business units. Included in the charges were costs relating to lease terminations and associated costs and employee severance. Other charges mainly included a provision for the costs of implementing local service competition and providing local number portability to the extent such costs were estimated not to be recoverable. Also included in other charges were costs relating to the write-down of certain assets and other provisions.

As at December 31, 1999, the remaining balance of the restructuring provision is $130 million ($61 million in 1998). This provision is comprised primarily of unpaid severance payments to the members of the Operator Services group for $60 million, other unpaid incremental costs of $12 million associated with the outsourcing of the Operator Services group, and $30 million for costs relating to the rationalization of real estate.

WIND UP OF STENTOR CANADIAN NETWORK MANAGEMENT (SCNM)

On July 6, 1999, Bell Canada and Telus Communications Inc. announced that they had reached an agreement on the creation of a new model for managing national network operations currently performed by SCNM. As a result of this new arrangement, as of January 1, 2000, Bell Canada is providing national operational support services to BCT.Telus Communications Inc. (BCT.Telus), and to Bell Canada's partners, Aliant, Saskatchewan Telecommunications (SaskTel) and MTS. SCNM, the central organization created in 1992 to perform these functions, has been wound up. Many of SCNM's employees and functions have been transferred to Bell Canada and the other SCNM members. The companies will continue their co-operative efforts to ensure continuity and seamless service of their shared national network for the benefit of their customers.

WAGE PRACTICES INVESTIGATION

On September 30, 1999, Bell Canada, the CEP and the CTEA announced that they had reached a tentative $59 million settlement regarding the 1994 pay equity complaints which were before the Canadian Human Rights Tribunal (Tribunal). The settlement covering approximately 20,000 current and former employees of Bell Canada was subject to a ratification process by the CEP's and CTEA's members and approval by the Canadian Human Rights Commission. The CEP and CTEA had agreed to recommend acceptance of the settlement to their members. On October 29, 1999, the CEP and CTEA announced that the tentative pay equity settlement was rejected by their members. Accordingly, hearings before the Tribunal resumed in December 1999, at which time the Tribunal rendered a decision dismissing three of the preliminary objections that Bell Canada had previously raised. Bell Canada has filed for judicial review of this decision in Federal Court. Unless the matter is otherwise resolved, hearings and any appeal could last several years.

REGULATORY DECISIONS

On December 23, 1999, in Order 99-1237, the Canadian Radio-television and Telecommunications Commission (CRTC) approved, on an interim basis, Bell Canada's November 17, 1999 application to revise the rates it charges customers for SmartTouch services. The changes, which became effective January 17, 2000, increased rates for features such as SmartPac™, Call Display Number and Visual Call Waiting as well as removed the reduction customers received when ordering two or more calling features.

On November 5, 1999, Industry Canada released its decision in its review of the PCS Spectrum Cap. Industry Canada has increased the cap, from its current level of 40MHz, to 55MHz. Industry Canada stated that the increased cap is intended to help address capacity constraints, i.e. in Toronto and Montreal, as well as to assist in the development of third generation (3G) PCS services. Industry Canada's release also indicates that the remaining 40 MHz of PCS spectrum in the C and E blocks will be allocated through an auction which will be completed by the Fall of 2000.

On October 13, 1999, in Order 99-991, the CRTC determined that it would no longer be necessary to regulate mobile wireless services provided in-house by incumbent wireline carriers. This decision will permit Bell Canada to market cellular services directly without tariff approval.

On October 8, 1999, in Order 99-972, the CRTC concluded that the current prohibition on the resale of Inter-exchange Voice services by affiliated companies was no longer required. With respect to local services, the CRTC concluded that resale of local exchange services or facilities by an affiliated reseller is prohibited. However, this restriction does not apply to: 1) affiliates who are Canadian carriers; or 2) any affiliate, whether a Canadian carrier or reseller, operating in the serving territory of an unaffiliated incumbent local exchange carrier.

On June 8, 1999, in Order 99-513, the CRTC approved Bell Canada's May 10, 1999 application to revise rates for its residence Call Answer and Call Answer Plus Messaging services. These changes, which have increased rates for the fully integrated residence Call Answer service, decreased rates for the residence Call Answer Plus service and increased charges for integrated residential mail boxes, have increased bottom line contribution while better positioning these services in the competitive market place.

On June 1, 1999, in Order 99-489, the CRTC approved price reductions proposed by Bell Canada as part of its second annual price cap filing on March 31, 1999. The rate changes, which became effective June 1, 1999, lowered the cost to customers of digital communications for services such as MEGALINK™, Digital Network Access, Direct Inward Dialing, Digital Exchange Access and Centrex Multiple Appearance Directory. Prices for Bell Canada's other access services remain unchanged.

On March 12, 1999, in Order 99-239, the CRTC established, on an interim basis, the manner in which Bell Canada can recover, over a three-year period, costs associated with local competition start-up and local number portability. The portion to be recovered from services subject to price cap regulation is to be reflected as an exogenous factor in the price cap formula. Pending a final decision, this amount is to be used only to mitigate price decreases that would otherwise be required.

CGI and BCE Emergis

CGI is an information technology (IT) services company, which provides end-to-end IT services, such as, outsourcing, systems integration, consulting and business solutions to customers worldwide. BCE Emergis is an electronic commerce services provider, which delivers network-centric e-commerce solutions to customers worldwide.

Revenues at CGI and BCE Emergis increased $486 million in 1999 compared with last year. This increase was mainly due to the acquisition of an increased share ownership interest in CGI and the acquisition of shares of BCE Emergis by BCE on July 1, 1998 and on August 31, 1998, respectively. As of July 1, 1998, BCE proportionately consolidates CGI's results (CGI was accounted for as an investment at cost up to June 30, 1998). At December 31, 1999, BCE's ownership in CGI was approximately 45%. The 1998 results relating to BCE Emergis, for the period prior to August 31, represent the Electronic Business Solutions (EBS) activities of Bell Canada, which were exchanged as part of the acquisition of shares of BCE Emergis.

CGI's 1999 baseline earnings contribution to BCE was $30 million, reflecting strong revenue growth from new outsourcing and systems integration contracts, as well as operating efficiencies resulting from the application of ISO 9001 quality standards, synergies from the integration of acquisitions and increasing economies of scale. Overall, BCE Emergis' results reflected strong growth in revenues and EBITDA (earnings before interest, income taxes, depreciation and amortization). BCE's $43 million share of BCE Emergis' baseline loss in 1999 was mainly attributable to the amortization of goodwill and other intangibles related to acquisitions made by BCE Emergis.

On October 29, 1999, CGI, Portugal Telecom (PT), IBM Global Services and Case signed an agreement creating a systems and information technology partnership. The agreement involves the creation of two companies: PT Information Systems; and Data, Computers and Information Solutions. The information systems and data processing functions of the PT Group companies will be outsourced to these new companies.

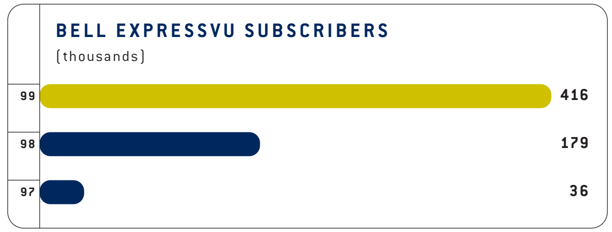
Effective July 1, 1999, CGI finalized the acquisition of DRT Systems International Inc. (DRT). In 1999, DRT had annual revenues approaching US $100 million.

On December 21, 1999, BCE announced the signing of a long-term agreement between Bell Canada, BCE Emergis and California based Ariba, Inc. (Ariba), in which BCE Emergis will provide Bell Canada and its subsidiaries with a fully-managed business-to-business (B2B) corporate exchange marketplace and e-procurement solution. The agreement provides a fully-managed Internet-based market place, with Ariba™ B2B e-commerce platforms, that will be initially used by Bell Canada and all its suppliers across Canada.

On November 1, 1999, BCE Emergis acquired 100% of SNS/Assure Corp. and Assure Health Inc., companies providing electronic commerce solutions principally to the financial services and health insurance sectors, for a purchase price of approximately $224 million comprised primarily of cash and BCE Emergis common shares. The cash component of the purchase price was funded in part by a subscription for an amount of $125 million of BCE Emergis common shares by BCE pursuant to its pre-emptive right. The exercise by BCE of its pre-emptive right had the effect of maintaining its share ownership in BCE Emergis at approximately 65%.

BCE Media

BCE Media includes Telesat Canada (Telesat), Bell ExpressVu Limited Partnership (Bell ExpressVu), TMI Communications and Company Limited Partnership as well as Other media interests. These entities provide the delivery of satellite entertainment and business services.



Revenues at BCE Media increased $264 million in 1999 compared with 1998 mainly due to strong revenue growth at Bell ExpressVu, first year operations at Other media interests and to the acquisition of 100% of Telesat in May 1998 (Telesat was accounted for as an investment at equity up to April 30, 1998).

This group's contribution to BCE's 1999 baseline earnings was a loss of $87 million compared with a loss of $53 million in 1998. The increased loss in 1999 mainly reflected the cost of expansion of Bell ExpressVu's direct-to-home satellite television service and first year losses at Other media interests.

At December 31, 1999, Bell ExpressVu had approximately 416,000 subscribers, reflecting an increase of more than 130% compared with December 1998. Average revenue per subscriber at December 31, 1999 was $46 per month compared with $41 per month at December 31, 1998. In the second quarter of 1999, Telesat successfully launched NIMIQ™, Canada's first direct broadcast satellite, which has enabled Bell ExpressVu to offer a broader entertainment line-up and significantly improve the quality of its signal.

Nortel Networks

OVERVIEW

Nortel Networks' operations include two operating segments: Service Provider and Carrier (SP&C) and Enterprise. The SP&C segment delivers network solutions which are used by telecommunications operating companies and other service providers to interconnect access lines and transmission facilities to provide local or long distance services, wireless communications systems, and solutions which transport voice, data, and video communications between locations within a city or between cities, countries or continents. The Enterprise segment delivers solutions consisting of electronic business systems, including call centre, voice messaging and interactive response systems, Internet and data networking solutions, Open IP systems, and Enterprise telephony solutions.

On February 14, 2000, Nortel Networks announced that it would invest an additional US $260 million in optical networking and components. This investment is in addition to the US $400 million investment announced in November 1999. These investments, and an expected tripling of production capacity in 2000, will accelerate Nortel Networks' ability to meet high customer demand for its Optical Internet systems and components. As part of these investments, Nortel Networks plans to build new facilities in Canada, expand existing facilities in Europe and increase its supply chain and customer service capabilities in the United States.

On January 28, 2000, Nortel Networks acquired Qtera Corporation (Qtera), a producer of ultra-long-reach optical networking systems. Each outstanding share of Qtera preferred stock and common stock was converted into a right to receive 1.3350 Nortel Networks common shares (an aggregate of approximately 23 million Nortel Networks common shares). Approximately 5 million Nortel Networks common shares were reserved for issuance in respect of Qtera options and warrants assumed by Nortel Networks. In addition, up to US $500 million in Nortel Networks common shares may be issued to the former Qtera shareholders, option holders and warrant holders, upon Qtera achieving certain business objectives.

On October 18, 1999, Nortel Networks announced the signing of a definitive agreement to acquire Clarify Inc. (Clarify), a provider of front office solutions for eBusiness. Under the terms of the agreement, Clarify stockholders will receive a fixed exchange ratio of 1.3 Nortel Networks common shares for each share of Clarify common stock. Based on the closing price of US $52.69 per Nortel Networks common share on October 15, 1999, this represents an aggregate purchase price of approximately US $2.1 billion. The boards of directors of both companies have approved the transaction. The acquisition is subject to certain customary regulatory and other approvals, including approval by the Clarify stockholders. Clarify has called a meeting of its stockholders for March 16, 2000 to consider the transaction. The acquisition is expected to close in the first quarter of 2000.

On January 13, 1999, Nortel Networks announced the acceleration of its three-year operations strategy designed to better meet the rapidly changing needs and values of its customers worldwide. A key element of Nortel Networks' strategy is the transition from vertical integration (making and assembling most of its products and systems) to virtual integration (acting as a systems house). As part of this operations strategy, on May 13, 1999, Nortel Networks announced its intention to create a network of seven global systems houses located in Canada, the United States and Europe. The systems houses will link customers, design centres, internal manufacturing, suppliers, contract manufacturers, and other parts of the supply chain to establish a flexible structure for today's fast-changing environment, and will also be responsible for overall quality, customer delivery and new product introduction. The operations strategy also involves the divesting and/or outsourcing to contract manufacturers all but Nortel Networks' most complex printed circuit board assembly, most of Nortel Networks' electromechanical subsystems manufacturing, and a significant part of the repair business.

Nortel Networks' contribution to BCE's baseline earnings was $1,002 million in 1999 compared with $679 million in 1998. The $323 million increase was mainly due to revenue growth, higher gross profit and a decrease in the effective tax rate.

The following discussion of Nortel Networks' results is based on results for the full twelve months of 1999. BCE's consolidated statement of operations for the year ended December 31, 1999 reflects BCE's share of these results in the line item Equity in net losses of significantly influenced companies, while Nortel Networks' results for the first eight months of 1998 are reflected in BCE's 1998 consolidated statement of operations on a line-by-line basis and for the last four months in 1998, are included in the line item Equity in net losses of significantly influenced companies. While Nortel Networks reports its results in U.S. dollars, all amounts presented in this MD&A are in Canadian dollars, except where otherwise noted.

NORTEL NETWORKS REVENUES

Nortel Networks revenues increased by $6,691 million or 25% in 1999, compared with 1998, mainly due to substantial increases in SP&C and Enterprise revenues, marginally offset by a decrease in Other revenues.

Tables four and five show details of Nortel Networks' revenues by principal product lines and by geographic areas.

SP&C revenue growth of $4,953 million or 25% in 1999 compared with 1998 was largely driven by substantial growth in sales of optical networking systems and high-speed Internet access solutions. The considerable increase in sales of optical networking systems was driven by growth across all regions, with substantial growth in the United States and Europe. The substantial increase in the sales of

TABLE 4 NORTEL NETWORKS – REVENUES BY SEGMENT[1]

($ millions)	1999	1998	% Change
SP&C	**24,863**	19,910	25
Enterprise	**7,979**	6,070	31
Other	**119**	290	(59)
Total	**32,961**	26,270	25

1 Revenues by segment for the years ended December 31, 1999 and 1998, have been reclassified to reflect the evolution of certain businesses within the management structure. The primary effect of this reclassification was to move certain businesses among Enterprise, Other and SP&C to more closely align the businesses with their primary customers.

TABLE 5 NORTEL NETWORKS – GEOGRAPHIC REVENUES[2]

($ millions)	1999	1998	% Change
United States	**18,930**	14,705	29
Canada	**2,128**	2,035	5
Other Countries	**11,903**	9,530	25
Total	**32,961**	26,270	25

2 Revenues are based on the location of the customer. Geographic revenues have been reclassified to reflect the evolution of certain non operating businesses within the management structure.

high-speed Internet access solutions was also driven by growth across all regions with substantial growth in the United States, in Caribbean and Latin America (CALA), and in Europe. In addition, sales of mobility systems increased significantly in 1999, compared with 1998, primarily due to a substantial increase in sales in the Asia Pacific region and significant increases in sales in the United States and Europe, which more than offset a substantial decline in sales of mobility systems in CALA, primarily in Brazil and Colombia. Overall, SP&C revenues were substantially higher in the United States, Europe and in the Asia Pacific region in 1999 compared with 1998.

The considerable increase in sales of optical networking systems in 1999, compared with 1998, was driven by very strong customer demand. Customer demand for optical networking systems in 1999 exceeded Nortel Networks' ability to supply these systems within customary delivery periods, creating a backlog of orders for Nortel Networks' optical networking systems. Nortel Networks is addressing this situation by increasing internal manufacturing capacity and expanding the use of contract manufacturers. Nortel Networks expects to clear the existing backlog over the next few quarters. Nortel Networks is continuously working with all of its suppliers to increase capacity to sustain forecasted customer demand.

Enterprise revenues in 1999 increased by $1,909 million or 31% compared with 1998. This growth was largely driven by an increase in enterprise data networking revenues due to the acquisition of Bay Networks, resulting in higher sales of local area networks and data switching systems, primarily in the United States and Europe. An increase in sales of enterprise platform networks in Europe and the United States also contributed to the revenue growth in 1999 compared with 1998. This revenue growth was also attributable to a significant increase in sales of enterprise voice applications, particularly in Europe, which more than offset a substantial decline in sales of enterprise voice applications in Canada. Overall, Enterprise revenues were substantially higher in the United States and Europe in 1999 compared with 1998 and are expected to grow at a slower rate in 2000 compared with 1999.

In recent years, the Asia Pacific region has been affected by unstable economies and the volatility of certain currencies. Although revenues for 1999 increased substantially in the Asia Pacific region compared with 1998, the economic instability in this region may impact the demand for products in future periods.

The economic instability in certain countries, including Brazil and Colombia and other countries in CALA, may impact demand generally for Nortel Networks' products. In addition, despite the recent recovery of the Brazilian economy, the volatility of the Brazilian real may continue in 2000 and could slow economic growth for CALA in future periods. Although demand in CALA for Nortel Networks' products was affected in 1999, Nortel Networks anticipates that the short-term and long-term growth prospects for CALA remain strong.

GROSS MARGIN

Gross margin was 43.3% of revenues for 1999 and 42.8% of revenues for 1998. Gross profit increased by $3,028 million in 1999, compared with 1998, due to gross profit increases in SP&C and Enterprise. The favourable sales mix in SP&C was largely driven by optical networks and high-speed Internet access solutions. The improved gross profit for 1999 in Enterprise was largely driven by enterprise data networks.

Although competitive pricing pressures continue, particularly with respect to sales of mobility systems, overall Nortel Networks has been able to help mitigate such pricing pressures through increased sales of higher-margin products and manufacturing and other cost-reduction programs. Gross margin can be negatively affected by the introduction of new products, continued expansion into new markets, and increases in products manufactured by other suppliers in network solutions offered by Nortel Networks.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSE

In 1999, SG&A expense increased by $1,462 million compared with 1998. SG&A expense, as a percentage of revenues, increased by 0.9 of a percentage point compared with 1998. The increased SG&A expense, as a percentage of revenues, primarily reflected the higher SG&A expense associated with Bay Networks that traditionally had higher spending levels (when expressed as a percentage of revenues). Also contributing to the SG&A expense increase were expenditures incurred to support Nortel Networks' global marketing programs, including eBusiness initiatives. The increase in SG&A expense also reflected a modest increase in SP&C costs due to increased customer financing activities, which resulted in higher levels of customer specific provisioning consistent with Nortel Networks' accounting practice.

RESEARCH AND DEVELOPMENT (R&D) EXPENSE

Nortel Networks' R&D expense increased by $663 million in 1999 compared with 1998. This increased investment in R&D was attributable to new equipment, process development, advanced capabilities, and services for a broad array of applications in Enterprise, including data networks and IP technologies, and for increases in support for optical networks, core data networks and other ongoing programs in SP&C.

FOREIGN EXCHANGE RISK

Nortel Networks continues to expand its business globally and, as such, an increasing proportion of its business will be denominated in currencies other than U.S. dollars. As a result, fluctuations in foreign currencies may have an impact on Nortel Networks' business and financial results. Nortel Networks endeavours to minimize the impact of such currency fluctuations through its ongoing commercial practices and by attempting to hedge its exposures to major currencies. In attempting to manage this foreign exchange risk, Nortel Networks identifies operations and transactions that may have foreign exchange exposure, based upon, among other factors, the excess or deficiency of foreign currency receipts over foreign currency expenditures in each of Nortel Networks' significant foreign currencies. Nortel Networks' significant currency flows for 1999 were in United States dollars, Canadian dollars, United Kingdom pounds and the Euro. For the year ended December 31, 1999, the net impact of foreign exchange fluctuations was a loss of $151 million compared with a loss of $112 million for the year ended December 31, 1998. Given the devaluation of the Euro and the devaluation and continued volatility of the Brazilian real, and Nortel Networks' exposure to these and other international markets, Nortel Networks continuously monitors all of its foreign currency exposures. As Nortel Networks cannot predict whether foreign exchange losses relating to Brazil and other countries will continue to increase in the future, significant foreign exchange fluctuations may have a material adverse impact on Nortel Networks' results of operations.

INCOME TAXES

The effective tax rate of 28% for 1999, decreased by 7.5 percentage points compared with 1998, as a consequence of a higher United States tax deduction associated with the exercise of stock options.

LITIGATION

See Note 8 (d) in the consolidated financial statements.

Bell Canada International

BCI owns, develops and operates advanced telecommunications networks outside of Canada, primarily in Latin America and the Asia Pacific region, with a focus on wireless technology. BCI also pursues opportunities in basic telephony and cable television to complement its presence in existing markets or as a means of entry into targeted geographic markets offering high growth potential. BCI currently provides wireless services in Colombia, Brazil, Mexico, Korea and Taiwan, as well as cable television and private telephony services in Brazil.

As part of BCI's new strategy of streamlining and sharpening the focus of BCI's portfolio, BCI concluded agreements to divest its interests in Tata Communications Limited (Tata) in India, and in Shandong Hehua Bell Telecommunications Engineering Company, Ltd. and Shandong Renwa Bell Telecommunications Engineering Company, Ltd. (collectively Shandong Bell), and Yantai Bell Telecommunications Engineering Company, Ltd. (Yantai Bell), in China, for proceeds of approximately $85 million.

On January 25, 2000, BCI also announced that the Brazilian competitive access providers Vésper S.A. and Vésper Sao Paulo S.A. (the Vésper companies) launched commercial service, with a network capacity exceeding 2.1 million lines. The speed and size of the buildout reflects the speed-to-market benefits of fixed wireless technology in telecom start-ups. As a result of the two commercial launches, BCI will include results from the Vésper companies in its financial reporting commencing in the first quarter of 2000. BCI's ownership in the Vésper companies is approximately 34%.

Revenues at BCI were $807 million in 1999, reflecting an increase of $35 million compared with revenues of $772 million in 1998. This increase was primarily due to increased revenues related to BCI's investment, in

September 1998, in Hansol PCS Co., Ltd. (Hansol) of Korea and BCI's increased investment in KG Telecommunications Co., Ltd. (KG Telecom) of Taiwan (on June 15, 1999, BCI increased its effective ownership in KG Telecom from 10% to 20% and began proportionately consolidating its results), partially offset by lower revenues from Colombian cellular operations (affected notably by that country's currency devaluation against the Canadian dollar and the continuing economic downturn in Colombia).

The total number of subscribers in companies in which BCI has an interest was approximately 5.5 million at December 31, 1999, representing an increase of approximately 2.6 million over December 31, 1998. On a proportionate basis, the number of subscribers at December 31, 1999 was approximately 1.4 million, representing an increase of approximately 650 thousand over December 31, 1998 (proportionate numbers reflect BCI's percentage ownership in each of its operations). The increase in total and proportionate subscribers was mainly due to BCI's investment in Hansol, which had approximately 2.7 million subscribers at December 31, 1999 and KG Telecom, which had approximately 1.4 million subscribers at December 31, 1999. BCI's operations in Colombia had approximately 751,000 subscribers at December 31, 1999, an increase of 54,000 from December 31, 1998.

BCE's share of BCI's loss was $354 million in 1999 compared with a loss of $48 million in 1998. The increased loss was primarily attributable to BCI's Colombian operations affected by the impact of the economic downturn in Colombia and the currency devaluation that began in late 1998, a higher loss at Hansol and losses incurred at BCI's start-up operations. In addition, BCI, as the controlling shareholder, began, as of May 1999, accounting for 100% of the losses in Colombia. The interest of non-controlling shareholders in such losses would normally be reflected on BCI's balance sheet as a reduction of the non-controlling interest. However, Generally Accepted Accounting Principles require the controlling shareholder to account for 100% of the subsidiary's losses when the non-controlling interest has been eliminated on the balance sheet. The impact of recognizing the non-controlling interest in such losses was $109 million in 1999. Also included in BCI's 1999 loss were special charges of $113 million relating mainly to the write-off of handset subsidy costs associated with certain customer contracts, as current circumstances indicate that the benefit from these expenditures relates more appropriately to current period activities, partially offset by gains totalling $110 million (related to the dilution gain on the reduction of BCI's ownership interest in Hansol (from 23% to 21%) as a result of Hansol's initial public offering in November 1999, and gains on the sale of the Tata investment and the Yantai Bell and Shandong Bell networks).

Corporate and Other

Corporate and Other income – net (excluding special items) in 1999 was $14 million compared with Corporate and Other expenses – net (excluding special items) of $153 million in 1998. This improvement was mainly due to higher interest income (on the proceeds received from SBC/Ameritech and on the $4.1 billion intercompany loans between BCE and Bell Canada, which were created as a result of the reorganization of Bell Canada (See page 19 of this MD&A) and which are more fully described in the liquidity section that follows) and to lower interest expense (mainly due to the repayment of debt funded by the proceeds from the sale of CWC in June 1998, Jones in April 1999 and 20% of Bell Canada in June 1999).

LIQUIDITY AND CAPITAL RESOURCES

BCE Consolidated

BCE's consolidated cash flows from operating activities in 1999 decreased by $908 million to $2,598 million compared with 1998, mainly due to higher working capital requirements at Bell Canada. Consolidated cash flows used in investing activities in 1999 were $32 million compared with $5,931 million in 1998. The change was primarily related to a reduction in cash of $3.0 billion due to the deconsolidation of Nortel Networks in September 1998 and higher proceeds on divestitures/capital asset dispositions in 1999 compared with 1998 ($5.1 billion of proceeds received on the sale of

20% of Bell Canada to SBC/Ameritech and $763 million received on the sale of Jones in 1999 compared with the $2.3 billion of proceeds received on the sale of CWC in 1998 and the $753 million of proceeds received on the sale of certain real estate properties by Bell Canada in 1998). BCE's consolidated cash flows used in financing activities were $549 million in 1999 compared with cash flows from financing activities of $398 million in 1998. The change resulted mainly from a lower level of notes payable issued in 1999 compared with 1998 (mainly Nortel Networks) partially offset by a higher level of debt issued in 1999 compared with 1998 (mainly Bell Canada).

A discussion of the liquidity and capital resources of Bell Canada, Nortel Networks, BCI and Corporate and Other is outlined below.

Bell Canada

The principal components of Bell Canada's cash flows are shown in the table below.

Cash flows from operating activities for 1999 were $2,690 million, $964 million lower compared with 1998 due mainly to increased working capital requirements.

Cash flows used in investing activities were $4,698 million reflecting an increase of $1,907 million compared with last year. The change was primarily as a result of increased investments in 1999 and the sale of certain real estate properties for $753 million in 1998, partially offset by the sale of certain investments in 1999 (mainly Phone.Com for $116 million) and reduced capital expenditures. Bell Canada's investments for 1999 totalled $2,304 million and consisted mainly of Bell Canada's increased ownership interests in Bell Mobility (from 65% to 100%) for $1,570 million, in Teleglobe (from 20% to 23%) for $312 million and a $339 million (20%) investment in MTS. This compares to investments of $967 million for the same period last year consisting mainly of a $736 million investment in Teleglobe. The decreased capital expenditures related mainly to reduced digital network expenditures at Bell Mobility and the deconsolidation of NewTel, partially offset by increases in information systems and information technology spending on system implementation, the deployment of Internet high speed service and further Bell Nexxia expansion. Capital expenditure levels for 2000 are expected to be similar, when compared with 1999, due to increased investment to meet the growing demand for data services partially offset by reduced expenditures related to information systems and information technology spending.

Cash flows from financing activities for 1999 were $2,096 million compared with cash flows used in financing activities of $792 million for 1998. The change was due mainly to the issue of an equity-settled note to BCH in the amount of $1,570 million (at an interest rate of 6.0% and due on demand) to finance the additional investment in Bell Mobility and to the issue of long-term debt of $1,473 million in 1999 compared with $149 million in 1998. The proceeds from the issue of debt were used to refinance maturing debt of approximately $650 million, to repay short-term debt issued to BCE Inc. and to finance the capital expenditures and investments referred to above.

As part of the reorganization of Bell Canada (See page 19 of this MD&A), Bell Canada assumed $3.1 billion of debt due to BCE and issued $2.0 billion of new debt to BCE. These debts were repaid on June 1, 1999, using the $5.1 billion of cash proceeds received from SBC/Ameritech. In addition, as part of the reorganization, BCH issued $4.1 billion of new debt to BCE. For segment reporting purposes, the interest expense/income on the $3.1 billion and $2.0 billion loans is not included in the Bell Canada or Corporate and Other segment results for 1999 and 1998. Interest on the $4.1 billion loans is included as an expense in the Bell Canada segment and as interest income in the Corporate and Other segment. The $4.1 billion loans consist of three senior unsecured notes. Senior Note 1 of $1.5 billion, at an interest rate of 5.85%, matures May 31, 2001, Senior Note 2 of $1.7 billion, at an interest rate of 5.94%, matures May 31, 2009 and Senior Note 3 of $0.9 billion, at an interest rate of 6.0%, matures May 31, 2009. Intercompany loans and related interest are eliminated on the BCE consolidated financial statements.

Bell Canada's cash requirements during 1999, including the financing of capital expenditures and investments, were mainly met by cash flows from operations and by external financing. In January of 2000, Bell Canada issued $400 million Cumulative Redeemable Class A Preferred Shares Series 15 at a price of $25.00 per share and an initial yield of 5.50%. Part of the proceeds from the Series 15 Preferred Share issue were used to redeem Bell Canada's Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 ($150 million) and Series 13 ($145 million). For the remainder of the year 2000, approximately $800 million of Bell Canada's long-term debt will mature, and $100 million Series 10 Preferred Shares will become redeemable, at the option of the holders thereof, on August 15, 2000. In addition, Bell Canada is considering, subject to prevailing economic conditions, the redemption of $435 million of its preferred shares, which include the above-mentioned Series 10 Preferred Shares. Bell Canada's cash requirements during 2000 and beyond, including the financing of capital expenditures and investments, are expected to be met by internally generated funds and by the issuance of debt or equity.

Outstanding third party commercial paper totalled $11 million on December 31, 1999. The commercial paper program is supported by lines of credit, extended by several banks, totalling $1.6 billion.

In November 1999, the Corporation filed with all Canadian provincial securities regulatory authorities a short form shelf prospectus for the issue, during a two-year period, of up to $3 billion of debt securities (Canadian Shelf). In December 1999, the Corporation filed with the United States Securities and Exchange Commission a registration statement for the issue, during a two-year period, of up to US $500 million of debt securities (U.S. Shelf). The aggregate amount of debt securities issued under the Canadian Shelf and the U.S. Shelf may not, together, exceed $3 billion. On February 17, 2000, Bell Canada announced the offering in Canada of $200 million of medium term debentures pursuant to its medium term debenture program under the Canadian Shelf. The 6.65% Debentures, Series M-5, will be issued on March 1, 2000 and will mature March 1, 2006.

TABLE 6 **BELL CANADA CASH FLOWS**

($ millions)	**1999**	1998
Cash flows from operating activities	**2,690**	3,654
Cash flows from investing activities	**(4,698)**	(2,791)
Cash flows from financing activities	**2,096**	(792)

Nortel Networks

The following discussion of Nortel Networks' cash flows is based on the full twelve months of 1999.

Cash flows from operating activities of $1,397 million in 1999 represented a decrease of $980 million from 1998. The decrease was primarily due to increases in inventory and accounts receivable, partially offset by an increase in accounts payable. The increases in inventory and accounts payable were primarily due to the acceleration of upcoming network deployment schedules to meet the increased customer demand for the optical networking systems and mobility systems. The rise in accounts receivable was driven by increased sales in the fourth quarter of 1999, compared with the fourth quarter of 1998. Nortel Networks continues to focus on working capital as a key component of cash management.

Cash flows used in investing activities in 1999 of $2,080 million represented an increase of $1,944 million from 1998. The increase was primarily due to cash used in acquisitions of investments and businesses, a net increase in long-term receivables and increased expenditures for plant and equipment, partially offset by increased proceeds from sales of investments and businesses, net of cash acquired.

Cash flows from financing activities in 1999 were $615 million compared with cash flows of $789 million used in financing activities in 1998. The increase in cash flows resulted from the issuance of common shares of Nortel Networks, primarily related to the exercise of stock options, and by the significantly lower repurchases of Nortel Networks common shares for cancellation.

On April 15, 1999, Nortel Networks amended its 364-day syndicated credit agreements which permit borrowings in an aggregate amount not to exceed US $500 million, to, among other things, extend the agreements for an additional 364 days, decrease the interest rates and increase the facility fee rate. Nortel Networks did not extend or otherwise amend its five-year syndicated credit agreements, which permit borrowings in an aggregate amount not to exceed US $1.0 billion, and, accordingly, these agreements will terminate on April 26, 2003. The entire amount of all of these committed facilities remains available. Nortel Networks expects to meet its cash requirements from operations and conventional sources of external financing.

The competitive environment requires Nortel Networks and many of its principal competitors to provide significant amounts of medium-term and long-term customer financing in connection with the sale of products and services. While Nortel Networks has traditionally been able to place a large portion of its customer financings with third-party lenders, Nortel Networks anticipates that, due to the amount of financing it expects to provide and the higher risks typically associated with such financings (particularly when provided to start-up operations or to customers in developing countries), the amount of such financings required to be supported directly by Nortel Networks for at least the initial portion of their term is expected to continue to increase significantly in the future. At December 31, 1999, Nortel Networks had entered into certain financing agreements for which the remaining future provision of unfunded customer financing was up to approximately US $2.4 billion. Not all of these commitments are expected to be drawn upon. Nortel Networks expects to continue to arrange for third-party lenders to assume customer financing obligations agreed to by Nortel Networks and to fund other customer financings directly supported by Nortel Networks from working capital and conventional sources of external financing in the normal course. In light of recent economic uncertainty in various countries and reduced demand for financings in capital and bank markets, Nortel Networks may be required to continue to hold certain customer financing obligations for longer periods prior to placement with third-party lenders.

Nortel Networks has entered into supply contracts with customers for products and services, which in some cases involve new technologies currently being developed or which have not yet been commercially deployed by Nortel Networks or require Nortel Networks to build and operate networks on a turnkey basis. These supply contracts may contain delivery and installation timetables and performance criteria which, if not met, could result in the payment of substantial penalties or liquidated damages by Nortel Networks, the termination of the related supply contract, and/or the reduction of shared revenues under a turnkey arrangement.

Bell Canada International

During 1999, BCI's cash flows used in operating activities were $149 million compared with cash flows from operating activities of $24 million in 1998. The change was mainly due to higher operating losses. Cash flows used in investing activities were $957 million in 1999 compared with $913 million in 1998. The change was mainly due to increased capital expenditures in 1999 and the repayment of notes receivable by related parties in 1998 partially offset by lower investments in 1999. The investments in 1999 mainly related to BCI's increased stake in KG Telecom and Hansol. The investments in 1998 were related to the acquisition of Occidente y Caribe Celular S.A. (Occel) and Hansol. Cash flows provided from financing activities in 1999 totalled $1,202 million compared with $720 million in 1998. The increase was mainly due to the issuance of convertible unsecured subordinated debentures of $400 million ($150 million to Nortel Networks) in February 1999.

On December 9, 1999, BCI announced that credit facilities in the aggregate amount of $800 million had been arranged, comprised of $550 million of senior unsecured revolving and term loans arranged with a consortium of Canadian and international financial institutions and a $250 million loan from BCE. The proceeds will be used for general corporate purposes, including the refinancing of existing bank indebtedness and investing activities thus securing funding commitments through the year 2000.

At December 31, 1999, BCI was committed to purchase $775 million in network equipment.

On September 8, 1999, BCI announced that its Colombian cellular subsidiary, Comunicación Celular S.A. (Comcel), had restructured its senior secured term loans. Under the terms of the restructuring, Comcel's shareholders subscribed for additional common shares of Comcel in the aggregate amount of US $75 million, of which US $68 million was used to prepay a portion of Comcel's senior secured loans. BCI contributed US $65 million of the additional equity. In consideration, Comcel's senior lenders agreed to defer principal payments in the aggregate amount of US $83 million to August 31, 2001, and also agreed to waive all financial covenants under the loans, with the exception of a senior debt to EBITDA ratio, until August 31, 2001. In addition, under the Comcel restructuring, BCI guaranteed up to US $20.9 million of any potential shortfall by Comcel in principal or interest payments to August 31, 2001. This guarantee will be reduced, dollar for dollar, by any amounts prepaid to Comcel's lenders from Comcel's excess cash flow, if any, and/or from the proceeds of certain equity and debt issuances which may be made by Comcel.

In order to make its October 31, 1999 and January 31, 2000 interest payments under the senior secured term loans, Comcel drew down an aggregate of US $13.5 million under the BCI guarantee. In addition, in order to provide additional working capital to Comcel and Occel, BCI invested an aggregate of US $8 million in Comcel and US $4 million in Occel during the months of January and February 2000. As a result of these equity contributions, BCI's interest in Comcel and Occel has increased to 56% and 39%, respectively, on a fully diluted basis as at February 22, 2000.

As at December 31, 1999, Comcel was in compliance with the senior debt to EBITDA ratio. There can be no assurance that Comcel will be able to meet this financial covenant in the future. Any default with this covenant would trigger a cross-default under BCI's credit facilities and would permit both Comcel's and BCI's lenders to accelerate the maturity of the indebtedness under their respective credit facilities.

Corporate and Other

Investments in 1999 totalled $2,321 million consisting primarily of:

- an investment of $1.3 billion in Bell Canada in order to fund the acquisition of Bell Canada's increased ownership interest in Bell Mobility;
- an additional investment of $427 million in BCE Media mainly to fund Bell ExpressVu's expansion;
- an additional investment of $174 million in BCE Emergis mainly to fund the SNS/Assure acquisitions;
- a $250 million investment in BCI by way of an advance; and
- the acquisition of CGI shares, resulting mainly from the exercise, in part, of a put option by the three largest shareholders of CGI, for a total of $83 million.

Dividends to shareholders totalled $968 million for 1999 compared with $961 million for 1998.

During 1999, 2,423,544 common shares were issued for $152 million through BCE Inc.'s shareholder dividend reinvestment and stock purchase plan, employee savings plan and stock option plan. In addition, 1,250,304 common shares were issued in exchange for 3,954,730 (post-split) Class B Multiple Voting Shares of CGI.

In September 1999, BCE Inc.'s shareholder dividend reinvestment and stock purchase plan was amended to provide that common shares to be acquired upon reinvestment of cash dividends and investment of optional cash payments will, at BCE Inc.'s option, either be purchased on the open market through a stock exchange or will continue to be purchased directly from BCE Inc. This change enables BCE Inc. to avoid issuing treasury shares when additional capital is not required.

During 1999, BCE Inc. redeemed prior to maturity $300 million Series 8 Notes, $150 million Medium Term Notes and its US $400 million term credit facility. In addition, BCE Inc. repaid $200 million Series 11 Notes and $127 million Series 12 Notes.

At December 31, 1999, BCE Inc. had committed credit facilities totalling $725 million available as back-up for its commercial paper program and general corporate purposes. The entire amount of these facilities remains available for use by BCE Inc.

In November 1999, BCE Inc. filed with all Canadian provincial securities regulatory authorities a short form shelf prospectus for the issue, during a two-year period, of up to $1 billion of debt securities.

Credit Ratings

On March 25, 1999, following BCE Inc.'s announcement of a strategic partnership with SBC/Ameritech, BCE Inc.'s credit ratings were placed under review. In May 1999, Moody's Investors Services (Moody's) and **Standard & Poor's™** Ratings Group (S&P) completed their annual reviews of BCE Inc.'s credit worthiness, together with special analysis of the SBC/Ameritech transaction. Moody's raised BCE Inc.'s long-term debt rating from A3 to A1 and confirmed BCE Inc.'s commercial paper rating of Prime-1, both with Stable trends. S&P confirmed BCE Inc.'s long-term debt rating of A+. **Dominion Bond Rating Service™** (DBRS) completed its annual review of BCE Inc., in July 1999, and upgraded BCE Inc.'s long-term debt and preferred shares ratings to A (High) from A and to Pfd-2 (High) from Pfd-2, respectively, both with a Stable trend. On December 22, 1999, **Canadian Bond Rating Service™** (CBRS) reaffirmed the ratings on commercial paper of A-1 and on long-term debt of A (High), with Stable trends. Credit ratings on BCE Inc.'s Series P Preferred Shares and on BCE Inc.'s other series of outstanding preferred shares were revised for technical reasons from P-2 (High) to P-2 and from P-1 to P-2 (High), respectively, both with Stable trends. In January of 2000, following BCE Inc.'s announcement of its plan to distribute an approximate 37% interest in Nortel Networks to BCE Inc. common shareholders, CBRS and DBRS confirmed BCE Inc.'s current preferred share and debt ratings. S&P and Moody's do not rate BCE Inc.'s preferred shares. S&P and Moody's confirmed BCE Inc.'s commercial paper rating but Moody's placed on review for possible downgrade BCE Inc.'s A1 rating, for BCE Inc.'s Series 13 Notes, maturing in March 2000.

RECENT PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA) issued the new Handbook Section 3465, *Income Taxes*, which changes the accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the income statement, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new Handbook section is adopted, deferred income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all deferred income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new Handbook section (excluding Nortel Networks) is not expected to have a material effect on the financial statements of BCE.

The CICA issued the new Handbook Section 3461, *Employee Future Benefits*, which changes the accounting for pension and other types of employee future benefits. Effective for fiscal years beginning on or after January 1, 2000, the new Handbook section requires companies to accrue the costs of postretirement benefits other than pensions over the working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as paid. The new Handbook section also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term rate to a market-based interest rate. The impact of adopting the new Handbook section (excluding Nortel Networks) is expected to result in a charge to retained earnings in excess of $500 million, net of tax. In addition, BCE's pension credit (pre-tax) for 2000 is expected to be between $100 million and $125 million compared with $197 million in 1999.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and in other portions of this annual report, including statements which may contain words such as "anticipate", "could", "expect", "seek", "may", "intend", "will" and similar expressions, and statements that are based on current expectations and estimates about the markets in which BCE Inc. and its subsidiaries and significantly influenced companies (the "BCE Group companies") operate and management's beliefs and assumptions regarding these markets, constitute forward-looking statements, within the meaning of the "safe harbor" provision of the *United States Private Securities Litigation Reform Act* of 1995, with respect to the financial condition, results of operations and business of the BCE Group companies. These forward-looking statements, by their nature, necessarily involve known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from those contemplated by the forward-looking statements.

The BCE Group companies' future operating results may be affected by various trends and factors which must be managed in order to achieve favourable operating results. In addition, there are trends and factors beyond the BCE Group companies' control which affect their operations. Such trends and factors include adverse changes in the conditions in the specific markets for the BCE Group companies' products and services, the conditions in the broader market for telecommunications and the conditions in the domestic or global economy generally. The BCE Group companies participate in a highly volatile and rapidly growing telecommunications industry which is characterized by vigorous competition for market share and rapid technological development. These factors could result in aggressive pricing practices and growing competition both from start-up and well capitalized companies. In addition, changes in laws or regulations governing the Internet and Internet commerce, as well as the Internet economy growing at a slower pace than is currently anticipated, could also have a material adverse effect on the BCE Group companies' business, operating results and financial condition.

Certain other factors which could cause actual results or events to differ materially from current expectations are discussed under the headings "Risk Factors" and "IMPACT OF THE YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)". BCE disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Risk Factors

In addition to the other risk factors outlined in this MD&A, the following additional factors should be considered. Collectively, these factors could cause the results contemplated by the forward-looking statements contained in this MD&A and in other portions of this annual report to materially differ from current expectations. The factors discussed below relate to BCE Inc.'s principal operating units, namely Bell Canada, Nortel Networks (until completion of the distribution discussed under the heading "HIGHLIGHTS" on page 18 of this MD&A), BCI, CGI and BCE Emergis and BCE Media. For a more detailed discussion of the risk factors which could materially affect the results of operations and financial condition of BCE Inc.'s principal operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

For a description of Bell Canada's and Nortel Networks' Year 2000 programs and risks associated with the Year 2000 issue which could affect the financial condition and results of Bell Canada and Nortel Networks, see "IMPACT OF YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)" on page 35. For a description of the Year 2000 programs and risks associated thereto which could affect BCE Inc.'s other operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

BELL CANADA GROUP

GENERAL

Expenditures, capital and demand for services

The level of expenditures necessary to maintain quality of service, the availability and cost of capital, and the extent of demand for telephone access lines, optional services, basic long distance services, wireless services and new and emerging services, in the markets served by Bell Canada and its subsidiaries and significantly influenced companies (the "Bell Canada Group companies"), constitute factors which could materially affect their results of operations and financial condition in the future. The level of expenditures could materially increase as the Bell Canada Group companies seek to expand the scope and scale of their businesses beyond traditional territories and service offerings. Furthermore, as the Bell Canada Group companies incur additional expenditures to update their networks, products and services to remain competitive, they may be exposed to incremental financial risks associated with newer technologies that are subject to accelerated obsolescence.

Economic fluctuations

The Bell Canada Group companies' performance is affected by the general condition of the economy, with demand for services and the amount of use tending to decline when economic growth and retail activity decline. It is not possible for the Bell Canada Group companies to accurately predict economic fluctuations and the impact of such fluctuations on their performance.

BELL CANADA GROUP WIRELINE COMPANIES

Increasing competition

With the advent of competition in the local service market in 1998, all parts of Bell Canada's business and of the business of certain of its subsidiaries and significantly influenced companies are facing substantial and intensifying competition. Factors such as product pricing and service performance are under continued pressure while the necessity to reduce costs is ongoing. The Bell Canada Group wireline companies must not only try to anticipate, but must also respond promptly to, continuous and rapid developments in their businesses and their markets. In addition, the significant growth and size, as well as the increasing global scope, of the telecommunications industry are attracting new entrants and encouraging parties other than existing participants to expand their services and their markets. Mergers and acquisitions, as well as alliances and joint ventures, are creating new or larger participants with broad skills and significant resources which will further impact the competitive landscape. Current and future competitors are coming not just from within Canada, but also globally, and include not only major telecommunications companies, such as BCT.Telus, AT&T Canada inc. and Sprint Canada inc., but also cable companies (e.g., Rogers/Videotron), Internet companies, wireless service providers and other companies that offer network services, such as providers of business information systems and systems integrators, as well as an increasing number of other companies that deal with or have access to customers through various communications networks. Many of these companies are significant in size and resources and have a significant market presence with brand recognition and existing customer relationships. In addition, as the Bell Canada Group wireline companies selectively expand internationally, the number and strength of competitors will also increase.

Technology

The telecommunications industry, as with many others, is characterized by rapidly changing technology with the related changes in customer demands and the need for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of different segments of the increasingly global information industry. The Bell Canada Group wireline companies' future success will be impacted by their ability to anticipate, invest in and implement new technologies with the levels of service and prices that consumers demand. Technological advances may also affect the Bell Canada Group wireline companies' level of earnings by shortening the useful life of some of their assets. Furthermore, technological advances may well emerge that reduce or replace the costs of plant and equipment and eliminate or reduce barriers that deter other companies from competing in particular market segments.

Decisions of the CRTC

During 1997, the CRTC released several important decisions that set out the rules for the evolution to total competition in Canada's telecommunications industry. Included in these decisions were those related to the introduction of local service competition, the implementation of price cap regulation, forbearance from long distance regulation and forbearance for some segments of the private line market. These decisions, which are described under the heading "Regulatory framework" of BCE Inc.'s Annual Information Form for the year ended December 31, 1999, represent significant challenges and opportunities for Bell Canada and certain of its subsidiaries and significantly influenced companies and are expected, together with continued intense competition across all lines of business coupled with the rapid pace of technological change (as previously discussed), to have a significant impact on such companies' results in the future.

WIRELESS – BELL MOBILITY

Competition

The Canadian wireless telecommunications industry is highly competitive. Bell Mobility competes directly with three other wireless service providers and expects competition to continue to increase through the development of new technologies, products and services.

Industry Canada will be conducting an auction for 40 MHz of spectrum in the 1.9 GHz band, which potentially could be licensed to Bell Mobility, competitors or companies not currently holding cellular or PCS licenses. The number of competitors may also increase if wireless system operators choose to sell wireless services in bulk to other companies for resale to the public.

Bell Mobility is a participant in Mobility Canada, which is owned and operated by the wireless affiliates or divisions of Canada's major telephone companies. In May 1999, Mobility Canada announced a significant restructuring of its organization, creating two groups of carriers who can compete anywhere in the country to bring the fast-evolving benefits of wireless communications to national customers. The new agreement, with implementation expected in the first quarter of the Year 2000, changes the wireless landscape in Canada by removing restrictions that kept Mobility Canada members from competing in each other's territories. The new groups will each be able to offer Canada-wide wireless service, either by selling network services to each other or competing head to head. Although the new agreement will permit Bell Mobility to expand its business from a territorial perspective, it will also have the effect of increasing competition in the territory in which Bell Mobility currently operates. There can be no assurance that Bell Mobility will be able to successfully geographically expand its operations nor that it will be able to successfully compete with new competitors in its traditional territory. These factors could, in the future, have a material adverse effect on Bell Mobility's financial condition and results of operations.

Rapid technological change

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

PCS operations

Bell Mobility launched PCS service in October 1997. Bell Mobility is continuing to incur significant costs to develop a PCS customer base including capital expenditures, promotional offerings and handset subsidies. Competition is intense in the PCS market with four PCS service providers in each service area. In addition, increases in Bell Mobility's PCS customer base will result in the reduction, over time, of Bell Mobility's existing cellular customer base. In particular, Bell Mobility has focused on migrating its existing high-usage cellular customers to PCS. While Bell Mobility believes its PCS operations will eventually become profitable and generate positive cash flow, building its PCS customer base will continue to adversely affect Bell Mobility's profitability and its margins in the short to medium term.

Regulation

The operation of cellular, PCS and other radio-telecommunications systems in Canada is subject to initial licensing requirements and the oversight of Industry Canada. Operating licenses are issued at the discretion of the Minister of Industry pursuant to the *Radiocommunication Act*. Industry Canada grants cellular and PCS licenses for a maximum term of five years. Bell Mobility's cellular and PCS licenses will expire on March 31, 2001 and April 30, 2001, respectively. Industry Canada has the authority at any time to require modifications to the license conditions applicable to the provision of such services in Canada to the extent necessary to ensure the efficient and orderly development of radiocommunication facilities and services in Canada. Industry Canada can revoke a license at any time for failure to comply with its terms. At this time, Bell Mobility knows of no reason why its current licenses will not be renewed as they expire.

On November 5, 1999, Industry Canada released its decision in its review of the PCS Spectrum Cap. Industry Canada has increased the cap, from its current level of 40MHz, to 55MHz. Industry Canada stated that the increased cap is intended to help address capacity constraints, i.e. in Toronto and Montreal, as well as to assist in the development of 3G PCS services. As noted earlier, Industry Canada will be conducting an auction for the remaining 40 MHz of PCS spectrum in the C and E blocks which will be completed by the Fall of 2000.

Radio frequency emission concerns

The actual or perceived health risks of wireless communications devices could adversely affect wireless communications service providers through reduced subscriber growth, reduced network usage per subscriber, threat of product liability lawsuits or reduced availability of external financing to the wireless communications industry.

NORTEL NETWORKS

Rapid technological change and voice and data convergence

Nortel Networks expects that data communications traffic will grow substantially in the future compared to the modest growth expected for voice traffic. The growth of data traffic and the use of the Internet are expected to have a significant impact on traditional voice networks and create market discontinuities which will drive the convergence of data and telephony and give rise to the demand for IP-optimized networks. Many of Nortel Networks' traditional customers have already begun to invest in data networking. Given the dynamic and evolving nature of the communications business and the technology involved, there can be no assurance as to the rate of such convergence. Consequently, there is no assurance that the market discontinuities and the resulting demand for IP-optimized network equipment will continue to develop. A lack of demand for IP-optimized network equipment in the future could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

In order to position Nortel Networks to take advantage of the anticipated growth in demand for IP-optimized network equipment, Nortel Networks has made, and may continue to make, strategic acquisitions which involve significant risks and uncertainties. The inability to successfully integrate significant acquisitions made by Nortel Networks could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

The markets for Nortel Networks' products are characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions, and short product life cycles. Nortel Networks' success is expected to depend, in substantial part, on the timely and successful introduction of new products and upgrades of current products to comply with emerging industry standards and to address competing technological and product developments carried out by others. An unanticipated change in one or more of the technologies affecting telecommunications and data networking, or in market demand for products based on a specific technology, particularly lower than anticipated demand for IP-optimized network products, could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks if it fails to respond in a timely and effective manner to such changes.

Competition

Nortel Networks' principal competitors are large telecommunications equipment suppliers, such as Lucent Technologies Inc. (Lucent), Siemens AG, and Telefonaktiebolaget LM Ericsson, and data networking companies such as Cisco Systems, Inc. and 3Com Corporation. Since some of the markets in which Nortel Networks competes are characterized by rapid growth and, in certain cases, low barriers to entry and rapid technological changes, smaller niche market companies and start-up ventures may become principal competitors in the future. One way to maximize market growth, enhance existing products and introduce new products is through acquisitions of companies, where advisable. These acquisitions may have the effect of inducing certain of Nortel Networks' other competitors to enter into additional business combinations, to accelerate product development, or to engage in aggressive price reductions or other competitive practices, thereby creating even more powerful or aggressive competitors. Increased competition could result in price reductions, reduced profit margins, and loss of market share, each of which could have a material adverse effect on the business, results of operations, and financial condition of Nortel Networks.

International growth, foreign exchange, and interest rates

Nortel Networks intends to continue to pursue growth opportunities in international markets. In many international markets, long-standing relationships between Nortel Networks' potential customers and their local providers, and protective regulations, including local content requirements and type approvals, create barriers to entry. In addition, pursuit of such international growth opportunities may require significant investments for an extended period before returns on such investments, if any, are realized. Such projects and investments could be adversely affected by reversals or delays in the opening of foreign markets to new competitors, exchange controls, currency fluctuations, investment policies, repatriation of cash, nationalization, social and political risks, taxation, and other factors, depending on the country in which such opportunity arises. Difficulties in foreign financial markets and economies, and of foreign financial institutions, could adversely affect demand from customers in the affected countries.

In order to successfully grow in international markets, it is expected that Nortel Networks will be required to provide significant amounts of customer financing in connection with the sale of products and services.

Consolidations in telecommunications industry

The telecommunications industry has experienced the consolidation of industry participants and this trend is expected to continue. Nortel Networks and one or more of its competitors may each supply products to the corporations that have merged or will merge. This consolidation could result in delays in purchasing decisions by the merged corporations and/or Nortel Networks playing a lesser role in the supply of communications products to the merged corporations, and could have a material adverse effect on Nortel Networks' business, results of operations and financial condition.

Employees

Competition for technical personnel in the high-technology industry is intense. Nortel Networks believes that Nortel Networks' future success depends in part on its continued ability to hire, assimilate, and retain qualified personnel. To date, Nortel Networks believes that it has been successful in recruiting qualified employees, but there is no assurance that it will continue to be successful in the future.

BELL CANADA INTERNATIONAL

Capital requirements

The majority of BCI's operations are in the start-up or early growth stages. Consequently, capital is required to fund ongoing operations and investment activities such as license fees, network construction and other start-up costs. Capital is also required for the acquisition of new properties.

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

Dependence upon cash flow from operating companies

BCI's assets consist almost entirely of its shareholdings in its operating companies. Many of BCI's principal operating companies are still in the start-up stages and do not currently generate distributable cash flows. There can be no assurance that BCI's operating companies will become profitable or produce positive cash flow. For those companies in which BCI holds a minority interest, BCI is legally unable to cause dividends or other distributions to be made to it.

Exchange rates

BCI reports its financial statements in Canadian dollars. BCI's principal operating companies function in different currency jurisdictions and all report in local currencies.

To the extent that the operating companies have commenced commercial operations, revenues that they generate will be paid to them in the local currency. However, many significant liabilities of these companies may be payable in currencies other than the local currency (such as U.S. dollar liabilities incurred for the financing of telecommunications equipment). As a result, any devaluation in the local currency relative to the currencies in which such liabilities are payable could have a material adverse effect on BCI. In some developing countries, significant devaluation relative to the Canadian and United States dollars have occurred in the past and may occur again in the future.

In September 1999, the Central Bank of Colombia eliminated its currency's trading band, allowing the peso to float freely according to the supply and demand of foreign currency.

As discussed in further detail below, under "Colombia", there is a climate of uncertainty and instability in Colombia which caused a substantial depreciation in value of the Colombian peso relative to the Canadian dollar. The peso appreciated 5% in the fourth quarter of 1999 and depreciated 28% for the full year of 1999, compared with an appreciation of 1% and a depreciation of 12% for the same periods in 1998.

Inflation

Inflation has had and may continue to have adverse effects on the economies and securities markets of certain emerging market countries and could have adverse effects on the operating companies and start-up projects in those countries, including their ability to obtain financing. Colombia, Brazil and Mexico have, in the past, periodically experienced relatively high rates of inflation.

Foreign exchange controls

Although there are currently no foreign exchange controls in the countries in which BCI's telecommunications companies operate which would significantly restrict the ability of such companies to repatriate cash, instruments of credit or securities in foreign currencies, difficulties may be encountered in some countries in converting large amounts of local currency into foreign currency due to limited foreign exchange markets.

Colombia

In Latin America, Colombia is experiencing its worst recession this century. The combination of economic contraction and sporadic guerilla activity in the run-up to peace negotiations has created a climate of uncertainty and instability, which caused a substantial depreciation in the value of the peso relative to the Canadian and U.S. dollars. Faced with these difficulties, the results of the BCI companies, Comcel and Occel, operating in Colombia have weakened sharply. On September 8, 1999, Comcel restructured its senior secured term loans. Although BCI is taking measures in order to support its Colombian companies through these difficult times, there can be no assurance that such difficulties will be resolved.

CGI AND BCE EMERGIS

Competition

The information technology services and e-commerce businesses are intensely competitive and both CGI and BCE Emergis have many competitors, with substantial financial, personnel and technological resources, competing for the same contracts. Other companies offer products and services that may be considered by customers to be acceptable alternatives to CGI's services and BCE Emergis' products. Principal competitors of CGI include IBM Global Services, EDS-Systemhouse Inc. and Computer Services Corporation, whereas principal competitors of BCE Emergis include General Electric Information Systems, IBM, Advantis Systems, Inc. and Harbinger Corporation.

Technological changes

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

Dependence and availability of key personnel

CGI's and BCE Emergis' success is largely dependent upon their executive officers, the loss of one or more of whom could have a material adverse effect. Their future success will depend in large part upon CGI's and BCE Emergis' ability to attract and retain talented and qualified personnel. Competition in the recruitment of highly qualified personnel in the information technology industry in the case of CGI, and in the e-commerce industry, in the case of BCE Emergis, is intense. The inability of CGI and BCE Emergis to locate and to retain such personnel may have a material adverse effect on their results of operations and financial condition.

Growth through acquisitions

A key element of CGI's and BCE Emergis' growth strategy has been strategic acquisitions. There can be no assurance that in the future, acquisition candidates will be found on acceptable terms or that CGI and BCE Emergis will have adequate resources to consummate any acquisition. Furthermore, acquisitions involve a number of other special risks, including time and expenses associated with identifying and evaluating acquisitions, the diversion of management's attention, the difficulty in combining different company cultures and the potential loss of key employees of the acquired company.

BCE Emergis – IP Networks

In order for BCE Emergis to be successful, IP networks must be widely adopted, in a timely manner, as a means of trusted and secure e-commerce and communications. Because e-commerce and communications over IP networks are new and evolving, it is difficult to predict the size of this market and its sustainable growth rate. Companies and government agencies that already have invested substantial resources in other methods of conducting business may be reluctant to adopt new methods. Also, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to change.

The Internet may continue to experience significant growth both in the number of users and the level of use. However, the Internet infrastructure may not be able to continue to support the demands placed on it by continued growth. Continued growth may also affect the Internet's performance and reliability. In addition, the growth and reliability of IP networks could be harmed by delays in development or adoption of new standards to handle increased levels of activity or by increased governmental regulation. Any of these factors could materially harm BCE Emergis' business.

BCE MEDIA

BELL EXPRESSVU

Capital requirements

Bell ExpressVu expects to generate operating losses for the next two to three years as it expands its subscriber base. To date, Bell ExpressVu has funded operating losses through capital injections from BCE. Bell ExpressVu believes that it will access sufficient sources of funding to achieve its business plan. However, such access is based on a business plan that is subject to various assumptions and estimates, including subscriber base, average revenue per subscriber and costs for acquiring new subscribers. If the business plan is not achieved, greater losses than planned would occur, requiring Bell ExpressVu to seek additional financing. There is no assurance that Bell ExpressVu will be successful in obtaining such financing on favourable terms and conditions.

DTH market risks

The size of the Canadian market for digital DTH services, the rates of penetration of that market, the churn rate, the extent and nature of the competitive environment, and the ability of Bell ExpressVu to meet revenue and cost expectations are uncertain. There is no assurance that a viable DTH market will develop in Canada or, even if such a market does develop, that Bell ExpressVu will be profitable in delivering its DTH services.

Competition

Bell ExpressVu faces competition from other DTH satellite service providers, cable operators and other distributors, grey market satellite service providers and other competitors such as off-air television broadcasters. Although Bell ExpressVu has, to date, been successful in increasing market share in the face of such competition, there is no assurance that such success will continue.

Satellite defects

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

TELESAT CANADA

Risk of launch and in-orbit failure

Historically, 10% to 15% of satellite launches have experienced launch failure, failure to achieve orbit or failure to operate upon reaching orbit. Launch failure rates vary by launch vehicle and manufacturer. Although Telesat has been successful in all 12 of its launches, there is no assurance that future launches will result in the correct in-orbit placement with full satellite functionality. While Telesat purchases launch insurance to protect against launch failure, there is no certainty that such insurance will be available on a commercially reasonable basis. In addition to the risk of launch failure, satellites may also be subject to anomalies after they have been successfully deployed and are operational.

Business risks

Telesat's top five non-consulting customers accounted for approximately 30% of 1999 revenues. As Telesat will lose its monopoly over Fixed Satellite Services (FSS) in the domestic market on March 1, 2000, there can be no assurance that those major accounts will be retained and, if such losses occur, that Telesat will be successful in replacing the revenue lost from such accounts.

Competition

Telesat anticipates a loss of market share in connection with the loss of its monopoly on FSS business on March 1, 2000. Telesat's FSS competitors in the Canadian market are likely to be large U.S. based operators with greater financial resources than Telesat and these competitors may capture a larger market share than is currently anticipated.

Other than the FSS business in Canada, Telesat also competes in markets that are highly competitive. Certain of Telesat's competitors have economic resources greater than Telesat and are well established as suppliers to the markets that Telesat serves.

Governmental regulation

The CRTC currently regulates the rates, terms and conditions applicable to Telesat's RF Channel service rates under a form of rate of return regulation. However, in Telecom Decision 99-6, the CRTC has approved an alternative form of regulation based on certain price ceilings, effective immediately for RF Channel services offered after March 1, 2000. While these price ceilings levels were established based on prevailing market conditions and are above current rates for certain of Telesat's existing satellite services, there can be no assurance that these ceilings will be appropriate for services offered on any future satellites operated by Telesat in Canada.

IMPACT OF YEAR 2000 ISSUE (YEAR 2000 READINESS DISCLOSURE)

The Year 2000 issue relates to the way dates have traditionally been stored and used in computing systems. To conserve expensive memory space, years were stored as two digits, so that the year 2000 will appear in many computing systems as "00". Many systems and computers could have interpreted "00" as the year 1900 instead of the year 2000. This could have created difficulties in performing certain computing functions or potentially cause system failures. This in turn could have resulted in miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in other normal business activities. In addition, similar problems could have arisen in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue could have been experienced before or on, and may still be experienced after, January 1, 2000 (e.g., the leap year rollover).

The BCE Group companies (as defined under "FORWARD-LOOKING STATEMENTS") have established Year 2000 programs with the objective of seeking to ensure that all aspects of their operations are being addressed to meet the Year 2000 issue. The following discussion reviews the impact of the Year 2000 issue on Bell Canada and Nortel Networks. For a discussion of the impact of the Year 2000 issue on BCE Inc.'s other operating units, the reader is referred to BCE Inc.'s Annual Information Form for the year ended December 31, 1999.

Bell Canada

Bell Canada's subsidiary and significantly influenced companies established Year 2000 programs with the objective of seeking to ensure that all aspects of their operations were addressed to meet the Year 2000 issue. As of May 31, 1999, the corporate structure of Bell Canada changed with the transfer to Bell Canada of several companies formerly held by BCE. While each of these companies has its respective Year 2000 program, Bell Canada instituted an overview program with its subsidiaries to monitor the Year 2000 compliance status of these companies. As of December 31, 1999, Bell Canada's subsidiaries had completed the effort required to convert or upgrade, test and deploy (i.e., put back into service) their network elements, information systems/information technology and products and services to be Year 2000 ready.

As of February 23, 2000, Bell Canada had detected no major incidents in its information systems, network elements or products and services, related to the Year 2000 rollover. This includes its wireline services offered in Quebec and Ontario, its IP/Broadband Network and large business telecom services offered by Bell Nexxia, its wireless services offered through Bell Mobility, and **Sympatico**™ service offered by Bell ActiMedia. However, Bell Canada will continue to closely monitor its operating environments in the unlikely event that any unexpected Year 2000 incidents should occur after February 23, 2000.

While no major Year 2000 related incidents have been reported to date, the practical consequences of the Year 2000 issue were a significant risk and challenge to telecommunications companies such as Bell Canada because the nature of its business is highly dependent on complex systems and technology which have date sensitive aspects and a significant portion of its software had to be modified or replaced. The Year 2000 issue could have impacted and may still impact across most of Bell Canada's operations including the network (both its own and that shared with its business partners), the products and services provided to customers and its own internal systems and support activities. Many products and services, as well as their supporting elements (e.g., voice mail), are also dependent on date-related functionality.

From December 28, 1999 to January 4, 2000, Bell Canada activated its Emergency Operations Centres to monitor the rollover into the Year 2000. As expected, there were no major incidents within Bell Canada associated with the rollover into the Year 2000. As a result, Bell Canada has not had to invoke any of its business continuity plans as of February 23, 2000.

The Readiness and Activation phase will remain active until Bell Canada is satisfied that its Year 2000 business continuity plans are no longer required. This is expected to occur in March 2000. As part of the Readiness and Activation phase, Bell Canada intends to again activate its Emergency Operations Centres during certain critical periods (such as the leap year rollover on February 29, 2000) so that it can respond in a timely fashion to any unexpected event which may occur.

Since January 1997, Bell Canada has had in place a comprehensive vendor management program, which seeks to ensure that the products and services it receives from its suppliers are or will be Year 2000 compliant. As of December 31, 1999, Bell Canada had completed its due diligence process with its suppliers. Bell Canada intends to continue its monitoring of its suppliers to seek to ensure that products and services are Year 2000 compliant and will remain Year 2000 compliant.

Nortel Networks

The practical consequences of the Year 2000 issue were a significant risk and challenge to Nortel Networks. Nortel Networks' business operations, including, for example, its finance, human resources, manufacturing, and customer order management functions, make extensive use of information technology and, as such, could have been exposed to significant risk from the Year 2000 issue.

In 1996, Nortel Networks initiated its Year 2000 Program. Nortel Networks' Year 2000 Program consisted of a product program (the Product Program), an information services program (the IS Program) and a facilities program (the Facilities Program).

The Product Program focused on identifying and resolving Year 2000 issues relating to Nortel Networks' products and deploying solutions to customers. Through this program Nortel Networks has made its current product offerings Year 2000 ready. In addition, Nortel Networks provided an upgrade or migration path and other information to customers and distributors who had non-Year 2000 ready products. The Product Program consisted of the following three major phases: Phase I (analysis, remediation and verification); Phase II (deployment); and Phase III (business continuity planning). Phase I of the Product Program was completed as at the end of September 1999. Phase II of the Product Program, deployment of Year 2000 ready products and product upgrades, was commenced in 1998 and continued throughout 1999. This phase was substantially completed as of September 1999, excluding those customers who elected not to deploy Year 2000 ready products or product upgrades and excluding Enterprise customers who had purchased Nortel Networks' products through distributors.

Phase III of the Product Program was coordinated through the Business Continuity Planning Program (the BCP Program) discussed below.

The IS Program addressed business applications primarily used internally within Nortel Networks and included third-party supplier assessment and joint venture activities related to Year 2000 readiness. The IS Program consisted of the following three major phases: Phase I (assessment and validation – inventory of Year 2000 affected items, assessment of Year 2000 readiness, and prioritization of items determined to be material to Nortel Networks); Phase II (implementation and deployment – repair, retirement or replacement of items determined not to be Year 2000 ready, testing of all items that have been repaired or replaced or have been identified as Year 2000 ready and are considered to be material to Nortel Networks, and redeployment of tested items into Year 2000 ready operating environments); and Phase III (business continuity planning – planning to reduce the risk of business interruption to Nortel Networks resulting from potential Year 2000 issues). Nortel Networks completed Phases I and II of the IS Program at the end of October 1999. None of Nortel Networks' IT projects were delayed due to the implemetation of the IS Program. Phase III of the IS Program was coordinated through the BCP Program discussed below.

The Facilities Program encompassed the building infrastructure including environmental controls, security systems, life safety systems, and associated embedded systems that are used in the control or operation of all facilities operated by Nortel Networks. Also addressed under the Facilities Program was the Year 2000 readiness of factory-based embedded systems used in the manufacture and testing of Nortel Networks' products. The repair or replacement and testing of such equipment and systems determined not to be Year 2000 ready were completed by the end of the third quarter of 1999.

Business continuity planning, which commenced in the Product Program, IS Program and Facilities Program during the third and fourth quarters of 1998, was coordinated under the BCP Program. The governing objective of the BCP Program was to protect corporate resources in the face of a potential Year 2000 event, to continue the delivery of essential services to both internal and external customers, and to minimize the effects of the disruption on the operations of Nortel Networks' business and its customers. Business continuity plans were completely constructed as at the end of the third quarter of 1999. Implementation, monitoring, and execution of these plans occurred during the fourth quarter of 1999.

Nortel Networks' information technology systems, facilities and production infrastructure have not experienced any material adverse effects as a result of the Year 2000 issue. Similarly, there have been no material Year 2000 effects reported with respect to Nortel Networks' products that were classified as Year 2000 ready. In addition, Nortel Networks did not experience any material supply chain problems related to the date transition. Minor issues involving a few products and internal applications were triggered by the Year 2000 date transition and were promptly addressed and resolved through Nortel Networks' standard operating procedures. Long-term planning for, and detailed execution of, Nortel Networks' Year 2000 Program assured the Year 2000 readiness of Nortel Networks products, IT systems, facilities and supply chains.

Total Costs Associated With The Year 2000 Issue

The portion of the Year 2000 costs attributable to BCE's ownership interest in all its subsidiary and significantly influenced companies, are estimated at approximately $550 million. As of December 31, 1999, the costs incurred were approximately $540 million, of which approximately $310 million were expensed and the balance capitalized.

Year 2000 Issue Outlook

While BCE Inc. believes that the BCE Group companies have appropriate plans in place, the Year 2000 issue is a unique event which has raised and continues to raise unprecedented challenges and risks. BCE Inc. presently believes that the Year 2000 issue now represents significantly reduced risks and this view is supported by the fact that no major incidents have been reported. BCE Inc. further believes that the remaining risks associated with the Year 2000 issue can be mitigated. However, if any of the BCE Group companies' mission critical suppliers fail to deliver Year 2000 products and services, if products or systems of other companies which the BCE Group companies or their customers utilize or rely on are not converted in a timely and effective manner, or if there is a failure to convert by another company or a conversion that is incompatible with the BCE Group companies' systems, and if the BCE Group companies' business continuity plans are ineffective, the Year 2000 issue could have a material adverse effect on the financial condition and results of the BCE Group companies.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31 ($ millions, except per share amounts)	Notes	1999	1998
Operating revenues		**14,214**	27,207
Operating expenses		**11,522**	23,719
Purchased in-process research and development expense		**23**	688
Restructuring and other charges	(4)	**490**	654
Net operating revenues		**2,179**	2,146
Gains on reduction of ownership in subsidiary and significantly influenced companies	(5)	**4,902**	4,146
Equity in net losses of significantly influenced companies		**(160)**	(333)
Other income	(6)	**588**	1,327
Earnings before the under-noted items		**7,509**	7,286
Interest expense – long-term debt		**880**	1,022
– other		**209**	259
Total interest expense		**1,089**	1,281
Earnings before income taxes and non-controlling interest		**6,420**	6,005
Income taxes	(7)	**(963)**	(1,548)
Non-controlling interest		**2**	141
Net earnings		**5,459**	4,598
Dividends on preferred shares		**(93)**	(93)
Net earnings applicable to common shares		**5,366**	4,505
Net earnings per common share		**8.35**	7.07
Dividends per common share		**1.36**	1.36
Average number of common shares outstanding (millions)		**642.8**	637.6

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31 ($ millions)	Notes	1999	1998
Balance at beginning of year		**4,207**	596
Net earnings		**5,459**	4,598
		9,666	5,194
Deduct:			
Dividends – Preferred shares		**93**	93
– Common shares		**875**	868
		968	961
Purchase of common shares for cancellation	(16)	**–**	24
Costs related to issuance and redemption of share capital of BCE Inc. and of its subsidiaries		**7**	2
		975	987
Balance at end of year		**8,691**	4,207

CONSOLIDATED BALANCE SHEET

At December 31 ($ millions)	Notes	1999	1998
ASSETS			
Current assets			
Cash and cash equivalents		**2,395**	370
Accounts receivable		**2,598**	1,922
Other current assets		**514**	488
Total current assets		**5,507**	2,780
Investments in significantly influenced and other companies	(8)	**9,433**	9,536
Capital assets	(10)	**16,935**	16,745
Deferred charges	(11)	**2,714**	2,257
Goodwill and other assets		**2,371**	852
Total assets		**36,960**	32,170
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**3,618**	3,255
Income and other taxes payable		**248**	472
Debt due within one year	(11)	**1,677**	2,075
Total current liabilities		**5,543**	5,802
Long-term debt	(12)	**8,780**	9,260
Deferred income taxes		**783**	639
Other long-term liabilities		**1,502**	1,466
Total liabilities		**16,608**	17,167
Non-controlling interest	(14)	**2,460**	1,358
SHAREHOLDERS' EQUITY			
Preferred shares	(15)	**1,700**	1,700
Common shareholders' equity			
Common shares	(16)	**6,789**	6,559
Contributed surplus		**997**	997
Retained earnings		**8,691**	4,207
Currency translation adjustment		**(285)**	182
Total common shareholders' equity		**16,192**	11,945
Total shareholders' equity		**17,892**	13,645
Commitments and contingent liabilities	(18)		
Total liabilities and shareholders' equity		**36,960**	32,170

On behalf of the Board of Directors:

J. Edward Newall
Director

John H. McArthur
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31 ($ millions)	1999	1998
Cash flows from operating activities		
Net earnings	**5,459**	4,598
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization	**3,001**	3,501
Purchased in-process research and development expense	**23**	688
Restructuring and other charges	**441**	518
Gains on reduction of ownership in subsidiary and significantly influenced companies	**(4,902)**	(4,146)
Net gains on disposal of investments	**(547)**	(1,340)
Deferred income taxes	**34**	90
Dividends received in excess of equity in net losses of significantly influenced companies	**346**	444
Other items	**(300)**	(246)
Change in non-cash working capital components	**(957)**	(601)
	2,598	3,506
Cash flows from investing activities		
Capital expenditures	**(3,588)**	(3,774)
Investments	**(2,729)**	(2,650)
Divestitures	**6,412**	2,721
Proceeds from disposition of capital assets	**11**	768
Reduction in cash and cash equivalents due to deconsolidation of Nortel Networks Corporation	**–**	(3,007)
Other items	**(138)**	11
	(32)	(5,931)
Cash flows from financing activities		
Dividends paid on common and preferred shares	**(968)**	(961)
Dividends paid by subsidiaries to non-controlling interest	**(163)**	(134)
(Repayment) issue of notes payable and bank advances	**(191)**	2,227
Issue of long-term debt	**2,139**	922
Repayment of long-term debt	**(2,346)**	(2,174)
Issue of common shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	**771**	363
Issue of common shares	**152**	194
Purchase of common shares for cancellation	**–**	(32)
Other items	**57**	(7)
	(549)	398
Effect of exchange rate changes on cash and cash equivalents	**8**	148
Net increase (decrease) in cash and cash equivalents	**2,025**	(1,879)
Cash and cash equivalents at beginning of year	**370**	2,249
Cash and cash equivalents at end of year	**2,395**	370

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and all amounts are in Canadian dollars unless otherwise indicated. Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year presentation.

With respect to the financial statements of BCE Inc. (the Corporation) and its subsidiaries (collectively BCE), the material differences between Canadian and United States GAAP are described and reconciled in Note 19.

New accounting standards

The Consolidated Statement of Cash Flows for the year ended December 31, 1998, has been restated to reflect the new requirements under Section 1540 of the Canadian Institute of Chartered Accountants (CICA) Handbook, *Cash Flow Statements*. For purposes of the cash flow statement, all highly liquid investments with short-term maturities are classified as cash and cash equivalents.

Consolidation

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

On June 1, 1999, BCE and Ameritech Corporation (SBC/Ameritech), now a wholly-owned subsidiary of SBC Communications Inc., finalized their strategic partnership announced on March 24, 1999. Under the terms of the partnership, SBC/Ameritech acquired an indirect 20% minority interest in Bell Canada for a cash consideration of $5.1 billion. Bell Canada has been reorganized to hold certain telecommunications assets previously held by BCE. On May 31, 1999 Bell Canada acquired, at net book value from BCE, BCE's interests in Bell Mobility Inc. (Bell Mobility), formerly BCE Mobile Communications Inc., Teleglobe Inc., (Teleglobe), Aliant Inc. (Aliant), (the company under which, on May 31, 1999, Bruncor Inc. (Bruncor), Maritime Telegraph and Telephone Company, Limited (MT&T) and NewTel Enterprises Limited (NewTel) were combined; Bell Canada's ownership in Aliant was 41% at December 31, 1999), three other regional Canadian telecommunications companies and other investments. Furthermore, Bell Canada transferred to BCE, at net book value, its investments in BCE Emergis Inc. (BCE Emergis) and CGI Group Inc. (CGI).

On August 31, 1998, following the acquisition of Bay Networks, Inc. (Bay Networks) by Nortel Networks Corporation (Nortel Networks) (See Note 5), BCE's ownership in Nortel Networks decreased, from approximately 51% to 41%, resulting in BCE changing, prospectively, its accounting for Nortel Networks from consolidation to equity accounting effective September 1, 1998. Accordingly, BCE's consolidated statement of operations includes Nortel Networks' statement of operations on a line-by-line basis up to August 31, 1998 and includes in equity in net losses of significantly influenced companies, BCE's share of Nortel Networks' net earnings to common shareholders since September 1, 1998.

Use of estimates

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

Capital assets

Capital assets are carried at cost less accumulated depreciation, where applicable. Depreciation and amortization of capital assets are generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. In 1999, the composite depreciation rate for plant was approximately 6.2% (6.9% in 1998). The expected useful lives of machinery and equipment are 3 to 15 years, buildings are 20 to 40 years and licenses are 15 to 20 years.

Purchased in-process research and development (R&D) assets

Purchased in-process R&D assets represent the value of the acquired R&D which were not technologically feasible as of the acquisition date and have no alternative future use, and are charged to earnings using an accelerated amortization method over its estimated useful life.

Translation of foreign currencies

Self-sustaining foreign operations, which comprise most of BCE's foreign subsidiaries, joint ventures and significantly influenced companies, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses, net of related hedging activities, are accumulated in and reported as currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

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

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges or other long-term liabilities and amortized to earnings on a straight-line basis over the remaining lives of the related items.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

BCE uses a combination of derivative financial instruments to manage its interest and foreign exchange risk exposures. BCE does not trade derivative financial instruments for speculative purposes.

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

Goodwill

Goodwill represents the excess, at the dates of acquisition, of the cost of investments over the fair value of the net identifiable assets acquired and is amortized on a straight-line basis, over its estimated useful life, up to a period of 40 years. The carrying value of goodwill is evaluated for potential permanent impairment on an ongoing basis. In order to determine whether permanent impairment exists, BCE's management considers each business segment's financial condition, as well as expected pre-tax earnings, undiscounted cash flows or market-related values. Any permanent impairment in the value of goodwill is written off against earnings in the year the impairment is recognized. Total goodwill amortization charged to operations, including that in Equity in net losses of significantly influenced companies, amounted to $118 million in 1999 and $126 million in 1998.

Postemployment benefits

The Corporation and most of its subsidiaries provide various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement, under specified circumstances. The cost of providing these benefits is charged to earnings in the period in which they are paid.

Postretirement benefits

The Corporation and most of its subsidiaries provide pension and certain health care and life insurance benefits for employees on retirement. The accounting for pension costs is outlined in Note 17. The cost of postretirement benefits, other than pensions, is charged to earnings in the period in which they are paid.

Income taxes

BCE uses the deferral method of accounting for income taxes. The deferred income tax balances reported on the consolidated balance sheet result from timing differences in the recognition of income and expenses for financial statement and income tax purposes.

Subscriber acquisition costs

BCE subsidizes the cost of the "Direct to Home" satellite hardware equipment sold to its customers. These subsidies are deferred and amortized over three years.

Stock-based compensation plans

The Corporation's stock-based compensation plans consist of the Employees' Savings Plan (ESP) and the Long-Term Incentive (Stock Option) Programs, which may include a Special Compensation Payment (SCP), which are fully described in Note 16. A compensation expense is recognized for the Corporation's portion of the contributions made under the ESP. In 1999, compensation expense related to the ESP amounted to $33 million ($34 million in 1998). No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. The amount of the SCP is accrued over the vesting period. In 1999, compensation expense related to the SCP amounted to $193 million ($29 million in 1998).

Future accounting changes

The CICA issued the new Handbook Section 3465, *Income Taxes*, which changes the accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the income statement, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new Handbook section is adopted, deferred income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all deferred income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new Handbook section (excluding Nortel Networks) is not expected to have a material effect on the financial statements of BCE.

The CICA issued the new Handbook Section 3461, *Employee Future Benefits*, which changes the accounting for pension and other types of employee future benefits. Effective for fiscal years beginning on or after January 1, 2000, the new Handbook section requires companies to accrue the costs of postretirement benefits other than pensions over the working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as paid. The new Handbook section also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term rate to a market-based interest rate. The impact of adopting the new Handbook section (excluding Nortel Networks) is expected to result in a charge to retained earnings in excess of $500 million, net of tax. In addition, BCE's pension credit (pre-tax) for 2000 is expected to be between $100 million and $125 million compared with $197 million in 1999.

2. SEGMENTED INFORMATION

Effective March 31, 1999, BCE's business segments were modified and now include two new segments: (1) CGI and BCE Emergis and (2) BCE Media (which includes Bell ExpressVu Limited Partnership (Bell ExpressVu) and Telesat Canada (Telesat)). These companies were previously included in the Bell Canada segment. In addition, Bell Canada International Inc. (BCI) is now reported as a separate segment. In 1998, BCI was included in the International Communications segment, which was comprised of BCI and Other International Telecom (Other International Telecom was comprised of BCE's equity investment in Cable & Wireless Communications plc (which was sold in June 1998) and Jones Intercable, Inc. (which was sold in April 1999)). Other International Telecom is now included in Corporate. Previously reported amounts have been reclassified to conform with the current presentation.

BCE operates the following business segments which have been segregated based on products and services and/or geographic area reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance:

Bell Canada – Represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries (including Bell Mobility, BCE Nexxia Inc. and Bell Actimedia Inc.). BCH owns 100% of Bell Canada. BCE owns 80% of BCH, the remaining 20% is owned by SBC/Ameritech (See Note 1). This segment provides a full range of domestic and international telecommunications services to Canadian customers;

CGI and BCE Emergis – CGI provides end-to-end IT services, such as, outsourcing, systems integration, consulting and business solutions to customers worldwide. BCE Emergis is an electronic commerce services provider, which delivers network centric e-commerce solutions to customers worldwide;

BCE Media – includes Bell ExpressVu, Telesat, as well as Other media interests. These entities deliver satellite entertainment and business services;

Nortel Networks – delivers network solutions which are used by telecommunications operating companies and other service providers to interconnect access lines and transmission facilities to provide local or long-distance services, wireless communications systems, and solutions which transport voice, data and video communications between locations within a city or between cities, countries, or continents. In addition, Nortel Networks delivers solutions consisting of electronic business systems, including call centre, voice messaging and interactive response systems, Internet and data networking solutions, Open IP systems, and Enterprise telephony solutions; and

Bell Canada International – owns, develops and operates advanced telecommunications networks outside Canada, primarily in Latin America and the Asia Pacific region, with a focus on wireless technology.

The Corporation evaluates each segment's performance based on its contribution to consolidated net earnings. The accounting policies of the segments are the same as those described in Note 1, Significant Accounting Policies, except as noted in (i) on the next page. Inter-segment sales are made on arm's length terms. The following tables present summarized financial information for the years ended December 31, 1999 and 1998:

GEOGRAPHIC INFORMATION (i)

	1999		1998	
	Revenues from external customers	**Capital assets & goodwill**	Revenues from external customers	Capital assets & goodwill
Canada	**13,129**	**16,687**	13,235	15,449
United States	**139**	**157**	8,110	72
Other foreign countries	**946**	**2,412**	5,862	2,004
Total	**14,214**	**19,256**	27,207	17,525

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

REVENUES BY PRODUCTS AND SERVICES

	1999	1998
Local and access services	**5,418**	5,364
Long distance and network services	**3,912**	4,196
Nortel Networks' products and services	**–**	14,253
Wireless services	**1,835**	1,723
Other	**3,049**	1,671
	14,214	27,207

2. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

	Bell Canada	CGI and BCE Emergis	BCE Media	Nortel Networks (i)	BCI
1999					
Total revenues	**12,583**	**848**	**452**	**32,961**	**807**
Interest income	**16**	**6**	**35**	**199**	**21**
Interest expense	**886**	**2**	**55**	**256**	**302**
Depreciation of capital assets and amortization of goodwill	**2,436**	**107**	**124**	**1,970**	**166**
Amortization of in-process R&D and acquired technology	**–**	**23**	**–**	**2,092**	**–**
Equity in net earnings (losses) of significantly influenced companies	**53**	**–**	**–**	**(19)**	**(11)**
Income tax expense	**889**	**32**	**7**	**1,034**	**26**
Net earnings (loss) (ii)	**5,364**	**(39)**	**(149)**	**449**	**(354)**
Other significant non-cash items:					
– Gain on reduction of ownership in subsidiary and significantly influenced companies	**4,242**	**–**	**–**	**591**	**69**
– Restructuring and other charges	**218**	**–**	**92**	**–**	**113**
1998					
Total revenues	12,405	362	188	26,270	772
Interest income	11	1	5	179	23
Interest expense	669	–	22	347	203
Depreciation of capital assets and amortization of goodwill	2,619	19	92	1,076	118
Amortization of in-process R&D and acquired technology	–	–	–	2,216	–
Equity in net earnings (losses) of significantly influenced companies	21	–	5	(28)	(28)
Income tax expense	837	28	(54)	902	7
Net earnings (loss) (ii)	1,186	22	(53)	3,227	(48)
Other significant non-cash items:					
– Gain on reduction of ownership in subsidiary and significantly influenced companies	315	–	–	3,696	135
– Restructuring and other charges	471	–	–	47	–

RECONCILIATIONS

	1999	1998
Revenues		
Total revenues for reportable segments	**47,651**	39,997
Corporate	**34**	34
Elimination of inter-segment revenues (iii)	**(1,568)**	(1,307)
Nortel Networks adjustment (i)	**(31,903)**	(11,517)
Total consolidated revenues	**14,214**	27,207
Net earnings		
Total net earnings for reportable segments	**5,271**	4,334
Corporate	**254**	360
Elimination of inter-segment earnings	**(66)**	(96)
Total consolidated net earnings	**5,459**	4,598

(i) Beginning September 1, 1998, Nortel Networks was no longer consolidated by BCE (See Note 1) and was recorded using the equity method. For segment reporting purposes, the statement of operations amounts represent Nortel Networks on a line-by-line basis for the 12 months of 1999 and 1998. To reconcile to the consolidated financial statements, Nortel Networks' statement of operations amounts for the 12 months of 1999 and the last four months of 1998 must be excluded as BCE no longer consolidates Nortel Networks line-by-line but instead only records its share of Nortel Networks' net earnings to common shareholders.

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

(iii) The majority of inter-segment revenues are between Bell Canada and Nortel Networks.

3. BUSINESS ACQUISITIONS

SNS/ASSURE CORP. AND ASSURE HEALTH INC.

In November 1999, BCE Emergis acquired all of the outstanding shares of SNS/Assure Corp. and Assure Health Inc., two related companies operating in the electronic commerce industry. The aggregate purchase price was $224 million, comprised of $151 million in cash and approximately 2.2 million BCE Emergis common shares valued at $73 million. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $50 million, tangible liabilities for $66 million, acquired technologies and purchased in-process R&D assets for $40 million and goodwill for $200 million. Goodwill, acquired technologies and purchased in-process R&D are being amortized on a straight-line basis over 3 years.

BELL MOBILITY

On October 22, 1999, Bell Canada increased its ownership interest in Bell Mobility, Canada's largest full-service wireless communications company, from 65% to 100%. The aggregate purchase price was $1,570 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $597 million, tangible liabilities for $296 million and goodwill for $1,269 million. Goodwill is being amortized on a straight-line basis over 40 years.

CGI

On January 5, 1998, BCE increased its equity interest in CGI, an information technology services company, from 24% to 34%. The aggregate purchase price was approximately $138 million. This acquisition was accounted for using the purchase method.

In addition, on July 1, 1998, BCE entered into an agreement with CGI's three largest individual shareholders (the Shareholders) providing for certain put and call options, as well as rights of first refusal, on the shares of CGI held by the Shareholders. The agreement gives the Shareholders the right to gradually sell (put options) their shares to BCE through January 5, 2004 and, thereafter for a period of two years, the right to BCE to buy (call options) these shares to the extent not already acquired by BCE. The price per share payable on any exercise of the put or call options will be, in all cases, 115% of the market price for CGI shares on the exercise date payable in common shares of BCE. These options, if fully exercised, will increase BCE's equity ownership and voting interest in CGI to approximately 55%.

As part of this agreement, BCE transferred its system development and maintenance operations (both domestic and international) in exchange for CGI shares, therefore increasing BCE's ownership interest in CGI to 42%. In addition, under the terms of a ten-year outsourcing agreement, which became effective July 1, 1998, a wholly-owned subsidiary of CGI is the preferred provider of Bell Canada's required information systems and information technology services. Bell Canada's minimum commitment between January 1, 2000 and June 30, 2001 is approximately $ 400 million. Beyond this period, the amount of these expenditures will depend upon Bell Canada's business strategies and directions and the associated information systems and information technology requirements.

During 1999, BCE acquired additional CGI shares resulting mainly from the exercise, in part, of the above described put options in exchange for approximately 1.3 million BCE shares having a value of $78 million (1998 – 0.9 million BCE shares having a value of $54 million). This acquisition was accounted for using the purchase method. At December 31, 1999, 10,571,651 BCE common shares were reserved for future purchases of CGI shares. BCE's equity ownership in CGI was 45% and 43% at December 31, 1999 and 1998, respectively.

Effective July 1, 1998, BCE's interest in CGI has been accounted for under the proportionate consolidation method. As a result of the purchase of CGI shares through a series of transactions, BCE's purchase price in excess of the fair value of the net assets acquired at each step amounted to $71 million and $145 million in 1999 and 1998, respectively, and is being amortized on a straight-line basis over 20 years.

BROADBAND NETWORKS INC. (BNI)

On January 9, 1998, Nortel Networks acquired BNI, a company engaged in the design and manufacture of fixed broadband wireless communications networks. The aggregate purchase price was approximately US $433 million, comprising approximately US $149 million in cash and approximately 11.2 million (post-split) of Nortel Networks common shares. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to net tangible assets for US $29 million, purchased in-process R&D assets for US $329 million and goodwill for US $75 million. The purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over 5 years.

APTIS COMMUNICATIONS, INC. (APTIS)

On April 22, 1998, Nortel Networks acquired Aptis, a remote-access data networking start-up company. The aggregate purchase price was approximately US $286 million. At closing, Nortel Networks issued approximately 5 million (post-split) common shares and paid approximately US $5 million in cash to Aptis shareholders. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to net tangible assets for US $8 million, purchased in-process R&D assets for US $203 million and goodwill for US $75 million. The purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over 5 years.

OCCIDENTE Y CARIBE CELULAR S.A. (OCCEL)

On March 31, 1998, BCI acquired a 68.4% interest in Occel. The aggregate purchase price was approximately $445 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $177 million, licenses for $511 million, tangible liabilities for $381 million and goodwill for $138 million. Goodwill is being amortized on a straight-line basis over 16 years.

HANSOL PCS CO. LTD. (HANSOL)

During 1998, BCI acquired an 18.2% interest in Hansol, a nation-wide Korean mobile phone operator. The aggregate purchase price was approximately $179 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $365 million, licenses for $23 million, tangible liabilities for $267 million and goodwill for $58 million. Goodwill is being amortized on a straight-line basis over 20 years.

3. BUSINESS ACQUISITIONS (continued)

TELESAT CANADA (TELESAT)

On May 5, 1998, BCE increased its ownership interest in Telesat, a leader in satellite communications and systems management, from 58.7% to 100%. The aggregate purchase price was approximately $158 million in cash. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $296 million, tangible liabilities for $228 million and goodwill for $90 million. Goodwill is being amortized on a straight-line basis over 20 years.

4. RESTRUCTURING AND OTHER CHARGES

In 1999, BCE recorded a pre-tax charge of $490 million ($270 million after tax and non-controlling interest) representing restructuring and other charges of $163 million and $327 million, respectively. The restructuring charges, mainly employee severance (for approximately 2,600 employees) and directly related incremental costs, resulted principally from the decision to outsource a portion of the Operator Services group, the windup of Stentor Canadian Network Management and cost rationalization within other operating groups. These restructuring programs are expected to be substantially completed by mid 2000. Other charges relate mainly to the write-down of the Iridium and SkyView Media Group, Inc. investments as well as the write-off of certain assets by BCI. The BCI write-off related mainly to handset subsidy costs associated with certain customer contracts. BCI no longer defers and amortizes these costs, as current circumstances indicate that the benefit from these expenditures relates more appropriately to current period activities.

In 1998, BCE recorded a pre-tax charge of $654 million ($407 million after tax and non-controlling interest) representing restructuring and other charges of $102 million and $552 million, respectively. The restructuring charges related to plans for rationalization of real estate and the integration of business units. Included in the charges were costs relating to lease terminations and associated costs and employee severance. Other charges mainly included a provision for the costs of implementing local service competition and providing local number portability to the extent such costs were estimated not to be recoverable. Also included in other charges were costs relating to the write-down of certain assets and other provisions.

As at December 31, 1999, the remaining balance of the restructuring provision is $130 million ($61 million in 1998). This provision is comprised primarily of unpaid severance payments to the members of the Operator Services group for $60 million, other unpaid incremental costs of $12 million associated with the outsourcing of the Operator Services group, and $30 million for costs relating to the rationalization of real estate.

5. GAINS ON REDUCTION OF OWNERSHIP IN SUBSIDIARY AND SIGNIFICANTLY INFLUENCED COMPANIES

	1999	1998
Bell Canada (a)	**4,242**	–
Hansol (b)	**69**	–
Nortel Networks (c)	**591**	3,613
Teleglobe (d)	**–**	315
Comunicacion Celular S.A. (Comcel) (e)	**–**	135
Other	**–**	83
	4,902	4,146

(a) In 1999, BCE recognized a gain of $4,242 million on the reduction of its ownership in Bell Canada, from 100% to 80% for cash proceeds of $5.1 billion, as a result of the SBC/Ameritech partnership (See Note 1).

(b) In 1999, BCI recognized a gain of $69 million on the reduction of its ownership in Hansol from 23% to 21% as a result of Hansol's issuance of 15.7 million shares to the public.

(c) In 1999, BCE recognized gains of $591 million on the reduction of its ownership, from 40.4% to 39.2%, as a result of Nortel Networks' acquisitions, through the issuance of shares, of Periphonics Corporation and Shasta Networks, Inc. and the issuance of shares under Nortel Networks' stock option plan.

In 1998, BCE recognized a gain of $3,613 million on the reduction of its ownership, from approximately 51% to 41%, as a result of Nortel Networks' acquisition of Bay Networks for an aggregate purchase price of approximately US $6.9 billion. At closing, Nortel Networks issued approximately 270 million (post-split) common shares and assumed the equivalent of approximately 47.3 million (post-split) options to purchase common shares of Nortel Networks. The allocation of the purchase price was to tangible assets for US $1.9 billion, assumed liabilities for US $500 million, acquired technology assets for US $2.1 billion, purchased in-process R&D assets for US $1 billion and goodwill for US $2.4 billion. The acquired technology assets are being charged to earnings on a straight-line basis over thirty-six months and the purchased in-process R&D assets were charged to earnings over a nine month period using an accelerated amortization method. Goodwill is being amortized on a straight-line basis over five years.

(d) In 1998, Bell Canada recognized a gain of $315 million on the reduction of its ownership in Teleglobe, from approximately 25% to 20%, as a result of Teleglobe's acquisition of Excel Communications, Inc. (Excel) for an aggregate purchase price of approximately $5.2 billion, satisfied through the issuance of common shares, of which approximately $4.0 billion was allocated to goodwill and is being amortized over 40 years.

(e) In 1998, BCI recognized gains of $135 million on the transfer to Comcel of its 68.4% interest in Occel and on the reduction of its ownership in Comcel from 51.1% to 49.9% following American International Group Inc.'s investment in Comcel.

6. OTHER INCOME

	1999	1998
Gain on disposal of investments:		
Jones Intercable, Inc. (Jones) (a)	**309**	–
Phone.Com, Inc. (Phone.Com) (b)	**89**	–
Cable & Wireless Communications plc (CWC) (c)	**–**	1,075
Bell Emergis' Electronic Business Solutions (EBS) unit (d)	**–**	74
Nortel Networks – net (e)	**–**	191
Other	**149**	–
Interest income	**153**	141
Other	**(112)**	(154)
	588	1,327

(a) In April 1999, BCE recorded a gain of $309 million on the sale of its 31% interest in Jones for net cash proceeds of $763 million.

(b) In December 1999, BCE recorded a gain of $89 million on the sale of its interest in Phone.Com for net cash proceeds of $116 million.

(c) In June 1998, BCE recorded a gain of $1,075 million on the sale of its 14.2% interest in CWC for net cash proceeds of $2,289 million.

(d) Effective August 31, 1998, BCE acquired a 65% controlling interest in MPACT Immedia Corporation (renamed BCE Emergis Inc. (BCE Emergis) on January 21, 1999) in exchange for the EBS unit of Bell Emergis and a cash investment of $68 million. The exchange of the EBS unit resulted in BCE recording a gain of $74 million.

(e) In the first eight months of 1998, Nortel Networks recorded net gains of $191 million on the sale of various businesses and other investments for net cash proceeds of $234 million.

7. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes follows:

	1999	1998
Earnings before income taxes and non-controlling interest	**6,420**	6,005
Statutory income tax rates in Canada	**42.3%**	42.4%
Income taxes at Canadian statutory rates	**2,716**	2,546
Gain on reduction of ownership in subsidiary and significantly influenced companies	**(2,063)**	(1,729)
Purchased in-process research and development expense	**9**	292
Losses not tax effected	**273**	168
Equity in net losses of significantly influenced companies	**68**	141
Gain on disposal of investments	**(113)**	95
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**36**	(30)
Large corporations tax	**13**	8
Other	**24**	57
Total income taxes	**963**	1,548

Details of income tax expense:

	1999	1998
Current	**1,072**	1,471
Deferred	**(109)**	77
	963	1,548

8. INVESTMENTS IN SIGNIFICANTLY INFLUENCED AND OTHER COMPANIES

Investments are accounted for using the equity method, except where otherwise noted.

	Ownership (%)			
At December 31	**1999**	1998	**1999**	1998
Bell Canada				
Teleglobe (a)	**23.1**	20.0	**1,601**	1,308
Aliant (b)	**41.2**	–	**456**	–
Bruncor (b)	**–**	44.8	**–**	158
MT & T (b)	**–**	34.4	**–**	132
Manitoba Telecom Services Inc. (MTS) (c)	**20.8**	–	**336**	–
Other, at equity			**18**	134
Investments, at cost			**56**	90
Nortel Networks (d)	**39.2**	40.7	**6,879**	7,081
Jones (See Note 6)			**–**	454
Other investments, at equity			**–**	51
Other investments, at cost			**87**	128
Total investments in significantly influenced and other companies (e)			**9,433**	9,536

(a) In 1999, Bell Canada increased its ownership interest in Teleglobe from 20 % to 23% for an aggregate purchase price of $312 million. Goodwill recorded on the acquisition amounted to $111 million and is being amortized over 20 years on a straight-line basis.

On November 10, 1998, Teleglobe acquired Excel (See Note 5). In connection with the closing of the transaction, BCE exercised an existing option and acquired approximately 5.4 million Teleglobe common shares for an aggregate purchase price of approximately $218 million. In addition, in 1998, BCE purchased, on the open market, common shares of Teleglobe and Excel for an aggregate purchase price of $518 million.

(b) On May 31, 1999, Bruncor, MT&T, and NewTel (NewTel was consolidated up to May 31, 1999) were combined under one company, Aliant.

(c) In the first quarter of 1999, Bell Canada acquired 20% of MTS for an aggregate purchase price of $339 million. Goodwill recorded on the acquisition amounted to $189 million and is being amortized over 20 years on a straight-line basis.

(d) Summarized financial information as reported by Nortel Networks for the years ended December 31, 1999 and 1998, respectively is as follows:

		(US$ millions)
	1999	1998
Statement of operations		
Revenues	**22,217**	17,575
Gross profit	**9,620**	7,525
Amortization of intangibles	**2,047**	1,709
Net loss applicable to common shares	**197**	569
Balance sheet		
Current assets	**13,068**	10,317
Total assets	**22,597**	19,732
Current liabilities	**7,790**	5,893
Long-term liabilities and non-controlling interest	**2,289**	2,274
Shareholders' equity	**12,518**	11,565
Total liabilities and shareholders' equity	**22,597**	19,732

Nortel Networks' Significant Acquisitions in 2000

On January 28, 2000, Nortel Networks acquired Qtera Corporation (Qtera), a producer of ultra-long-reach optical networking systems. Each outstanding share of Qtera was converted into a right to receive 1.3350 Nortel Networks common shares (an aggregate of approximately 23 million Nortel Networks common shares). In addition, up to US $500 million in Nortel Networks common shares may be issued to the former Qtera shareholders, option holders and warrant holders, subject to the achievement of certain business objectives by Qtera.

On October 18, 1999, Nortel Networks announced the signing of a definitive agreement to acquire Clarify Inc. (Clarify), a provider of front office solutions for eBusiness. Under the terms of the agreement, Clarify stockholders will receive a fixed exchange ratio of 1.3 Nortel Networks common shares for each share of Clarify common stock. Based on the closing price of US $52.69 per Nortel Networks common share on October 15, 1999, this represents an aggregate purchase price of approximately US $2.1 billion. The transaction is expected to close in the first quarter of 2000.

Nortel Networks' Contingencies

On October 14, 1998, a class action complaint was filed in the United States District Court for the Southern District of New York, purportedly on behalf of certain former Bay Networks securities holders, alleging that the proxy statement/prospectus and registration statement (the Bay Networks Proxy Statement) in connection with the merger of Bay Networks with a subsidiary of Nortel Networks, as well as certain public statements made by Nortel Networks and certain named officers, violated applicable securities laws by containing materially false and misleading statements and omissions concerning Nortel Networks' financial condition. Two additional class action complaints were

8. INVESTMENTS IN SIGNIFICANTLY INFLUENCED AND OTHER COMPANIES (continued)

filed in the same court on November 16, 1998, and December 11, 1998, alleging substantially similar claims. The court granted the plaintiffs' motion to consolidate all three actions on February 1, 1999. On January 31, 2000, the court granted Nortel Networks' motion to dismiss the plaintiffs' consolidated amended class action complaint and closed the case. The plaintiffs have until March 6, 2000 to appeal the dismissal.

In June 1998, four class action complaints were filed in the Delaware Court of Chancery, New Castle County, purportedly on behalf of all common shareholders of Bay Networks, alleging that the Bay Networks directors breached fiduciary duties owed to the Bay Networks shareholders and that Nortel Networks aided and abetted the alleged breaches of fiduciary duty. On July 23, 1998, Bay Networks, Nortel Networks, and counsel for the plaintiff class entered into an agreement in principle (the Settlement Agreement) under which the actions will be dismissed (subject to confirmation by the parties and the approval of the court) and which provided that additional disclosures be made in the final Bay Networks Proxy Statement and that counsel for the plaintiff class may apply to the court for an award of legal fees up to US $450 thousand and expenses up to US $25 thousand. Nortel Networks provided for these amounts in 1998. On August 26, 1998, a class action complaint was filed in the same court purportedly on behalf of all Bay Networks common shareholders, alleging that the Bay Networks Proxy Statement was materially misleading by failing to disclose pending litigation by Bay Networks against nine former employees. On January 27, 2000, the court approved the Settlement Agreement, thereby dismissing with prejudice the five actions described above, and awarded US $400 thousand in legal fees and expenses. The plaintiffs have until February 28, 2000 to appeal.

On April 18, 1997, a lawsuit was filed in the California Superior Court, County of Santa Clara, purportedly on behalf of a class of shareholders who acquired Bay Networks common shares pursuant to the registration statement and prospectus that became effective on November 15, 1995. On March 4, 1997, Bay Networks announced that shareholders had filed two separate lawsuits in the United States District Court for the Northern District of California and the California Superior Court, County of Santa Clara against Bay Networks and ten of Bay Networks then current and former officers and directors, purportedly on behalf of a class of shareholders who purchased Bay Networks common shares during the period of May 1, 1995, through October 14, 1996. The two actions in the California Superior Court, County of Santa Clara, were consolidated in April 1998 but the plaintiffs' motion for class certification was denied. In January 2000, the California Court of Appeal rejected the plaintiffs' appeal of the decision. The plaintiffs have 40 days to appeal.

In June 1993, certain holders of Nortel Networks' securities commenced a class action in the United States District Court for the Southern District of New York alleging that Nortel Networks and certain of its officers violated the *Securities Exchange Act* of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Nortel Networks. In January 2000, the court heard arguments on Nortel Networks' motion for summary judgment with respect to all claims in the case.

Nortel Networks is also a defendant in various other suits, claims and investigations which arise in the normal course of business.

Except where noted above, Nortel Networks is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact of these matters and therefore cannot determine whether these actions will, individually or collectively, have a material adverse impact on the consolidated financial position or results of operations of Nortel Networks. Unless otherwise noted, Nortel Networks and any named directors and officers intend to vigorously defend these actions.

(e) The goodwill implicit in investments in significantly influenced companies amounted to $506 million at December 31, 1999 ($229 million in 1998).

9. INTERESTS IN JOINT VENTURES

BCE's proportionate share of interests in joint ventures are included in the consolidated financial statements and are summarized in the table below.

A substantial portion of the amounts proportionately consolidated relate to BCE's interest in CGI (See Note 3), BCI's interests in Americel S.A., Axtel S.A. de C.V., Hansol, Telet S.A. and KG Telecommunications Co. Ltd., Vesper S.A., Vesper Sao Paulo S.A. and Nortel Networks' interest in various joint ventures up to August 31, 1998 (See Note 1).

	1999	1998
Balance sheet		
Current assets	**679**	356
Long-term assets	**1,728**	1,058
	2,407	1,414
Current liabilities	**648**	385
Long-term liabilities	**764**	257
	1,412	642
Statement of operations		
Revenues	**1,072**	1,239
Net loss	**156**	46
Statement of cash flows		
Cash flows from operating activities	**(126)**	16
Cash flows from investing activities	**(763)**	(306)
Cash flows from financing activities	**447**	120

10. CAPITAL ASSETS

At December 31	1999		1998	
	Cost	Net book value	Cost	Net book value
Plant	**26,162**	**10,269**	26,128	10,208
Machinery and equipment	**6,448**	**2,827**	5,668	2,852
Buildings	**2,228**	**1,299**	2,274	1,281
Licenses	**928**	**783**	1,084	952
Plant under construction	**1,561**	**1,561**	1,215	1,215
Land	**94**	**94**	86	86
Other	**176**	**102**	231	151
	37,597	**16,935**	36,686	16,745

Included in operating expenses are depreciation and amortization of capital assets amounting to $2,725 million in 1999 ($3,220 million in 1998).

In the first quarter of 1998, Bell Canada sold commercial properties to TrizecHahn Corporation for net proceeds of $753 million.

11. SUPPLEMENTARY INFORMATION

	1999	1998
BALANCE SHEET		
Deferred charges		
Deferred pension asset (See Note 17)	**1,620**	1,364
Unrealized foreign currency losses, net of amortization (a)	**389**	173
Debt issue expenses, net of amortization (a)	**106**	98
Amounts receivable under cross currency contracts	**–**	136
Other	**599**	486
	2,714	2,257
Debt due within one year		
Bank advances	**438**	728
Notes payable	**157**	258
Long-term debt due within one year (See Note 12)	**1,082**	1,089
	1,677	2,075
STATEMENT OF CASH FLOWS		
Interest paid	**905**	1,050
Income taxes paid	**745**	1,074

(a) Included in operating expenses and other income are amortization of deferred charges amounting to $208 million in 1999 ($203 million in 1998).

12. LONG-TERM DEBT

At December 31	1999	1998
BCE Inc.		
8.75% Series 11 Notes repaid in 1999	**–**	200
7.81% Series 12 Notes (£50 million) repaid in 1999	**–**	127
9.95% Series 13 Notes due 2000	**173**	173
5.55% Medium Term Notes due 2001 (a)	**–**	150
8.95% Series 8 Notes due 2002 (a)	**–**	300
LIBOR plus 0.225% term credit facility (US $400 million) due 2002, swapped to Canadian dollar principal and interest with fixed rate of 7.72% to 2000 (a)	**–**	612
6.2% Series 14 Notes due 2007	**300**	300
Total – BCE Inc.	**473**	1,862

(a) Repaid prior to maturity in 1999.

At December 31	Weighted average rate of interest %	**1999**	1998
Bell Canada			
Debentures and notes (b)			
Repaid in 1999	9.60	**–**	605
Due 2000	8.60	**753**	859
2001	7.41	**171**	171
2002	7.69	**323**	325
2003	6.86	**497**	559
2004	10.88	**207**	276
2005-2014	8.17	**3,254**	2,366
2015-2054	9.21	**1,425**	1,266
Subordinated debentures			
Due 2026-2031	8.21	**275**	275
Other (c)	–	**126**	64
Total – Bell Canada		**7,031**	6,766

(b) Debentures and notes include US $400 million maturing in 2006 and 2010; 300 million Swiss francs, due 2003, swapped into U.S. dollar obligations; and, 150 million German marks, due 2000, swapped into Canadian dollar obligations. In addition, $750 million of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.

(c) Other includes an obligation under a capital lease of $45 million, net of a loan receivable of $246 million. This obligation resulted from an agreement entered into in 1999, whereby Bell Canada sold and leased back telecommunication equipment for proceeds of $316 million. A portion of these proceeds was invested in an interest bearing loan receivable.

At December 31	**1999**	1998
CGI and BCE Emergis		
Other	**49**	10
Total – CGI and BCE Emergis	**49**	10

At December 31	**1999**	1998
BCE Media		
11.59% Notes due in 2001	**50**	50
10.75% Notes due in 2002	**75**	75
7.40% Notes due in 2006	**150**	–
Other	**47**	80
Total – BCE Media	**322**	205

At December 31	**1999**	1998
BCI		
LIBOR plus 4.25% Senior term loan (1999 – US $240 million, 1998 – US $300 million) due in varying semi-annual payments ending in 2002	**346**	456
14.0% Senior discount notes (1999 – US $157 million, 1998 – US $137 million) due 2004	**226**	208
11.0% Senior unsecured notes, redeemable at the option of the issuer, repayable in 2004	**160**	–
6.0% to 12.93% Debentures (1999 KRW 167 billion, 1998 – KRW 48 billion), repayable in varying amounts ending in 2004	**212**	60
14.13% Senior deferred coupon bonds (1999 – US $254 million, 1998 – US $222 million) due 2005	**367**	338
Other (d)	**676**	444
Total – BCI	**1,987**	1,506

(d) Other consists mainly of bank, term equipment and other financing at various rates due at different dates no later than 2011.

At December 31	**1999**	1998
Total long-term debt	**9,862**	10,349
Less: due within one year (See Note 11)	**1,082**	1,089
Long-term debt	**8,780**	9,260

12. LONG-TERM DEBT (continued)

Long-term debt maturities during each of the next five years are summarized below:

Years ending December 31	2000	2001	2002	2003	2004
BCE Inc.	173	–	–	–	–
Bell Canada	782	171	323	497	207
CGI and BCE Emergis	10	6	5	22	1
BCE Media	2	52	77	3	3
BCI	115	415	327	163	360
Total maturities	1,082	644	732	685	571

At December 31, 1999, unused bank lines of credit, for general corporate purposes and to support commercial paper borrowings, generally at the banks' prime rate of interest, amounted to approximately $3 billion.

13. FINANCIAL INSTRUMENTS

Risk management

BCE Inc. uses interest rate swaps to reduce its financing costs.

Bell Canada uses cross currency swaps, forward contracts and interest rate swaps to manage its foreign currency and interest rate positions associated with its debt instruments. Bell Canada generally uses these derivative contracts to reduce its financing costs and to diversify Bell Canada's access to capital markets.

BCI operates internationally and as such is exposed to fluctuations in foreign exchange rates. BCI does not currently use derivative financial instruments to limit its exposure to fluctuations in foreign exchange rates on its investments or long-term debt, or to manage the risk of interest rate fluctuations on existing long-term debt.

Credit risk

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

In addition, BCE is exposed to credit risk from customers. However, BCE's businesses have a large number of diverse customers which minimizes the concentration of this risk. The introduction of competition in the local exchange market may increase credit risk at Bell Canada.

13. FINANCIAL INSTRUMENTS (continued)

Currency exposures

The terms of the cross currency contracts essentially match the terms of the hedged items. The following table summarizes the debt-related strategies used to manage the exposure to fluctuations in foreign exchange rates, as at December 31, 1999:

		Before-hedging strategies		After-hedging strategies	
	Total	Canadian dollars	Foreign currency	Canadian dollars	Foreign currency
Long-term debt					
BCE Inc.	473	473	–	473	–
Bell Canada	7,031	5,736	1,295	6,107	924
CGI and BCE Emergis	49	49	–	49	–
BCE Media	322	310	12	310	12
BCI	1,987	160	1,827	160	1,827
Total long-term debt	9,862	6,728	3,134	7,099	2,763
Notes payable	157	46	111	46	111

Principal amounts to be received under cross currency contracts include DM 150 million, SF 300 million, US $280 million and $74 million. Principal amounts owed under cross currency contracts include US $250 million and $547 million.

Interest rate exposures

Long-term debt is issued mainly at fixed interest rates and notes payable are issued at market rates for commercial paper. The terms of the interest rate swaps are related to the hedged items and are principally between one and eight years in duration. The following table summarizes the debt and preferred share-related strategies used to manage the exposure to interest rate fluctuations and to reduce financing costs, as at December 31, 1999:

		Before-hedging strategies		After-hedging strategies	
	Total	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Long-term debt					
BCE Inc.	473	473	–	473	–
Bell Canada	7,031	7,031	–	6,881	150
CGI and BCE Emergis	49	49	–	49	–
BCE Media	322	307	15	307	15
BCI	1,987	1,091	896	1,091	896
Total long-term debt	9,862	8,951	911	8,801	1,061
Preferred shares	1,700	1,700	–	1,050	650
Notes payable	157	24	133	24	133

Fair value

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

13. FINANCIAL INSTRUMENTS (continued)

At December 31, 1999 and 1998, the carrying value of all financial instruments approximates fair value with the following exceptions:

	1999		1998	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt due within one year	**1,082**	**1,137**	1,089	1,112
Long-term debt	**8,780**	**9,077**	9,260	10,731
Derivative financial instruments, net assets (liability) position:				
Cross currency contracts (a)	**(44)**	**(28)**	120	110
Interest rate swaps	**–**	**(19)**	–	73

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

Sale of accounts receivable

Under an agreement effective October 14, 1997, Bell Canada sold accounts receivable for aggregate cash proceeds of $650 million. Pursuant to the agreement, the purchaser will use the funds from collections to purchase further receivables from Bell Canada until the expiration of the agreement on October 6, 2002.

Guarantees

At December 31, 1999, BCE had outstanding guarantees of $85 million representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

14. NON-CONTROLLING INTEREST

At December 31	1999	1998
Non-controlling interest in subsidiaries:		
Bell Canada	**829**	470
BCI	**66**	126
BCE Emergis	**121**	47
	1,016	643
Preferred shares, equity-settled notes and convertible debentures issued by subsidiaries:		
Bell Canada	**959**	645
BCI	**415**	–
Other	**70**	70
	1,444	715
	2,460	1,358

15. PREFERRED SHARES

Authorized

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

Authorized and outstanding

The following table provides a summary of the principal terms and conditions relating to the Corporation's authorized and outstanding series of First Preferred Shares. The detailed terms and conditions of such shares are set forth in the Corporation's articles of incorporation.

All series outstanding as at December 31, 1999, are non-voting except under certain circumstances when the holders are entitled to one vote per share and are convertible at the holder's option.

CUMULATIVE REDEEMABLE FIRST PREFERRED SHARES

									Authorized		Outstanding
											At December 31 Stated capital
Series	Annual dividend rate		Convertible date (on or after)	Convertible into	Redemption date	Redemption price		Number of shares		1999	1998
P	$1.600		July 15, 2002 (a)(i)	common shares	April 15, 2002	$25		16,000,000	(h)	**400**	400
Q	$1.725	(b)	December 1, 2000	Series R	December 1, 2000	$25	(c)	8,000,000	(h)	**200**	200
R			December 1, 2005	Series Q	December 1, 2005	$25		8,000,000	(g)	**–**	–
S	$1.320	(b)	November 1, 2001	Series T	November 1, 2001	$25	(c)	8,000,000	(h)	**200**	200
T			November 1, 2006	Series S	November 1, 2006	$25		8,000,000	(g)	**–**	–
U	$1.385	(d) (e)	March 1, 2007	Series V	March 1, 2007	$25	(f)	22,000,000	(h)	**350**	350
V			March 1, 2012	Series U	March 1, 2012	$25		22,000,000	(g)	**–**	–
W	$1.363	(d) (e)	September 1, 2007	Series X	September 1, 2007	$25	(f)	20,000,000	(h)	**300**	300
X			September 1, 2012	Series W	September 1, 2012	$25		20,000,000	(g)	**–**	–
Y	$1.150	(b)	December 1, 2002	Series Z	December 1, 2002	$25	(c)	10,000,000	(h)	**250**	250
Z			December 1, 2007	Series Y	December 1, 2007	$25		10,000,000	(g)	**–**	–
										1,700	1,700

(a) The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder. The Series P shares are, subject to the approval of certain stock exchanges, also convertible into common shares at the Corporation's option.

(b) Holders of Series Q, Series S and Series Y shares will be entitled to floating adjustable cumulative dividends commencing with the month of January 2001, December 2001 and January 2003, respectively.

(c) The Corporation may redeem the Series Q, Series S and Series Y shares at any time after December 1, 2000, November 1, 2001 and December 1, 2002, respectively, for $25.50 per share.

(d) The Corporation has entered into interest rate swap agreements until 2007 to effectively convert the Series U and W fixed dividends to floating rate dividends equal to the 90-day Bankers' Acceptance Rate less 0.675% and 0.594%, respectively.

(e) Holders of Series U and Series W shares will be entitled to floating cumulative dividends commencing with the month of April 2007 and October 2007, respectively.

(f) The Corporation may redeem the Series U and Series W shares on and after March 1, 2007 and September 1, 2007, respectively. However, if these Series are listed on The Toronto Stock Exchange, the redemption price after these dates shall be $25.50 per share.

(g) Authorized but not issued.

(h) Authorized and outstanding, except that only 14,000,000 Series U shares and 12,000,000 Series W shares are outstanding.

(i) A special meeting of the holders of Series P shares will be held on March 14, 2000, whereby the holders will be asked to vote for the removal of the conversion feature and the addition of a provision allowing for the shares to be redeemed at the option of the holders, on a quarterly basis on or after July 15, 2002. If the holders agree to the above changes, these shares will be henceforth classified in Other long-term liabilities.

16. COMMON SHARES

Authorized: an unlimited number of common shares.

	1999		1998	
	Number of shares	**Stated capital**	Number of shares	Stated capital
Outstanding at beginning of year	**640,131,136**	**6,559**	635,949,923	6,316
Shares issued				
For cash				
Shareholder Dividend Reinvestment and Stock Purchase Plan (a)	**1,020,402**	**71**	2,017,882	106
Employees' Savings Plan (b)	**1,047,926**	**70**	1,338,311	75
Exercise of stock options (c)	**355,216**	**11**	603,375	15
Exercise of put options by CGI shareholders (See Note 3)	**1,250,304**	**78**	878,045	54
Shares purchased for cancellation	**–**	**–**	(656,400)	(7)
Outstanding at end of year	**643,804,984**	**6,789**	640,131,136	6,559

During the year ended December 31, 1998, the Corporation purchased 656,400 of its common shares, under a normal course issuer bid, for an aggregate price of $32 million, of which $1 million was charged to contributed surplus and $24 million was charged to retained earnings.

(a) Shareholder dividend reinvestment and stock purchase plan (DRP)

Until September 1999, the Corporation's DRP allowed holders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of the Corporation. In September 1999, the Corporation's DRP was amended to provide that common shares to be acquired upon reinvestment of cash dividends and investment of optional cash payments will, at the Corporation's option, either be purchased on the open market through a stock exchange or will continue to be purchased directly from BCE Inc. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of $20,000 in each 12-month period ending October 15. Optional cash payments amounted to $15 million in 1999 and $20 million in 1998.

The price at which BCE Inc. common shares are purchased is, for open market purchases, the average of the actual cost (excluding brokerage commissions, fees and service charges) incurred by the DRP agent to purchase such shares during an Investment Period and, for direct purchases from BCE Inc., the weighted average price of all board lot trades of BCE Inc. common shares on The Toronto Stock Exchange during the three trading days immediately preceding an Investment Period on which at least a board lot of BCE Inc. common shares was traded. In the case of common shares to be purchased from BCE Inc., Investment Period means the first business day following the 15th day of each month. In the case of open market purchases, Investment Period means, to the extent deemed practicable by the DRP agent, with respect to a month during which there is a common dividend payment date, a maximum period of five business days commencing on the trade date for transactions which settle on the common dividend payment date and, with respect to any other month, the first business day following the 15th day of such month. No price discount is offered to participants. As at December 31, 1999, 8% of the number of outstanding common shares were enrolled in the DRP (8% as at December 31, 1998).

At December 31, 1999, 5,448,577 common shares were reserved for issuance under the DRP.

(b) Employees' savings plan (ESP)

The ESP enables employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. Under the terms of the ESP, employees can choose each year to have up to 10% of their annual earnings withheld to purchase the Corporation's common shares. The Corporation contributes up to a maximum of 2% of the employee's annual earnings. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1999, was 34,835 employees (34,793 employees in 1998).

Common shares of the Corporation are purchased by the ESP trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of ESP shares purchased on behalf of employees, including purchases from the Corporation shown in the table above, was 2,106,419 during 1999 and 3,004,844 in 1998.

At December 31, 1999, 8,452,289 common shares were reserved for issuance under the ESP.

(c) Stock options

Under the Long-Term Incentive Stock Option Programs (Programs) of the Corporation, options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation generally at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. At December 31, 1999, a total of 26,517,986 common shares remain authorized for issuance under the Programs. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment except when a special vesting period is granted. In 1999, 2,440,000 options and, in 1998, 220,000 options were granted with a five-year special vesting period that are fully exercisable in 2004 and 2003, respectively. Options are not generally exercisable during the first 12 months after the date of the grant. However, if there is a change of control of the Corporation, the options may, if an optionee's employment is terminated under certain circumstances, become immediately exercisable. Furthermore, with respect to optionees employed by certain subsidiaries of the Corporation, the same result may also occur if the Corporation ceases, under certain circumstances, to hold a specific percentage ownership interest (as set forth in the Programs) in such subsidiaries.

16. COMMON SHARES (continued)

Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. SCPs have been granted as follows: 3,371,400 in 1999 and 1,421,650 in 1998. At December 31, 1999, 5,382,679 SCPs covering the same number of shares as the options to which they are related were outstanding.

The following table summarizes the status of the Corporation's Stock Option Programs as of, and changes during the years ended, December 31, 1999 and 1998:

	1999		1998	
	Number of options	**Weighted-average exercise price**	**Number of options**	**Weighted-average exercise price**
Options outstanding at beginning of year	**2,820,295**	**$40**	2,329,629	$28
Granted	**3,645,109**	**$66**	1,421,650	$53
Exercised	**(355,216)**	**$32**	(603,375)	$24
Forfeited/Expired	**(343,176)**	**$59**	(327,609)	$39
Options outstanding at end of year	**5,767,012**	**$56**	2,820,295	$40
Options exercisable at December 31	**1,361,937**	**$35**	733,789	$26

The following table summarizes information about the Corporation's Stock Option Programs at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	**Number exercisable**	**Weighted-average exercise price**
$18 to 40	1,096,652	5	$28	901,158	$28
$41 to 60	865,772	7	$47	328,032	$46
$61 to 80	3,804,588	9	$66	132,747	$61
$18 to 80	5,767,012	8	$56	1,361,937	$35

17. PENSIONS

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

The pension credit and the projected plan benefits are based on management's best estimates including long-term rate of return on the pension asset portfolio, long-term interest rates and long-term salary escalation rates. Variances between such estimates and actual experience, which may be material, are amortized over the average remaining service lives of the employees. In addition, included in the restructuring charges are curtailment gains associated with employee severance.

The following table sets forth the consolidated financial position of the pension plans and BCE's net pension asset:

At December 31	**1999**	1998
Plan assets at market value	**12,000**	10,824
Actuarially projected plan benefits		
Accumulated plan benefits	**7,749**	6,622
Effect of salary projections	**878**	721
Projected plan benefits	**8,627**	7,343
Plan assets in excess of projected plan benefits	**3,373**	3,481
Unrecognized net experience gains	**(1,908)**	(2,282)
Unrecognized net assets existing at January 1, 1987	**(31)**	(42)
Unrecognized prior period costs	**90**	108
Net pension asset reflected on the consolidated balance sheet	**1,524**	1,265
Deferred pension asset, included in deferred charges (See Note 11)	**1,620**	1,364
Deferred pension obligation, included in other long-term liabilities	**(96)**	(99)
Net pension asset	**1,524**	1,265

17. PENSIONS (continued)

The components of BCE's pension credit are as follows:

	1999	1998
Service cost – benefits earned	**156**	288
Interest cost on projected plan benefits	**606**	939
Expected return on plan assets	**(837)**	(1,217)
Net amortization and other	**(122)**	(82)
Pension credit	**(197)**	(72)

18. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

At December 31, 1999, the future minimum lease payments under capital leases were $133 million. At December 31, 1999, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were $253 million in 2000, $216 million in 2001, $188 million in 2002, $164 million in 2003, $141 million in 2004 and $806 million thereafter. Rental expense applicable to operating leases for the year 1999 was $450 million ($659 million in 1998).

In addition, at December 31, 1999, BCI was committed to purchase $775 million in network equipment.

Litigation

In the normal course of operations, BCE becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 1999, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

Uncertainty due to the year 2000 issue (year 2000 readiness disclosure)

The Year 2000 issue arose because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems could have recognized the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 was processed. In addition, similar problems could have arisen in some systems which used certain dates in 1999 to represent something other than a date. Although the rollover to the Year 2000 has occurred, it is not possible to conclude, at this point in time, that all aspects of the Year 2000 issue that may affect BCE, including those related to customers, suppliers, or other third parties, have been fully resolved.

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

The material differences between Canadian and United States GAAP affecting the consolidated financial statements of BCE are reconciled in the table below.

	1999	1998
Net earnings applicable to common shares – Canadian GAAP	**5,366**	4,505
Adjustments		
Purchased in-process research and development (a)	**264**	(319)
Goodwill (b)	**(345)**	(123)
Postretirement benefits other than pensions (c)	**(58)**	(65)
Postemployment benefits (d)	**(8)**	(17)
Income taxes (e)	**392**	(527)
Income tax benefit related to stock options (f)	**(142)**	(20)
Pension credit (g)	**(23)**	(13)
Foreign exchange (h)	**(63)**	(24)
Gain on exchange of investments (i)	**99**	–
Gains on reduction of ownership in subsidiary and significantly influenced companies (j)	**(85)**	(698)
Additional pick-up of non-controlling interest losses (k)	**(80)**	–
Pre-operating expenses (l)	**(17)**	(6)
Other	**(49)**	(26)
Net earnings applicable to common shares – U.S. GAAP	**5,251**	2,667
Other comprehensive earnings items:		
Change in currency translation adjustment	**(467)**	(17)
Change in unrealized gain on investments, net	**8**	6
Comprehensive earnings – U.S. GAAP	**4,792**	2,656
Net earnings per common share – Canadian GAAP	**8.35**	7.07
– U.S. GAAP (m)		
• Basic	**8.17**	4.18
• Fully diluted	**7.97**	4.12

The cumulative effect of differences between Canadian and United States GAAP is to reduce retained earnings by $2,735 million as at December 31, 1999 and $2,620 million as at December 31, 1998.

(a) Purchased in-process R&D

Under United States GAAP, purchased in-process R&D having no alternative future use must be written-off at the time of acquisition. The adjustment represents the difference between the write-off of purchased in-process R&D recorded under United States GAAP and the purchased in-process R&D expense recorded under Canadian GAAP. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $55 million.

(b) Goodwill

Under Canadian GAAP, the aggregate purchase price on acquisitions is based on the market 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 of the transaction's announcement. The difference in the purchase price under Canadian and United States GAAP creates a difference in the amount of the purchase price allocated to goodwill. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $468 million.

(c) Postretirement benefits other than pensions

Under Canadian GAAP, the costs of postretirement benefits other than pensions, such as health and life insurance benefits for retirees, are charged to earnings when paid. United States GAAP requires the accrual of actuarially determined postretirement benefit costs as active employees earn these benefits. In reporting the impact of the adoption of Financial Accounting Standards Board Statement No. 106, *Employers' Accounting for Postretirement Benefits other than Pensions*, the transitional obligation (i.e. employees' service prior to adopting the new method of accounting effective January 1, 1993) of most of BCE's telecommunications subsidiary and significantly influenced companies is being amortized over 20 years. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $577 million.

(d) Postemployment benefits

Under Canadian GAAP, the costs of postemployment benefits are recognized as the claims are paid. United States GAAP requires the accrual of the postemployment benefits at the occurrence of an event that renders an employee inactive. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $133 million.

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

(e) Income taxes

Under United States GAAP, BCE adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities, including investments in significantly influenced companies, for financial reporting purposes and the amounts used for income tax purposes, computed based on the rates and provisions of the enacted tax law. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $110 million.

(f) Income tax benefit related to stock options

Under United States GAAP, the tax benefit associated with deductible stock option compensation is treated as an increase in contributed surplus. Under Canadian GAAP, the income tax benefit can be treated as a reduction to the income tax provision if compensation costs are not recorded. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $189 million.

(g) Pension credit

The difference arises mainly from variations in methodology for calculating pension expense, curtailments and settlements under Canadian GAAP compared with United States GAAP. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $37 million.

(h) Foreign exchange

Under Canadian GAAP, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are deferred and amortized over the remaining lives of the related items. Under United States GAAP, the translation gains and losses are reported in earnings immediately. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $182 million.

(i) Gain on exchange of investments

On May 31, 1999, Bruncor, MT&T and NewTel combined their businesses to form Aliant. As a result, Bell Canada exchanged the ownership interest it had in Bruncor (45%), MT&T (34%) and NewTel (55%) for a 42% interest in Aliant (See note 8). For United States GAAP purposes, the transaction represents, for Bell Canada, a series of non-monetary exchanges. Generally, exchanges of similar productive assets are accounted for at carrying value and no gain or loss is recognized. However, as a consolidated investment is not considered a productive asset, the exchange of Bell Canada's interest in NewTel was recorded at fair value. The cumulative effect of this difference is to increase retained earnings as reported under Canadian GAAP by $99 million.

(j) Gains on reduction of ownership in subsidiary and significantly influenced companies

Under Canadian and United States GAAP, a gain on reduction of ownership in a subsidiary or significantly influenced company is calculated in a similar manner. However, Canadian and United States GAAP differences will cause the underlying equity value of a subsidiary or significantly influenced company to be different; therefore, the resulting gain will be different. In addition, under United States GAAP, a gain on reduction of ownership in a significantly influenced company is tax effected. Furthermore, under United States GAAP, if certain conditions are met, the pooling of interest method can be used to account for an acquisition. Under Canadian GAAP the pooling of interest method can only be used when none of the parties included can be identified as the acquirer. Accordingly, under United States GAAP, the purchase of Excel by Teleglobe in 1998 (See Note 5) would have been accounted for using the pooling of interest method and the gain on reduction of ownership and goodwill referred to in Note 5 (d) would not have been recorded. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $783 million.

(k) Additional pick-up of non-controlling interest losses

Under Canadian and United States GAAP, the controlling shareholder is required to account for 100% of a subsidiary's losses when the non-controlling interest, related to that subsidiary, has been eliminated on the balance sheet. However, Canadian and United States GAAP differences will cause the point at which 100% of the losses are allocated to the controlling shareholder to be different. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $80 million.

(l) Pre-operating expenses

Under Canadian GAAP, pre-operating expenses can be deferred and amortized if they meet certain criteria. Under the United States GAAP, these costs are expensed as incurred. The cumulative effect of this difference is to reduce retained earnings as reported under Canadian GAAP by $74 million.

(m) Earnings per share

Under United States GAAP, companies are required to present diluted earnings per share using the treasury stock method, which differs from the method of computing fully diluted earnings per common share under Canadian GAAP.

20. SUBSEQUENT EVENTS

Distribution of Nortel Networks

On January 26, 2000, BCE announced a plan to distribute an approximate 37% interest in Nortel Networks to BCE common shareholders. As at February 23, 2000, the interest to be distributed was approximately 36% as a result of the issuance of additional common shares by Nortel Networks. BCE and Nortel Networks have signed a definitive agreement, which was approved by their respective boards of directors, to implement the proposed transaction by way of a plan of arrangement. Under the proposed plan of arrangement, BCE common shareholders will receive, for each common share of BCE held, approximately 0.78 (subject to adjustment at the time of completion of the transaction) of a common share of a new publicly traded Canadian company that will own all the shares of, and continue as, Nortel Networks. Each BCE shareholder will retain the same number of BCE common shares which will, after the distribution, reflect BCE's remaining interests in communications services. BCE is expected to retain an approximate 2% interest in Nortel Networks following completion of the distribution. The transaction will be recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's current approximate 38% interest in Nortel Networks (BCE's remaining approximate 2% interest in Nortel Networks will be recorded as an investment at cost). Accordingly, no gain or loss will be recorded on the transaction. Commencing in 2000, Nortel Networks will be presented as a discontinued operation. The transaction will be subject to customary conditions, including relevant tax rulings, and the approval of the plan of arrangement by the court and the common shareholders of BCE and Nortel Networks. BCE expects the new structure to be in place by the end of the second quarter of 2000.

Assuming that this transaction had occurred as at January 1, 1999, Net earnings applicable to common shares for the year ended December 31, 1999, would have been reduced by $0.4 billion to $5 billion, Investments in significantly influenced and other companies as at December 31, 1999, would have been reduced by $6.5 billion to $2.9 billion, and Common shareholders' equity as at December 31, 1999, would have been reduced by $6.5 billion to $9.7 billion.

Acquisition of Teleglobe

On February 15, 2000, BCE announced that it had entered into a definitive agreement to acquire all of the outstanding common shares of Teleglobe it currently does not own for approximately $9.65 billion in BCE common shares. BCE currently owns 23% of Teleglobe through Bell Canada. The number of BCE common shares to be issued to Teleglobe's shareholders is subject to a fixed "collar" share exchange ratio and will be based on BCE's share price following the distribution of Nortel Networks common shares to BCE's shareholders. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including Teleglobe's shareholders' approval, and is anticipated to close as soon as possible after regulatory and shareholder approvals have been received.

Acquisition of United Payors & United Providers, Inc. (UP&UP)

On February 6, 2000, BCE Emergis announced that it had entered into a definitive agreement to acquire 100% of UP&UP of Rockville, Maryland. UP&UP provides claims processing between insurance companies and health care providers, designed to produce cost savings and to offer benefits for insurance companies while increasing liquidity and improving efficiency in claims submissions for providers. The aggregate purchase price will be for a cash consideration of approximately US $580 million, subject to certain adjustments. Once completed, this acquisition will be accounted for using the purchase method. The transaction is subject to customary regulatory and other approvals, including UP&UP shareholders' approval, and is anticipated to close in the second quarter of 2000. Management of UP&UP and other major shareholders have agreed to vote their shares in favour of this transaction.

In order to facilitate this transaction, BCE Inc. has committed up to $800 million consisting of up to $650 million of BCE Emergis common equity, and a stand-by credit facility of up to $150 million represented by convertible notes.

Acquisition of Aliant

In January 2000, BCE successfully completed the acquisition of 15.8 million outstanding common shares, for $27.50 per share, of Aliant. This brings BCE's and Bell Canada's total ownership in Aliant to 54% (approximately 41% held by Bell Canada and approximately 13% held by BCE Inc.), or approximately 53% on a fully diluted basis. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

Issue and redemption of preferred shares by Bell Canada

On January 11, 2000, Bell Canada issued to the public 4,200,000 Cumulative Redeemable Class A Preferred Shares Series 15 (Series 15 Preferred Shares) at a price of $25 per share for an aggregate price of $105 million. On the same date, an additional 11,800,000 Series 15 Preferred Shares were issued at the price of $25 per share, for an aggregate price of $295 million, to the holders of Bell Canada's $150 million Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11 (Series 11 Preferred Shares) and $145 million Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 13 (Series 13 Preferred Shares). In addition, on January 11, 2000, Bell Canada redeemed the Series 11 Preferred Shares and the Series 13 Preferred Shares for an aggregate purchase price of $295 million.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

(Unaudited)	**1999**	1998	1997	1996	1995	1994
Statement of operations data ($ millions)						
Operating revenues	**14,214**	27,207	34,237	28,079	24,547	21,598
Earnings before extraordinary item	**5,459**	4,598	1,414	1,152	782	1,178
Extraordinary item	**–**	–	(2,950)	–	–	–
Net earnings (loss)	**5,459**	4,598	(1,536)	1,152	782	1,178
Net earnings (loss) applicable to common shares	**5,366**	4,505	(1,610)	1,076	695	1,086
Balance sheet data ($ millions)						
Total assets	**36,960**	32,170	40,298	41,261	38,861	38,193
Long-term debt (including current portion)	**9,862**	10,349	12,784	12,586	13,062	11,738
Preferred shares	**1,700**	1,700	1,700	1,450	1,250	1,229
Common shareholders' equity	**16,192**	11,945	8,109	10,522	10,039	10,123
Capital expenditures	**3,588**	3,774	3,413	3,128	2,804	2,811
Common share data (i)						
Earnings (loss) per common share						
Before extraordinary item	**8.35**	7.07	2.11	1.70	1.12	1.76
Extraordinary item	**–**	–	(4.64)	–	–	–
Net earnings (loss)	**8.35**	7.07	(2.53)	1.70	1.12	1.76
Dividends declared per common share	**1.36**	1.36	1.36	1.36	1.36	1.34
Other data						
Network access services (thousands)	**11,579**	11,556	11,221	10,869	10,593	10,300
Number of employees (thousands)	**55**	53	122	121	121	116

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

QUARTERLY FINANCIAL DATA

($ millions except per share amounts)	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
(Unaudited)	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
Operating revenues	**3,707**	3,654	**3,632**	6,536	**3,451**	9,056	**3,424**	7,961
Net earnings (loss)	**732**	344	**146**	3,740	**4,673**	318	**(92)**	196
Net earnings (loss) applicable to common shares	**709**	320	**123**	3,716	**4,649**	295	**(115)**	174
Net earnings (loss) per common share	**1.10**	0.50	**0.19**	5.83	**7.23**	0.46	**(0.18)**	0.27
Average number of common shares outstanding (millions)	**643.8**	639.7	**643.6**	637.9	**642.8**	636.7	**641.1**	636.2

board of directors*

L.R. Wilson, O.C
Oakville, Ontario
Chairman of the Board, BCE Inc.
A director from May 1985 to September 1989 and since November 1990. Chairman of the Corporate Governance Committee. A director of Bell Canada International Inc. and Nortel Networks Corporation.

Jean C. Monty, C.M.
Montreal, Quebec
President and Chief Executive Officer, BCE Inc.
A director from May 1991 to September 1992 and since October 1997. Chairman and Chief Executive Officer of Bell Canada and Chairman of the Board of Bell ExpressVu Inc. and Teleglobe Inc. A director of Bell Canada International Inc., CGI Group Inc. and Nortel Networks Corporation.

Ralph M. Barford
Toronto, Ontario
President
Valleydene Corporation Limited
A director since April 1987. Chairman of the Management Resources and Compensation Committee and a member of the Corporate Governance Committee. A director of Nortel Networks Corporation.

Micheline Charest
Westmount, Quebec
Co-founder, Chairman of the Board and Co-Chief Executive Officer
CINAR Corporation
A director since April 1999. Member of the Management Resources and Compensation Committee. A director of BCE Emergis Inc.

Richard J. Currie, C.M.
Toronto, Ontario
President
George Weston Limited
A director since May 1995. A member of the Management Resources and Compensation Committee. A director of Nortel Networks Corporation.

Donna S. Kaufman
Toronto, Ontario
Lawyer and Corporate Director
A director since June 1998. A member of the Audit Committee. A director of Bell Canada International Inc.

Thomas E. Kierans
Toronto, Ontario
Chairman and Chief Executive Officer
Canadian Institute for Advanced Research
A director since April 1999. A member of the Audit Committee. A director of CGI Group Inc.

Brian M. Levitt
Montreal, Quebec
Corporate Director
A director since May 1998. A member of the Management Resources and Compensation Committee. A director of Bell Canada and BCE Media Inc.

Judith Maxwell
Ottawa, Ontario
President
Canadian Policy Research Networks Inc.
A director since January 2000. A member of the Audit Committee.

John H. McArthur
Wayland, Massachusetts
Dean Emeritus
Harvard University Graduate School of Business Administration
A director since May 1995. A member of the Audit Committee and the Management Resources and Compensation Committee.

J. Edward Newall, O.C.
Calgary, Alberta
Chairman of the Board
NOVA Chemicals Corporation
A director since May 1989. Chairman of the Audit Committee and a member of the Corporate Governance Committee. A director of Bell Canada.

Guy Saint-Pierre, O.C.
Montreal, Quebec
Chairman of the Board
SNC-Lavalin Group Inc.
A director since May 1995. A member of the Corporate Governance Committee. A director of Bell Canada.

Paul M. Tellier, P.C., C.C., Q.C.
Westmount, Quebec
President and Chief Executive Officer
Canadian National Railway Company
A director since April 1999. Member of the Management Resources and Compensation Committee. A director of Bell Canada.

Victor L. Young, O.C.
St. John's, Newfoundland
Chairman and Chief Executive Officer
Fishery Products International Limited. A director since May 1995. A member of the Audit Committee.

corporate officers

Jean C. Monty
President and Chief Executive Officer

William D. Anderson
Chief Financial Officer

Peter J.M. Nicholson
Chief Strategy Officer

C. Wesley M. Scott
Chief Corporate Officer

Martine Turcotte
Chief Legal Officer

Michael T. Boychuk
Corporate Treasurer

Barry W. Pickford
Vice-President, Taxation

Marc J. Ryan
Corporate Secretary

*As of February 23, 2000

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

Effective January 27, 1999, the Management Resources and Nominating Committee (the "MRNC") was replaced by two separate committees, the CGC and the MRCC. In essence, the CGC performs the governance and nominating functions (as they pertain to the Board of Directors) previously performed by the MRNC, and the MRCC performs the compensation functions previously performed by the MRNC. Dividing committee responsibilities in this manner has permitted a diversity of membership and resulted in a deeper engagement of committee members to distinct spheres of responsibility, thus enhancing BCE's corporate governance.

Furthermore, in order to promote greater effectiveness of the committees of the Board of Directors, the Audit Committee and the Pension Fund Policy Committee ("PFPC") were combined, effective April 28, 1999, into a single committee, the Audit Committee. Accordingly, all functions previously performed by the PFPC are now performed by the Audit Committee.

The Audit Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the annual and interim consolidated financial statements and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation's processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement, independence and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other standing committees of the Board of Directors and management.

Since April 28, 1999, the Audit Committee performs all of the functions of the PFPC. Accordingly, the Audit Committee advises the Board of Directors on policy with respect to the administration, funding and investment of the Corporation's pension plan (the "Plan") and fund (the "Fund") and the unitized pooled fund sponsored by the Corporation for the collective investment of the Fund and participating subsidiaries' pension funds (the "Master Fund"). More particularly, the Audit Committee reviews the impact of the Plan liabilities and funding of proposed changes to benefits under the Plan; approves long-term funding objectives in relation to the Plan liabilities; approves the appointment or removal of the actuary of the Plan; and with respect to the Plan, the Fund and the Master Fund, reviews the system in place for carrying out the Corporation's responsibilities as employer and administrator of the Plan, the Fund and the Master Fund, including supervision and monitoring procedures and reports to the Board of Directors on its appropriateness; approves changes to the investment policies and goals to be followed in the investment of the Fund and the Master Fund; reviews the investment performance of the Fund and the Master Fund; and reviews and approves the audited financial statements of the Fund and the Master Fund. The Audit Committee met six times in 1999.

The CGC reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board of Directors and matters of corporate governance including standards of performance for directors, the size of the Board, tenure of directors, performance of directors, directors' remuneration in relation to current compensation practices, structure, responsibility and composition of Board committees and the merits of shareholder proposals. The CGC also undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his or her own participation on the Board. It reports to the Board periodically on the Board's assessment of its effectiveness. It also assists newly appointed Board members in becoming acquainted with the Corporation and its governance process. The CGC met five times in 1999.

The MRCC reviews, reports and, where appropriate, provides recommendations to the Board on: the appointment of the Chief Executive Officer and other officers; existing management resources and succession plans for officers and other management ranks; the performance of the Chief Executive Officer and other officers; the Corporation's executive compensation policy and the compensation of the Chief Executive Officer and other officers; and any proposed major changes in organization or personnel, or changes to the Corporation's pension and benefit plans. The MRCC met seven times in 1999.

MEMBERS OF COMMITTEES OF THE BOARD

AUDIT

J.E. Newall
Chairman

D.S. Kaufman

T.E. Kierans

J. Maxwell

J.H. McArthur

V.L. Young

CORPORATE GOVERNANCE

L.R. Wilson
Chairman

R.M. Barford

J.E. Newall

G. Saint-Pierre

MANAGEMENT RESOURCES AND COMPENSATION

R.M. Barford
Chairman

M. Charest

R.J. Currie

B.M. Levitt

J.H. McArthur

P.M. Tellier

NUMBER OF SHARES AND SHAREHOLDERS

At December 31, 1999, there were 643,804,984 BCE common shares outstanding and 191,218 registered common shareholders, and 68,000,000 preferred shares outstanding, and 709 registered preferred shareholders.

FOREIGN OWNERSHIP OF BCE SHARES

In order to maintain the eligibility of its Canadian common carrier subsidiaries under the Telecommunications Act, BCE has certain powers to limit foreign ownership to no more than one-third of all of its outstanding voting shares. At December 31, 1999, foreign ownership of BCE common shares was some 6.4%.

STOCK EXCHANGE LISTINGS

Toronto, New York, London and the Swiss Exchange.

SPECIAL SERVICES FOR SHAREHOLDERS

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

For more information, contact Montreal Trust Company

TRANSFER OFFICES AND REGISTRAR FOR SHARES

CANADA

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

NEW YORK

Harris Trust Company of New York:
(212) 701-7600

LONDON

CIBC Mellon Trust Company:
(44) 181 478 1888

DIVIDENDS ON COMMON SHARES*

Record Date	Payment Date
March 15, 2000	April 15, 2000
June 15, 2000	July 15, 2000
September 15, 2000	October 15, 2000
December 15, 2000	January 15, 2001

*Subject to approval by the Board of Directors.

DIVIDENDS PAID†

Since 1995, quarterly dividends of $0.34 per common share have been paid.

ESTATE AND SUCCESSION DUTIES

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

CANADIAN WITHHOLDING TAXES ON FOREIGN INVESTORS

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

If you have questions concerning withholding taxes, please contact BCE Investor Relations:
1 800 339-6353
(toll free in Canada and the U.S.)
Fax: (514) 786-3970

2000 ANNUAL AND SPECIAL MEETING

The annual and special meeting of BCE shareholders will take place at 10:30 a.m., Wednesday, April 26, 2000, at the Metro Toronto Convention Centre, 222 Bremner Blvd., Toronto, Ontario.

CORPORATE DOCUMENTS

Most of BCE Inc. corporate documents can be found on our Web site at **www.bce.ca**

Corporate documents can also be requested:

BY E-MAIL
investor.relations@bce.ca

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

BY MAIL
BCE Inc.
1000, rue de La Gauchetière O.
Bureau 3700
Montréal (Québec)
H3B 4Y7

Documents available are annual and quarterly reports, news releases, stock quote data, annual information forms, notices of meetings and management proxy circulars, and quarterly management's discussion and analysis.

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

where to reach us on the web

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H3B 3K9
email: faq@montrealtrust.com
tel: (514) 982-7555 *or*
1 800 561-0934
fax: (514) 982-7635

CANADIAN COMMUNICATIONS SERVICES

BELL CANADA	www.bell.ca
BELL ACTIMEDIA	www.bellactimedia.com
BELL MOBILITY	www.bellmobility.ca
BELL NEXXIA	www.bellnexxia.com
BELL INTRIGNA	www.intrigna.com
ALIANT	www.aliant.ca
MANITOBA TELECOM SERVICES	www.mts.mb.ca
NORTHERN TELEPHONE	www.northerntel.on.ca
NORTHWESTEL	www.nwtel.ca
TÉLÉBEC	www.telebec.qc.ca

GLOBAL TELECOMMUNICATIONS

TELEGLOBE	www.teleglobe.com
BELL CANADA INTERNATIONAL	www.bci.ca
EXCEL COMMUNICATIONS	www.excel.com
ORBCOMM	www.orbcomm.com

E-COMMERCE / SYSTEMS INTEGRATION

BCE EMERGIS	www.emergis.com
CGI GROUP	www.cgi.ca

MEDIA

BCE MEDIA	www.bcemedia.ca
BELL EXPRESSVU	www.expressvu.com
TELESAT CANADA	www.telesat.ca
TMI COMMUNICATIONS	www.msat.tmi.ca

OTHER

NORTEL NETWORKS	www.nortelnetworks.com
BCE CAPITAL	www.bcecapital.com

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