

BCE INC
Form 6-K
May 01, 2003

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934

For the month of: **April, 2003**

Commission File Number: **1-8481**

BCE Inc.

(Translation of Registrant's name into English)

1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec H3B 4Y7, (514) 397-7000
(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b):
82-_____ .

Only the BCE Inc. Management's Discussion and Analysis for the quarter ended March 31, 2003 and the BCE Inc. unaudited interim consolidated financial statements for the quarter ended March 31, 2003, included on pages 4 to 25 and 26 to 34 in the BCE Inc. 2003 First Quarter Shareholder Report filed with this Form 6-K, and the document entitled "Reconciliation of earnings reported in accordance with Canadian generally accepted accounting principles ("GAAP") with United States GAAP", filed with this Form 6-K, are incorporated by reference in the registration statements filed by BCE Inc. with the Securities and Exchange Commission on Form F-10 (Registration No. 333-97069), Form F 3 (Registration No. 333-12130), Form S-8 (Registration No. 333-12780), Form S-8 (Registration No. 333-12802) and Form S-8 (Registration No. 333-12804). Except for the foregoing, no other document or portion of document filed with this Form 6-K is incorporated by reference in BCE Inc.'s registration statements. Notwithstanding any reference to BCE's Web site on the World Wide Web in the documents attached hereto, the information contained in BCE's site or any other site on the World Wide Web referred to in BCE's site is not a part of this Form 6-K and, therefore, is not filed with the Securities and Exchange Commission.

For immediate release

(All figures are in Cdn\$, unless otherwise indicated)

BCE REPORTS ITS FIRST QUARTER 2003 RESULTS

- ◇ *EPS from Continuing Operations up 19%*
- ◇ *Comparable Revenue up 4.4%; Comparable EBITDA up 7.4%*

Montréal (Québec), April 30, 2003 For the first quarter of 2003, BCE Inc. (TSX, NYSE: BCE) reported earnings per share from continuing operations of \$0.50 (total earnings applicable to common shares of \$458 million), up 19% compared to \$0.42 per common share (total earnings applicable to common shares of \$342 million) last year.

On a comparable basis, excluding the impacts of the sale of Bell Canada's directories business on November 29, 2002, and the May 30, 2002 CRTC Price Cap decision, BCE's total revenue growth was 4.4% and total EBITDA⁽¹⁾ growth was 7.4%. Reported total revenue was \$4.9 billion, an increase of 0.8% over last year, and reported EBITDA was \$1.8 billion, up 0.7% over last year.

Despite challenges in our industry, we delivered a reasonably balanced performance for the quarter, said Michael Sabia, President and CEO of Bell Canada Enterprises. While we continue to face pressures in certain areas of our business, we have achieved solid growth in others. We now have more than four million subscribers in our wireless operation and strong demand for DSL High-speed Internet grew our subscriber base by 39%.

We continue to execute on our plans to improve our productivity and tightly manage our capital expenditures, concluded Mr. Sabia. For the quarter, our operations delivered free cash flow (after CAPEX and dividends) of \$236 million. With now close to \$2 billion of consolidated cash, we are well positioned to reduce debt levels and strengthen our balance sheet.

Operational Highlights

	Q1 2003	As at March 31, 2003
Cellular and PCS	70,000 net additions	3,989,000 subscribers
High-speed Internet (DSL)	96,000 net additions	1,206,000 subscribers
Bell ExpressVu (DTH)	13,000 net additions	1,317,000 subscribers
Bell Globemedia revenue	Up 7% to \$335 million	-
Data revenue	Up 3% to \$933 million	-
Productivity initiatives	\$138 million	-

- Excluding the impacts of the sale of Bell Canada's directories business and the Price Cap decision, EBITDA as a percentage of revenues was at 37.1% in the first quarter of 2003 compared to 36.5% for the same period last year.
- Excluding the impacts of the sale of Bell Canada's directories business and the Price Cap decision, operating income (operating revenues less operating expenses, amortization expense and net benefits plan expense) increased by \$75 million or 8.1% as a result of increased EBITDA partially offset by higher net benefit (pension) plans expense. Reported operating income decreased by \$40 million to \$1.0 billion.
- Earnings per share from continuing operations increased by 19% as a result of growth in operations and higher foreign exchange gains due to a strengthened Canadian dollar. Additionally, earnings per share for the first quarter of 2003 reflected the benefit of regaining 100% of Bell Canada's earnings as well as shareholders' dilution due to the issuance of new debt and equity in 2002 to partially finance

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BCE's return to full ownership of Bell Canada.

- Free cash flow (after CAPEX and dividends) of \$236 million for the first quarter of 2003 improved significantly from the negative \$654 million from the same period last year. This resulted from reduced capital expenditures, increased cash from operations, and the impact of cash tax refunds of \$237 million relating to utilized capital losses compared to taxes paid of \$288 million mainly on capital gains last year.

Outlook

BCE confirmed its annual financial guidance of \$19.3 billion to \$20.0 billion for revenue, \$7.4 billion to \$7.8 billion for EBITDA, and \$1.85 to \$1.95 for net earnings per share (before non-recurring items) ⁽²⁾.

BCE now expects Bell ExpressVu total year end subscribers of 1.425 million to 1.475 million (previously 1.45 million to 1.55 million). BCE expects Bell ExpressVu's revenue growth to be at the low end of its 2003 guidance of 20% to 25% and confirms previously stated guidance of approximately 50% EBITDA growth.

RESULTS BY BUSINESS GROUP (unaudited)

BCE operated under four segments as at March 31, 2003: Bell Canada, Bell Globemedia, BCE Emergis and BCE Ventures (which consists of BCE's other investments).

	(Cdn\$ millions, except per share amounts)	
For the period ended March 31	First quarter	
	2003	2002
Revenue		
Bell Canada	4,259	4,303
Bell Globemedia	335	312
BCE Emergis	124	132
BCE Ventures	308	263
Corporate and Other, including Inter-segment eliminations	(124)	(148)
Total revenue	4,902	4,862
EBITDA		
Bell Canada	1,724	1,755
Bell Globemedia	37	33
BCE Emergis	15	(20)
BCE Ventures	84	77
Corporate and Other, including Inter-segment eliminations	(40)	(37)
Total EBITDA	1,820	1,808
Net earnings (loss)		
Bell Canada	427	314
Bell Globemedia	(2)	1

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BCE Emergis	6	(15)
BCE Ventures	39	24
Corporate and Other, including Inter-segment eliminations	3	31

Earnings from continuing operations	473	355
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Discontinued operations	-	(45)
Dividends on preferred shares	(15)	(13)

Net earnings applicable to common shares	458	297
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Net earnings per common share	0.50	0.37
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Effect on earnings per common share discontinued operations		0.05
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Earnings from continuing operations	0.50	0.42
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Note: Refer to Note 1 of the attached BCE Q1 2003 Financial Statements for information on changes to accounting policies.

FIRST QUARTER REVIEW (Q1 2003 vs. Q1 2002, unless otherwise indicated)

BELL CANADA

The Bell Canada segment includes Bell Canada, Aliant, Bell ExpressVu (at 100%) and Bell Canada's interests in other Canadian telcos.

For the period ended March 31	(Cdn\$ millions)	
	First quarter 2003	2002
Bell Canada Revenue		
Local and access	1,500	1,519
Long distance	646	648
Wireless	570	504
Data	933	905
DTH Satellite Services	177	151
Terminal sales & other	433	444
Directory advertising	-	132
Total Bell Canada revenue	4,259	4,303

- Excluding the impact of the sale of the directories business and the Price Cap decision, revenues for the quarter increased by \$122 million or 2.9%.

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Wireline

- Local and access revenues decreased by 1.3%, due mainly to the effects of the Price Cap decision and a 0.8% decrease in residential and business local access lines.
- Long distance revenues were relatively stable, as competitive pricing pressures continued to offset the effects of a 5% increase in quarterly conversation minutes and higher network access and other fees.

Wireless

- Wireless revenues were up 13% due to continued strong growth in cellular and PCS subscribers.
- Wireless postpaid net additions were at 52,000. Total postpaid wireless churn was at a historically low level of 1.3% and reflected our priority on customer service.
- Wireless EBITDA increased by 23% to reach \$219 million, due to the increase in revenues and productivity initiatives.

Data

- Data revenues increased by 3%. Higher Sympatico ISP, I/P Broadband and Managed Network Services revenues more than offset continued softness in demand from the Business and Wholesale markets as well as the effects of the Price Cap decision.
- Total Internet (High-speed and dial-up) subscribers reached 2,146,000 as at March 31. Total High-speed Internet subscribers grew by 39%.

DTH (Direct to Home) Satellite Services

- Increases in Bell ExpressVu's subscriber base and pricing for some packages contributed to its 17% improvement in revenues. There were 15% more subscribers compared to the first quarter of 2002.

EBITDA and CAPEX

- Excluding the impact of the sale of the directories business and the Price Cap decision, Bell Canada's EBITDA increased by \$84 million or 5% in the first quarter due to continued cost management and productivity gains of \$131 million.
- Bell's quarter-end CAPEX intensity (capital expenditures as a percentage of revenue) was 13%, down from 18% in the first quarter of 2002, due to the focus on capital efficiency and the weighting of certain capital projects towards subsequent quarters.

BELL GLOBEMEDIA

Bell Globemedia includes CTV and The Globe and Mail.

- Total revenue was \$335 million in the quarter compared with revenue of \$312 million for the same period last year.
- Television advertising revenues increased by 13% compared to the first quarter of 2002 due to stronger programming and the strengthening of the overall television advertising market.
- EBITDA improved by 12% to \$37 million, reflecting the increase in revenues and management's cost control efforts.

BCE EMERGIS

- Revenue was \$124 million in the first quarter, compared with \$132 million for the same period in 2002 and \$131 million in the fourth quarter of 2002.
- Year-over-year quarterly EBITDA increased by \$35 million to reach \$15 million, reflecting management's success in containing costs through restructuring and productivity improvements and the exit from non-core businesses. EBITDA decreased by \$5 million compared to fourth quarter 2002 EBITDA.

BCE VENTURES

BCE Ventures includes the activities of CGI, Telesat and other investments.

- BCE Ventures' revenue was \$308 million in the quarter, an increase of 17% when compared with the same period of 2002, due mainly to CGI's January 2003 acquisition of Cognicase Inc.
- EBITDA was \$84 million in the quarter compared with \$77 million in the first quarter of 2002, due mainly to CGI's acquisition of Cognicase.

BELL CANADA STATUTORY RESULTS

Bell Canada statutory includes Bell Canada, and Bell Canada's interests in Aliant, Bell ExpressVu (at 52%), and other Canadian telcos.

Bell Canada's reported revenue was \$4.3 billion in the first quarter of 2003, up 20% due to the consolidation of Aliant and Bell ExpressVu effective December 31, 2002. Net earnings applicable to common shares were \$495 million in the first quarter of 2003, compared to net earnings applicable to common shares of \$473 million for the same period last year.

ABOUT BCE

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

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Supplementary BCE Financial Information:

Bell Canada Enterprises' 2003 First Quarter Shareholder Report and other relevant financial materials are available at www.bce.ca/en/investors, under Investor Briefcase.

Call with Financial Analysts:

BCE will hold a teleconference / Webcast (audio only) for financial analysts to discuss its first quarter results on Wednesday, April 30, 2003 at 8:00 AM (Eastern). *The media is welcome to participate on a listen only basis.* Michael Sabia, President and Chief Executive Officer, and Siim Vanaselja, Chief Financial Officer, will be present for the teleconference.

Interested participants are asked to dial (416) 405-9328 between 7:50 AM and 7:58 AM. If you are disconnected from the call, simply redial the number. If you need assistance during the teleconference, you can reach the operator by pressing 0. This teleconference will also be Webcast live (audio only) on our Web site at www.bce.ca.

A replay facility will be available between 12:00 PM on Wednesday, April 30, 2003 and 12:00 PM on Wednesday, May 7, 2003. To access the replay facility, please dial (416) 695-5800 and enter access code 1406519. The Webcast will also be archived on our Web site.

Call with the Media:

BCE will hold a teleconference / Webcast (audio only) for media to discuss its first quarter results on Wednesday, April 30, 2003 at 1:00 PM (Eastern). Michael Sabia will be present for this teleconference.

Interested participants are asked to dial (416) 406-6419 or 888 575-8232 between 12:50 PM and 12:58 PM. If you are disconnected from the call, simply redial the number. If you need assistance during the teleconference, you can reach the operator by pressing 0. This teleconference will also be Webcast live (audio only) on our Web site at www.bce.ca.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made in this press release, including, but not limited to, the statements appearing under the "Outlook" section, and other statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These statements do not reflect the potential impact of any non-recurring items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof.

Other factors that could cause results or events to differ materially from current expectations include, among other things: general economic conditions, the level of consumer confidence and spending and the state of capital markets; the impact of adverse changes in laws or regulations or of adverse regulatory initiatives or proceedings; the level of demand, including in particular by the enterprise sector, and prices, for products and services in the telecom (e.g., data, IP broadband and voice services), media and e-business markets; BCE Inc.'s and its subsidiaries' ability to manage costs, generate productivity improvements and decrease capital

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intensity while maintaining quality of service; the intensity of competitive activity, from both traditional and new competitors, and its resulting impact on the ability to retain existing, and attract new, customers, and the consequent impact on pricing strategies, revenues and net income; the risk of low returns on pension plan assets continuing resulting in the erosion of our pension fund surpluses which could require us to commence making pension fund contributions and/or recognize pension expenses; the financial condition and credit risk of customers and uncertainties regarding collectibility of receivables; the availability and cost of capital required to implement BCE Inc.'s and its subsidiaries' financing plans and fund capital and other expenditures; the ability to deploy new technologies and offer new products and services rapidly and achieve market acceptance thereof; the ability to package and cross sell various services offered by the BCE group of companies; the ability of the BCE group companies' strategies to produce the expected benefits and growth prospects; stock market volatility; the availability of, and ability to retain, key personnel; and the final outcome of pending or future litigation.

For additional information with respect to certain of these and other factors, refer to BCE Inc.'s Annual Information Form for the year ended December 31, 2002 filed by BCE Inc. with the U.S. Securities and Exchange Commission, under Form 40-F, and with the Canadian securities commissions, and when filed, to BCE Inc.'s First Quarter 2003 Management's Discussion and Analysis filed with the U.S. Securities and Exchange Commission, under Form 6-K, and with the Canadian securities commissions. The forward-looking statements contained in this press release represent the expectations of BCE Inc. and its subsidiaries as of April 30, 2003 and, accordingly, are subject to change after such date. However, BCE Inc. and its subsidiaries disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For further information:

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(1) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans (credit) expense and restructuring and other charges. EBITDA is presented on a basis that is consistent from period to period. We believe EBITDA to be an important measure as it allows us to assess the operating performance of our ongoing businesses without the effects of amortization expense, net benefit plans (credit) expense and restructuring and other charges. We exclude amortization expense and net benefit plans (credit) expense because they substantially depend on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of capital assets and the fund performance of a company's pension plans. We exclude restructuring and other charges because they are transitional in nature. EBITDA allows us to compare our operating performance on a consistent basis. We also believe that EBITDA is used by certain investors and analysts to measure a company's ability to service debt and to meet other payment obligations or as a valuation measurement that is commonly used in the telecommunications industry. EBITDA should not be confused with net cash flows from operating activities. The most comparable Canadian GAAP earnings measure is operating income. The following is a reconciliation of EBITDA to operating income on a consolidated and segmented basis:

in \$ millions	Bell Canada	Bell Globe- media	BCE Emergis	BCE Ventures	Corpo- rate and other	BCE Consoli- dated
For the three months ended						
March 31, 2003						
EBITDA	1,724	37	15	84	(40)	1,820
Amortization expense	735	17	14	28	(18)	776
Net benefit plans expense (credit)	44	1	-	-	(3)	42
Operating income (loss)	945	19	1	56	(19)	1,002
For the three months ended						
March 31, 2002						
EBITDA	1,755	33	(20)	77	(37)	1,808
Amortization expense	715	17	23	32	(15)	772
Net benefit plans expense (credit)	(8)	1	-	-	1	(6)
Operating income (loss)	1,048	15	(43)	45	(23)	1,042

(2) The term net earnings before non-recurring items does not have any standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. We define it as net earnings applicable to common shares adjusted for non-recurring items, which include (on an after-tax basis) BCE's share of: net gains (losses) on investments, impairment charges, the results of discontinued operations and restructuring and other charges. Net earnings before non-recurring items are presented on a basis that is consistent from period to period. We use net earnings before non-recurring items to assess our profitability without regard to net gains (losses) on investments, impairment charges, the results of discontinued operations and restructuring and other charges. We exclude these items because they are considered to be of a non-operational or non-recurring nature and accordingly affect the period-to-period comparability of our results. Net earnings before non-recurring items allows us to compare our profitability on a consistent basis. The most comparable Canadian GAAP earnings measure is net earnings applicable to common shares.

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April 29, 2003

Bell Canada Enterprises 2003 First Quarter Shareholder Report

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The Quarter at a Glance

Revenues

n Our operating revenues for the first quarter were \$4,902 million, up \$40 million or 0.8% from the same period last year. The year-over-year increase in revenues was negatively impacted by the sale of our directories business in November 2002 which contributed \$132 million of revenues in Q1 2002 and the CRTC Price Cap decision of May 2002 which reduced this quarter's local and access, long distance, and data revenues by approximately \$34 million.

n On a comparable basis, our revenues increased 4.4%, driven by revenue growth at Bell Canada of 13.1% in wireless services, 17.2% in direct-to-home television DTH services and 23% in consumer data services, complemented by revenue growth of 7.4% at Bell Globemedia and 31% at CGI driven by its acquisition of Cognicase. Bell Canada's business and wholesale data revenues continued to reflect the softness in their respective markets, and on a comparable basis grew 1.9% over the same period last year.

Customer Connections

n WIRELESS. Our wireless subscriber base grew by 70,000 customers this quarter, with 74% of these net additions coming from more profitable post-paid rate plans. Blended churn of 1.4% improved from both the first and fourth quarters of 2002 and reflects historically low post-paid churn of 1.3%.

n In April of this year, we achieved a new milestone by becoming the first Canadian company to reach 4,000,000 cellular and PCS customers.

n DSL. Our DSL high-speed Internet business added 96,000 subscribers this quarter to reach 1.2 million. Sympatico High-Speed Edition net additions this quarter exceeded net additions for our Sympatico Basic service.

n SATELLITE TV. Our DTH subscriber base grew by 13,000 subscribers, down from the 76,000 net additions achieved in Q1 2002. A decline in customer gains this quarter reflected a significant slowdown in DTH market demand, as well as fewer promotions and less advertising, particularly in the early part of the quarter.

n NETWORK ACCESS SERVICES (NAS). Our NAS in service declined modestly by 0.8% to 13.1 million this quarter from the 13.2 million in service at the end of Q1 2002, primarily reflecting losses to competition and substitution effects from both wireless and high-speed Internet services.

EBITDA⁽¹⁾ and Productivity

n We achieved \$1,820 million in EBITDA this quarter, up 0.7% from \$1,808 million in Q1 2002. We generally maintained our EBITDA margin of 37.1%, despite decreases in Bell Canada's EBITDA from the CRTC Price Cap decision of approximately \$34 million and the sale of the directories business, which contributed \$81 million in EBITDA in Q1 2002.

n On a comparable basis, EBITDA increased 7.4% from Q1 2002 reflecting our continued focus on productivity improvements which generated \$138 million in efficiency savings.

n We continue to make progress in simplifying our business through the roll-out of productivity initiatives such as our interactive voice response system [Emily], specialized call center [Move Queues], automated service confirmation, and web order entry tools. These initiatives contribute to our productivity gains by helping reduce costs and improve customer service as reflected in Bell Canada's increasing customer value index as well as improving CRTC indicators.

n Our productivity improvement program includes numerous projects from across the company. Key elements of our program include reducing call center and field service costs, taking costs out of our supply chain, and improving margins on newer services.

(1) EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under Canadian GAAP. Please see Non-GAAP measures on page 4 for more details.

Net Earnings/EPS

n Consolidated net earnings applicable to common shares of \$458 million, or \$0.50 per common share for the first quarter of 2003, were up \$161 million or \$0.13 per common share from Q1 2002. Higher net earnings this quarter resulted from the benefit of regaining 100% of Bell Canada's earnings, lower taxes and foreign currency gains. These factors more than offset the negative earnings impact of the sale of our directories business, the effects of lower pension returns, and the impact of the financing plan put in place to repurchase SBC's 20% interest in Bell Canada Holdings in 2002. In addition, Q1 2002 net earnings were negatively impacted by losses of \$45 million from Teleglobe discontinued operations.

n To improve reporting transparency and comparability with industry peers, we commenced expensing stock options and costs of acquisitions relating to our wireless and DTH businesses. These accounting changes are reflected in our 2003 results and 2002 comparative results, and resulted in no material impact to our EBITDA or net earnings.

n BCE achieved a Return on Equity (ROE) (2) of 16.4% for the quarter compared to 14.0% for the fourth quarter of 2002 due to the improvement in our net earnings.

Capital Expenditures

n We continued our tight management of capital expenditures in the first quarter, significantly reducing expenditures from \$861 million in Q1 2002 to \$601 million this quarter. The Bell Canada Segment accounts for \$540 million of the total, of which approximately 60% is associated with growth sectors and productivity initiatives, including wireless, IP/broadband, DSL and billing modernization. As a percentage of our revenues, capital expenditures declined from 17.7% in Q1 2002 to 12.3% this quarter reflecting in part a number of capital programs being delayed to the second and third quarters. For the full year, we continue to expect capital expenditures to represent 17%-18% of revenues.

Free Cash Flow⁽³⁾

n Free cash flow of \$236 million after dividends for the first quarter of 2003 improved significantly from the negative \$654 million for the same period last year, reflecting:

- reduced capital expenditures and improved cash from operations
- the receipt of \$237 million of tax refunds in the first quarter of 2003 generated from capital losses
- the payment of \$288 million of taxes in the first quarter of 2002 on capital gains.

n Before the payment of dividends, our free cash flow of \$493 million in Q1 of 2003, compares favourably to the negative \$411 million of free cash flow in the same period last year.

n Our net debt to capitalization ratio decreased to 47.5% at March 31, 2003 from 48.8% at December 31, 2002, principally as a result of a net issuance of \$153 million in preferred shares and the receipt of \$237 million of tax refunds.

(2) ROE (return on common shareholders' equity) does not have any standardized meaning under Canadian GAAP. Please see Non-GAAP measures on page 4 for more details.

(3) Free cash flow is calculated as cash flows from operations after capital expenditures and dividends, and before investments and divestitures.

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on BCE's operations, performance and financial condition for the first quarters ended March 31, 2003 and 2002. Please refer to the unaudited consolidated financial statements starting on page 26 when reading the MD&A.

ABOUT FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about BCE's objectives, strategies, financial condition, results of operation and our businesses. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations are discussed on pages 16 to 22 under "Forward-Looking Statements" and "Risk Assessment". BCE assumes no obligation to update or revise any forward-looking statements, whether as a result of new information or otherwise.

In this MD&A, we, us, our and BCE mean BCE Inc., its subsidiaries, joint ventures and investments in significantly influenced companies. Bell Canada, Aliant Inc. (Aliant), Bell ExpressVu Limited Partnership (Bell ExpressVu) and their subsidiaries and investments in significantly influenced companies are referred to as the Bell Canada Segment.

Unless otherwise mentioned in this MD&A, the outlooks provided in BCE Inc.'s 2002 annual MD&A dated February 26, 2003 remain unchanged.

Non-GAAP Measures

Certain measures used in this MD&A do not have any standardized meaning under Canadian generally accepted accounting principles (GAAP). Below you will find a discussion of these non-GAAP measures, as well as a reconciliation to the most comparable GAAP measure.

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. We define it as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans (credit) expense and restructuring and other charges. EBITDA is presented on a basis that is consistent from period to period.

We believe EBITDA to be an important measure as it allows us to assess the operating performance of our ongoing businesses without the effects of amortization expense, net benefit plans (credit) expense and restructuring and other charges. We exclude amortization expense and net benefit plans (credit) expense because they substantially depend on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of capital assets and the fund performance of a company's pension plans. We exclude restructuring and other charges because they are transitional in nature.

EBITDA allows us to compare our operating performance on a consistent basis. We also believe that EBITDA is used by certain investors and analysts to measure a company's ability to service debt and to meet other payment obligations or as a valuation measurement that is commonly used in the telecommunications industry.

EBITDA should not be confused with net cash flows from operating activities. The most comparable Canadian GAAP earnings measure is operating income. The following is a reconciliation of EBITDA to operating income on a consolidated and on a segmented basis.

	Bell Canada	Bell Globe-	BCE	BCE	Corpo- rate and other	BCE Consoli- dated
(in \$ millions)	Segment	media	Emergis	Ventures		

For the three months
ended March 31,

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2003						
EBITDA	1,724	37	15	84	(40)	1,820
Amortization expense	735	17	14	28	(18)	776
Net benefit plans expense (credit)	44	1	□	□	(3)	42

Operating income (loss)	945	19	1	56	(19)	1,002
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For the three months ended March 31, 2002						
EBITDA	1,755	33	(20)	77	(37)	1,808
Amortization expense	715	17	23	32	(15)	772
Net benefit plans expense (credit)	(8)	1	□	□	1	(6)

Operating income (loss)	1,048	15	(43)	45	(23)	1,042
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NET EARNINGS BEFORE NON-RECURRING ITEMS AND ROE

The term net earnings before non-recurring items does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. We define it as net earnings applicable to common shares adjusted for non-recurring items, which include (on an after-tax basis) BCE's share of: net gains (losses) on investments, impairment charges, the results of discontinued operations and restructuring and other charges. Net earnings before non-recurring items are presented on a basis that is consistent from period to period.

We use net earnings before non-recurring items to assess our profitability without regard to net gains (losses) on investments, impairment charges, the results of discontinued operations and restructuring and other charges. We exclude these items because they are considered to be of a non-operational or non-recurring nature and accordingly affect the period-to-period comparability of our results. Net earnings before non-recurring items allow us to compare our profitability on a consistent basis. The most comparable Canadian GAAP earnings measure is net earnings applicable to common shares. The following is a reconciliation on a consolidated basis of net earnings before non-recurring items to net earnings applicable to common shares.

(in \$ millions)	Q1 2003	Q1 2002
Net earnings applicable to common shares as reported	458	297
Non-recurring items:		
Discontinued operations	□	(45)
Net earnings before non-recurring items	458	342

Return on common shareholders' equity (ROE) is calculated as annualized net earnings before non-recurring items as a percentage of average common shareholders' equity.

Financial Results Analysis

Operating Revenues

(in \$ millions)	Q1 2003	Q1 2002	% change
Bell Canada Segment	4,259	4,303	(1.0%)
Bell Globemedia	335	312	7.4%
BCE Emergis	124	132	(6.1%)
BCE Ventures	308	263	17.1%
Corporate and other	(124)	(148)	16.2%
Total operating revenues	4,902	4,862	0.8%

BCE Revenues increase 0.8% despite directories sale

n In the first quarter of 2003, our revenues grew 0.8% to \$4,902 million, reflecting revenue growth at Bell Globemedia and BCE Ventures, partly offset by lower revenues at the Bell Canada Segment and BCE Emergis.

n The Bell Canada Segment's revenues declined 1.0% to \$4,259 million, reflecting:

- the sale of the directories business in late 2002 which contributed \$132 million to our revenues in Q1 2002.
- the second Price Cap decision released by the Canadian Radio-television and Telecommunications Commission (CRTC) on May 30, 2002 (Price Cap decision) which mandated price reductions on various services leading to a reduction of approximately \$34 million in our revenues this quarter.

n On a comparable basis, the Bell Canada Segment's revenues increased by 2.9%, driven primarily by growth in customer connections and revenues from wireless, high-speed Internet access, and direct-to-home television (DTH) services. From March 31, 2002 to March 31, 2003:

- cellular and PCS subscribers grew by 12.4% to reach 4 million. Wireless revenues grew by 13.1% in the first quarter compared to the same period last year.

- high-speed Internet subscribers grew by 39.3% to reach 1.2 million. The majority of this growth came from residential customers, leading to growth in consumer data revenues of 23% this quarter compared to the first quarter of 2002.

- DTH subscribers grew by 15.0% to reach 1.3 million, leading to DTH revenue growth of 17.2%.

n The Bell Canada Segment's revenue growth in these new consumer services made up for revenue declines in the traditional service area of local and access, as well as relatively flat long-distance and business and wholesale data revenues.

n Bell Globemedia's revenue growth of 7.4% reflected a stronger television schedule and an improved television advertising market.

n The 6.1% revenue decline at BCE Emergis is due mainly to lower revenue from the distribution agreement with Bell Canada for legacy products and other non-core and exited products.

n At BCE Ventures, revenue growth of 17.1% was driven by CGI Group Inc.'s (CGI) acquisition of Cognicase Inc. (Cognicase) in January of this year.

Bell Canada Segment

LOCAL AND ACCESS REVENUES IMPACTED BY PRICE CAP DECISION

n Local and access revenues declined to \$1,500 million in the first quarter of 2003 from the \$1,519 million in the first quarter of 2002. This decline was primarily the result of the Price Cap decision and a reduction in the number of NAS.

n The Price Cap decision mandated rate reductions in certain business services and services provided to competitors and led to a reduction of \$16 million in revenues this quarter. On a comparable basis, local and access revenues would have declined by 0.2%.

n NAS in service declined by 103,000 or 0.8% over the first quarter of 2002 as a result of continued pressure from growth in high-speed Internet access which reduces the need for second telephone lines, losses resulting from competition and business failures or downsizings and customers substituting wireline with wireless telephone service.

LONG DISTANCE REVENUES REMAIN STABLE

n Long distance revenues remained essentially flat year-over-year at \$646 million.

n We continued to experience competitive pressures on business long distance prices. Residential pricing improved, however, reflecting increased network charges introduced in December 2002 and a minimum block of time charge introduced in Q2 2002. Overall, average revenue per minute (ARPM) was stable at \$0.124.

n A 4.8% increase in the volume of conversation minutes was offset by lower settlement payments and a \$4 million decline related to the Price Cap decision.

n At the end of Q1 2003, our long distance market share in Ontario and Quebec was 63.5%, up very modestly from Q1 2002. In Atlantic Canada, our estimated market share declined to 87.8% from 88.5% over the same period last year.

WIRELESS GROWTH CONTINUED WITH STRONG POST-PAID ADDS

Growth

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n Wireless service revenues were \$570 million for the quarter, up 13.1% from the same period last year, driven by a 12.4% increase in the subscriber base and higher average revenue per subscriber.

n Net activations of 70,000 in the first quarter of 2003 brought our total cellular and PCS subscriber base to 3,989,000. Including paging subscribers, our total wireless customer base totalled 4,595,000 at March 31, 2003.

n The net activations of 70,000 achieved in the first quarter were lower than the 94,000 gained in Q1 2002. This slower growth was in line with our 2003 expectations.

n With 74% of net activations coming from post-paid rate plans, we ended the first quarter of this year with 75% of our cellular and PCS subscriber base consisting of post-paid customers, up from 72% at the end of Q1 2002. Our digital base of subscribers was 70%, up significantly from 55% at the end of the same period last year.

Average revenue per unit (ARPU)

n Post-paid and prepaid ARPU remained relatively flat compared to the same quarter last year, while total ARPU of \$45 reflected a \$2 increase over Q1 2002, driven by the increase in post-paid subscribers as a percentage of the total base.

Churn

n Blended churn improved to 1.4% in Q1 2003 from 1.5% in the same period last year. Post-paid churn declined by 0.2 percentage points to the historically low level of 1.3%.

Wireless data

n Mobile browser hits reached 123 million in Q1 2003, up 24% from Q4 2002. Mobile data users grew 11.7% over the fourth quarter of last year to 1.6 million.

n During the first quarter of 2003 we continued the rollout of our high-speed 1xRTT wireless network in several locations including Sydney, Moncton, Fredericton, Saint John and St. John's.

DATA GROWTH REFLECTS CONTINUED SOFTNESS IN ENTERPRISE MARKETS

Revenue growth

n Data revenues of \$933 million in the first quarter of this year grew 3.1% compared to the first quarter of 2002. Although business data volumes experienced modest growth during the first quarter, revenues reflect the impact of the Price Cap decision, price competition and product-mix shifts to more cost-effective non-legacy data services. Consumer data revenue growth of 23% reflected strong growth in our Sympatico subscriber base and partially offset the slower business data revenue growth.

Business and wholesale data

n The Price Cap decision led to a reduction in the rates charged to competing carriers for Competitive Digital Network Access (CDNA) services beginning in June 2002. These rate reductions led to a \$14 million decrease in data revenues this quarter. On a comparable basis, data revenues increased 4.6%.

n Similarly, the business and wholesale market grew by 1.9% after adjusting for the Price Cap decision impact, reflecting ongoing softness as large customers continue to minimize investments and use existing capacity.

n Managed Network Services continued to show solid growth of 31% over last year.

Solid performance in DSL high-speed Internet

- n In the first quarter of 2003, the number of high-speed Internet subscribers increased by 96,000 to reach 1,206,000, reflecting customers' preference for higher speed alternatives to dial-up Internet access. Dial-up subscribers declined to 940,000 from 1,036,000 in the same period last year.
- n Consumers represent the largest segment of high-speed Internet subscribers and comprise 992,000 customers, while business and wholesale customers amount to 115,000 and 99,000, respectively.
- n The monthly charge for new Sympatico Basic customers was increased by \$5 on January 3, 2003 to \$29.95 as part of our initiatives to fine tune the balance between our various offers. Although the Sympatico Basic service continues to be popular, primarily with Sympatico dial-up customers wishing to upgrade to a higher speed offering, our Sympatico High-Speed Edition services had more net additions this quarter than Sympatico Basic with 30,000 and 26,000 net additions, respectively.
- n During the quarter, Bell Canada added 13,000 new subscriptions of Sympatico value-added services such as Desktop Anti-virus and Desktop Firewall for an end-of-period total count of 98,000.
- n Average self-installation rates remained essentially unchanged at 99%.
- n Wholesale DSL gained momentum with 18,000 net adds this quarter, a significant increase over the 6,000 net adds in the first quarter of 2002.
- n The DSL footprint in Ontario and Quebec remains unchanged, available to 75% of homes and business lines. In Atlantic Canada, DSL is available to 61% of homes.
- n Our share of the consumer high-speed Internet market in Ontario and Quebec, including retail and wholesale, is approximately 45%.

DTH REVENUES GREW BY 17.2%

Revenue and subscriber growth

- n In the first quarter of 2003 our subscriber base grew 15.0% over Q1 2002 to 1,317,000 which led to DTH revenues of \$177 million for the quarter, up 17.2% compared to the same period last year.
- n Net additions for the quarter totalled 13,000, down from the 76,000 achieved in the first quarter of 2002, reflecting a significant slowdown in DTH market demand, as well as fewer promotions and less advertising, particularly in the early part of the quarter.
- n Given lower than anticipated net additions in the quarter, we now expect slower subscriber growth in 2003 than originally anticipated.

Average revenue per subscriber (ARPS)

n ARPS of \$44 per month in the first quarter of 2003 was down slightly from \$45 per month in Q1 2002, but up by \$1 per month over Q4 2002.

n The decline in ARPS over the first quarter of last year reflects the netting of programming credits against revenues beginning in June 2002, as well as lower pay-per-view revenues. This decline in ARPS was largely offset by pricing initiatives such as the second receiver charge introduced in June 2002, as well as the \$2-\$3 rate increase on specific programming packages introduced on February 1 of this year. These pricing initiatives account for the ARPS increase over the fourth quarter of last year.

n Going forward, ARPS will also be stimulated by the introduction of a \$2.99 monthly system charge for all Bell ExpressVu customers effective April 28, 2003.

Expanded service offerings

n On March 5, 2003, Bell ExpressVu announced that it will be expanding its existing 300 channel line-up with a total of 76 new channels. This will include new high definition TV, interactive TV and local and international program offerings.

n The expanded line-up requires the additional capacity provided by Nimiq 2, a second satellite used by Bell ExpressVu and operated by Telesat, which was launched at the end of 2002.

n On February 20, 2003, Telesat's Nimiq 2 satellite experienced a malfunction affecting the available power on the satellite. As a result, Telesat is currently operating 26 out of 32 transponders on the satellite and expects only typical solar array degradation over time. Our current plans to move certain programming to Nimiq 2, as well as to provide the expanded programming line-up and specialty services such as DirecPC, are not expected to be impacted.

TERMINAL SALES AND OTHER

n Terminal sales and other revenues of \$433 million in the first quarter of 2003 remained relatively stable, reflecting a decrease of \$11 million when compared to the first quarter of 2002.

Bell Globemedia

BELL GLOBEMEDIA REVENUES GREW BY 7.4%

n Bell Globemedia revenues for the first quarter rose to \$335 million, 7.4% higher than the first quarter of 2002, stemming from a 12.9% increase in television advertising revenues. This increase is the result of CTV Inc.'s (CTV) stronger television schedule with 8 out of the top 10 primetime shows and the strengthening of the overall television advertising market. Revenues this quarter were slightly negatively impacted by the conflict in Iraq as regular programming was pre-empted and advertisers cancelled or delayed spending.

n Print revenues declined by 3.2% year-over-year principally due to a weak newspaper advertising market which was amplified by scaled back spending due to the conflict in Iraq.

n On March 29, NADbank released its newspaper readership data showing The Globe and Mail leading the national market with 950,100 readers each weekday. The Globe and Mail's readership levels measured a 52% lead in the national newspaper market.

BCE Emergis

BCE EMERGIS REVENUES DECLINE BY 6.1%

n In Q1 2003, BCE Emergis had revenues of \$124 million, a 6.1% decline from its revenues of \$132 million achieved in Q1 2002 and a 5.3% decline from its Q4 2002 revenues of \$131 million. In each case, the decline is due mainly to lower revenue from the distribution agreement with Bell Canada for legacy products and other non-core and exited products. Core revenues (excluding the revenue from the Bell legacy contract and other non-core and exited products) for the current period were \$94.4 million compared with \$89.6 million in the first quarter of 2002 and \$96.9 million in the fourth quarter of 2002.

BCE Ventures

n BCE Ventures' revenues increased 17.1% to \$308 million from \$263 million in Q1 2002 driven by growth in CGI's revenues.

n CGI's revenues increased 31% to \$224 million this quarter, driven by its acquisition of Cognicase in January 2003.

n Revenues increased by 2.6% at Telesat, reflecting the placement in service of the Nimiq 2 satellite in early 2003.

n Other revenues were lower, reflecting the sale of the 1000 de la Gauchetière West building in February 2002.

EBITDA

(in \$ millions)	Q1 2003	Q1 2002	% change
Bell Canada Segment	1,724	1,755	(1.8%)
Bell Globemedia	37	33	12.1%
BCE Emergis	15	(20)	N.M.
BCE Ventures	84	77	9.1%
Corporate and other	(40)	(37)	(8.1%)
Total EBITDA	1,820	1,808	0.7%

N.M.: not meaningful

BCE EBITDA increases 0.7% despite directories sale

n BCE's EBITDA increased by 0.7% to \$1,820 million from \$1,808 million in the first quarter of 2002. Our growth was driven by EBITDA gains at BCE Emergis, Bell Globemedia and BCE Ventures which offset EBITDA decreases

at the Bell Canada Segment related to the sale of the directories business and the Price Cap decision. On a comparable basis, BCE's EBITDA grew by 7.4%.

Bell Canada Segment

As expected, the sale of our directories business negatively impacted our EBITDA. The Price Cap decision also led to lower EBITDA this quarter. As a result of these factors, Bell Canada's EBITDA declined 1.8% to \$1,724 million this quarter from \$1,755 million in the same period last year. In Q1 2002, the directories business contributed approximately \$81 million to EBITDA. In Q1 2003, the Price Cap decision reduced EBITDA by approximately \$34 million. On a comparable basis, the Bell Canada Segment's EBITDA increased by 5.0%.

Despite the negative impacts of the directories sale and the Price Cap decision, the Bell Canada Segment's EBITDA margin remained relatively stable at 40.5% compared to the 40.8% achieved in the first quarter of 2002. This stability reflects:

- the realization of productivity improvements of approximately \$131 million. Productivity improvements came from numerous projects across the Bell Canada Segment.

- lower overall subscriber acquisition costs this quarter reflecting lower levels of gross subscriber additions, particularly for DTH services.

Our productivity improvement program includes numerous projects reflecting both cross-enterprise initiatives and initiatives at the local business unit level. Our 2003 program targets cost savings in many of the same areas addressed in our 2002 program, including call centers, field services, supply chain, and customer provisioning and servicing of newer services, such as consumer high-speed Internet service and broadband/IP services.

Of the \$131 million of productivity improvements this quarter, about 50% relate to reducing customer acquisition costs, while reducing the cost of serving existing customers and lowering back-office costs account for 40% and 10% respectively.

In addition to taking costs out of the business, our various productivity initiatives are also leading to simplification for our customers and improved customer service. Initiatives such as:

- our interactive voice response system "Emily" will improve customer service while reducing our call center call volumes.

- specialized call center "Move Queues" will reduce the number of phone calls customers who are moving will need to make to Bell Canada, simplifying their lives while reducing our call center costs.

- automated service confirmation of high-speed Internet access orders and Smart Touch feature activations will improve customer service while eliminating the need to handle follow-up calls in our call centers.

- web order entry tools will improve the efficiency of our call center agents, reducing the length of time customers need to stay on-line, improving customer service while reducing our call center costs.

WIRELESS EBITDA INCREASES

Wireless EBITDA for the first quarter of 2003 was \$219 million, up 23% over Q1 2002. This led to an improved wireless EBITDA margin of 38.4% this quarter compared to 35.3% in the first quarter of 2002. Wireless EBITDA this quarter reflects higher revenues from subscriber growth and the benefits of productivity initiatives which lowered costs of acquisition. The continued increase in postpaid customers as a percentage of our total

subscriber base also contributed to the improvement.

n Cost of acquisition (COA) improved by 4.9% to \$387 per gross activation in Q1 2003 from \$407 per gross activation in the first quarter of last year, mainly driven by lower handset costs, less reliance on handset subsidies for our popular Grab n Go product and channel efficiency gains.

BELL EXPRESSVU EBITDA IMPROVES

n Bell ExpressVu's EBITDA losses of \$6 million for the first quarter of 2003 declined significantly compared to the first quarter of 2002 EBITDA losses of \$50 million. This improvement was largely driven by lower subscriber acquisition costs related to lower gross activations this quarter and continued cost containment efforts reflecting reductions in sales and technology expenses.

n COA per subscriber was \$675 this quarter compared to \$718 for Q1 2002 reflecting the accounting change effective June 1, 2002 of netting of programming credits against revenues. Without this change, COA would have risen slightly on a year over year basis to \$749, primarily from the impact of a higher number of second receivers purchased by customers and the free installation offer reintroduced in the beginning of March 2003.

Bell Globemedia EBITDA increases

n EBITDA for the quarter was \$37 million, 12.1% higher than the first quarter of last year. The improvement is attributable to increased EBITDA from television operations as a result of an increasing revenue base and savings from a restructuring of Bell Globemedia's interactive operations.

BCE Emergis EBITDA

n BCE Emergis contributed EBITDA of \$15 million in the first quarter of 2003, a significant increase from the negative \$20 million of EBITDA in Q1 2002. These results include the compensation cost relating to stock options of \$3 million in the first quarter of 2003 and nil in the first quarter of 2002. BCE Emergis' cost reduction program and exiting of non-core products have enabled BCE Emergis to improve its EBITDA margins in 2002 and Q1 2003 despite lower revenues.

Below EBITDA Income and Expenses

The table below shows a reconciliation of EBITDA to net earnings applicable to common shares for the first quarters of 2003 and 2002.

(\$ millions)		Q1 2003	Q1 2002	% change
EBITDA		1,820	1,808	0.7
Amortization expense		(776)	(772)	0.5
Net benefit plans (expense) credit		(42)	6	n.m.
Operating income	1,002	1,042	(3.8)	
Other income	48	2	n.m.	
Interest expense	(284)	(261)	8.8	
Pre-tax earnings from continuing operations		766	783	(2.2)
Income taxes		(245)	(292)	(16.1)
Non-controlling interest		(48)	(136)	(64.7)
Earnings from continuing operations	473	355	33.2	
Discontinued operations		□	(45)	(100.0)

Net earnings	473	310	(52.6)
Dividends on preferred shares	(15)	(13)	15.4

Net earnings applicable to common shares	458	297	54.2
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AMORTIZATION EXPENSE

The overall capital asset base in the first quarter of 2003 increased slightly when compared to the same period last year, leading to a 0.5% increase in amortization expense.

NET BENEFIT PLANS EXPENSE (CREDIT)

In the first quarter of 2003, the net benefit plans expense of \$42 million was \$48 million unfavourable compared to the same period last year.

Due to poor capital market conditions, our pension plans had weak fund performance in 2002, leading to a rate of return that was significantly below our assumption of 8.3% for 2002. This created an actuarial loss, which led to approximately two-thirds of the unfavourable variance.

Also, after a review of market trends and our outlook, we reduced our assumption of expected long-term return on plan assets from 8.3% in 2002 to 7.5% in 2003, which led to the balance of the unfavourable variance.

OPERATING INCOME

In the first quarter of 2003, operating income of \$1,002 million was 3.8% lower than the same period last year. The increase in EBITDA was more than offset by the unfavourable variance in the net benefit plans expense.

OTHER INCOME

In the first quarter of 2003, other income was \$46 million higher than the same period last year, resulting mainly from foreign currency gains.

The Canadian dollar strengthened during the first quarter of 2003, resulting in a \$33 million foreign currency gain. The foreign exchange rate remained relatively stable during the first quarter of 2002 and had no impact on our 2002 net earnings.

In April 2003, we entered into a forward contract to hedge U.S. \$200 million of long-term debt at Bell Canada that had not been previously hedged, thereby removing the foreign currency exposure risk on that debt.

INTEREST EXPENSE

In the first quarter of 2003, interest expense was 8.8% higher than the same period last year, primarily due to increased debt levels.

The higher average total debt reflects the impact of the additional debt incurred in 2002 to fund:

- n the repurchase price of SBC Communications Inc.'s (SBC) 20% indirect interest in Bell Canada

- n the negative free cash flows in 2002.

Some of the additional debt was repaid from the proceeds from the sale of the directories business in November 2002.

INCOME TAXES

In the first quarter of 2003, income taxes of \$245 million represent a 16.1% reduction from the amount in the first quarter of 2002, mainly due to the reduction in the statutory income tax rate from 37.4% in 2002 to 35.4% in 2003 and the decrease in pre-tax earnings.

NON-CONTROLLING INTEREST

In the first quarter of 2003, the \$88 million decrease in non-controlling interest when compared to the same period last year reflects the impact of BCE Inc.'s repurchase of SBC's 20% indirect interest in Bell Canada.

DISCONTINUED OPERATIONS

The net loss of \$45 million in the first quarter of 2002 relates to operating losses of Teleglobe Inc. (Teleglobe). The financial results of Teleglobe were reclassified as a discontinued operation effective April 24, 2002.

Financial and Capital Management

This section tells you how we manage our cash and capital resources to carry out our strategy and deliver financial results. It provides an analysis of the financial condition and cash flows of BCE.

Capital Structure

(\$ millions)	Q1 2003	Q4 2002
Cash	(1,988)	(306)
Debt due within one year	1,612	2,026
Long-term debt	15,045	13,395
Retractable preferred shares	352	355
Total net debt	15,021	15,470
Non-controlling interest	3,641	3,584

Total shareholders' equity	12,994	12,615
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Total capitalization	31,656	31,669
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Net debt to total capitalization	47.5%	48.8%
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Our net debt to capitalization ratio decreased to 47.5% at March 31, 2003 from 48.8% at December 31, 2002, principally from:

- n a net issuance of \$153 million in preferred shares, the proceeds of which were effectively used to reduce our total net debt
- n \$183 million of net earnings in the first quarter of 2003 that were in excess of the common and preferred share dividends declared
- n \$237 million of tax refunds received which were used to repay debt.

We maintained investment grade credit ratings on our debt and preferred shares.

Summary of Cash Flows

The table below provides a summary of the flow of cash into and out of BCE for the first quarters of 2003 and 2002.

(\$ millions)	Q1 2003	Q1 2002
Cash from operating activities	1,186	558
Capital expenditures	(601)	(861)
Other investing activities	(37)	(30)
Preferred dividends and dividends paid by subsidiaries to non-controlling interest	(55)	(78)
Free cash flow from operations, before common dividends	493	(411)
Common dividends	(257)	(243)
Free cash flow from operations, after common dividends	236	(654)
Investments	(61)	(94)
Divestitures	5	148
Free cash flow after investments and divestitures	180	(600)
Net issuance of equity instrument activities	158	206
Net issuance of debt instrument activities	1,298	1,123
Financing activities of subsidiaries with third parties	54	7
Cash used by discontinued operations	□	(407)
Other	(8)	(6)
Net increase in cash and cash equivalents	1,682	323

CASH FROM OPERATING ACTIVITIES

We generated a significant amount of productivity improvements during the first quarter of 2003 (\$138 million pre-tax). These cost savings translated into additional cash from our operations. Please see *Financial results analysis* in this MD&A for more details.

Excluding the impact of \$237 million of tax refunds generated from capital losses received in the first quarter of 2003 and \$288 million of taxes paid on capital gains in the first quarter of 2002, cash from operating activities was 12.2% higher in the first quarter of 2003 when compared to the same period last year.

CAPITAL EXPENDITURES

We continue to make investments to expand our networks, to meet customer demand and for replacement purposes.

Having much of the significant capital expenditures relating to the build-out of our growth infrastructures behind us, we were able to reduce our capital expenditures by 30% in the first quarter of 2003 compared to the same period last year. A portion of the decrease can be explained by our capital spending programs being more heavily weighted towards subsequent quarters of 2003. This reduction in capital spending lowered our capital intensity ratio to 12.3% in the first quarter of 2003 from 17.7% in the same period last year. For the full year, we continue to expect capital expenditures to represent 17% - 18% of revenues.

The Bell Canada Segment's capital intensity ratio fell to 12.7% in the first quarter of 2003 from 18.0% in the same period last year. The Bell Canada Segment accounted for 90% of our total capital expenditures in the first quarter of 2003.

INVESTMENTS

Investments of \$61 million were made in the first quarter of 2003, consisting mainly of our proportionate share of the cash consideration for CGI's acquisition of Cognicase.

Investments made in the first quarter of 2002 included Bell Globemedia's purchase of a 40% interest in the TQS network and other television stations for \$72 million.

DIVIDENDS

We declared a common share dividend of \$0.30 per share in the first quarter of 2003, consistent with the same period in 2002. However, total dividends paid on common shares increased to \$257 million in the first quarter of 2003 when compared to \$243 million in the same period last year. This was due to the increase in the average number of common shares outstanding, from 809 million to 917 million mainly resulting from BCE Inc.'s equity offerings in 2002. We also realized a cash benefit of approximately \$20 million in the first quarter of 2003 from an increased participation in BCE Inc.'s dividend reinvestment plan.

Dividends paid on preferred shares increased to \$11 million in the first quarter of 2003 from the \$7 million paid in the same period last year, due to the net increase in preferred shares. Please see *Equity instruments*, for more information.

In 2002, BCE Inc. repurchased SBC's 20% indirect interest in Bell Canada. Since then, Bell Canada Holdings Inc. (BCH) no longer pays a dividend to SBC, resulting in a \$27 million decrease in dividends paid by subsidiaries to third parties in the first quarter of 2003, when compared to the same period last year.

DIVESTITURES

There were no significant divestitures in the first quarter of 2003.

Divestitures in the first quarter of 2002 consisted mainly of the sale of the 1000 de La Gauchetière West building and Bell Globemedia's sale of its 12% interest in the History Channel.

EQUITY INSTRUMENTS

In the first quarter of 2003, we issued 20 million Series AC preferred shares for \$510 million and redeemed 14 million Series U preferred shares for \$357 million.

In the first quarter of 2002, we issued 20 million Series AA preferred shares for \$510 million and redeemed 12 million Series W preferred shares for \$306 million.

Under our stock option and employee savings plans, we raised \$5 million from the issuance of common shares in the first quarter of 2003 and \$2 million in the first quarter of 2002.

DEBT INSTRUMENTS

We use a combination of long-term and short-term debt to finance our operations. Our short-term debt consists primarily of bank facilities and notes payable under commercial paper programs. We usually pay fixed rates of interest on our long-term debt and market rates on our short-term debt.

The combined debt of BCE Inc. and Bell Canada make up 92% of our total debt portfolio. The average annual interest rate on our total debt was 7.3% in the first quarter of 2003 and 7.5% in the first quarter of 2002.

The interest rates we pay are based on the quality of our credit ratings. The table below lists our credit ratings at April 29, 2003, all of which are investment grade. Investment grade ratings usually mean that we qualify for better than average interest rates when we borrow money.

CREDIT RATINGS

BCE Inc.			
	S&P	DBRS	Moody's
Commercial paper	A-1 (mid) / stable	R-1 (low) / stable	P-2 / (neg)
Extendable commercial notes	A-1 (mid) / stable	R-1 (low) / stable	□
Long-term debt	A- / stable	A / (neg)	Baa-1 / (neg)
Preferred shares	P-2 / stable	Pfd-2 / (neg)	□
Bell Canada			
	S&P	DBRS	Moody's
Commercial paper	A-1 (mid) / stable	R-1 (mid) / stable	P-2 / (neg)

Extendable commercial notes	A-1 (mid) / stable	R-1 (mid) / stable	□
Long-term debt	A / stable	A (high) / stable	A-3 / (neg)
Preferred shares	P-2 (high) / stable (high) /stable	Pfd-2	□

Other Items

CONTRACTUAL OBLIGATIONS

The table below provides a summary of our contractual obligations at March 31, 2003 and for the full years ended thereafter.

(\$ millions)	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt (excluding capital leases)	1,302	2,195	1,347	1,136	1,865	8,142	15,987
Capital leases (a)	94	111	64	50	38	97	454
Notes payable and bank advances	216	□	□	□	□	□	216
Operating leases	361	390	356	306	285	1,694	3,392
Purchase obligations	472	318	209	200	135	346	1,680
Other contractual obligations	313	186	109	36	5	11	660
Total	2,758	3,200	2,085	1,728	2,328	10,290	22,389

(a) The imputed interest to be paid in connection with the capital leases amounts to \$108 million.

Commercial Commitments

(\$ millions)	Committed	Non-Committed	Total
BCE Inc. bridge facility	834		834
Commercial paper credit lines	1,451	2,000	3,451
Other credit facilities including letters of credit	1,711	455	2,166
Total	3,996	2,455	6,451
Drawn	2,137	98	2,235
Undrawn	1,859	2,357	4,216

In addition, BCE Inc. and Bell Canada can issue Class E Notes which may be extended in certain circumstances and are not supported by committed lines of credit. The maximum principal amount of Class E Notes that BCE Inc. may issue is \$360 million and that Bell Canada may issue is \$400 million. At March 31, 2003, Bell Canada had \$30 million Class E Notes outstanding and BCE Inc. had no Class E Notes outstanding. Included in the drawn portion of our commercial commitments are issued letters of credit of \$192 million under our committed facilities and \$80 million under our non-committed facilities.

At March 31, 2003, BCE Inc. and Bell Canada had no amounts outstanding under their commercial paper programs.

CRTC Price Cap decision

The Price Cap decision made a number of changes to the rules governing local service in Canada's telecommunications industry for the next four years. One of the changes is a new mechanism, called the deferral account, which will be used to fund initiatives such as service improvement or reduced rates and/or rebates. We estimate our commitment relating to this decision to be \$83 million at March 31, 2003.

ACCESS TO CAPITAL

For the remainder of 2003, we will primarily require cash to fund capital expenditures, dividend payments and the repayment of debt.

Our plan is built on the assumption that we will be able to generate enough cash from our operating activities to pay for capital expenditures and dividends. Also, the remaining debt maturing in 2003 is expected to be repaid from cash on hand and cash generated from our operations.

Although our plan does not reflect any cash shortfall in the short term, our lines of credit, bank facilities and commercial paper programs are available for contingency purposes.

GUARANTEES

In the normal course of our operations, we execute agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, the sale of assets, the sale of services, securitization agreements and operating leases.

These indemnification undertakings and guarantees may require us to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, intellectual property right infringement, loss of or damages to property, environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences, claims that may arise while providing services, or as a result of litigation that may be suffered by the counterparties. Also, in the context of the sale of all or a part of a business, we may from time to time agree to compensate the purchaser for certain costs that may result from certain future events such as the failure of the disposed business to reach certain operational thresholds (earn-out guarantees), the resolution of contingent liabilities of the disposed businesses or the reassessment of prior tax filings of the corporations carrying on the business.

Certain indemnification undertakings can extend for an unlimited period and generally do not provide for any limit on the maximum potential amount, although certain agreements do contain a specified maximum potential exposure representing a cumulative amount of approximately \$4.3 billion. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay counterparties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have not made any significant payments under such indemnifications. As at March 31, 2003, an aggregate amount of \$42 million has been accrued in the consolidated balance sheet with respect to these indemnification undertakings, relating mainly to environmental liabilities.

USE OF FINANCIAL INSTRUMENTS

We periodically use derivative instruments to manage our exposure to interest rate, foreign currency and share price movements. We do not use derivative instruments to speculate. Because we do not actively trade in derivative instruments, we are not exposed to any significant liquidity risks relating to such investments.

The following derivative instruments were outstanding at March 31, 2003:

- n interest rate swaps that, in effect, convert the fixed-rate dividends on some of our preferred shares to floating-rate dividends. We pay less when the floating rates are below the fixed rates, which has been the case for the past several years
- n cross-currency swaps and forward contracts used to hedge foreign currency risk on our long-term debt
- n forward contracts on BCE Inc. common shares to hedge the fair value exposure related to stock compensation payments.

In April 2003 we entered into a forward contract to hedge U.S. \$200 million of long-term debt at Bell Canada that had not been previously hedged, thereby removing the foreign currency exposure risk on that debt.

At March 31, 2003, the carrying value of these derivative instruments was a net liability of \$72 million. Their fair value amounted to a net asset of \$1 million.

Please see Note 1 to the consolidated financial statements for the year ended December 31, 2002 for a description of the significant accounting policies relating to financial instruments.

USE OF OFF-BALANCE SHEET ARRANGEMENTS

This section describes outstanding arrangements at March 31, 2003 and how they could affect our results of operations and financial condition.

Sale of accounts receivable

Bell Canada sold accounts receivable to a securitization trust for a total of \$900 million in cash, under an agreement that came into effect on December 12, 2001 and expires on December 12, 2006. Bell Canada carried a retained interest in the transferred accounts receivable of \$124 million at March 31, 2003, which equalled the amount of overcollateralization in the receivables transferred.

Aliant sold accounts receivable to a securitization trust for a total of \$135 million in cash, under an agreement that came into effect on December 13, 2001 and expires on December 13, 2006. Aliant carried a retained interest in the transferred accounts receivable of \$30 million at March 31, 2003.

Bell Canada and Aliant continue to service the accounts receivable. The buyers' interest in collections of these accounts receivable ranks ahead of the interest of Bell Canada and Aliant. Bell Canada and Aliant remain exposed to certain risks of default on the amount of receivables under securitization and have provided various credit enhancements in the form of overcollateralization and subordination of their retained interests.

The buyers will reinvest the amounts collected by buying additional interests in the Bell Canada and Aliant accounts receivable until the agreements expire. The buyers and their investors have no claim on Bell Canada's and Aliant's other assets if customers fail to pay amounts owed on time.

Shared services agreement

Effective June 22, 2001, Bell Canada entered into a 10-year service contract with a special purpose entity. This contract will allow Bell Canada to reduce systems and administrative costs over time by streamlining and enhancing its systems and processes. Bell Canada is committed to paying approximately \$150 million in service fees over the first three years of the agreement.

In 2004, Bell Canada may:

- n exercise an option to buy the special purpose entity at fair market value, or
- n maintain the service contract for the remaining seven years and commit to paying at least \$420 million more in service fees to the special purpose entity.

As at March 31, 2003, the special purpose entity had \$113 million of total assets, of which \$92 million are capital assets, and \$127 million of total liabilities, of which \$121 million is long-term debt.

Sale leaseback transactions

In our long-term debt balance at March 31, 2003, we had capital leases of \$72 million net of loans receivable of \$316 million. These obligations were from agreements that Bell Canada entered into in 1999 and 2001 to sell and lease back telecommunication equipment for total proceeds of \$399 million. Some of the proceeds were invested in interest-bearing loans receivable.

CONTINGENCIES

Agreement with Manitoba Telecom Services Inc. (MTS)

The agreement between Bell Canada and MTS to create Bell West Inc. (Bell West) includes put and call options relating to MTS's 40% ownership of Bell West.

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

- n in February 2004 at a guaranteed floor value of \$458 million plus ongoing incremental funding invested by MTS. The put price includes an 8% return on the incremental funding. The floor value was \$574 million at March 31, 2003
- n in January 2007 at fair market value less 12.5%
- n at fair market value less 12.5%, under certain circumstances.

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

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

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

Agreement with CGI

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

The put options initially gave these CGI shareholders the right to gradually sell a portion of their shares to us until January 4, 2004. The call option initially gave us the one-time right to buy all of their CGI shares that we would not have already bought, during the period from January 5, 2004 to January 4, 2006.

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

In December 2002, we informed CGI that our prior publicly stated intention to dispose of the control block in CGI following the exercise of the put and call rights in 2003 and 2004 is no longer our preferred course of action.

We began discussions with CGI about the future of our investment in CGI. No final decisions have been made, but we have started discussions to develop a plan to:

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

In December 2002, in order to allow enough time for these discussions, CGI's three majority individual shareholders had agreed to defer the exercise date of the put options until April 15, 2003.

On April 15, 2003, BCE Inc. and CGI confirmed that their discussions are continuing and while no final decisions have been made, they are committed to reaching a final agreement by August 1, 2003. However, there can be no assurance as to the outcome of these discussions.

To allow enough time to conclude these discussions:

- n CGI's three majority individual shareholders have agreed to defer the exercise date of the put options until after August 1, 2003
- n BCE Inc. has agreed that its disposition rights will not be exercisable until after August 1, 2003
- n both parties have agreed to extend the termination date of the put options from January 4, 2004 to August 1, 2004, defer the commencement of BCE Inc.'s two-year call option period from January 6, 2004 to August 2, 2004, and defer the final termination date of the agreement from January 5, 2006 to August 1, 2006.

Litigation

Teleglobe lending syndicate lawsuit

On July 12, 2002, some members of the Teleglobe and Teleglobe Holdings (U.S.) Corporation lending syndicate (the plaintiffs) filed a lawsuit against BCE Inc. in the Ontario Superior Court of Justice.

The claim makes several allegations, including that BCE Inc. and its management, in effect, made a legal commitment to repay the advances the plaintiffs made as members of the lending syndicate, and that the court should disregard Teleglobe as a corporate entity and hold BCE Inc. responsible to repay the advances as Teleglobe's alter ego.

The plaintiffs claim damages of US\$1.19 billion, plus interest and costs, which they allege is equal to the amount they advanced. This represents approximately 95.2% of the total US\$1.25 billion that the lending syndicate advanced.

While we cannot predict the outcome of any legal proceeding, based on information currently available, BCE Inc. believes that it has strong defences, and it intends to vigorously defend its position.

Please see *Risk Assessment* in this MD&A for more details.

Kroll Restructuring lawsuit

In February 2003, a lawsuit was filed in the Ontario Superior Court of Justice by Kroll Restructuring Ltd., in its capacity as interim receiver of Teleglobe, against five former directors of Teleglobe. This lawsuit was filed in connection with Teleglobe's redemption of its third series preferred shares in April 2001 and the retraction of its fifth series preferred shares in March 2001.

The plaintiff is seeking a declaration that such redemption and retraction were prohibited under the Canada Business Corporations Act and that the five former directors should be held jointly and severally liable to restore to Teleglobe all amounts paid or distributed on such redemption and retraction, being an aggregate of approximately \$661 million, plus interest.

While BCE Inc. is not a defendant in this lawsuit, Teleglobe was at the relevant time a subsidiary of BCE Inc. Pursuant to standard policies and subject to applicable law, the five former Teleglobe directors are entitled to seek indemnification from BCE Inc. in connection with this lawsuit.

While we cannot predict the outcome of any legal proceeding, based on information currently available, BCE Inc. believes that the defendants have strong defences and that the claims of the plaintiffs will be vigorously defended against.

Other litigation

We become involved in various other claims and litigation as a regular part of our business. While no one can predict the final outcome of claims and litigation that were pending at March 31, 2003, management believes that

the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

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Forward-Looking Statements

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

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

This MD&A contains forward-looking statements about BCE's objectives, strategies, financial condition, results of operations and businesses.

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

It is important to know that:

n forward-looking statements describe our expectations on the day they are made. For this MD&A, it is April 29, 2003

n our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize

n forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions or other business combinations or transactions, nor do they include the effect of asset write-downs

n we assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

You will find a more detailed assessment of the risks that could cause our actual results to materially differ from our current expectations in the Risk Assessment section starting on the next page.

Risk Assessment

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

A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, results of operations or business of one or more BCE companies. Part of managing our

business is to understand what these potential risks could be and working to minimize them where we can.

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

BCE GROUP OF COMPANIES

OUR DEPENDENCE ON THE BELL CANADA SEGMENT

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

For the three months ended March 31, 2003, the Bell Canada Segment accounted for 86% of our operating revenues, 95% of our EBITDA and 93% of net earnings applicable to common shares on a consolidated basis.

ECONOMIC AND MARKET CONDITIONS

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

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

- n lower than expected growth in data revenue for the Bell Canada Segment, because of softer demand from enterprises and wholesale customers
- n some reductions in the number of network access lines due to business failures, business contractions or competition
- n lower spending on IT services, resulting in lower non-recurring revenue from BCE Emergis.

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

IMPROVING PRODUCTIVITY AND REDUCING CAPITAL INTENSITY

We recently implemented several cost reduction initiatives and we continue to implement productivity initiatives and further reduce our capital intensity.

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

INCREASING COMPETITION

We face intense competition from traditional competitors, as well as from new entrants to the markets we operate in. We compete not only with other telecommunications, media, satellite television and e-commerce companies but also with other businesses and industries, such as cable, software and Internet companies, and a variety of companies that offer network services, such as providers of business information systems and system integrators, as well as other companies that deal with, or have access to, customers through various communications networks.

Cable companies and independent Internet service providers have increased competition in the Internet access services business. Competition has led to Internet access pricing in Canada that is amongst the lowest in the world.

The Canadian wireless telecommunications industry is also highly competitive. We compete directly with other wireless service providers with aggressive product and service introductions, pricing and marketing. We expect competition to intensify through the development of new technologies, products and services, and through consolidations in the industry.

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

Competition could affect our pricing strategies, and lower our revenues and net income. It could also affect our ability to retain existing customers and attract new ones. Competition puts us under constant pressure to improve customer service and be price-competitive. It forces us to keep reducing costs, managing expenses and increasing productivity. This means that we need to be able to anticipate and respond quickly to the constant changes in our businesses and markets.

ANTICIPATING TECHNOLOGICAL CHANGE

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

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

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

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

STRATEGIES AND PLANS

We plan to reach our business objectives by implementing different plans and strategies, the most significant of which are described in BCE Inc.'s 2002 annual MD&A dated February 26, 2003. If our plans and strategies are unsuccessful, this could have a material and negative effect on our growth prospects and results of operations.

FINANCING OUR OPERATIONS

We require substantial amounts of capital to finance capital expenditures to provide our services and to refinance our outstanding debts. We finance our capital needs in three ways:

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

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

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

- n worldwide political instability
- n accounting scandals relating to major North American companies
- n bandwidth overcapacity
- n a loss of investor confidence in the capital markets in general and in the telecommunications industry in particular.

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

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

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

LITIGATION, REGULATORY PROCEEDINGS AND CHANGES IN LAWS

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

In November 2002, Industry Canada initiated a review by the House of Commons Standing Committee on Industry, Science and Technology of the current foreign investment restrictions included in the *Telecommunications Act* (Act). A similar process has been initiated by the Standing Committee on Canadian Heritage as it relates to the *Broadcasting Act*. On April 28, 2003, the Standing Committee on Industry, Science and Technology tabled its report in the House of Commons recommending:

- n that the Act be amended to allow for a mandatory 5-year parliamentary review of the Act

n the removal of the existing minimum Canadian ownership and control requirements and that this change also apply to broadcasting distribution undertakings

n that a special parliamentary committee conduct a comprehensive review of the governance structure of the telecommunications and broadcasting sectors in Canada in light of technological convergence.

Since the Government's response to the above-mentioned report has not yet been issued and the review by the Heritage Committee has not yet been completed, we are not currently in a position to assess the impact, if any, the above-mentioned developments may have on us.

BCE Inc.'s Annual Information Form for the year ended December 31, 2002 contains a detailed description of:

n the principal legal proceedings against us

n certain regulatory initiatives and proceedings affecting the Bell Canada Segment.

The following provides a description of recent material developments in the legal proceedings described in BCE Inc.'s Annual Information Form for the year ended December 31, 2002:

Teleglobe lending syndicate lawsuit

As indicated in BCE Inc.'s Annual Information Form for the year ended December 31, 2002, on November 28 and 29, 2002, the Ontario Superior Court of Justice heard the motions previously filed by BCE Inc. (i) to stay or dismiss the action on the basis that it does not have jurisdiction and that Québec is the convenient forum for the adjudication of the plaintiffs' claims, and (ii) for a declaration that the plaintiffs' legal counsel is in a position of conflict of interest acting as counsel to the plaintiffs and for an order removing the plaintiffs' legal counsel as the solicitors of record for the plaintiffs in this lawsuit. The second motion was decided in favour of BCE Inc. on March 20, 2003 and the Court ordered the removal of the plaintiffs' legal counsel as the solicitors of record for the plaintiffs. The Plaintiffs filed a Notice of Motion for Leave to Appeal this decision on March 28, 2003, which is scheduled to be heard on May 8, 2003. A decision in respect of the first motion has not yet been rendered by the Ontario Superior Court of Justice.

PENSION FUND CONTRIBUTIONS

As of our most recent actuarial valuation, most of our pension plans had pension fund surpluses. As a result, we have not had to make regular contributions to the pension funds in the past years. It also means that we have reported pension credits, which have had a positive effect on our net earnings.

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

If these conditions continue, the surpluses will be eroded, resulting in the requirement to commence making contributions to the pension funds. This could also result in a material and negative effect on our net earnings.

FUNDING SUBSIDIARIES

BCE Inc. is currently funding and may continue to fund the operating losses of certain of its subsidiaries in the future, but is not obligated to do so. If BCE Inc. decides to stop funding any of its subsidiaries and a subsidiary does not have other sources of funding, this would have a material and negative effect on the subsidiary's results of operations and financial condition.

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

ATTRACTING AND RETAINING SKILLED PEOPLE

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

PROTECTING OUR NETWORKS

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

RENEGOTIATING LABOUR AGREEMENTS

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

Several of our collective bargaining agreements expire in 2003 or have already expired. These agreements, which cover approximately 15,480 employees, are the following:

n the collective agreements between Bell Canada and the Communications, Energy and Paperworkers union of Canada representing approximately 400 operator services employees and approximately 7,000 craft and services employees which expire at the end of November 2003