



JUL 5 1983

BELL UNIVERSITY

Table of contents

Review of Operations 1
Financial Highlights – Consolidated 2
Financial Highlights – Non-Consolidated 2
Consolidated Financial Statements 3-7
Telephone Statistics – Consolidated 8
Manufacturing Sales Revenues 8
Capital Expenditures – Consolidated 8
Summarized Income Statements 9-11
External Financing 12
Telephone Statistics – Non-Consolidated 13
Capital Expenditures – Non-Consolidated 13
Non-Consolidated Financial Statements 14-16
Regulation 17
Shareholder Statistics 18
Number of Shares Traded 19
Market Prices per Share 20
Ratings – Securities of Bell Canada 20
Quarterly Earnings and Dividends per Share inside back cover



Corporate Information

Trustee for Bonds

Canada Permanent Trust Company

Trustees for Debentures

The Royal Trust Company

Morgan Guaranty Trust
Company of New York

Transfer Offices for Bonds and Debentures

*Bonds and debentures
issued in Canada only:*

The Royal Trust Company
Montréal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

*Bonds issued in
the United States only:*

The Royal Trust Company
Montréal

*Debentures issued in
the United States only:*

The Royal Trust Company
Montréal

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

Transfer Offices for Stock

Canada:

Company Offices
1050 Beaver Hall Hill
Montréal
393 University Ave.
Toronto

The Royal Trust Company
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

Outside Canada—Common shares only:

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

The Royal Trust Company
London, England

Registrar for Stock

Canada:

Montreal Trust Company
Montréal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

Outside Canada—Common shares only:

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

Williams & Glyn's Registrars Limited
London, England

Listing of Stock

Canada:

Montréal, Toronto, Vancouver
Stock Exchanges

Outside Canada—Common shares only:

Belgium
Brussels Stock Exchange

England
London Stock Exchange

France
Paris Stock Exchange

Germany
Frankfurt am Main, Düsseldorf
Stock Exchanges

Switzerland
Zürich, Basle, Geneva
Stock Exchanges

The Netherlands
Amsterdam Stock Exchange

United States
New York Stock Exchange

The Bell Canada Group Review of Operations

General description

Bell Canada and its subsidiary companies (the "Group") represent one of Canada's largest industrial entities, and the Group is the largest supplier of telecommunications services and equipment in Canada.

The Group provides telecommunications services and facilities in the Provinces of Ontario, Québec and Newfoundland and in the Northwest Territories. In addition, Bell Canada has equity interests in The New Brunswick Telephone Company, Limited and in Maritime Telegraph and Telephone Company, Limited, which provide most of the telecommunications services in the Provinces of New Brunswick and Nova Scotia, respectively.

Northern Telecom Limited ("Northern Telecom"), owned 54.7% by Bell Canada and the balance by the public at December 31, 1980, is the largest manufacturer of telecommunications equipment in Canada and the second largest manufacturer in North America of such equipment sold in North America. It is established in international markets and continues to expand as a Canadian-owned multinational company. Bell-Northern Research Ltd. ("BNR"), 70% owned by Northern Telecom and 30% by Bell Canada, is the largest private industrial research and development organization in Canada.

Business

(a) Telecommunications operations

The Group owns and operates about 10 million telephones in Canada, representing approximately 60 per cent of the estimated 16.6 million telephones owned and operated by telephone companies in Canada. Between December 31, 1975 and December 31, 1980, the number of telephones in service in Bell Canada and its present telephone subsidiaries increased at an annual compound growth rate of about 4 per cent. Long distance messages over the period 1975-1980 increased at an annual compound growth rate of 7 per cent.

In addition to basic residential and business telephone services, other telecommunications services are provided by the Group's network. For instance, customers can be supplied with private branch exchange (PBX) services, paging services, mobile telephones, conference services and automatic answering equipment. Bell Canada and certain of its subsidiaries also sell terminal equipment. The Group also provides specialized telecommunications systems serving pipeline companies and electrical utilities, services and facilities for private line telephone and signal channel use and a microwave radio relay system for the transmission of radio and television. In conjunction with the TransCanada Telephone System, a working association of nine major Canadian telephone companies and Telesat Canada, Bell Canada operates data transmission systems for teletypewriters and for computer installations.

(b) Manufacturing operations

Northern Telecom and its subsidiaries manufacture and market a broad line of telecommunications equipment.

The primary market in Canada for telecommunications equipment consists of telephone operating companies. Bell Canada is Northern Telecom's largest single customer. The principal market for telecommunications equipment of Northern Telecom and its subsidiaries outside of Canada is in the United States and has consisted primarily of those telephone operating companies which are independent of the U.S. Bell System. Northern Telecom's principal operating subsidiary in the United States is Northern Telecom Inc. In 1980, consolidated sales were 38% in the United States and 4% outside the United States and Canada.

Northern Telecom continues to build upon its existing product portfolio which includes its family of digital transmission and switching systems.

(c) Other operations

Bell Canada provides consulting services under contract to clients, principally foreign telecommunications organizations. On January 25, 1978, Bell Canada signed a five-year contract having an estimated value of 3.4 billion Saudi Riyals currently equivalent to approximately \$1.2 billion with the Ministry of Post, Telegraph and Telephone of the Kingdom of Saudi Arabia, principally for the operation and maintenance of the telephone system and for the construction of certain facilities in the Kingdom.

Northern Telecom is also a significant manufacturer of information processing equipment. In 1978, Northern Telecom entered the electronic office systems business which manufactures, sells, leases and services computer terminal systems, including peripheral equipment used in the processing, storage and transmission of data. The principal users of the systems manufactured and marketed are large and medium-sized industrial and financial firms, as well as universities and government agencies. Northern Telecom sells, leases and services its products in the United States and Canada principally through its own marketing and field service staff. Outside North America it sells, leases and services its products through its own marketing and field service organization and various distributors and licensees.

(d) Research and development

Through BNR, the Group has a separate research and development organization to develop new products, making it largely self-sufficient in design and technology for telecommunications products. BNR has 2,800 employees, including approximately 1,700 scientists, engineers, industrial designers, graduate technologists and other professional personnel.

The Bell Canada Group

Financial Highlights

Financial Highlights – Consolidated

Year ended December 31

	1980	1979	1978	1977	1976	1975
Contribution to earnings per common share (1)						
Bell Canada	\$ 1.77	\$ 1.93	\$ 1.78	\$ 1.35	\$ 1.54	\$ 1.40
Northern Telecom Limited (consolidated)	(0.09)	0.41	0.42	0.43	0.41	0.51
Other subsidiary companies	0.19	0.18	0.16	0.10	0.09	0.09
Associated companies	0.13	0.12	0.13	0.11	0.11	0.07
Total earnings per common share						
before extraordinary items	\$ 2.00	\$ 2.64	\$ 2.49	\$ 1.99	\$ 2.15	\$ 2.07
after extraordinary items	\$ 1.45	\$ 2.64	\$ 2.67	\$ 2.01	\$ 2.17	\$ 2.50
Total earnings per common share assuming full dilution						
before extraordinary items	\$ 1.98	\$ 2.55	\$ 2.36	\$ 1.93	\$ 1.99	\$ 1.96
after extraordinary items	\$ 1.45	\$ 2.55	\$ 2.52	\$ 1.95	\$ 2.00	\$ 2.33
Dividends declared per common share (a)						
Bell Canada	\$ 1.45	\$ 1.34	\$ 1.21	\$ 1.15	\$ 0.98	\$ 0.94
Northern Telecom Limited	0.11	0.10	0.10	0.09	0.09	0.11
Other subsidiaries and associated companies	0.12	0.11	0.12	0.12	0.12	0.10
Total dividends declared per common share	\$ 1.68	\$ 1.55	\$ 1.43	\$ 1.36	\$ 1.19	\$ 1.15
(1) Based on weighted average common shares outstanding (thousands)	162,762	152,810	133,396	127,662	120,317	116,995
Return on average common equity (b)	9.52%	12.71%	12.65%	10.52%	11.64%	12.04%
Equity per common share (c)	\$20.70	\$21.09	\$20.12	\$19.19	\$18.84	\$17.95

(a) Assuming all dividends received from subsidiary and associated companies are distributed to shareholders.

(b) Before extraordinary items.

(c) At December 31.

Financial Highlights – Non-Consolidated

Year ended December 31

	1980	1979	1978	1977	1976	1975
Earnings per common share						
before extraordinary item	\$ 2.01	\$ 2.13	\$ 1.96	\$ 1.58	\$ 1.74	\$ 1.61
after extraordinary item	\$ 2.01	\$ 2.32	\$ 1.99	\$ 1.58	\$ 1.74	\$ 2.40
Earnings per common share assuming full dilution						
before extraordinary item	\$ 1.99	\$ 2.08	\$ 1.91	\$ 1.56	\$ 1.65	\$ 1.56
after extraordinary item	\$ 1.99	\$ 2.26	\$ 1.93	\$ 1.56	\$ 1.65	\$ 2.24
Return on average common equity (b)	10.6%	11.5%	11.1%	9.0%	10.1%	10.0%
Return on average total capital (b)	9.5%	9.7%	9.3%	8.4%	8.7%	8.5%
Times interest charges earned (b)	3.4	3.5	3.4	3.0	3.4	3.4
Debt ratio (c)	49.6%	49.2%	51.5%	50.4%	49.2%	48.6%
Equity per common share (c)	\$19.15	\$18.87	\$17.96	\$17.55	\$17.52	\$17.01

(b) Before extraordinary item.

(c) At December 31.

The Bell Canada Group

Consolidated Income Statement*

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Telecommunications operations					
Operating revenues					
Local service	\$1,625,748	\$1,449,713	\$1,312,734	\$1,151,763	\$1,028,520
Long distance service	1,624,847	1,413,937	1,223,314	1,031,553	918,745
Miscellaneous-net	115,612	97,917	85,670	58,339	48,240
Total operating revenues	3,366,207	2,961,567	2,621,718	2,241,655	1,995,505
Operating expenses	2,497,561	2,150,083	1,865,958	1,646,296	1,430,688
Net revenues-telecommunications operations	868,646	811,484	755,760	595,359	564,817
Manufacturing operations					
Sales	2,018,545	1,864,160	1,469,997	1,194,728	1,073,356
Cost of sales	1,515,369	1,269,737	998,569	846,312	771,742
Selling, general, administrative and other expenses	482,390	412,591	326,759	227,389	184,021
	1,997,759	1,682,328	1,325,328	1,073,701	955,763
Net revenues-manufacturing operations	20,786	181,832	144,669	121,027	117,593
Contract and other operations					
Operating revenues	652,332	439,012	282,640	76,781	61,179
Operating expenses	516,754	339,048	237,253	62,238	48,691
Net revenues-contract and other operations	135,578	99,964	45,387	14,543	12,488
Total net revenues	1,025,010	1,093,280	945,816	730,929	694,898
Other income					
Allowance for funds used during construction	20,206	20,722	14,087	16,193	15,559
Equity in net income of associated companies	21,286	18,712	16,923	14,384	13,938
Miscellaneous-net	31,169	33,675	18,106	10,289	29,927
Total other income	72,661	73,109	49,116	40,866	59,424
Interest charges					
Interest on long term debt	319,185	289,745	255,350	213,371	185,918
Other interest	39,483	23,054	8,127	8,454	10,378
Total interest charges	358,668	312,799	263,477	221,825	196,296
Income before underlisted items	739,003	853,590	731,455	549,970	558,026
Unrealized foreign currency losses (gains)	11,253	10,685	259	(5,987)	(1,774)
Income before income taxes, minority interest and extraordinary items	727,750	842,905	731,196	555,957	559,800
Income taxes	367,248	355,371	323,585	242,098	247,522
Income before minority interest and extraordinary items	360,502	487,534	407,611	313,859	312,278
Minority interest	(3,243)	54,348	37,049	27,651	24,894
Income before extraordinary items	363,745	433,186	370,562	286,208	287,384
Extraordinary items					
Bell Canada's share of an extraordinary loss of \$163.8 million, incurred by Northern Telecom Limited, related principally to certain write-offs in its electronic office systems business	(90,015) (a)	-	-	-	-
Reduction of income taxes arising from the utilization of prior years' tax losses of subsidiaries	-	-	8,964	2,367	2,188
Increase in book value in subsidiaries reported on a consolidated basis, resulting principally from the issuance of common shares by Northern Telecom Limited upon the acquisition of Sycor, Inc.	-	-	17,474 (b)	-	-
Provision for costs of terminating the electrical and electronic products distribution business of Northern Telecom Limited	-	-	(1,948)	-	-
Net income	273,730	433,186	395,052	288,575	289,572
Dividends on preferred shares	38,243	30,521	38,702	31,534	28,847
Net income applicable to common shares	\$ 235,487	\$ 402,665	\$ 356,350	\$ 257,041	\$ 260,725

*Notes to financial statements are not included.

(a) Under U.S. generally accepted accounting principles, these write-offs would not be reported as an extraordinary item.

(b) Under U.S. generally accepted accounting principles, this amount would have been reported as paid-in capital.

The Bell Canada Group

Consolidated Balance Sheet*

December 31

Thousands of dollars

Assets	1980	1979	1978	1977	1976
Telecommunications property—at cost					
Buildings, plant and equipment	\$10,782,311	\$ 9,741,337	\$8,826,260	\$8,065,501	\$7,215,711
Less: Accumulated depreciation	3,262,923	2,950,562	2,614,419	2,370,978	2,108,484
	7,519,388	6,790,775	6,211,841	5,694,523	5,107,227
Land	86,975	65,153	61,833	55,729	52,342
Plant under construction	290,075	270,089	221,181	211,929	253,936
Material and supplies	109,485	128,971	107,746	102,807	105,103
	8,005,923	7,254,988	6,602,601	6,064,988	5,518,608
Manufacturing and other property—at cost					
Buildings, plant and equipment	919,261	680,274	590,243	377,903	351,150
Less: Accumulated depreciation	377,169	274,868	234,651	206,287	192,510
	542,092	405,406	355,592	171,616	158,640
Land	21,691	13,353	12,796	11,837	10,712
	563,783	418,759	368,388	183,453	169,352
	8,569,706	7,673,747	6,970,989	6,248,441	5,687,960
Investments					
Associated companies and non-consolidated subsidiaries—at equity	495,375	417,403	151,318	146,025	106,708
Other	4,673	4,832	5,723	2,346	2,245
	500,048	422,235	157,041	148,371	108,953
Current assets					
Cash and temporary cash investments—at cost (approximates market)	211,663	95,286	228,986	130,248	193,584
Accounts receivable—principally from customers	1,061,340	1,060,145	773,496	422,814	356,160
Inventories	574,444	492,539	361,402	218,437	223,281
Other (principally prepaid expenses)	128,888	106,519	77,877	54,247	49,745
	1,976,335	1,754,489	1,441,761	825,746	822,770
Other assets					
Cash and temporary cash investments held for contract operations—at cost (approximates market)	66,450	49,532	91,851	—	—
Long term receivables	33,143	41,296	44,932	—	—
Deferred charges					
contract operations	47,174	90,583	112,912	—	—
unrealized foreign currency losses, less amortization	160,923	131,780	165,162	62,993	—
other	60,567	93,688	92,646	46,986	41,576
Cost of shares in subsidiaries in excess of underlying net assets, less amortization	34,700	119,163	127,989	10,354	14,136
	402,957	526,042	635,492	120,333	55,712
Total assets	\$11,449,046	\$10,376,513	\$9,205,283	\$7,342,891	\$6,675,395

*Notes to financial statements are not included.

Thousands of dollars

Liabilities and Shareholders' Equity	1980	1979	1978	1977	1976
Common shareholders' equity					
Common shares	\$ 1,394,189	\$ 1,320,647	\$1,176,622	\$1,094,008	\$1,015,509
Premium on capital stock	898,098	807,778	607,388	527,143	460,878
Contributed surplus	15,290	15,290	15,290	15,290	15,290
Retained earnings	1,155,726	1,198,384	1,041,075	882,537	804,750
	3,463,303	3,342,099	2,840,375	2,518,978	2,296,427
Convertible preferred shares (redeemable)					
\$3.20 shares	4,705	5,123	6,546	11,645	18,386
\$3.34 shares	3,599	4,234	6,188	13,151	23,381
\$4.23 shares	4,618	12,181	26,730	91,894	93,826
\$2.28 shares	13,287	36,491	76,458	124,922	124,994
\$1.96 shares	119,482	158,689	174,843	—	—
\$2.05 shares	199,962	—	—	—	—
	345,653	216,718	290,765	241,612	260,587
Non-convertible preferred shares (redeemable)					
\$2.25 shares	40,290	42,255	43,965	44,880	46,410
\$1.80 shares	68,100	70,000	70,000	70,000	70,000
	108,390	112,255	113,965	114,880	116,410
Minority interest in subsidiary companies					
Preferred shares	28,939	30,324	30,908	31,543	20,741
Common shares	362,978	437,417	265,770	153,305	133,340
	391,917	467,741	296,678	184,848	154,081
Long term debt (including unrealized foreign currency losses)	4,312,293	3,675,103	3,381,086	2,742,860	2,471,184
Current liabilities					
Accounts payable	795,502	570,956	477,831	320,700	289,806
Advance billing for service	69,444	52,445	49,617	42,630	37,461
Dividends payable	85,069	72,540	60,889	50,213	43,533
Taxes accrued	37,388	73,433	110,879	20,208	32,709
Interest accrued	98,884	78,875	71,497	56,161	45,332
Debt due within one year					
Long term debt	93,579	141,158	155,188	78,479	96,144
Notes payable	151,913	155,598	83,921	101,232	79,935
Bank advances	28,967	9,330	41,687	15,930	15,288
	1,360,746	1,154,335	1,051,509	685,553	640,208
Deferred credits					
Income taxes	1,203,510	1,066,749	933,900	832,384	717,472
Other	263,234	341,513	297,005	21,776	19,026
	1,466,744	1,408,262	1,230,905	854,160	736,498
Total liabilities and shareholders' equity	\$11,449,046	\$10,376,513	\$9,205,283	\$7,342,891	\$6,675,395

The Bell Canada Group

Consolidated Statement of Premium on Capital Stock*

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Balance at beginning of year	\$ 807,778	\$ 607,388	\$ 527,143	\$ 460,878	\$441,213
Premium on common shares issued during the year					
Under the Shareholder Dividend Reinvestment and Stock Purchase Plan	46,251	38,021	16,683	-	-
Under the Employees' Savings Plan (1966)	3,991	3,503	2,788	2,271	1,995
Upon exercise of warrants	-	-	-	54,656	348
Underwritten issue	-	120,703	-	-	-
Upon conversion of preferred shares	39,213	38,163	60,774	9,338	17,322
Under the Optional Stock Dividend Program	865	-	-	-	-
	90,320	200,390	80,245	66,265	19,665
Balance at end of year	\$ 898,098	\$ 807,778	\$ 607,388	\$ 527,143	\$460,878

Consolidated Statement of Retained Earnings*

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Balance at beginning of year	\$1,198,384	\$1,041,075	\$ 882,537	\$ 804,750	\$690,656
Net income	273,730	433,186	395,052	288,575	289,572
Excess of par value over cost of preferred shares purchased for cancellation	341	37	4	66	203
	1,472,455	1,474,298	1,277,593	1,093,391	980,431
Deduct:					
Dividends					
Preferred shares					
\$3.20 shares	334	384	634	935	1,643
\$3.34 shares	246	316	645	1,103	2,455
\$4.23 shares	590	1,474	7,352	8,385	8,454
\$2.28 shares	2,042	5,316	11,390	11,397	11,400
\$1.96 shares	11,145	13,478	9,060	-	-
\$2.05 shares	14,569	-	-	-	-
\$2.25 shares	3,092	3,253	3,321	3,414	3,530
\$1.80 shares	6,225	6,300	6,300	6,300	1,365
	38,243	30,521	38,702	31,534	28,847
Common shares	274,884	240,571	193,113	175,626	143,969
	313,127	271,092	231,815	207,160	172,816
Expenses of issues of capital stock	3,602	4,822	4,703	3,694	2,865
	316,729	275,914	236,518	210,854	175,681
Balance at end of year	\$1,155,726	\$1,198,384	\$1,041,075	\$ 882,537	\$804,750

*Notes to financial statements are not included.

The Bell Canada Group

Consolidated Statement of Changes in Financial Position*

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Source of funds					
Operations					
Income before extraordinary items	\$ 363,745	\$ 433,186	\$ 370,562	\$ 286,208	\$ 287,384
Items not affecting current funds					
Depreciation	732,320	646,970	550,058	479,915	430,241
Deferred income taxes	129,554	132,849	101,516	114,912	93,453
Allowance for funds used during construction	(20,206)	(20,722)	(14,087)	(16,193)	(15,559)
Equity earnings in non-consolidated finance subsidiaries	(58,178)	(21,473)	—	—	—
Other—net	(23,740)	34,020	52,656	33,924	28,365
Total from operations exclusive of extraordinary items	1,123,495	1,204,830	1,060,705	898,766	823,884
Extraordinary items (net of non-fund items)	(57,328)	—	24,490	2,367	2,188
Proceeds from long term debt	767,878	575,524	579,558	293,050	279,965
Issue of common shares					
underwritten issue	—	194,109	—	—	—
upon exercise of warrants	—	—	—	118,607	763
under the Dividend Reinvestment and Stock Purchase Plan	83,037	64,125	30,134	—	—
under the Optional Stock Dividend Program	1,510	—	—	—	—
upon conversion of convertible preferred shares	71,064	74,044	125,820	18,952	34,655
Proceeds from issue of preferred shares	196,757	—	170,903	—	68,248
Proceeds from issues of shares by subsidiaries					
to minority shareholders	13,412	97,792	96,724	9,701	11,748
Advance payment on contract operations	—	—	190,587	—	—
Decrease in cash and temporary cash investments held for contract operations	—	42,319	—	—	—
Miscellaneous	72,744	192,423	117,138	12,689	32,418
Decrease in working capital	—	—	—	42,369	107,418
	\$2,272,569	\$2,445,166	\$2,396,059	\$1,396,501	\$1,361,287
Disposition of funds					
Capital expenditures					
Gross capital expenditures	\$1,598,203	\$1,351,044	\$1,183,972	\$1,045,665	\$ 992,686
Deduct: charges not requiring funds	(16,529)	(13,396)	(24,395)	(13,748)	(26,064)
Increase (decrease) in material and supplies	(19,486)	21,225	4,939	(2,296)	26,351
Net expenditures	1,562,188	1,358,873	1,164,516	1,029,621	992,973
Dividends by Bell Canada	313,127	271,092	231,815	207,160	172,816
Dividends by subsidiaries to minority shareholders	19,925	15,546	11,508	10,730	8,600
Reduction of long term debt	177,780	428,758	246,018	88,668	116,780
Due to non-consolidated finance subsidiaries	8,585	(165,957)	(79,421)	—	—
Acquisition of investments (less working capital acquired in 1980 of \$10,656) (1978 - \$107,427)	25,059	2,848	189,294	34,348	34,582
Investments in non-consolidated finance subsidiaries	10,649	233,835	23,712	—	—
Conversion of preferred shares	71,065	74,047	125,848	18,975	34,684
Increase in cash and temporary cash investments held for contract operations	16,918	—	91,851	—	—
Deferred charges—contract operations	—	—	112,912	—	—
Miscellaneous	51,838	16,222	27,947	6,999	852
Increase in working capital	15,435	209,902	250,059	—	—
	\$2,272,569	\$2,445,166	\$2,396,059	\$1,396,501	\$1,361,287
Working capital changes					
Increase (decrease) in current assets:					
Cash and temporary cash investments	\$ 116,377	\$ (133,700)	\$ 98,738	\$ (63,336)	\$ (2,676)
Accounts receivable	1,195	286,649	350,682	66,654	(13,832)
Inventories	81,905	131,137	142,965	(4,844)	(3,061)
Other	22,369	28,642	23,630	4,502	503
(Increase) decrease in current liabilities:					
Accounts payable	(224,546)	(93,125)	(157,131)	(30,894)	(54,387)
Advance billing for service	(16,999)	(2,828)	(6,987)	(5,169)	(4,797)
Dividends payable	(12,529)	(11,651)	(10,676)	(6,680)	(4,396)
Taxes accrued	36,045	37,446	(90,671)	12,501	24,861
Interest accrued	(20,009)	(7,378)	(15,336)	(10,829)	(6,493)
Debt due within one year	31,627	(25,290)	(85,155)	(4,274)	(43,140)
Increase (decrease) in working capital, as above	\$ 15,435	\$ 209,902	\$ 250,059	\$ (42,369)	\$ (107,418)

*Notes to financial statements are not included.

The Bell Canada Group

Telephone Statistics

Telephones in service (as at December 31)	1980	1979	1978	1977	1976
Bell Canada	9,548,053	9,221,843	8,945,414	8,620,229	8,301,433
Newfoundland Telephone Company Limited	201,835	193,076	175,312	164,193	158,614
Télébec Ltée	163,992	155,432	138,535	130,712	125,006
Others	74,160	71,622	69,166	67,018	73,187
Total consolidated	9,988,040	9,641,973	9,328,427	8,982,152	8,658,240
Increase (%)	3.6	3.4	3.9	3.7	5.2
Maritime Telegraph and Telephone Company, Limited	498,239	474,308	451,629	431,129	414,855
New Brunswick Telephone Company, Limited	389,466	376,514	358,842	342,920	331,838
	887,705	850,822	810,471	774,049	746,693

	In millions				
Long distance messages (year ended December 31)	1980	1979	1978	1977	1976
Bell Canada	699	650	610	557	528
Newfoundland Telephone Company Limited	19	17	15	13	12
Télébec Ltée	16	14	13	12	11
Others	7	6	5	6	5
Total consolidated	741	687	643	588	556
Increase (%)	7.8	6.9	9.4	5.8	7.5
Maritime Telegraph and Telephone Company, Limited	47	43	38	35	32
New Brunswick Telephone Company, Limited	38	35	31	28	26
	85	78	69	63	58

Manufacturing Sales Revenues

Year ended December 31	Dollars in thousands				
	1980	1979	1978	1977	1976
A. By geographical area					
Canada	51.9%	51.7%	66.2%	82.6%	89.1%
U.S.	40.0	39.7	30.4	16.2	10.5
Other foreign	8.1	8.6	3.4	1.2	0.4
Total consolidated	100.0%	100.0%	100.0%	100.0%	100.0%
B. By customers					
Sales to Bell Canada	\$ 630,895	\$ 616,006	\$ 536,684	\$ 533,235	\$ 531,704
Percent of total	31.3%	33.1%	36.5%	44.6%	49.5%
Sales to telephone subsidiary and associated companies of Bell Canada	\$ 55,287	\$ 43,522	\$ 50,694	\$ 52,046	\$ 65,903
Percent of total	2.7%	2.3%	3.5%	4.4%	6.2%
Sales to others	\$1,332,363	\$1,204,632	\$ 882,619	\$ 609,447	\$ 475,749
Percent of total	66.0%	64.6%	60.0%	51.0%	44.3%
Total consolidated	\$2,018,545	\$1,864,160	\$1,469,997	\$1,194,728	\$1,073,356

Capital Expenditures

Year ended December 31	Thousands of dollars				
	1980	1979	1978	1977	1976
Bell Canada	\$1,296,997	\$1,116,743	\$1,003,672	\$ 951,079	\$ 901,324
Northern Telecom Limited (Consolidated)	225,582	170,551	127,228	44,694	38,208
Others	75,624	63,750	53,072	49,892	53,154
Total consolidated	\$1,598,203	\$1,351,044	\$1,183,972	\$1,045,665	\$ 992,686
Maritime Telegraph and Telephone Company, Limited	\$ 61,826	\$ 52,693	\$ 49,508	\$ 51,424	\$ 62,635
New Brunswick Telephone Company, Limited	40,421	40,532	39,690	48,019	55,835
	\$ 102,247	\$ 93,225	\$ 89,198	\$ 99,443	\$ 118,470

Major Components of the Bell Canada Group

Northern Telecom Limited – Consolidated Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Sales	\$2,054,561	\$1,900,522	\$1,504,560	\$1,221,922	\$1,083,491
Cost of sales and expenses	2,032,820	1,716,687	1,358,847	1,100,619	965,142
	21,741	183,835	145,713	121,303	118,349
Other income	10,484	3,762	10,589	9,418	11,742
	32,225	187,597	156,302	130,721	130,091
Interest charges	44,916	38,215	17,141	6,562	6,819
Unrealized foreign currency losses (gains)	1,211	426	(5,091)	(5,987)	(1,774)
Income taxes	7,494	35,484	49,868	48,313	51,108
Minority interest	–	–	–	–	2
	53,621	74,125	61,918	48,888	56,155
Income (loss) before extraordinary items	(21,396)	113,472	94,384	81,833	73,936
Extraordinary items	(163,759)	–	6,344	3,422	3,163
Net income (loss)	\$ (185,155)	\$ 113,472	\$ 100,728	\$ 85,255	\$ 77,099
Net income (loss) applicable to common shares(a)	\$ (21,396)	\$ 113,472	\$ 94,384	\$ 81,833	\$ 73,936
Average common shares outstanding (thousands)	33,795	30,656	28,344	26,469	26,469

(a) Before extraordinary items.

Tele-Direct Ltd. – Consolidated Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Operating revenues	\$ 248,537	\$ 161,576	\$ 137,318	\$ 105,636	\$ 91,292
Operating expenses	204,902	129,516	112,840	92,052	77,148
	43,635	32,060	24,478	13,584	14,144
Other income	1,216	383	(396)	443	234
	44,851	32,443	24,082	14,027	14,378
Interest charges	7,927	5,005	3,305	1,886	2,117
Income taxes	19,303	13,634	10,297	5,534	5,784
Minority interest	308	–	335	–	–
	27,538	18,639	13,937	7,420	7,901
Income before extraordinary item	17,313	13,804	10,145	6,607	6,477
Extraordinary item	–	–	758	–	–
Net income	\$ 17,313	\$ 13,804	\$ 10,903	\$ 6,607	\$ 6,477
Net income applicable to common shares(a)	\$ 17,313	\$ 13,804	\$ 10,145	\$ 6,607	\$ 6,477

(a) Before extraordinary item.

Major Components of the Bell Canada Group

Newfoundland Telephone Company Limited Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Operating revenues	\$89,739	\$79,057	\$70,507	\$60,171	\$51,671
Operating expenses	57,604	51,413	44,360	39,349	34,111
	32,135	27,644	26,147	20,822	17,560
Other income	1,900	2,060	(275)	291	675
	34,035	29,704	25,872	21,113	18,235
Interest charges	11,131	8,877	8,489	7,592	7,721
Income taxes	11,242	9,757	7,536(a)	4,940(a)	3,735(a)
	22,373	18,634	16,025	12,532	11,456
Net income	\$11,662	\$11,070	\$ 9,847(a)	\$ 8,581(a)	\$ 6,779(a)
Dividends on preferred shares	\$ 1,872	\$ 1,942	\$ 1,984	\$ 1,741	\$ 1,173
Net income applicable to common shares	\$ 9,790	\$ 9,128	\$ 7,863(a)	\$ 6,840(a)	\$ 5,606(a)
Average common shares outstanding (thousands)	7,707	7,682	6,745	6,482	5,851

(a) Results reflect a partial tax allocation basis.

Télébec Ltée Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Operating revenues	\$57,745	\$51,476	\$41,321	\$36,278	\$29,990
Operating expenses	39,295	35,591	28,720	25,128	21,771
	18,450	15,885	12,601	11,150	8,219
Other income	797	656	387	107	258
	19,247	16,541	12,988	11,257	8,477
Interest charges	6,850	6,048	4,891	4,242	3,659
Income taxes	6,125	4,896	3,725	3,318	2,177
	12,975	10,944	8,616	7,560	5,836
Net income	\$ 6,272	\$ 5,597	\$ 4,372	\$ 3,697	\$ 2,641
Dividends on preferred shares	\$ 1,268	\$ 1,467	\$ 1,666	\$ 1,864	\$ 1,522
Net income applicable to common shares	\$ 5,004	\$ 4,130	\$ 2,706	\$ 1,833	\$ 1,119
Average common shares outstanding (thousands)	2,050	1,831	1,757	1,558	1,467

Major Associated Telephone Companies

Maritime Telegraph and Telephone Company, Limited Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Operating revenues	\$181,564	\$166,924	\$149,206	\$129,655	\$111,695
Operating expenses	122,046	111,801	99,563	85,979	74,754
	59,518	55,123	49,643	43,676	36,941
Other income	1,597	1,127	1,008	1,274	1,760
	61,115	56,250	50,651	44,950	38,701
Interest charges	17,679	15,838	14,803	14,432	14,056
Income taxes	21,500	19,033	16,953	14,278	11,224
	39,179	34,871	31,756	28,710	25,280
Net income	\$ 21,936	\$ 21,379	\$ 18,895	\$ 16,240	\$ 13,421
Dividends on preferred shares	\$ 3,609	\$ 3,848	\$ 4,008	\$ 3,435	\$ 3,043
Net income applicable to common shares	\$ 18,327	\$ 17,531	\$ 14,887	\$ 12,805	\$ 10,378
Average common shares outstanding (thousands)	5,685	5,547	5,425	5,304	4,574

The New Brunswick Telephone Company, Limited – Consolidated Summarized Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Operating revenues	\$151,185	\$139,299	\$123,217	\$110,178	\$ 92,648
Operating expenses	103,847	95,006	83,668	75,052	63,637
	47,338	44,293	39,549	35,126	29,011
Other income	4,137	3,792	2,255	2,486	2,743
	51,475	48,085	41,804	37,612	31,754
Interest charges	14,900	13,960	11,361	9,887	8,679
Unrealized foreign currency losses	225	224	246	–	–
Income taxes	17,850	16,217	14,348	12,780	10,097
	32,975	30,401	25,955	22,667	18,776
Income before extraordinary item	18,500	17,684	15,849	14,945	12,978
Extraordinary item	–	–	–	–	790
Net income	\$ 18,500	\$ 17,684	\$ 15,849	\$ 14,945	\$ 13,768
Dividends on preferred shares	\$ 1,445	\$ 1,572	\$ 1,681	\$ 1,764	\$ 1,801
Net income applicable to common shares(a)	\$ 17,055	\$ 16,112	\$ 14,168	\$ 13,181	\$ 11,177
Average common shares outstanding (thousands)	6,485	6,301	6,167	6,044	5,090

(a) Before extraordinary item.

Major Components of the Bell Canada Group

External Financing (a) (b)

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Sale of investments – net (c)	\$ –	\$ 34,585	\$ 4,778	\$ –	\$ –
Debt obligations (d)					
Long term					
Bell Canada	491,288	235,000	418,966	255,600	255,180
Northern Telecom Limited (e)	216,575	325,813	129,645	–	–
Newfoundland Telephone Company Limited	25,000	–	–	20,000	10,000
Télébec Ltée	5,000	6,500	7,000	11,500	10,000
The Capital Telephone Company Limited (e)	26,111	3,089	17,773	6,346	8,647
	763,974	570,402	573,384	293,446	283,827
Interim financing – net	15,952	39,320	8,446	21,939	17,440
	779,926	609,722	581,830	315,385	301,267
Preferred shares (d)					
Bell Canada	200,000	–	175,000	–	70,000
Newfoundland Telephone Company Limited	–	–	–	10,000	–
Northern Telephone Limited	–	–	–	–	2,000
	200,000	–	175,000	10,000	72,000
Common shares (d)					
Bell Canada (f)	92,798	270,371	37,040	125,811	6,427
Northern Telecom Limited (e)	11,137	100,465	84,574	–	–
Newfoundland Telephone Company Limited	780	–	12,150	–	9,100
The Capital Telephone Company Limited (e)	1,495	–	–	–	–
	106,210	370,836	133,764	125,811	15,527
Total external financing	\$1,086,136	\$1,015,143	\$895,372	\$451,196	\$388,794

(a) Expressed in Canadian dollars.

(b) Inter-company financings and capitalized leases are excluded.

(c) Net proceeds arising from the sale by Bell Canada of common shares of Northern Telecom Limited.

(d) Underwriting discounts and/or commissions not deducted.

(e) Includes subsidiaries.

(f) Excludes issues of common shares upon conversion of convertible preferred shares.

Shareholder Dividend Reinvestment and Stock Purchase Plan

Bell Canada's Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP) provides a means for holders of record of Bell Canada common shares to invest cash dividends and optional cash payments in new common shares of Bell Canada. Such shares are purchased directly from Bell Canada by an Agent who acts on behalf of the participants under the DRP. National Trust Company, Limited (the "Agent") acts as the Agent for the participants under the DRP pursuant to an agreement which may be terminated by Bell Canada or the Agent at any time.

As of January 16, 1981, 21.5% of common shareholders representing 22.7% of common shares outstanding were participating in the DRP.

Optional Stock Dividend Program

Bell Canada's Optional Stock Dividend Program (SDP) provides a means for holders of record of Bell Canada common shares to acquire additional common shares in lieu of receiving cash dividends on the common shares they possess. Such shares are issued by Bell Canada to an Agent who acts on behalf of the participants under the SDP. National Trust Company, Limited (the "Agent") acts as the Agent for the participants under the SDP pursuant to an agreement which may be terminated by Bell Canada or the Agent at any time.

As of January 16, 1981, 1.8% of common shareholders representing 2.6% of common shares outstanding were participating in the SDP.

Further information on both DRP and SDP is available upon request:

Treasurer
Bell Canada
1050 Beaver Hall Hill
Montréal, Québec
H3C 3G4

Tel.: (514) 870-7161

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Telephone Statistics

December 31

	1980	1979	1978	1977	1976
Telephones in service					
Total	9,548,053	9,221,843	8,945,414	8,620,229	8,301,433
Residence					
Main	4,830,973	4,652,760	4,554,562	4,423,050	4,290,756
Other	1,851,085	1,798,735	1,725,099	1,629,669	1,535,885
Business					
Main	864,485	831,563	793,044	759,054	725,501
Other	2,001,510	1,938,785	1,872,709	1,808,456	1,749,291
Conversations (in millions)					
Total	13,109	12,624	12,328	12,079	11,592
Local	12,410	11,974	11,717	11,522	11,064
Long distance					
Operator handled	87	95	94	90	90
Customer dialed	612	555	517	467	438
Originating calls					
Per average business day (in thousands)	57,452	54,629	52,966	51,060	49,027
Per average business day per average telephone (excluding residence extensions)	7.6	7.6	7.5	7.5	7.4
Per average business day per average telephone	6.1	6.1	6.0	6.1	6.1
Number of central offices					
Total	1,646	1,598	1,581	1,565	1,533
Number of electronic central offices included above	232	195	174	152	127
Classes of telephone service					
Percent distribution of residence main telephones					
Individual	90.1	89.4	88.7	87.9	87.1
2 party	5.2	5.4	5.9	6.5	7.1
More than 2 party	4.7	5.2	5.4	5.6	5.8
Percent distribution of business main telephones					
Individual	99.1	99.0	98.9	98.7	98.6
2 or more party	0.9	1.0	1.1	1.3	1.4
Telephones by types of exchanges (in thousands)					
Step-by-step	3,754	3,703	3,838	3,888	3,971
Percent of total	39.3%	40.2%	42.9%	45.1%	47.8%
Crossbar	3,963	3,838	3,681	3,530	3,384
Percent of total	41.5%	41.6%	41.2%	41.0%	40.8%
Electronic switching	1,828	1,678	1,424	1,200	944
Percent of total	19.2%	18.2%	15.9%	13.9%	11.4%
Other	3	3	2	2	2
Percent of total	—	—	—	—	—
Total telephones in service (in thousands)	9,548	9,222	8,945	8,620	8,301

Capital Expenditures

Year ended December 31

Millions of dollars

	1980	1979	1978	1977	1976
Demand	\$ 840.3	\$ 758.2	\$ 644.4	\$639.3	\$635.2
Programs	201.7	215.9	229.4	199.8	156.9
Replacement and Support	255.0	142.6	129.9	112.0	109.2
Total	\$1,297.0	\$1,116.7	\$1,003.7	\$951.1	\$901.3
Classes of plant					
Land and buildings	\$ 164.8	\$ 78.8	\$ 65.6	\$ 62.3	\$ 57.1
Central office equipment	346.3	320.9	281.4	308.9	338.0
Station equipment	340.6	305.8	269.5	256.8	224.1
Outside plant	367.4	350.7	325.8	265.0	234.2
General equipment	77.7	53.2	60.4	54.2	47.3
Leased plant	0.2	7.3	1.0	3.9	0.6
Total	\$1,297.0	\$1,116.7	\$1,003.7	\$951.1	\$901.3

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Income Statement

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Telecommunications operations					
Operating revenues					
Local service	\$1,562,498	\$1,392,707	\$1,263,096	\$1,107,640	\$ 990,259
Long distance service	1,529,014	1,329,670	1,152,507	970,453	867,679
Miscellaneous-net	111,604	94,731	81,827	55,322	45,986
Total operating revenues	3,203,116	2,817,108	2,497,430	2,133,415	1,903,924
Operating expenses					
Depreciation	586,666	530,874	473,989	427,853	385,410
Maintenance	538,426	464,132	420,182	372,457	308,963
Operator services	125,002	96,788	93,998	85,436	79,109
Customer provisioning	296,178	249,470	215,323	186,770	164,182
Facilities provisioning	292,063	243,896	201,831	166,640	155,991
Taxes other than income	206,365	179,302	146,075	130,036	119,227
Other	345,616	290,004	233,099	203,303	154,795
Total operating expenses	2,390,316	2,054,466	1,784,497	1,572,495	1,367,677
Net revenues-telecommunications operations	812,800	762,642	712,933	560,920	536,247
Other income					
Dividends					
subsidiary companies	29,738	24,232	21,357	19,637	18,172
associated companies	9,063	8,485	7,559	7,362	6,971
Allowance for funds used during construction	18,554	19,964	13,530	15,683	14,734
Miscellaneous-net	18,468	28,159	14,342	10,279	25,350
	75,823	80,840	56,788	52,961	65,227
	888,623	843,482	769,721	613,881	601,474
Interest charges	286,942	252,589	231,020	202,393	177,285
Unrealized foreign currency losses	10,029	9,890	5,487	-	-
Income taxes	272,561	256,370	240,118	178,593	185,696
	569,532	518,849	476,625	380,986	362,981
Income-telecommunications operations	319,091	324,633	293,096	232,895	238,493
Contract operations					
Operating revenues	453,605	319,795	185,653	-	-
Operating expenses	362,113	252,141	165,843	-	-
Net revenues-contract operations	91,492	67,654	19,810	-	-
Miscellaneous-net	3,593	(7,199)	(2,761)	-	-
	95,085	60,455	17,049	-	-
Income taxes	48,235	29,278	9,328	-	-
Income-contract operations	46,850	31,177	7,721	-	-
Income before extraordinary item	365,941	355,810	300,817	232,895	238,493
Extraordinary item					
Gain on sale of Northern Telecom Limited shares	-	29,835	4,122	-	-
Net income	\$ 365,941	\$ 385,645	\$ 304,939	\$ 232,895	\$ 238,493
Dividends on preferred shares	\$ 38,243	\$ 30,521	\$ 38,702	\$ 31,534	\$ 28,847
Net income applicable to common shares (a)	\$ 327,698	\$ 325,289	\$ 262,115	\$ 201,361	\$ 209,646

(a) Before extraordinary item.

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Balance Sheet

December 31

Thousands of dollars

Assets	1980	1979	1978	1977	1976
Telecommunications property—at cost					
Buildings, plant and equipment	\$10,275,823	\$9,275,667	\$8,415,085	\$7,691,786	\$6,875,569
Less: Accumulated depreciation	3,114,017	2,815,650	2,496,256	2,266,382	2,013,466
	7,161,806	6,460,017	5,918,829	5,425,404	4,862,103
Land, and plant under construction	352,115	318,971	270,179	254,875	295,610
Material and supplies	102,950	122,325	101,919	97,190	100,424
	7,616,871	6,901,313	6,290,927	5,777,469	5,258,137
Investments—at cost					
Subsidiary companies	331,314	309,614	212,709	212,431	215,563
Associated companies	107,971	107,971	107,971	107,971	107,971
	439,285	417,585	320,680	320,402	323,534
Current assets	854,768	749,502	693,769	287,910	346,223
Other assets	317,850	311,679	407,862	100,149	28,295
Total assets	\$ 9,228,774	\$8,380,079	\$7,713,238	\$6,485,930	\$5,956,189
Liabilities and Shareholders' Equity					
Common shareholders' equity					
Common shares	\$ 1,394,189	\$1,320,647	\$1,176,622	\$1,094,008	\$1,015,509
Premium on capital stock	898,098	807,778	607,388	527,143	460,878
Retained earnings	910,875	861,322	751,554	682,748	658,213
	3,203,162	2,989,747	2,535,564	2,303,899	2,134,600
Convertible preferred shares (redeemable)	345,653	216,718	290,765	241,612	260,587
Non-convertible preferred shares (redeemable)	108,390	112,255	113,965	114,880	116,410
Long term debt (including unrealized foreign currency losses)	3,540,424	3,082,908	2,968,425	2,559,685	2,314,259
Current liabilities					
Debt due within one year					
Long term debt	56,557	104,564	112,275	72,871	92,874
Notes payable	—	22,979	42,125	68,339	29,924
Other	653,755	580,213	532,503	343,980	332,393
	710,312	707,756	686,903	485,190	455,191
Deferred credits					
Income taxes	1,061,122	935,629	827,860	758,969	656,204
Other	259,711	335,066	289,756	21,695	18,938
	1,320,833	1,270,695	1,117,616	780,664	675,142
Total liabilities and shareholders' equity	\$ 9,228,774	\$8,380,079	\$7,713,238	\$6,485,930	\$5,956,189

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Statement of Changes in Financial Position

Year ended December 31

Thousands of dollars

	1980	1979	1978	1977	1976
Source of funds					
Operations					
Income before extraordinary item	\$ 365,941	\$ 355,810	\$ 300,817	\$ 232,895	\$ 238,493
Items not affecting current funds					
Depreciation	586,666	531,032	473,993	427,853	385,410
Deferred income taxes	125,493	107,769	68,891	102,765	87,509
Allowance for funds used during construction	(18,554)	(19,964)	(13,530)	(15,683)	(14,734)
Other—net	(20,632)	(18,344)	15,800	7,255	6,929
Total from operations	1,038,914	956,303	845,971	755,085	703,607
Net proceeds from the sale of common shares of a subsidiary	—	34,585	4,778	—	—
Proceeds from long term debt	487,376	238,668	415,409	255,204	251,663
Issue of common shares					
underwritten issue	—	194,109	—	—	—
upon exercise of warrants	—	—	—	118,607	763
under the Dividend Reinvestment and Stock Purchase Plan	83,037	64,125	30,134	—	—
under the Optional Stock Dividend Program	1,510	—	—	—	—
upon conversion of convertible preferred shares	71,064	74,044	125,820	18,952	34,655
Proceeds from issue of preferred shares	196,757	—	170,903	—	68,248
Advance payment on contract operations	—	—	190,587	—	—
Decrease in cash and temporary cash investments held for contract operations	—	42,319	—	—	—
Miscellaneous	30,665	116,763	95,107	17,356	11,608
Decrease in working capital	—	—	—	88,312	137,453
	\$1,909,323	\$1,720,916	\$1,878,709	\$1,253,516	\$1,207,997
Disposition of funds					
Capital expenditures					
Gross capital expenditures	\$1,296,997	\$1,116,743	\$1,003,672	\$ 951,079	\$ 901,324
Deduct: charges not requiring funds	(13,724)	(11,749)	(22,709)	(14,703)	(25,221)
Increase (decrease) in material and supplies	(19,375)	20,406	4,729	(3,234)	27,567
Net expenditures	1,263,898	1,125,400	985,692	933,142	903,670
Dividends	313,127	271,092	231,815	207,160	172,816
Reduction of long term debt	71,556	105,358	114,992	76,604	93,145
Acquisition of investments	23,779	106,493	4,024	3,545	1,670
Conversion of preferred shares	71,065	74,047	125,848	18,975	34,684
Increase in cash and temporary cash investments held for contract operations	16,918	—	91,851	—	—
Deferred charges—contract operations	—	—	112,912	—	—
Miscellaneous	46,270	3,646	7,429	14,090	2,012
Increase in working capital	102,710	34,880	204,146	—	—
	\$1,909,323	\$1,720,916	\$1,878,709	\$1,253,516	\$1,207,997
Working capital changes					
Increase (decrease) in current assets:					
Cash and temporary cash investments	\$ 107,911	\$ (118,779)	\$ 192,539	\$ (84,209)	\$ (43,450)
Accounts receivable	(6,583)	167,331	210,079	25,066	(14,466)
Other	3,938	7,181	3,241	830	(1,133)
(Increase) decrease in current liabilities:					
Accounts payable	(59,870)	(84,007)	(61,086)	6,718	(71,114)
Advance billing for service	(10,121)	(2,407)	(5,758)	(4,757)	(4,001)
Dividends payable	(13,162)	(8,970)	(10,679)	(6,897)	(4,629)
Taxes accrued	25,102	52,803	(96,492)	4,184	36,574
Interest accrued	(15,491)	(5,129)	(14,508)	(10,836)	(5,780)
Debt due within one year	70,986	26,857	(13,190)	(18,411)	(29,454)
Increase (decrease) in working capital, as above	\$ 102,710	\$ 34,880	\$ 204,146	\$ (88,312)	\$ (137,453)

Major Components of the Bell Canada Group

Bell Canada – The Parent Company

Regulation

Bell Canada is a federally regulated telecommunications carrier and has been under the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC) since 1976. The CRTC regulates the company by ensuring that the rates charged are just and reasonable. The rate of return on average common equity and average total capital is used to test the reasonableness of Bell Canada's rates. In a decision dated August 10, 1978 the CRTC concluded that the maintenance of the financial integrity of the company required a rate of return on equity of 12 percent on a regulated basis in 1979. In the same decision, the CRTC directed that the total net income of Tele-Direct Ltd. and Bell Canada International

(BCI), and from the Saudi Arabia contract be treated as part of the company's earnings for regulatory purposes. The August 12, 1980 decision on the company's application for an increase in rates provided for revenue increases that the CRTC estimated would allow the company to earn 12 percent on average common equity on a regulated basis in 1981. In this decision the CRTC directed the company to include for regulatory purposes any shortfall between a deemed return of 15 percent on its investment in Northern Telecom Limited and the actual dividends received. The CRTC also directed that the consolidated net income from Tele-Direct Ltd. and BCI and the net income from the Saudi Arabia contract be treated as part of the company's earnings for regulatory purposes.

Rate of Return on Average Common Equity (Regulated) 1980 (thousands of dollars)

Regulated Earnings from:		Average Common Equity Rate Base:	
Telecommunications and Contract Operations	\$ 327,698	Telecommunications and Contract Operations	\$3,078,770
Tele-Direct Ltd. and Bell Canada International	13,328	Tele-Direct Ltd. and Bell Canada International	30,659
Shortfall between the prescribed dividend return (15%) on average investment and dividends received from Northern Telecom Limited.	3,139	(Retained earnings)	
Total	\$ 344,165	Total	\$3,109,429

Rate of Return on Average Common Equity Rate Base = $\$344,165 \div \$3,109,429 = 11.1\%$

Rate Proceedings and Decisions

Application Filed	Decision	Additional Revenue Requested (Millions)	Additional Revenue Granted (Millions)	Portion of Request Granted	Return on Average Total Capital Allowed	Return on Average Common Equity Allowed
15 Aug. 1973	15 Aug. 1974	\$ 51.8	\$ 48.2	93.1%	8.6%-9.1%	11.0%-12.0%
30 May 1975	28 Jul. 1975	65.0	32.5 ⁽²⁾	50.0%	— ⁽¹⁾	— ⁽¹⁾
30 May 1975	22 Dec. 1975	74.4	74.4 ⁽²⁾	100.0%	— ⁽¹⁾	— ⁽¹⁾
3 Nov. 1976	1 Jun. 1977	171.6	162.0	94.4%	— ⁽¹⁾	12.0% ⁽³⁾
1 Feb. 1978	10 Aug. 1978	398.9 ⁽⁴⁾	248.0 ⁽⁴⁾	62.2%	— ⁽⁵⁾	12.0%
19 Feb. 1980	12 Aug. 1980	465.4 ⁽⁶⁾	385.0 ⁽⁶⁾	82.7%	— ⁽¹⁾	12.0%

Rate Proceedings in Progress

Application Filed	Additional Revenue Requested (Millions)	Return on Average Total Capital Requested	Return on Average Common Equity Requested
12 Feb. 1981	\$550.0	11.9% ^(7,8)	14.75% ^(7,8)

All figures are on an annualized basis except where otherwise noted.

(1) No formal request for rate of return. The hearing was a cost recovery case, and earlier allowed return was used by the company.

(2) Decision of 22 December 1975 also granted the remainder of the first phase application. The combined effect of the two increases would be \$110.3 million annualized for 1976.

(3) The CRTC found this to be "acceptable" although the hearing was a cost recovery, not a rate of return case.

(4) Figures are annualized, using a 1979 test year.

(5) None specified.

(6) Figures are annualized for 1981, the additional revenue requested for 1980 was \$180 million. Requested rates were based upon the method of regulation proposed by the company in the February 19, 1980 application which, for regulatory purposes, included 50% of the total net income from the Saudi Arabia contract.

(7) Figures are annualized for 1982. The additional revenue requested for 1981 is \$183 million which results, on a regulated basis, on a return on average total capital and a return on average common equity of 11.00% and 13.35% respectively.

(8) In 1982, on a non-consolidated basis, the return on average total capital and the return on average common equity is estimated to be 11.52% and 14.07% respectively.

Major Components of the Bell Canada Group

Bell Canada Shareholder Statistics

December 31

Shareholders	1980	1979	1978	1977	1976
By holdings					
Common*					
1-99 shares	97,441	92,592	—	—	—
100-999 shares	132,287	121,881	—	—	—
1,000 shares and over	23,170	21,687	—	—	—
Total	252,898	236,160	209,233	205,267	207,588
Average number of common shares per holder	661	671	674	639	587
Preferred					
1-99 shares	13,635	14,062	15,982	20,311	24,438
100-999 shares	24,172	17,209	19,625	14,883	15,560
1,000 shares and over	3,314	1,782	2,016	1,460	1,569
Total	41,121	33,053	37,623	36,654	41,567
Average number of preferred shares per holder	494	398	421	339	309
By location					
Common					
Canada	247,343	230,592	203,782	199,522	202,252
U.S.	4,616	4,640	4,521	4,784	4,337
Other foreign	939	928	930	961	999
Total	252,898	236,160	209,233	205,267	207,588
Preferred					
Canada	40,847	32,765	37,323	36,267	41,172
U.S.	164	173	177	217	203
Other foreign	110	115	123	170	192
Total	41,121	33,053	37,623	36,654	41,567
Shares					
By location					
Common					
Canada (a)	160,697,362	151,517,667	133,178,946	123,322,854	117,851,550
U.S.	4,171,851	4,508,615	4,760,355	5,018,442	2,339,721
Other foreign	2,433,527	2,451,422	3,255,342	2,939,616	1,669,752
Total	167,302,740	158,477,704	141,194,643	131,280,912	121,861,023
Preferred					
Canada (a)	20,301,772	13,139,188	15,816,180	12,416,066	12,855,015
U.S.	15,025	21,393	23,450	20,139	19,369
Other foreign	7,620	4,711	4,912	12,553	10,409
Total	20,324,417	13,165,292	15,844,542	12,448,758	12,884,793

*Categories of holdings reflect the three-for-one common share subdivision effected in 1979.

(a) Held by shareholders registered as residents of Canada.

Major Components of the Bell Canada Group

Bell Canada Number of Shares Traded

	1980	1979	1978	1977	1976
Common shares					
Montréal	6,097,807	5,488,326	5,036,481	6,353,955	4,808,409
Toronto	17,958,100	13,788,500	14,046,900	15,932,100	10,065,300
Vancouver	2,300	76,841	40,755	25,503	281,400
New York(a)	1,018,000	1,052,400	2,806,500	3,970,800	1,640,700
Total	25,076,207	20,406,067	21,930,636	26,282,358	16,795,809
\$3.20 convertible preferred shares					
Montréal	478	862	2,791	5,100	15,550
Toronto	5,900	5,700	11,100	12,600	33,000
Total	6,378	6,562	13,891	17,700	48,550
\$3.34 convertible preferred shares					
Montréal	137	617	1,140	3,904	9,565
Toronto	4,300	6,500	18,200	35,700	50,200
Total	4,437	7,117	19,340	39,604	59,765
\$2.25 preferred shares					
Montréal	51,130	57,862	31,585	171,330	49,716
Toronto	143,200	63,100	133,000	343,600	117,500
Vancouver	—	—	—	18,400	—
Total	194,330	120,962	164,585	533,330	167,216
\$4.23 convertible preferred shares					
Montréal	75	240	76,577	194,849	66,020
Toronto	15,900	22,300	441,800	297,400	335,000
Vancouver	—	—	—	5,600	10,200
Total	15,975	22,540	518,377	497,849	411,220
\$2.28 convertible preferred shares					
Montréal	1,900	66,710	61,372	184,110	257,364
Toronto	158,400	303,100	600,600	1,220,800	835,000
Vancouver	—	950	200	11,300	17,300
Total	160,300	370,760	662,172	1,416,210	1,109,664
\$1.80 preferred shares					
Montréal	35,410	81,056	161,042	97,440	49,742
Toronto	308,000	362,900	574,800	618,600	120,600
Vancouver	—	—	84,000	25	—
Total	343,410	443,956	819,842	716,065	170,342
\$1.96 convertible preferred shares					
Montréal	91,520	105,285	345,196	—	—
Toronto	520,400	599,100	741,300	—	—
Vancouver	—	1,600	33,700	—	—
Total	611,920	705,985	1,120,196	—	—
\$2.05 convertible preferred shares					
Montréal	312,706	—	—	—	—
Toronto	2,850,300	—	—	—	—
Total	3,163,006	—	—	—	—

(a) Trading commenced August 18, 1976.

Major Components of the Bell Canada Group

Bell Canada Market Prices per Share

	1980	1979	1978	1977	1976
Common shares					
High	\$21 1/8	\$23 1/8	\$21.88	\$18.88	\$17.04
Low	17 5/8	18 3/4	17.33	15.42	14.29
Close (a)	20	20 1/2	21.71	18.08	16.00
\$3.20 convertible preferred shares					
High	\$61 1/2	\$68	\$ 64	\$ 56 1/8	\$ 51
Low	53 3/8	56 3/4	52 3/8	47 1/2	43
Close (a)	57	60 1/4	63 3/4	53 7/8	48 1/4
\$3.34 convertible preferred shares					
High	\$62 1/2	\$67 7/8	\$ 65 3/8	\$ 56 1/2	\$ 51
Low	54	60 3/4	53	47	44 1/4
Close (a)	57 1/2	62 1/2	65 3/8	55	45 7/8
\$2.25 preferred shares					
High	\$28	\$31 1/2	\$ 31 1/2	\$ 30 1/2	\$ 26 1/4
Low	21	26	27 1/4	25 1/4	24 1/4
Close (a)	22 1/2	26 3/4	30	29 3/4	26
\$4.23 convertible preferred shares					
High	\$63 1/4	\$68 7/8	\$ 64 1/2	\$ 57	\$ 52 1/2
Low	52 3/4	57 3/4	53 1/4	48 1/2	46 3/4
Close (a)	58 1/2	62	64 1/4	55 1/2	49 1/2
\$2.28 convertible preferred shares					
High	\$32	\$34 1/2	\$ 33	\$ 30 1/4	\$ 28
Low	26 1/4	28 1/4	28 5/8	26	24 7/8
Close (a)	29 3/8	30 3/4	32 1/2	30	26 3/4
\$1.80 preferred shares (b)					
High	\$21 3/4	\$24 3/4	\$ 24 5/8	\$ 23 3/4	\$ 20 3/4
Low	16 1/4	20 1/4	21 3/4	20 1/8	19 3/8
Close (a)	18	21 7/8	23 1/8	22 3/4	20 1/2
\$1.96 convertible preferred shares (c)					
High	\$25 1/4	\$28 3/8	\$ 28 1/4	—	—
Low	20 7/8	22 7/8	25 5/8	—	—
Close (a)	23 5/8	24 5/8	27 1/2	—	—
\$2.05 convertible preferred shares (d)					
High	\$24 1/4	—	—	—	—
Low	21 1/4	—	—	—	—
Close (a)	22 7/8	—	—	—	—

Source: Montréal Stock Exchange, Toronto Stock Exchange, Vancouver Stock Exchange.

(a) Based on closing price of the year on the Toronto Stock Exchange.

(b) Data starting in October of 1976.

(c) Data starting in May of 1978.

(d) Data starting in April of 1980.

Ratings – Securities of Bell Canada

	First Mortgage Bonds	Debentures	Preferred Shares	Promissory Notes/ Commercial Paper
Canadian Bond Rating Service (CBRS)	A++	A+	P-1	A-1
Dominion Bond Rating Service (DBRS)	AAA	AA	AA	R-1 (high)
Moody's	Aa	Aa		P-1
Standard & Poor's	AA	AA		pending

The Bell Canada Group

Quarterly Earnings and Dividends per Share

	1980	1979	1978	1977	1976
Consolidated					
Earnings per share (a) (b)					
First quarter	\$0.55	\$0.65	\$0.46	\$0.44	\$0.56
Second quarter	0.34	0.72	0.55	0.42	0.56
Third quarter	0.62	0.64	0.70	0.58	0.52
Fourth quarter	0.49	0.62	0.78	0.55	0.51
Assuming full dilution					
First quarter	\$0.54	\$0.63	\$0.45	\$0.42	\$0.52
Second quarter	0.34	0.70	0.52	0.41	0.51
Third quarter	0.60	0.62	0.65	0.56	0.48
Fourth quarter	0.49	0.60	0.73	0.53	0.48
Non-Consolidated					
Earnings per share (a) (b)					
First quarter	\$0.46	\$0.55	\$0.36	\$0.34	\$0.45
Second quarter	0.33	0.58	0.41	0.29	0.43
Third quarter	0.58	0.53	0.57	0.48	0.45
Fourth quarter	0.63	0.48	0.62	0.46	0.41
Assuming full dilution					
First quarter	\$0.46	\$0.53	\$0.36	\$0.33	\$0.42
Second quarter	0.33	0.57	0.40	0.29	0.41
Third quarter	0.57	0.52	0.54	0.47	0.42
Fourth quarter	0.62	0.47	0.59	0.45	0.39
Dividends declared					
First quarter	\$0.41	\$0.38	\$0.35	\$0.34	\$0.28
Second quarter	0.41	0.38	0.35	0.34	0.29
Third quarter	0.41	0.38	0.35	0.34	0.31
Fourth quarter	0.45	0.41	0.38	0.34	0.31

(a) Before extraordinary items.

(b) The sum of quarterly earnings per common share may not equal earnings per common share for the year, due to the increasing number of common shares outstanding each quarter.

This publication is intended to supplement Bell Canada's 1980 Annual and Interim Reports to investors. We hope that the information contained herein has helped to provide readers with a fuller understanding of the financial performance of the Bell Canada Group.

Bell Canada's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in the United States, is available upon request.

For further information or additional copies, please write to:

The Corporate Secretary
Bell Canada
1050 Beaver Hall Hill
Montréal, Québec
H3C 3G4

Sur demande, le secrétaire de la compagnie vous fera parvenir un exemplaire français du Rapport statistique 1980.

