TELEGLOBE • 1991 ANNUAL REPORT

TELEGLOBE

Table of Contents

Annual Meeting

The Annual Meeting of Teleglobe Inc. will be held at 3:00 p.m. on Tuesday, May 12, 1992 at The Queen Elizabeth Hotel, 900 René-Lévesque Blvd. West, Montréal, Québec. Shareholders are invited to attend this meeting.

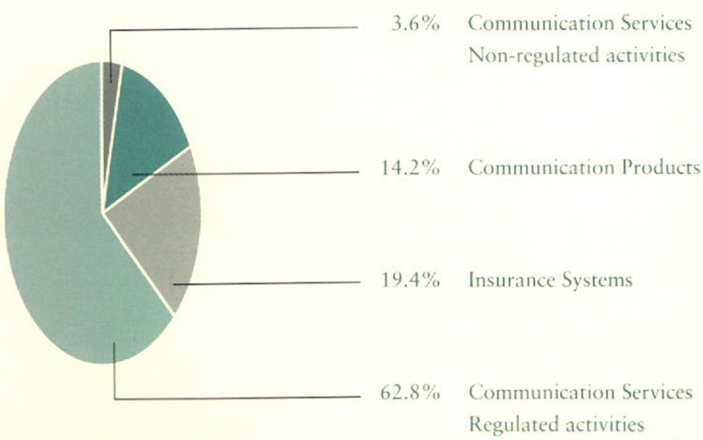
Financial Highlights

(in CA$ million)	1991	1990
Revenues	$ 437.8	$ 404.1
Income from operations	68.7	41.4
Net income	25.7	8.0
Total assets	1,387.7	1,151.7
Shareholders' equity	498.9	415.1

Per Share

(in CA$)		
Earnings	$ 0.54	$ 0.20
Dividends declared		
Common and First Series Preferred	0.28	0.28
Second Series Preferred	1.38	–

Operating Revenues – 1991



The year 1991 was very active and challenging for Teleglobe as we responded effectively to evolving market needs. We created business opportunities in all of our operations and rallied our employees toward the goal of making Teleglobe a more customer-responsive company.

This commitment to customers, combined with tight cost control and the benefits of partnerships with industry leaders, resulted in a strong earnings improvement. Despite extremely weak economic conditions in North America and in other markets, the Corporation posted a net income of $25.7 million, or $0.54 per share, compared with $8.0 million, or $0.20 per share, in 1991. Revenues increased 8% to $437.8 million, compared with $404.1 million in the prior year.

Corporate highlights

As the year unfolded, a number of programs were put in place to reinforce the Corporation's position as a Canadian-based international competitor in the telecommunications and information management industry.

We continued to establish strategic partnerships both in Canada and abroad to extend our ability to offer new and enhanced products and services, as well as to support marketing efforts. The year 1991 was particularly fertile with the signing of a number of agreements with Telecom Canada (Stentor), AT&T, Regional Bell Operating Companies (RBOCs) in the United States and also other domestic and international partners.

Our commitment to international markets was increased by the opening of corporate offices in London, England and Singapore. From these foreign bases, Teleglobe is in a better position to serve the international needs of customers and to increase revenues for all business units by capitalizing directly on opportunities in these markets.

Important regulatory matters were concluded. The Corporation presented a strong case to the Canadian Radio-television and Telecommunications Commission (CRTC) during hearings on Teleglobe Canada's regulatory environment. We are pleased with the CRTC's decision which authorized a range of return on equity and a debt/equity structure similar to those prevailing during the four-year transitional period which followed the company's privatization.

In March, 1992, the Federal government extended Teleglobe Canada's mandate as the sole Canadian provider of overseas telecommunications services for a period of five years, subject to a review in about three years. This decision confirms that the Federal authorities are satisfied with Teleglobe Canada's performance in meeting their expectations as enunciated in 1987 during the privatization process. Specifically, it recognizes that Teleglobe Canada has provided Canadians with competitive rates and efficient, high-quality facilities and services which compare favourably with major international carriers.

The extension of the exclusive mandate provides additional stability to the Corporation's long-term financial planning process, while encouraging the continuing pursuit of excellence and customer-oriented market responses.

Finally, a new corporate identity was developed to support the Corporation's name change to Teleglobe Inc. from Memotec Data Inc. The new corporate symbol represents our operations in telecommunications, networking and information services, as well as our global focus on markets and the needs of customers.

The Corporation's business units are now identified as follows:

- *Communication Services,* including Teleglobe Canada Inc., and non-regulated Teleglobe International Inc. and Teleglobe Marine Inc.;

- *Communication Products,* the networking products division (previously Memotec); and
- *Insurance Systems,* including the former Real Time in Canada and the United Kingdom, and ISI Systems, Inc. in the United States.

Operating highlights

Throughout the Corporation, 1991 was rich in new developments to help manage the business more efficiently and better serve markets.

Communication Services

- The introduction of our *Globedirect*™ family of global telecommunications services was widely acclaimed by Canadian business.
- We inaugurated an international aeronautical satellite telecommunications service through the *Satellite Aircom*™ consortium and signed the first customers.
- A more favorable revenue-sharing agreement was negotiated with Telecom Canada.
- International long distance telephone traffic to and from Canada grew 12.1%.
- Capital expenditures totalled $189.5 million, mainly for optical fiber cable capacity and earth stations, as well as digital transmission systems and switching facilities.
- We built a new cableship and entered into a joint-venture partnership with AT&T for the ownership and operation of five cableships.

Communication Products

- Strategic marketing partnerships were formed with three additional RBOCs and the division launched 22 new products.

Insurance Systems

- Several new products and services were introduced in Canada and the United States, while United Kingdom operations enjoyed growth in revenues and operating earnings.

Management changes

Subsequent to year-end, the Board of Directors implemented changes in the management of the Corporation through the creation of a President's Office and the following nominations: Charles Sirois as President of the Communication Services Division, William M. McKenzie as President of the Communication Products Division and Charles C. Johnston as President of the Insurance Systems Division. Each co-president reports directly to the Board.

Furthermore, Mr. Sirois will be appointed President and Chief Executive Officer of Teleglobe Inc. no later than July 1, 1992.

Since 1978, Mr. Sirois has established a position as one of the leading entrepreneurs in the development and management of communications and telecommunications businesses in Canada. He has served in senior executive positions with some of the country's largest mobile communications companies. Through National Telesystem Inc. and its subsidiaries, Mr. Sirois is a major shareholder of the Corporation and holds strategic investments in telecommunications and communications in Canada, U.S.A., Mexico and Europe. We are certain that Mr. Sirois will make a strong contribution to the continued success of our Corporation.

On behalf of the management team and the Board of Directors, I wish to acknowledge the contribution of our employees towards making Teleglobe more successful and more competitive in the international telecommunications industry.

William M. McKenzie
co-President and Director

Teleglobe's vast digital network is controlled by a state-of-the-art management system which ensures that Canadians can communicate around the world, 24 hours a day.

Globedirect™ services open new possibilities

For the first time in its history, Teleglobe Canada is providing public switched telephone services directly to business customers. This is achieved through the *Globedirect*™ family of services, which allows business and institutional customers to benefit from some of the lowest international telecommunications rates in the world.

The *Globedirect*™ family of services include:

- *Globetel*™, an outgoing international telephone service to over 200 destinations;
- *Globe 800*™, an international toll-free service for incoming direct-dial telephone calls;
- *Globecard*™, a calling card service that gives holders third country calling possibilities (e.g., France to Germany), as well as calling to Canadian destinations, chargeable to a *Globedirect*™ account in Canada; and
- *Globenet*™, a global virtual private network service.

Following CRTC rulings, customers may now connect directly to our network of international switching centers through private lines. Initial response has been exceptional with over 200 customers signed in nine months.

It is expected that the *Globedirect*™ services will grow at an annual rate of 50% for the coming years.

Teleglobe Canada Inc.

Our business

Through Teleglobe Canada Inc., the Corporation provides international telecommunications services to residential and business customers in Canada. The vast and efficient network of Teleglobe Canada switching and global transmission facilities makes the company one of the most competitive and reliable international telecommunications carriers. Teleglobe Canada is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC).

Products and services

We offer Canadians direct-dial telephone access to more than 200 countries, one of the highest penetration levels in the world.

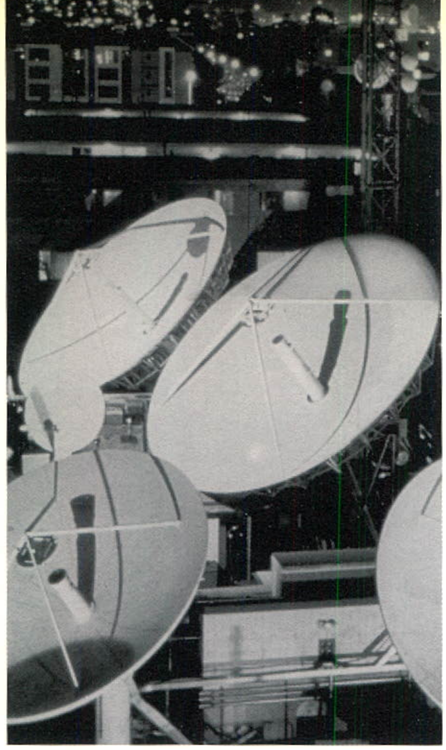
In recent years, a number of sophisticated services have been introduced to meet the rapidly growing needs of business and institutional users. These include *International 800 Service*™, a toll-free number by which overseas customers can reach Canadian business; *Global Fon*™ – *GVPN*™, a virtual private network offered to multinational companies; *Globefax*™, a world-wide facsimile service reaching destinations in Canada, U.S.A., Mexico and countries offshore; *Globestream*™, a private digital optical fiber cable service; and *Globedat*™, a highly economical international packet switched data transmission service.

Markets and customers

The vast majority of Teleglobe Canada revenues from Canadian users are collected by the domestic telephone companies. The sharing of revenues is also negotiated with foreign administrations that receive and/or originate Canadian long distance calls.

- Telephone traffic grew by 12.1% to 1,028.9 million paid minutes for calls to and from Canada.
- An additional $35 million in revenue was generated through the renegotiation of settlement rates with Telecom Canada.

Teleglobe Canada provides Canadians with uninterrupted access to the world's highest quality telecommunications services. At its International Centre, DMS 300 switches form the backbone of the digital switching network.



Satellite technology makes international communication faster and easier for mobile customers.

- New accounting rates were negotiated with foreign administrations to reduce operating costs and provide Canadian telephone users with more competitive rates.
- Fourteen new countries were added to the *Canada Direct*™ service, bringing the total to 46 countries. This service reduces costs by putting callers from overseas directly in touch with a Canadian operator and enables calls to be placed at low Canadian rates.
- Capital expenditures increased to $189.5 million, compared with $166.2 million in 1990. We continued to invest in optical fiber cable capacity and earth stations, as well as digital transmission systems and switching facilities.
- Recently, a joint-venture agreement was signed with BC Tel to construct and operate an optical fiber network linking our Vancouver gateway with our Port Alberni cable station and Lake Cowichan earth station. The purpose of the venture is to replace leased facilities and to provide capacity for high demand services such as video-phone and wide-band applications such as image transmission.

Teleglobe International Inc.

Our business

Founded in 1988 as a subsidiary of the Corporation, Teleglobe International Inc. offers a variety of international telecommunications products and services. The company seeks strategic investment opportunities which will contribute to the Corporation's future revenues and earnings.

Products and services

Teleglobe International builds turnkey satellite earth stations and provides transit broadcast services originating and terminating outside Canada. As well, the company offers consulting services and training courses to international telecommunications carriers.

Through IDB Communications Group, Inc. (IDB) of Los Angeles, approximately 16%-owned by the Corporation, we supply satellite transmission services for radio, television, data and voice services. Two-way global satellite communications services are supplied to ships, aircraft and land-based mobile terminals using the Inmarsat system through IDB Aeronautical Communications, Inc. (IDB•A), a 50-50 joint venture with IDB.

Markets and customers

The primary markets are overseas broadcasters, cable TV networks and foreign telecommunications administrations. Customers for turnkey earth stations include foreign carriers, companies seeking satellite communications for remote locations and the Canadian Forces.

Customers for global mobile satellite communications services, offered through IDB•A, include the world-wide population of freighters, cruise ships, offshore drilling rigs and exploration vessels equipped with Inmarsat terminals, as well as companies using transportable terminals in remote locations, and suitably equipped aircraft. In the coming years, the number of commercial and corporate aircraft equipped for satellite communications service is expected to increase significantly.

Through its role in support of Teleglobe Canada within the *Satellite Aircom*™ consortium, IDB•A plays an important function in marketing aeronautical satellite telecommunications services to the corporate aviation sector and has entered into arrangements with a Canadian company to supply communication equipment to business aircraft.

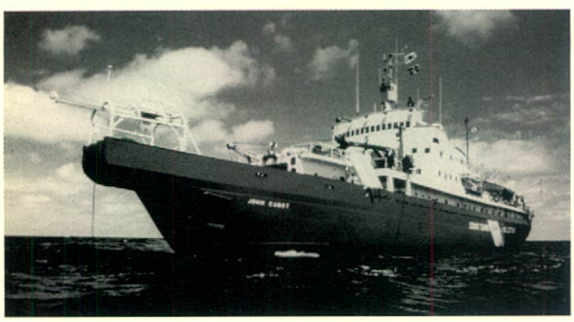
1991 highlights

- Major political events in the world, particularly in the former Soviet Union and the Persian Gulf War, resulted in a strong increase in transit broadcast revenues.
- Three transportable, small-diameter earth stations were installed in the Middle East in support of the Canadian Forces during the Persian Gulf War.
- IDB•A received authorization from the U.S. Federal Communications Commission to provide aeronautical services. Voice service to the Pacific region, in conjunction with the *Satellite Aircom*™ consortium, was inaugurated in May.
- The first live demonstration of *Satellite Aircom*™ services was made at the Paris Air Show in June and the first corporate aviation customers in the U.S. were signed in September.
- An agreement was concluded with Canadair to install IDB•A's *Jet-Sat*™ in-flight satellite communications system on a Canadair 601-3A *Challenger* aircraft. The first installation is expected in March 1992.

Teleglobe Marine Inc.

Our business

Teleglobe Marine Inc., a wholly-owned subsidiary of the Corporation formed in 1989, is engaged in all aspects of telecommunications submarine cable technology, including survey, installation, maintenance and repair. The company owns significant interests in cableships and submersible vehicles which are all under contract in support of the submarine cable business.



Teleglobe Marine's fleet of cable maintenance ships is vital to the health of subsea cable networks in the Atlantic and Pacific Oceans.

Products and services

Teleglobe Marine is in the midst of a $100 million capital investment program and has acquired an equity position with joint-venture partner AT&T in five cableships. Four of these ships are in service and the fifth, the *C.S. Global Mariner,* is under construction and due for delivery to Teleglobe Marine (U.S.) Inc. in December 1992.

All five ships will be chartered to and operated by TCSC, a wholly-owned subsidiary of AT&T. Along with a leased cableship and equity in three submersibles, the company is in an excellent position to execute major undersea contracts.

Markets and customers

With the tremendous increase in optical fiber networks, significant opportunities exist for installation, maintenance and repair work in the world's oceans. Through its expertise and sophisticated equipment, Teleglobe Marine offers competitive services on an international scale.

Teleglobe Canada's investment in all of the world's major optical fiber undersea cables provides an excellent entry point for our services.

1991 highlights

- Teleglobe Marine successfully completed a contract to install and bury the U.S. and Canadian spurs of the TAT-9 trans-Atlantic optical fiber cable system.
- The company acted as marine consultant for the installation of a cable system to link the four Canadian Atlantic Provinces and obtained the maintenance contract. It was engaged to oversee the 1992 installation of two optical fiber cable systems linking Vancouver Island and the British Columbia mainland.
- The keel-laying of one of our joint-venture cableships and the christening of another took place in June, while a third ship was put into service.

Our business

The Communication Products business unit designs, manufactures and markets products and systems to link computers through integrated data networks and to speed data transmission. It also develops and markets advanced network management systems that monitor, test and restore service in a variety of networks.

Products and services

The division has a reputation for innovation in packet switching/frame relay technology and high-speed dial modems, while its data compression multiplexers and diagnostic products

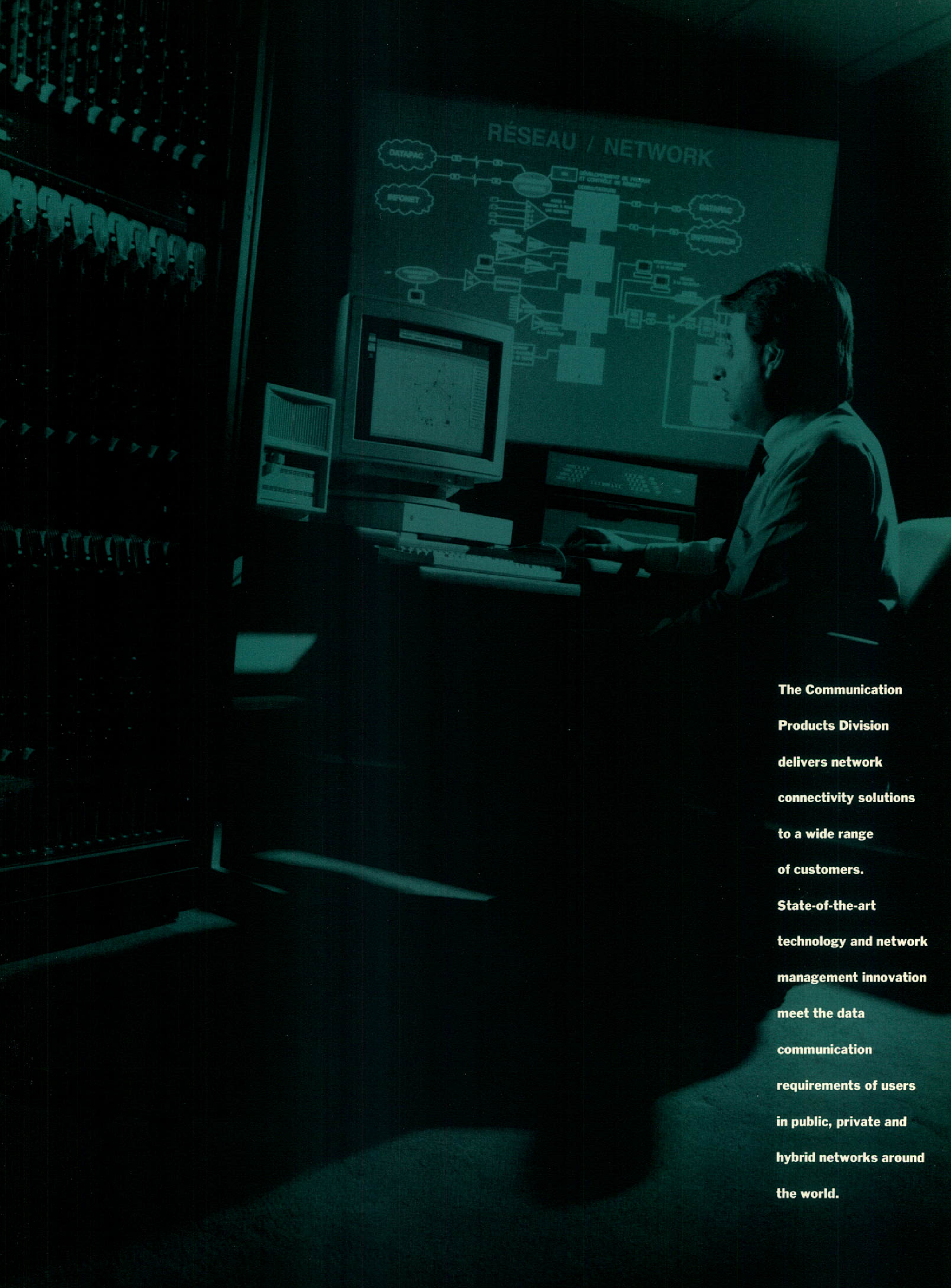
are recognized as being among the most efficient in the market. Other products include digital dial sets and network management tools, T1 and LAN-WAN products.

Markets and customers

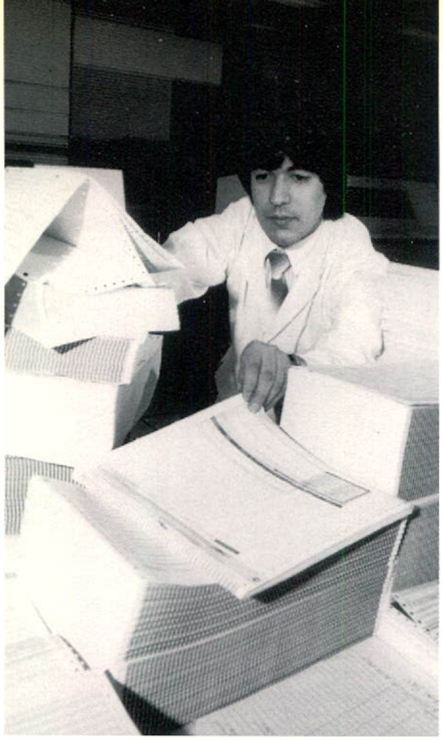
About 70% of sales are in the United States, 20% in Canada and 10% in more than 50 other countries. We serve three market segments internationally: end users, consisting primarily of financial services companies; telephone companies; and resellers who use our products to create value-added services.

1991 highlights

- ☐ Joint marketing agreements were signed with Pacific Bell, BellAtlantic and Ameritech. Similar agreements already exist with all but one of the Regional Bell Operating Companies in the U.S.
- ☐ Twenty-two new products have been introduced since February 1991. Included is a new line of internetworking products for LAN-WAN communications networks, one of the fastest growing markets in the communications industry.
- ☐ A T1 multiplexer was introduced which provides users with a low-cost, high-performance solution for transmitting voice and data over single telephone lines.



The Communication Products Division delivers network connectivity solutions to a wide range of customers. State-of-the-art technology and network management innovation meet the data communication requirements of users in public, private and hybrid networks around the world.

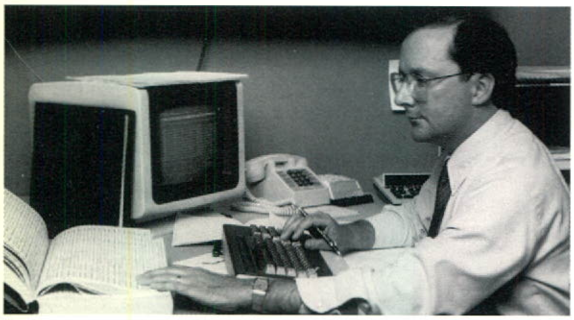


Our business

Teleglobe Insurance Systems is dedicated to serving the information technology needs of the property and casualty insurance industry in North America. It also provides services to life and health insurers in the United States and the Lloyd's motor insurance syndicate in the United Kingdom.

Products and services

The division develops, markets and supports processing systems and applications software for our customers. Database services are becoming an important part of our business, along with value-added network and systems integration consulting.



Products and services are designed to help customers achieve their objectives of cost containment, enhanced information access and increased customer responsiveness.

Markets and customers

The division is the only Canadian-owned vendor servicing general insurance companies, independent brokers and industry third parties in its market niche in Canada.

In the United States, the division's customer base comprises 120 companies, including 22 of the largest 25 insurers in the country. Key markets are Massachusetts automobile insurance, personal and commercial residual insurance, as well as assigned risk automobile insurance.

In the United Kingdom, we have a strong position in the Lloyd's motor insurance syndicates.

1991 highlights

Canada:

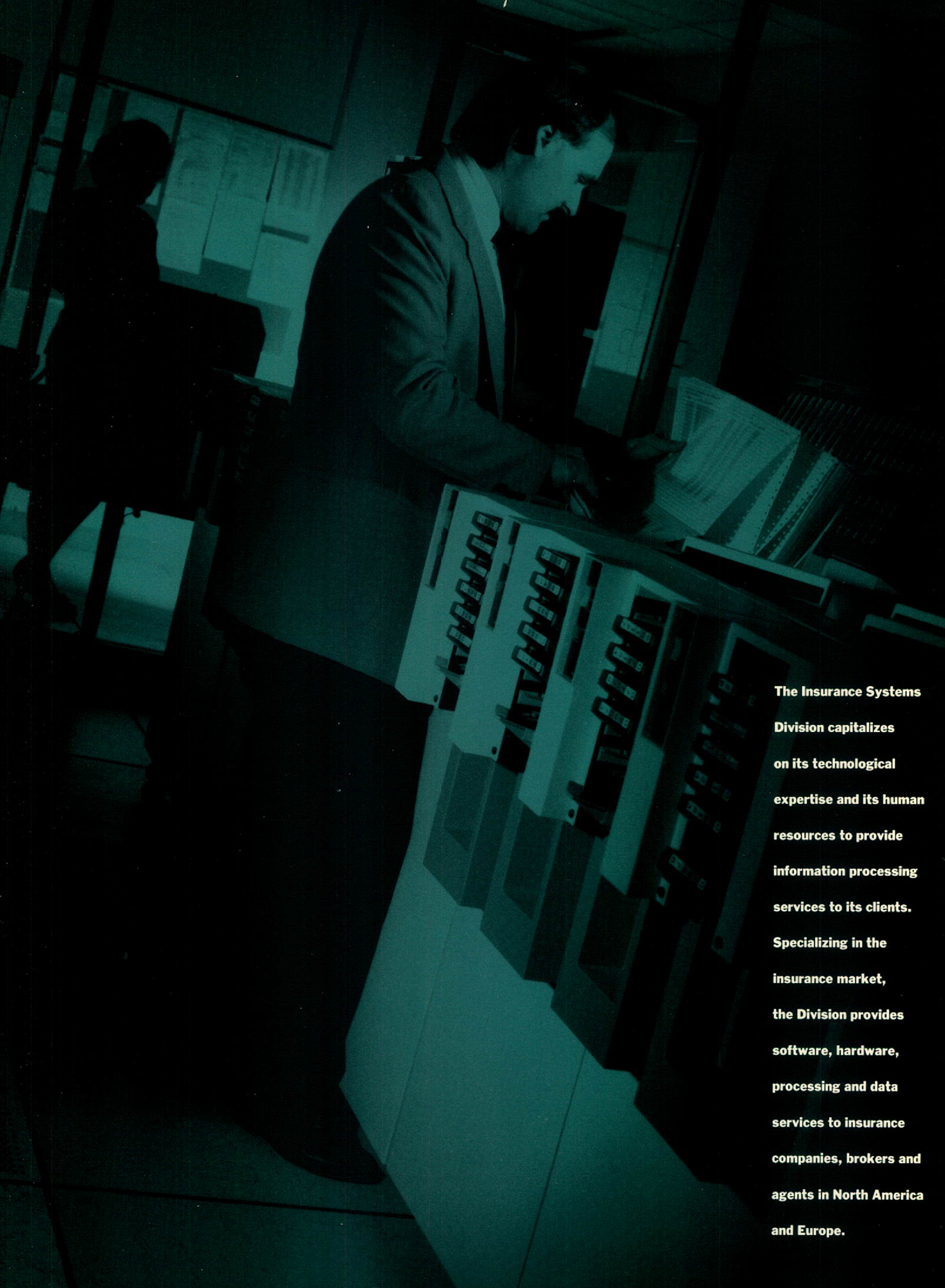
- Information services were expanded to include credit check data and high-speed telecommunications links.
- Several long-term, multi-million dollar insurance processing contracts with major customers were renewed.

U.S.:

- An outsourcing unit was established for insurance administration services.
- We introduced the largest-ever series of enhancements to our Massachusetts automobile insurance processing.

U.K.:

- A major new contract was signed which increased revenues by 40%.



The Insurance Systems Division capitalizes on its technological expertise and its human resources to provide information processing services to its clients. Specializing in the insurance market, the Division provides software, hardware, processing and data services to insurance companies, brokers and agents in North America and Europe.

Overview

Consolidated revenues for the Corporation were $437.8 million in 1991 compared to $404.1 million in 1990 and $371.9 million in 1989. The increase in revenues in 1991 is primarily attributed to the regulated Communication Services business unit. The increase in revenues in 1990 resulted from the acquisition by the Insurance Systems business unit of ISI Systems, Inc. (ISI) in November 1989.

Income from operations in 1991 was $68.7 million compared to $41.4 million in 1990 and $53.5 million in 1989. After a decline in 1990 to the lowest level since the acquisition of Teleglobe Canada Inc.(TCI) in 1987, income from operations increased by 66% in 1991 over 1990 due mainly to the contribution of the Communication Services business units. In 1991, increased telephone traffic volumes coupled with reduced settlement rates with Telecom Canada countered the impact of rate reductions in 1990. The rate reductions were required by the Canadian Radio-television and Telecommunications Commission (CRTC) to eliminate earnings in prior years which were in excess of the allowed return. In 1990, the increase in operating income of the other business units had largely offset the lower contribution of the regulated operations.

Financial charges were $23.4 million in 1991 compared to $25.8 million in 1990 and $17.8 million in 1989. The decrease in 1991 is due to lower interest rates and higher capitalized interest associated with the increased capital expenditures of the Communication Services business units. The capital spending program of the regulated unit was financed mainly through an issue of $75.0 million of preferred shares by the Corporation while that of Teleglobe Marine (U.S.) Inc. (TMI-US) was financed by floating rate debt.

The effective income tax rate for the Corporation for 1991 was 43.2% or 4.4% above the basic Federal income tax rate. A reconciliation of the difference between the two rates is contained in note 13 to the financial statements.

Net income was $25.7 million ($0.54 per share) in 1991 compared to $8.0 million ($0.20 per share) in 1990 and $20.1 million ($0.52 per share) in 1989. Earnings per share in 1991 reflect the improvement in income from operations over 1990 and are after deducting the portion of income applicable to the preferred shares which were issued during the year.

Business Unit Commentary

The following business unit commentary is based on segmented information contained in note 17 to the financial statements.

Communication Services – Regulated

1991 compared to 1990

Operating revenues in 1991 were $279.9 million compared to $234.0 million in 1990; an increase of 19.6%. The increase is mostly attributable to higher telephone service revenues resulting from traffic growth of 12.1%, a $0.045 per minute reduction in settlement rates with Telecom Canada and the introduction of new services such as *Globedirect.*™ Carrier service revenues declined to $23.9 million from $33.5 million in the previous year due to the fact that no major cable breaks occurred in 1991. Message and private network service revenues were flat at $7.3 million and $15.3 million respectively in 1991. Mobile service revenues increased by 31.1% to $7.2 million in 1991 mainly from maritime services. Revenues in 1991 also include $10.3 million arising from the amortization and transfer of the excess of the rate stabilization account compared to $7.6 million in 1990.

Network costs increased by $5.0 million or 3.9% due to the full year impact of accelerated depreciation of analog cable systems, which was initiated in the second half of 1990. However, a charge of $4.1 million, which represents TCI's share of the cost of the failed launch of an Intelsat satellite, is recorded in network costs of 1990. The satellite, with a book value of $4.5 million, is scheduled to be recovered in early 1992.

Operating expenses as a percentage of gross revenues were 5.8% in 1991 compared to 5.2% in 1990. The increase is due to severance payments of $7.0 million offered to employees under a reorganization program.

Net earnings for regulatory reporting purposes in 1991 of $48.0 million compare to $30.4 million in 1990. They include after-tax imputed interest income of $7.2 million and $9.4 million respectively for the two years, earned on the intercompany loans with the parent company which declined to $60.2 million at the end of 1991 from $118.8 million at the end of 1990.

The rate of return was 14.44% on average common equity of $332.3 million in 1991 compared to 10.89% on average common equity of $279.3 million in 1990. The average rate of return achieved over the four-year transition period ended December 31, 1991 equalled the maximum permitted return on equity of 14.89%. The cumulative earnings shortfall amounted to approximately $0.3 million for the transition period compared to excess cumulative earnings of $1.2 million to the end of 1990.

1990 compared to 1989

Revenues increased by 9.0% notwithstanding rate reductions for public switched services of approximately 2.0% during 1990 and the full impact of 1989 rate reductions of approximately 8.0%. Telephone traffic growth in 1990, while strong at 18.0%, was less than the prior year largely due to the recession.

Operating revenues for 1990 were 19.0% of revenues compared to 21.0% in 1989 as the result of payments to carriers which grew by 11.0%. The increase in payments to carriers was less than traffic growth because of improved revenue sharing arrangements with foreign carriers negotiated by TCI. The amortization and transfer of the excess of the rate stabilization account was $7.6 million in 1990 or $6.4 million less than in 1989.

While traffic increased by 18.0% over 1989, network costs increased by only 15.6% to $127.6 million in 1990 compared to $110.4 million in 1989 as a result of economies realized through improved use of technology and despite special charges. A $4.3 million increase in depreciation related to the provision for obsolete analog cable systems and other telecommunications equipment and a charge of $4.1 million for the failed launch of an Intelsat satellite contributed 7.6% to the growth in the network costs.

Operating expenses improved in 1990 to 5.2% of revenue from 5.5% in 1989 due to continuing cost containment programs.

The average return on common equity allowed by the CRTC for the three year period ended December 31, 1990 was 14.89%. Teleglobe achieved a 15.22% average rate of return during that period. A series of rate reductions was instituted in January 1988 to eliminate excess earnings by December 31, 1991. Earnings in excess of the average allowed over the period amounted to approximately $1.2 million at the end of 1990, notwithstanding a rate of return in 1990 of 10.89%. The rate of return for regulatory purposes included imputed interest income on approximately $120 million of cash managed through the Corporation's centralized cash management system.

Insurance Systems

1991 compared to 1990

Revenues decreased to $85.0 million in 1991 from $92.4 million in 1990 due mainly to less insurance processing, consulting and custom work in the United States brought about by the recession and partly to the sale of the municipal business in Canada in 1990. Revenues in the United Kingdom increased by close to $2.0 million through the addition of five Lloyd's motor vehicle insurance syndicates.

Costs and operating expenses, excluding restructuring charges, were reduced by 4.3% in the United States and by approximately 17.0% in Canada during 1991. In 1990, a provision of $3.7 million (US $3.1 million) was established for restructuring operations in the United States.

The resulting income from operations as a percentage of revenues was 7.8% in 1991 compared to 3.7% in the prior year.

1990 compared to 1989

Revenues increased to $92.4 million in 1990 from $52.9 million in 1989 primarily as a result of the inclusion of a full year's revenues of ISI. The municipal business of Real Time in Canada, which was sold July 30, 1990, generated net revenues of $1.2 million in 1990.

The turnaround in income from operations, generated by the acquisition of ISI, the integration of operations of Real Time Corp. with ISI, and the improvement in Canadian and U.K. operations, is evidenced by the $11.6 million improvement in income to $3.4 million from a loss of $8.2 million. Income from operations in 1990 is after a charge of $3.7 million for restructuring operations in the United States.

Communication Products

1991 compared to 1990

Product sales were lower in all major markets mainly due to the recession. Also, the sales mix consisted of a greater volume of digital and dial modems, which command lower selling prices, than X.25 and compression products. Service revenues decreased in 1991, mirroring the reduced shipments of products requiring installation and maintenance.

Cost of sales for products and services as a percentage of operating revenues at 52.3% was relatively unchanged in 1991 as compared to 1990.

Operating expenses decreased by $1.1 million due to lower staff levels and promotional costs but increased to 46.1% as a percentage of operating revenues in 1991 compared to 41.3% the previous year. Included in operating expenses are write-downs of $2.0 million in 1991 and $2.1 million in 1990 of an investment made in view of an acquisition which was never realized.

Income from operations was $1.0 million in 1991, down from $4.8 million in 1990 as a result of the lower sales revenue.

1990 compared to 1989

Management's efforts to contain costs resulted in maintaining income from operations at approximately the same level as in 1989, despite a decrease in operating revenues of $6.5 million or 8.3% and a further write down of an investment.

Product sales decreased by $5.1 million or 8.5% due mainly to decreased dial modem sales in Europe and lower sales of resale products. The decrease of $1.9 million in service revenues reflects a shift in customer preference to time and material billings from fixed maintenance contracts.

Cost of sales for products and services as a percentage of operating revenues were relatively unchanged in 1990 compared to 1989.

Operating expenses in 1990 decreased by $2.8 million or 8.6% from 1989, reflecting lower personnel levels and cost containment programs. They include a write-down of an investment of $2.1 million compared to $1.3 million in 1989.

Communication Services – Non-regulated

1991 compared to 1990

Revenues of Teleglobe International Inc. (TII) at $6.6 million in 1991 were up 26.9% over the previous year due to increased broadcast traffic as a result of the conflict in the Middle East, early in the year, and events in the former Soviet Union, in the last half of the year. TII's operating expenses include the equity portion of the loss of the joint venture IDB Aeronautical Communications, Inc. The resulting income from operations was $1.1 million in 1991 compared to $0.4 million in the prior year.

Revenues of Teleglobe Marine Inc. (TMI) and TMI-US at $8.9 million in 1991 were $3.6 million or 67.9% above the level recorded in 1990. The major cause of the increase was the entry into partnership with AT&T to operate cable ships. Operating expenses increased by TMI-US's share of the depreciation of the cable ships. Income from operations was $6.4 million in 1991 compared to $2.8 million in 1990.

1990 compared to 1989

Revenues of TII and TMI in 1990 were $10.5 million compared to $6.4 million in 1989. Income from operations was $3.2 million compared to $1.8 million in the prior year.

TMI contributed $2.8 million to income through increased revenues of approximately $5.3 million from surveys and the commissioning of a submersible craft, while TII contributed the remainder.

Liquidity and Capital Resources

Cash provided by operating activities in 1991 was $134.4 million compared to $150.3 million in 1990.

The negative working capital position was $169.9 million at the end of 1991 compared to $155.9 million at the end of the previous year, and reflects the CRTC decision allowing TCI to maintain a working capital ratio of 0.75 in 1991 versus 0.90 in 1990. Working capital includes an increase of approximately $35.0 million in accounts receivable as a result of the settlement rate reduction with Telecom Canada; the collection of which was delayed pending approval by the CRTC. Approval was granted in December 1991 and the amount outstanding was collected in early 1992.

Capital expenditures, net of proceeds of disposals but including capitalized interest, were $244.8 million in 1991 compared to $192.5 million in 1990 and were mainly related to the regulated and non-regulated Communication Services businesses.

The Corporation issued $75.0 million of convertible preferred shares during the second quarter of 1991; $50.0 million of which were sold in a public offering and the balance was sold to a major shareholder.

The net increase in long term debt in 1991 was $46.7 million compared to $40.7 million in 1990. It includes a further US $36.0 million drawdown on the US $80.0 million medium term facility obtained to finance the construction of a cable laying ship and participation with AT&T in the ownership and operations of four other ships. Drawdowns in 1990 were US $12.0 million.

The regulated and non-regulated Communication Services business units have construction programs with contractual commitments for 1992 of approximately $200.0 million. Included in the construction programs is an office complex development project in which TCI has a 30% participation. During 1991, one of the co-owners filed for bankruptcy and thereby defaulted on the loan agreement, leaving the other co-owner and TCI committed to the completion of the project. As a result, TCI is now funding approximately 46.0% of the project.

In addition to using the medium term facility as described above, the Corporation also fully utilized its operating line of credit of $20.0 million at the end of 1991. The revolving line of credit of $150.0 million and an unsecured operating line of $30.0 million remained undrawn at the end of the year. At the request of the CRTC, a bank letter of guarantee is to be put in place as security over the indebtedness of the Corporation to TCI.

In 1992, management expects the Corporation to meet its cash requirements through its current credit lines, unused portions of long term debt facilities, cash flow generated by operations and external debt and equity financing to be undertaken if and when suitable opportunities arise.

MANAGEMENT'S REPORT

The management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with accounting principles generally accepted in Canada and necessarily include some amounts that are based on management's best estimates and judgement. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position.

To fulfill its responsibility, management developed and continues to maintain systems of internal accounting controls and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by internal auditors and by the external auditors during the examination of the financial statements.

The Audit Committee of the Board of Directors meets regularly with the internal and external auditors, and with management to approve the scope of audit work and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

AUDITORS' REPORT

To the Shareholders of Teleglobe Inc.

We have audited the consolidated balance sheets of Teleglobe Inc. and its subsidiaries as at December 31, 1991 and 1990 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1991. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1991 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Montréal, Québec
February 14, 1992

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31 (in millions of Canadian dollars except per share amounts)	1991	1990	1989
Revenues	$437.8	$404.1	$371.9
Operating expenses	369.1	362.7	318.4
Income from operations	68.7	41.4	53.5
Financial charges (note 9)	23.4	25.8	17.8
Income before income taxes	45.3	15.6	35.7
Income taxes (note 13)	19.6	7.6	15.6
Net income	$ 25.7	$ 8.0	$ 20.1
Earnings per share (note 11)	$ 0.54	$ 0.20	$ 0.52

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31 (in millions of Canadian dollars)	1991	1990	1989
Retained earnings, beginning of year	$ 80.7	$ 84.3	$ 73.5
Net income	25.7	8.0	20.1
Share issue and repurchase costs	(2.3)	(0.2)	—
Dividends	(15.5)	(11.4)	(9.3)
Retained earnings, end of year	$ 88.6	$ 80.7	$ 84.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at December 31 (in millions of Canadian dollars)	1991	1990
Assets		
Current		
Cash and short-term deposits	$ 23.6	$ 5.7
Accounts receivable (note 3)	214.6	152.3
Inventories (note 4)	11.9	14.4
Prepaid expenses and other	7.8	8.5
Total current assets	257.9	180.9
Long-term receivables (note 3)	17.4	20.8
Investments in associated companies (note 5)	28.7	20.8
Fixed assets (note 6)	820.7	658.1
Goodwill	258.4	265.5
Other assets	4.6	5.6
Total assets	$1,387.7	$1,151.7
Liabilities		
Current		
Bank loans and overdrafts (note 7)	$ 70.2	$ 38.0
Accounts payable and accrued liabilities	325.5	274.0
Income taxes payable	11.9	3.0
Dividend payable	1.5	–
Current portion of long-term debt (note 8)	18.7	21.8
Total current liabilities	427.8	336.8
Long-term debt (note 8)	408.7	358.9
Deferred credits (note 10)	52.3	40.9
Total liabilities	888.8	736.6
Shareholders' Equity		
Capital stock (note 11)		
First Series Preferred shares	18.0	42.5
Second Series Preferred shares	75.0	–
Common shares	317.3	291.9
Total capital stock	410.3	334.4
Retained earnings	88.6	80.7
Total shareholders' equity	498.9	415.1
	$1,387.7	$1,151.7

See accompanying notes to consolidated financial statements.

On behalf of the Board:

William McKenzie

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31 (in millions of Canadian dollars)	1991	1990	1989
Operating activities			
Income from operations	$ 68.7	$ 41.4	$ 53.5
Add (deduct) items not affecting cash			
Depreciation of fixed assets	81.8	74.0	60.9
Amortization and write-down of assets	10.2	15.7	7.2
Rate stabilization account	5.8	(14.4)	0.6
Other	4.0	1.6	(1.7)
Financial charges	(23.4)	(25.8)	(17.8)
Current income taxes	(17.4)	(5.9)	(5.5)
Net changes in non-cash operating balances (note 15)	4.7	63.7	13.3
Cash provided by operating activities	134.4	150.3	110.5
Investing activities			
Acquisition of fixed assets, net of proceeds of disposal	(244.8)	(192.5)	(108.6)
Investments in associated companies	(8.0)	(20.8)	–
Proceeds from sale of lease portfolio	–	8.2	–
Non-cash assets of subsidiary companies acquired	–	–	(173.1)
Other assets	(2.2)	(3.0)	(1.1)
Cash applied to investing activities	(255.0)	(208.1)	(282.8)
Financing activities			
Issue of preferred shares, net of share issue costs	72.7	–	–
Increase in long-term debt	46.7	40.7	38.2
Issue (repurchase) of common shares	0.9	(1.0)	26.8
Cash provided by financing activities	120.3	39.7	65.0
Dividends paid	(14.0)	(11.4)	(9.3)
Decrease in cash during the year	(14.3)	(29.5)	(116.6)
Cash, beginning of year	(32.3)	(2.8)	113.8
Cash, end of year	$ (46.6)	$ (32.3)	$ (2.8)

Cash represents cash and short-term deposits net of bank loans and overdrafts.
See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1991
(in millions of Canadian dollars except per share amounts)

Teleglobe Inc. (formerly Memotec Data Inc.) is incorporated under the Canada Business Corporations Act. The Corporation carries on the businesses of international telecommunications services, manufacturing and marketing data communications products and services, and providing computer systems and related services for the insurance industry.

1. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and where applicable in general conformity with practices prevailing in the telecommunications industry. They include the accounts of Teleglobe Inc. and its subsidiaries, all of which are wholly-owned.

a) **Basis of Presentation**

The statements of income, retained earnings and changes in financial position for the three-year period ended December 31, 1991 include the accounts of subsidiaries from their respective dates of acquisition as described in note 2. All significant intercompany transactions and balances have been eliminated on consolidation.

Teleglobe Canada Inc. (TCI) is designated the Canadian signatory to the International Telecommunications Satellite Organization (Intelsat) and to the International Maritime Satellite Organization (Inmarsat) operating agreements.

Periodically, TCI's ownership in these satellite organizations is adjusted to conform to its proportional use of the system or such other level as it may elect, all according to the terms of the respective operating agreements. TCI's share in the satellite organizations is accounted for on a proportionate consolidation basis and is reflected in fixed assets, long-term debt, current assets and current liabilities.

The Corporation holds a 15.6% (21.2% in 1990) investment in IDB Communications Group, Inc. (IDB) and a 50% interest in IDB Aeronautical Communications, Inc. (IDB•A), the joint venture formed with IDB.The investment is stated at cost and the joint venture interest is accounted for by the equity method.

b) **Revenues**

Telecommunications

Revenues are earned from international public services provided through TCI's telecommunications network and represent amounts received from domestic carriers and amounts received or due from foreign administrations for the routing of traffic from overseas, net of the amounts by which Canadian domestic carriers and foreign administrations are compensated for their part in the collection and distribution of telecommunications traffic. Estimates are included to provide for that portion of revenues which domestic carriers and foreign administrations have not reported to TCI at the end of the year.

TCI is subject to regulation by the Canadian Radio-television and Telecommunications Commission (CRTC). In its role as regulator, the CRTC sets allowable rates of return based on an acceptable capital structure, approves tariffs for telecommunications services and periodically issues directives which affect the accounting treatment of specific items in TCI's accounts. Pursuant to the Teleglobe Canada Reorganization and Divestiture Act, the CRTC was directed, inter alia, as to the basis on which TCI's allowable rate of return was to be determined for the transitional four-year period January 1, 1988 to December 31, 1991. The rate of return achieved by TCI over the period was below the permitted return on equity by approximately $0.3 ($1.2 excess in 1990) and no further action is required with respect to earnings over the transitional period. However, TCI has been allowed a return on equity for 1992 of 13.75% with a maximum return of 14.75%.

Other

Revenues from computer systems and related services are recognized as the services are rendered and from software licensing and hardware sales as the products are shipped.

Revenues from non-regulated telecommunications services are recognized as the services are provided. Ownership and participation interests in cable ships and submersible craft are through limited partnership agreements. Revenues consist of a return on capital and recovery of depreciation expenses while the remaining standing and running costs are reimbursed, all under the terms of cable maintenance and repair agreements.

Long-term non-cancellable equipment lease interests with customers are recorded as sales-type leases. Under this method, the present value of payments due under the leases is recorded as sales revenues, and related unearned interest is recognized as interest income over the lease term.

c) **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

d) **Fixed Assets**

Fixed assets are stated at cost. An allowance for the cost of funds used during construction is capitalized.

TCI's investment in cable systems represents its share of the costs of cable systems constructed jointly with other international telecommunications administrations and includes indefeasible rights of user (IRUs) in international cable system facilities owned by others.

e) **Depreciation**

Depreciation is calculated by the straight-line method over the following periods:

Telecommunications transmission equipment	5 to 20 years
Buildings, plant and equipment	5 to 25 years
Cable systems	12 to 22 years
Computer software and equipment	2 to 10 years
Satellite systems	6 to 12 years
Cable ships and submersible craft	7 to 20 years

When fixed assets are sold or taken out of service, any gain or loss arising at that time is reflected in income.

f) **Research and Product Development Costs**

The Corporation annually incurs costs on activities which relate to research and the development of new products. Research costs are expensed as they are incurred. Certain computer software development costs related to new products are capitalized and are amortized over the estimated useful lives of the related products, which range from two to five years. Software acquired is amortized over three to six years. All other product development costs are expensed as incurred. Costs are reduced by government grants and investment tax credits where applicable.

g) **Translation of Foreign Currencies**

Foreign currency denominated balances of the Corporation and assets and liabilities of foreign subsidiaries, all of which are considered to be fully-integrated operations, are translated into Canadian dollars on the following basis:

Monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date.

Income and expenses and non-monetary assets and liabilities are translated at the average rates of exchange prevailing in the periods of the transactions or when the assets were acquired or the liabilities incurred.

Monetary items hedged by means of forward exchange contracts are translated using the exchange rates established by the terms of the contracts.

Gains and losses on translation of foreign currencies are included in earnings except as described below with respect to TCI. Also, unrealized foreign exchange gains or losses relating to monetary items with fixed or ascertainable lives extending beyond one year from the balance sheet date are deferred and amortized over the remaining period.

TCI established a rate stabilization account to reduce the impact of foreign currency fluctuations and thereby ensure the stability of collection rates. Revenues are recorded using budgeted exchange rates and any variations of actual exchange rates from the budgeted rates are either credited or charged to the rate stabilization account. The account is also credited or charged with unrealized gains or losses created by the revaluation of the resulting accounts receivable and payable as well as any realized gains or losses resulting from settlement of these accounts. The net monthly amounts transferred to the rate stabilization account are amortized on a straight-line basis over thirty-six months. The account is limited to an amount of $15.0 at any one time. The excess and amortization of the rate stabilization account are included in telecommunications revenues.

h) **Income Taxes**

The Corporation uses the tax allocation basis of accounting for income taxes. Deferred income taxes arise mainly from timing differences between tax and financial statement recognition of revenues and expenses.

The CRTC directed TCI to adjust its deferred tax liability at January 1, 1989 to reflect enacted income tax rates and laws and to amortize the excess of $3.7 in 24 equal monthly amounts, commencing on October 2, 1989. Henceforth, the deferred tax liability is adjusted for changes in statutory income tax rates and the income tax expense is affected in the year in which the changes in statutory income tax rates occur unless otherwise notified by the CRTC.

i) **Goodwill**

Goodwill, representing the excess of cost over net assets of subsidiaries acquired, is amortized over 40 years on a straight-line basis.

j) **Comparative Figures**

Certain figures for 1990 and 1989 have been reclassified to conform to the presentation adopted in 1991.

2. Acquisitions

a) The Corporation acquired all the outstanding common shares of ISI Systems, Inc. (ISI) effective November 21, 1989. The purchase price of $154.4, including acquisition costs, was paid in cash and through the issue of common shares and a debenture. The net assets acquired were $43.3 and the resulting goodwill was $111.1.

b) The Corporation acquired Concord Data Systems, Inc. (Concord) and Equifax Insurance Systems (Equifax), two U.S. companies, effective March 31, 1989 and April 19, 1989, respectively, for a total cash consideration of $35.3. The net assets acquired aggregated $13.6 and the resulting goodwill was $21.7.

3. Accounts Receivable and Long-term Receivables

Current	1991	1990
Accounts receivable less allowance for doubtful accounts of $4.0; $4.8 in 1990	$210.0	$147.0
Accounts receivable from associated companies	2.1	2.4
Current portion of long-term receivables (a)	2.3	2.8
Loans to employees (b)	0.2	0.1
	$214.6	$152.3

Long-term		
Accounts receivable (a)	$1.6	$4.5
Loans to employees (b)	15.5	16.0
Due from officers	0.3	0.3
	$17.4	$ 20.8

a) **Long-term Receivables**

	1991	1990
Sales-type leases	$2.2	$4.4
Amounts due from U.S. telecommunications entities (US $1.5; US $2.5 in 1990), repayable on the same general terms as the ANZCAN debt (note 8)	1.7	2.9
	3.9	7.3
Less current portion	2.3	2.8
	$1.6	$4.5

b) **Loans to Employees**

Amounts are due from employees under a common share purchase plan dated September 22, 1987 under which employees were entitled to acquire a fixed number of shares at a price of $14.06 per share. The loans are non-interest bearing and the term of repayment has been extended to June 1, 1993. If at the time of required repayment the market price of the shares is less than $12.50, the Corporation will absorb the difference. As at December 31, 1991, there were 1,219,525 shares subject to this clause.

4. Inventories

	1991	1990
Finished goods	$ 3.8	$ 6.0
Work in progress	3.2	3.0
Raw materials and supplies	4.9	5.4
	$11.9	$14.4

5. Investments in Associated Companies

	1991	1990
Investments and advances, beginning of year	$20.8	$ –
Investments and adjustments	8.7	20.9
Equity in losses	(0.8)	(0.1)
Investments and advances, end of year	$28.7	$20.8

6. Fixed Assets

	1991			1990
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 8.0	$ –	$ 8.0	$ 5.6
Telecommunications transmission equipment	348.2	129.7	218.5	166.3
Buildings, plant and equipment	124.4	48.9	75.5	74.8
Cable systems	146.6	44.0	102.6	103.2
Computer software and equipment	113.5	63.6	49.9	49.1
Satellite systems	79.7	24.7	55.0	37.0
Cable ships and submersible craft	33.2	4.3	28.9	–
Construction in progress	282.3	–	282.3	222.1
	$1,135.9	$315.2	$820.7	$658.1

In addition to software systems obtained by the Corporation through acquisitions, certain costs incurred in the development of computer systems are also capitalized. Such costs capitalized during 1991 and 1990 amounted to $5.4 and $4.5 respectively. Amortization related to these costs was $4.4 and $3.8 in 1991 and 1990 respectively.

7. Bank Loans

The bank loan was granted under an operating line of credit for $20.0 which is secured by an assignment of accounts receivable and inventories of Teleglobe Inc. A second line of credit for $30.0 is unsecured.

8. Long-term Debt

	1991	1990
Teleglobe Inc.		
Convertible notes, 10.75%	$ 44.6	$ 47.8
Convertible debentures, 7.75%	75.0	75.0
Debenture, 12% (US $15.3)	17.7	17.8
Term loans, floating rates (US $48.0; US $12.0 in 1990)	55.5	13.9
	192.8	154.5
Teleglobe Canada Inc.		
Bank term loan, prime to prime plus 0.25% (prime plus 0.25% in 1990), maturing in 1994	97.9	101.4
Promissory notes, floating rate	66.0	63.6
Construction loan, prime rate	41.9	26.9
Debenture, 11.5% maturing in 1994	5.0	5.0
Promissory note, $7.5 discounted at 13% maturing in 1997, non-interest bearing	3.8	3.3
Amounts due to the prime contractors of the ANZCAN cable system, 8.75% maturing on varying dates to 1993, in pounds sterling, hedged in U.S. dollars (US $9.7; US $17.1 in 1990)	11.2	18.7
Proportion of Inmarsat long-term debt (US $322.9; US $260.1 in 1990) under capital lease agreements, 8.05% maturing in 2002 (US $6.7; US $4.8 in 1990)	7.0	5.0
	232.8	223.9
Other	1.8	2.3
	427.4	380.7
Less portion due within one year	(18.7)	(21.8)
	$408.7	$358.9

Convertible Notes

These Sixth Series notes are convertible prior to April 1, 1992 on the basis of one share for each $10.00 of face value. If unconverted, they are repayable in five annual instalments which began March 31, 1990. These notes can be converted at the Corporation's option provided the common shares have traded at in excess of $11.50 for a prescribed period of time.

Convertible Debentures

The convertible debentures are secured by the Corporation's shares in TCI. They have been redeemable at the Corporation's option since April 16, 1990 at a premium of 3% decreasing annually to maturity in 1994, require $5.0 sinking fund payments in each of 1992 and 1993, and are convertible prior to April 15, 1992 into common shares on the basis of one share for each $12.50 of face value. Until April 15, 1992, the Corporation's right to redeem is subject to the common shares trading at in excess of $15.625 for a prescribed period of time.

Debenture

As part of the consideration for the acquisition of ISI, the Corporation issued a debenture of US $15.3 (CA $17.7). It is redeemable in instalments of US $2.3 (CA $2.6) on November 22, 1992 and 1993 and US $10.7 (CA $12.5) on November 22, 1994. The debenture is payable to an officer and director of the Corporation.

Term Loans

A US $80.0 medium term loan facility was arranged to finance the purchase of a new cable laying ship and participation interests in four ships, all under partnership agreements with a U.S. cable ship operator. Drawdowns against the facility are available until the end of 1992 and repayment is to be made over the five-year period following the final drawdown. Interest during the first three years is at a rate of 0.75% over LIBOR and 0.90% thereafter. Security consists of a fixed and floating charge over the assets and undertakings of Teleglobe Inc. and both Teleglobe Marine Inc. and Teleglobe Marine (U.S.) Inc.; a pledge of shares and guarantees of the major subsidiaries of the Corporation, other than TCI; a second rank pledge of the shares of TCI; and, assignments of the proceeds of a performance guarantee by the shipbuilder, the shipbuilding agreement and earnings and distributions from the limited partnership interests. The security is subject to release on condition that certain financial ratios are achieved and maintained.

In 1990, the Corporation entered into a revolving and term credit facility for an amount of $150.0 to be used for general corporate purposes, including repayment of indebtedness by the Corporation to TCI. Borrowings, at floating prime rates in the first two years, can be converted to a five-year term loan maturing in 1997. Security is the same as under the medium term loan facility except for the assignment of the earnings and distributions from the limited partnership interests. This facility has not been used.

Promissory Notes

In 1991, TCI renegotiated its financing agreement with commercial banks that permits borrowings under the terms of a revolving credit facility up to $100.0 at the banks' prime rate of interest (at 0.125% over prime for any excess over $50.0 in 1990). This new agreement has an initial maturity of three years with a possible postponement of one year thereafter and has been obtained to ensure payment at maturity of the promissory notes or to reimburse long-term debt as it becomes due.

Construction Loan

Under the terms of a construction loan, secured by pledge of bonds and by first hypothec, TCI is contingently liable for an additional amount not exceeding $19.5. Upon satisfactory completion of the development project, this loan can be converted into a five-year term loan (see note 12).

Long-term Debt Maturities	
1992	$ 18.7
1993	14.9
1994	219.5
1995	0.6
1996	0.6
Thereafter	173.1
	$427.4

9. Financial Charges

	1991	1990	1989
Interest expense – long-term debt	$37.6	$39.0	$34.4
Allowance for funds used during construction	(19.2)	(12.9)	(6.1)
Interest and other income	(2.4)	(4.3)	(12.5)
Foreign exchange (gain) loss	1.2	(0.3)	1.9
Other	6.2	4.3	0.1
	$23.4	$25.8	$17.8

10. Deferred Credits

	1991	1990
Income taxes	$31.4	$29.0
Excess tax adjustment	–	1.4
Rate stabilization account	5.5	(0.3)
Other	15.4	10.8
	$52.3	$40.9

11. Capital Stock

The Corporation is authorized to issue an unlimited number of common and preferred shares.

The First Series Preferred shares are non-voting and convertible at any time, at the option of the holder, into an equal number of common shares. No dividend may be declared on the common shares unless an equal and rateable dividend has been declared on the First Series Preferred shares. The holders are entitled to receive capital and any dividends declared thereon in priority to the common shares in the event of liquidation, but otherwise rank equally with the common shares. The shares are deemed to be equivalent to common shares for purposes of calculating earnings per share.

The Second Series Preferred shareholders are entitled to fixed cumulative dividends at a rate of 8% per annum. The shares are non-voting and convertible at any time based on a conversion price of $10.75 per common share. They are retractable on May 1, 1997 and redeemable from May 2, 1997 at a price of $25.00 per share.

Changes in capital stock issued and outstanding are as follows:

	Number	Amount
First Series Preferred Shares		
Issued during 1987 for cash	3,035,000	$ 42.5
Converted during 1991	(1,750,000)	(24.5)
	1,285,000	$ 18.0
Second Series Preferred Shares		
Issued during 1991 for cash	3,000,000	$ 75.0
Common Shares		
Balance, December 31, 1989	37,734,691	$292.7
Issued and repurchased during 1990:		
Exercise of options	57,445	0.2
Repurchased and cancelled	(133,520)	(1.0)
Balance, December 31, 1990	37,658,616	291.9
Issued during 1991:		
Exercise of options	169,648	0.9
Partial conversion of First Series Preferred shares	1,750,000	24.5
Balance, December 31, 1991	39,578,264	$317.3
Common Shares Reserved for:		
Convertible notes and debentures (see note 8)	10,464,508	
Preferred shares	8,261,744	
Options, issued to employees at prices ranging from US $0.50 per share (equivalent to CA $0.58 at December 31, 1991) to CA $14.00 per share, exercisable by instalments over periods extending to July 1, 1999. There were 700,304 options exercisable at December 31, 1991.	707,804	
	19,434,056	

Earnings per Share

The weighted average number of common and First Series Preferred shares outstanding in 1991 used to calculate basic earnings per share was 40,737,938 (40,697,672 in 1990; 38,501,829 in 1989). The convertible notes and debentures and options had no dilutive effect in each of the three years of the period ended December 31, 1991 and nor have the Second Series Preferred shares which were issued during the year.

12. Commitments and Contingencies

The Corporation has commitments under operating leases for buildings, plant and equipment as follows:

1992	$ 60.0
1993	52.1
1994	39.8
1995	31.6
1996	30.0
Thereafter	234.0
	$447.5

Rental expense for the year was approximately $43.2; $43.1 in 1990; $33.6 in 1989.

TCI has a 30% participation in an office complex development project. In 1991, one of the co-owners filed an assignment under the Bankruptcy Act thereby leading to a technical default under the construction loan agreement. The other co-owner and TCI are committed to completing the project according to the original plan and TCI is now funding approximately 46% of the project.

Contractual commitments outstanding as at December 31, 1991 related to TCI's construction projects amounted to approximately $143.0 including TCI's share of Intelsat's and Inmarsat's outstanding obligations.

Commitments of TMI-US for the purchase of a ship and partnership interests are approximately US $29.0 in 1992.

Substantially all of the lease portfolio of a subsidiary was sold for $8.2 in 1990. Under the terms of the sales agreement, the Corporation remains contingently liable to reimburse the purchaser for losses, if any, incurred on collection of lease payments, up to a maximum of 20% of the value of the outstanding leases.

13. Income Taxes

	1991	1990	1989
Basic federal income tax rate on income before taxes	38.8%	38.8%	38.8%
Increase (decrease) resulting from:			
Federal tax abatement in excess of provincial income tax rates	(2.2)	(2.5)	(2.7)
Allowance for funds used during construction	(14.7)	(31.2)	(6.6)
Losses for which no taxable benefit was recorded	12.7	17.2	8.0
Goodwill amortization	6.1	17.7	4.7
Large corporation tax	2.2	5.0	–
Other	0.3	3.7	1.4
Effective income tax rate	43.2%	48.7%	43.6%

The components of the provision for income taxes are as follows:

	1991	1990	1989
Canadian			
Current taxes	$16.7	$5.8	$ 5.3
Deferred taxes	2.2	1.7	10.1
	18.9	7.5	15.4
Foreign			
Current taxes	0.7	0.1	0.2
	$19.6	$7.6	$ 15.6

Deferred income taxes resulting from timing differences between tax and financial statement recognition of revenues and expenses amounted to $31.4 at the end of 1991 ($30.4 in 1990).

No recognition has been given to potential income tax savings which may result from claiming the following items for income tax purposes:

a) Net operating losses of US $50.5, chiefly expiring in the year 2005, and interest expense deduction limitations of US $17.2, having no expiry date.
b) Losses carried forward of $4.1, expiring in the years 1994 through 1998, and research and development expenses of $13.7, having no expiry date.

14. Retirement Benefits

a) **Pension Plans**

The Corporation and its subsidiaries have contributory and non-contributory defined benefit plans which provide pensions based on length of service and final average earnings. Actuarial reports prepared as at December 31, 1991 indicate that the present value of accrued pension benefits was $67.8 and the market value of net assets available to provide for these benefits was $76.8.

The excess of the pension fund assets over the accrued pension benefits is being amortized on a straight-line basis over periods of 10 years and 14 years. The cumulative surplus of $2.6 ($0.7 in 1990) between the funding contributions and the pension expense has been reflected in the balance sheet as a deferred charge.

In April 1991, Teleglobe Inc. established a defined contribution pension plan covering all of its employees in Canada who were not members of a pension plan. Also, an existing defined benefit plan was converted to a defined contribution plan as at December 31, 1991. Under both plans, employees are required to contribute 2% of earnings with matching employer contributions.

The pension expense for the year was $3.1 ($5.0 in 1990; $4.9 in 1989).

b) **Other Retirement Benefits**

Retiring employees of the telecommunications segments are paid a benefit based on unused sick leave and length of service. The cost of this benefit is expensed in the year in which it is earned by employees. The liability is included in deferred credits and the current portion is reflected in accounts payable.

15. Changes in Non-Cash Operating Balances

Details of changes in non-cash balances relating to operations are as follows:

	1991	1990	1989
Accounts receivable	$(62.3)	$10.6	$(25.3)
Inventories	2.5	9.5	(3.7)
Long-term receivables	3.4	1.6	3.7
Accounts payable and accrued liabilities	51.5	42.4	42.6
Other	9.6	(0.4)	(4.0)
	$ 4.7	$63.7	$ 13.3

16. Related Party Transactions

In the normal course of business, TCI maintains on-going relationships with the telecommunications companies, both directly and indirectly through Telecom Canada, and with the manufacturing companies in the BCE Inc. group. These relationships principally comprise compensating the telecommunications companies for the collection and distribution of international traffic in Canada, leasing landlines and obtaining public telecommunications services from them and purchasing telecommunications plant and equipment from the manufacturing companies.

17. Segmented Information

The Corporation conducts its operations under the following segments:

Communication Services – Regulated

Provision of public telecommunications services between Canada and foreign countries, other than the United States and Mexico, under an exclusive mandate granted by the Government of Canada.

Insurance Systems

Development, marketing and support of processing systems and applications software for the insurance industry in Canada, the United States and the United Kingdom.

Communication Products

Design, manufacture and world-wide marketing and service of products and systems linking computers in integrated data networks.

Communication Services – Non-regulated

Provision of satellite transmission services and consulting services for the international telecommunications industry. Installation, maintenance and repair of undersea telecommunications cables and marine consulting services.

The following tables present the financial information by business and geographic segments.

INDUSTRY SEGMENT INFORMATION

(in millions of Canadian dollars)	1991	1990	1989
Business Segments			
Communication Services – Regulated			
Revenues	$1,381.6	$1,236.0	$1,141.4
Carriers' share of revenues	(1,105.9)	(1,005.8)	(906.8)
Intersegment revenues	4.2	3.8	2.9
Operating revenues	279.9	234.0	237.5
Network costs	132.6	127.6	110.4
Operating expenses	79.5	64.2	62.9
Income from operations	67.8	42.2	64.2
Insurance Systems			
Revenues	85.0	92.4	52.9
Costs and operating expenses	78.4	89.0	61.1
Income (loss) from operations	6.6	3.4	(8.2)
Communication Products			
Sales of products	45.5	54.8	59.9
Revenues from services	13.6	16.2	18.1
Intersegment revenues	3.2	1.2	0.7
Operating revenues	62.3	72.2	78.7
Cost of sales – Products	21.4	26.0	29.0
– Services	11.2	11.6	12.4
Operating expenses	28.7	29.8	32.6
Income from operations	1.0	4.8	4.7
Communication Services – Non-regulated			
Revenues	14.1	8.8	6.4
Intersegment revenues	1.4	1.7	–
Operating Revenues	15.5	10.5	6.4
Costs and operating expenses	8.0	7.3	4.6
Income from operations	7.5	3.2	1.8
Elimination of intersegment revenues	(4.9)	(5.0)	(3.6)
Total revenues	$ 437.8	$ 404.1	$ 371.9
Total income from operations before unallocated items	$ 82.9	$ 53.6	$ 62.5
Financial charges	23.4	25.8	17.8
Corporate expenses	7.1	5.1	4.6
Goodwill amortization	7.1	7.1	4.4
Income taxes	19.6	7.6	15.6
Net income	$ 25.7	$ 8.0	$ 20.1

(in millions of Canadian dollars)	1991	1990	1989
Business Segments (Cont'd)			
Identifiable Assets			
Communication Services – Regulated	$1,024.4	$ 829.7	$ 728.3
Insurance Systems	170.2	175.2	204.0
Communication Products	85.2	97.0	129.0
Communication Services – Non-regulated	107.9	49.8	8.2
Total identifiable assets	$1,387.7	$1,151.7	$1,069.5
Capital Expenditures			
Communication Services – Regulated	$ 189.5	$ 166.2	$ 103.1
Insurance Systems	8.4	9.0	2.6
Communication Products	3.0	3.3	2.6
Communication Services – Non-regulated	45.6	19.6	6.7
Total capital expenditures	$ 246.5	$ 198.1	$ 115.0
Depreciation and Amortization			
Communication Services – Regulated	$ 69.2	$ 62.9	$ 54.8
Insurance Systems	11.7	11.2	6.4
Communication Products	6.6	6.7	5.0
Communication Services – Non-regulated	2.5	1.5	0.6
Total depreciation and amortization	$ 90.0	$ 82.3	$ 66.8

Notes a) Intersegment revenues are accounted for at prices comparable to open market prices for similar products and services.

b) Income from operations by business segment for the three years is reported prior to the allocation of corporate expenses and goodwill amortization. Restructuring and other unusual charges, reported after income from operations in 1990 and 1989, have been allocated to the respective business segment.

INDUSTRY SEGMENT INFORMATION (Continued)

(in millions of Canadian dollars)		1991	1990	1989
Geographic Segments				
Revenues				
Canada	– Domestic customers	$ 128.2	$ 92.3	$ 85.3
	– Export customers	199.0	193.8	200.5
	– Transfers	14.6	7.8	1.4
		341.8	293.9	287.2
United States	– Customers	99.5	111.3	79.3
	– Transfers	3.8	3.4	0.2
		103.3	114.7	79.5
Europe	– Customers	7.1	6.7	6.8
Elimination of intersegment transfers		(14.4)	(11.2)	(1.6)
Total revenues		$ 437.8	$ 404.1	$ 371.9
Income from operations before unallocated items				
Canada		$ 87.7	$ 59.0	$ 76.2
United States		5.6	4.6	(3.8)
Europe		(0.7)	0.3	(0.5)
		92.6	63.9	71.9
Unallocated items				
Research and product development expenses		11.1	11.8	11.4
Government grants and investment tax credits		(1.4)	(1.5)	(2.0)
Financial charges		23.4	25.8	17.8
Corporate expenses		7.1	5.1	4.6
Goodwill amortization		7.1	7.1	4.4
Income taxes		19.6	7.6	15.6
Net income		$ 25.7	$ 8.0	$ 20.1
Identifiable Assets				
Canada		$1,063.8	$ 886.3	$ 785.8
United States		315.0	257.8	278.0
Europe		8.9	7.6	5.7
Total identifiable assets		$1,387.7	$1,151.7	$1,069.5

FIVE-YEAR REVIEW

(in millions of Canadian dollars except number of employees, number of shares and per share amounts)

	1991	1990	1989	1988	1987
Revenues	$437.8	404.1	371.9	372.7	346.1
Net income	25.7	8.0	20.1	33.5	48.0
Earnings per share – basic	0.54	0.20	0.52	1.00	1.96
– fully diluted	0.54	0.20	0.52	0.84	1.40
Total assets	1,387.7	1,151.7	1,069.5	905.1	860.6
Shareholders' equity	498.9	415.1	419.5	381.9	315.2
Long-term debt	427.4	380.7	340.0	301.5	349.7
Cash dividends declared per share					
Common and First Series Preferred	0.28	0.28	0.24	0.10	–
Second Series Preferred	1.38	–	–	–	–
Number of common shares outstanding	39,578,264	37,658,616	37,734,691	35,173,491	28,914,400
Number of employees	2,340	2,500	2,497	2,075	2,060

QUARTERLY FINANCIAL DATA (unaudited)

(in millions of Canadian dollars except per share amounts)

	First	Second	Third	Fourth	Total Year
1991					
Revenues	$99.9	103.9	105.4	128.6	437.8
Net income	1.1	5.5	7.1	12.0	25.7
Earnings per share	0.03	0.12	0.13	0.26	0.54
1990					
Revenues	$91.5	104.7	100.8	107.1	404.1
Net income (loss)	(4.1)	4.9	4.1	3.1	8.0
Earnings (loss) per share	(0.10)	0.12	0.10	0.08	0.20

MARKET PRICE PER COMMON SHARE

	1991		1990	
Montreal and Toronto (Average)	High	Low	High	Low
First quarter	8.940	7.380	10.750	8.750
Second quarter	9.750	8.500	9.625	8.063
Third quarter	10.310	9.315	8.940	7.750
Fourth quarter	11.000	9.500	8.500	7.500

Note – On February 14, 1992, the market price per common share on The Montreal Exchange was $12.375.

Eric E. Baker**
Chairman of the Board
Teleglobe Inc.
President
Altamira Capital Corp.

Marc E. Beauchamp*
President
Novacap Investments Inc.

Frederick G. Berlet**
Deputy Chairman
Fleck Manufacturing Inc.

George A. Fierheller**
Chairman and Chief Executive Officer
Rogers Cantel Mobile Inc.

Pierre J. Fortier*
Assistant Vice-President, Corporate Investments
Caisse de dépôt et placement du Québec

Josef J. Fridman
Senior Vice-President, Law & Corporate Services
BCE Inc.

W. Brian Hewat
Executive Vice-President, Marketing
Bell Canada

Pierre J. Jeanniot
President and Chief Executive Officer
Jinmag Inc.

Charles C. Johnston**
President
Teleglobe Insurance Systems Division

Gerald T. McGoey*
Executive Vice-President, Finance
BCE Inc.

William M. McKenzie
President
Teleglobe Communication Products Division

Jean C. Monty**
Chairman and Chief Executive Officer
Bell Canada

H. Arnold Steinberg*
Administrator
Cleman Ludmer Steinberg Inc.

*Members of the Audit Committee
**Members of the Compensation Committee

President's Office

Charles Sirois
President, Communication Services Division

William M. McKenzie
President, Communication Products Division

Charles C. Johnston
President, Insurance Systems Division

Corporate Officers

Bruno Ducharme
Chief Financial Officer

Morrie J. Glick
Vice-President, Finance and Secretary

Robert P. Judge
Treasurer and Assistant Secretary

Communication Services

Charles Sirois
President

Martin Fournier
Executive Vice-President and Chief Operating Officer

Norman E. Blondin
Vice-President, Sales and Customer Service

Jacques Demers
Vice-President, Network Operations

Richard DesBois
Vice-President, Legal Matters

Carol M. Gutkin
Vice-President, Human Resources and Administration

Gilles Leduc
Vice-President, Marketing and Regulatory Matters

Jacques Lévesque
Vice-President, Finance and Chief Financial Officer

Chester J. Romaniak
Vice-President, Management Information Systems

Robert J. White
Vice-President, Strategic Development

Gerald F. Foley
President
Teleglobe Marine Inc.

Communication Products

William M. McKenzie
President

Contantinos C. Topalidis
Executive Vice-President and General Manager

Dharmendra Agarwal
Vice-President, Manufacturing

David Ball
Vice-President, Engineering

Richard A. Derouin
Senior Vice-President, Sales

Berty Ho-Wo-Cheong
Vice-President, Finance and Administration

Frank Lezotte
Vice-President, Product Marketing

Peter Norton
Vice-President, Customer Service

Insurance Systems

Charles C. Johnston
President

Simon N. Garneau
President
Canada and International

Edward J. Mezzanotte
Executive Vice-President and General Manager
U.S.A.

Tom L. Anderson
Vice-President, Insurance Company Services
Canada

Frederick C. Peters
Vice-President, Finance and Corporate Development
Canada

William D. Pitkin
Vice-President, Insurance Company Market
Canada

David H. Ramsdell
Vice-President, Finance and Treasurer
U.S.A.

David L. Thomas
Managing Director
U.K.

Corporate Office

Teleglobe Inc.
600 McCaffrey Street
Saint-Laurent, Québec
H4T 1N1
Canada
Tel.: (514) 738-4781

Communication Services

Canada
Teleglobe Canada Inc.
1000 de La Gauchetière Street West
Montréal, Québec H3B 4X5
Canada
Tel.: (514) 868-7272

Teleglobe International Inc.
1000 de La Gauchetière Street West
Montréal, Québec H3B 4X5
Canada
Tel.: (514) 868-8001

Teleglobe Marine Inc.
2075 University Street
Montréal, Québec H3A 2L1
Canada
Tel.: (514) 289-8052

Europe
Teleglobe Limited
First Floor, Glen House
Stag Place
London SW1E 5AG
England
Tel.: 44-71-630-0271

Pacific
Teleglobe Inc.
Level 36
Hong Leong Building
16 Raffles Quay
Singapore 0104
Tel.: 65-322-8524

Earth Stations
Teleglobe Canada earth stations are located in Nova Scotia, Québec, Ontario and British Columbia.

International Switching Centres
Teleglobe Canada international switching centres are located in Montréal, Québec; Scarborough, Ontario; and Burnaby, British Columbia.

Cable Stations
Teleglobe Canada maintains cable stations in Nova Scotia and British Columbia.

Direct Sales Offices
Teleglobe Canada sales offices are located in Montréal, Québec; Toronto, Ontario; Ottawa, Ontario, and Vancouver, British Columbia.

Communication Products

Canada
Teleglobe Inc.
600 McCaffrey Street
Saint-Laurent, Québec H4T 1N1
Canada
Tel.: (514) 738-4781

U.S.A.
Teleglobe Communications Inc.
40 High Street
North Andover, Massachussetts
01845
Tel.: (508) 681-0600

Europe
Teleglobe Limited
First Floor, Glen House
Stag Place
London SW1E 5AG
England
Tel.: 44-71-630-0271

Pacific
Teleglobe Inc.
Hong Leong Building
16 Raffles Quay
Singapore 0104
Tel.: 65-322-8524

Manufacturing Plants
Saint-Laurent, Québec
Canada

North Andover, Massachussetts
U.S.A.

Direct Sales Offices
The Communication Products division maintains direct sales offices throughout Canada and the United States. European sales are coordinated from the U.K.

Worldwide Distribution Network
The Communication Products division distribution network covers more than 50 countries on five continents.

Insurance Systems

Canada
Teleglobe Inc.
797 Don Mills Road
Don Mills, Ontario M3C 1V1
Canada
Tel.: (416) 429-0440

U.S.A.
ISI Systems, Inc.
2 Tech Drive
Andover, Massachussetts 01810
Tel.: (508) 682-5500

Europe
Teleglobe Limited
First Floor, Glen House
Stag Place
London SW1E 5AG
England
Tel.: 44-71-630-0271

Direct Sales Offices
The Insurance Systems division maintains direct sales offices in Canada, U.S.A. and England.

Auditors

Samson Bélair Deloitte & Touche
1 Place Ville-Marie
Suite 3000
Montréal, Québec H3B 4T9
Canada

Bankers

National Bank of Canada
600 de La Gauchetière Street West
Montréal, Québec H3B 4L2
Canada

Royal Bank of Canada
1 Place Ville-Marie
P.O. Box 6001
Montréal, Québec H3C 3A9
Canada

Royal Bank of Canada Europe Limited
71 Queen Victoria Street
London EC4V 4DE
England

Bank of Boston
100 Federal Street
Boston, Massachussetts 02106

Transfer Agent and Registrar

Montreal Trust Co.

Written correspondence:
Montreal Trust Co. of Canada
P.O. Box 1900
Station B
Montréal, Québec H3B 3L6
Canada

Address:
1800 McGill College Avenue
6th floor
Montréal, Québec H3A 3K9
Canada
Telephone: (514) 982-7000
Facsimile: (514) 982-7580
Telex: 055-61286

Stock Exchange Listings

The Montreal Exchange
The Toronto Stock Exchange

Securities Commission Filings

The Corporation files an Annual Information Form (AIF) with the Canadian Securities Commission. In conjunction with this filing, it will file an annual report on Form 40-F with the U.S. Securities and Exchange Commission under the multijurisdictional disclosure system. For further information, additional copies of this annual report, a copy of the AIF or Form 40-F, or to eliminate multiple mailings or discontinue interim reports, please write to:

Teleglobe Inc.
Investor Relations
600 McCaffrey Street
Saint-Laurent, Québec H4T 1N1
Canada

Pour obtenir un exemplaire de la version française du rapport annuel, veuillez écrire au service des relations avec les investisseurs.

Trade-marks

Teleglobe, Globedirect, Globestream, Globenet, Globetel, Globedat and *Globefax* are registered trade-marks of Teleglobe Inc.

The symbol, as well as the corporate signature of which it is part, *Globe 800* and *Globecard* are trade-marks of Teleglobe Inc.

Canada Direct is a registered trade-mark of Teleglobe Canada Inc.

Jet-Sat is a trade-mark of Teleglobe Canada Inc. in Canada and of IDB•A in the U.S.A.

International 800 Service is a trade-mark of Bell Canada, of which Teleglobe Canada Inc. is an authorized user.

Satellite Aircom is a trade-mark of SITA, of which Teleglobe Canada Inc. is an authorized user.

Global Fon and *GVPN* are trade-marks of Cable and Wireless plc and U.S. Sprint.

This Annual Report is made
of recycled paper containing
50% recycled fibre, which
includes 10% post-consumer waste.

Printed in Canada

Production : **GOODHUE** DESIGN/COMMUNICATION INC.