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

Financial Results Analysis

Consolidated Analysis

	2004	2003	% CHANGE
Operating revenues	**19,193**	18,737	2.4%
Operating expenses	**(11,629)**	(11,327)	(2.7%)
EBITDA	**7,564**	7,410	2.1%
Amortization expense	**(3,108)**	(3,100)	(0.3%)
Net benefit plans cost	**(256)**	(175)	(46.3%)
Restructuring and other items	**(1,224)**	(14)	N/M
Operating income	**2,976**	4,121	(27.8%)
Other income	**411**	175	134.9%
Interest expense	**(1,005)**	(1,105)	9.0%
Pre-tax earnings from continuing operations	**2,382**	3,191	(25.4%)
Income taxes	**(710)**	(1,119)	36.6%
Non-controlling interest	**(174)**	(201)	13.4%
Earnings from continuing operations	**1,498**	1,871	(19.9%)
Discontinued operations	**26**	(56)	146.4%
Net earnings before extraordinary gain	**1,524**	1,815	(16.0%)
Extraordinary gain	**69**	–	N/M
Net earnings	**1,593**	1,815	(12.2%)
Dividends on preferred shares	**(70)**	(64)	(9.4%)
Premium on redemption of preferred shares	**–**	(7)	N/M
Net earnings applicable to common shares	**1,523**	1,744	(12.7%)
EPS	**1.65**	1.90	(13.2%)

N/M: Not meaningful

Operating Revenues

Operating revenues grew 2.4% or $456 million to $19,193 million in 2004, compared to 2003, a rate of growth which exceeded our 2003 performance.

Bell Canada contributed most of the increase despite the trailing effects of the implementation of a new wireless billing system and a prolonged labour disruption at Aliant. Bell Canada's revenue growth was a result of improved performance in the Consumer segment stemming from stronger wireless, Internet access and video services revenues, along with higher IP-connectivity and VAS revenues in the Business segment.

Revenue growth was enhanced further by higher revenues at CGI, resulting from the AMS acquisition, and at Bell Globemedia, resulting from higher television advertising revenues due to strong ratings performance.

Looking ahead for 2005, we expect to achieve overall revenue growth as expected increases from our growth services, including wireless, Internet and IP-based connectivity, video services and value-added services are expected to more than offset anticipated continued declines in our legacy wireline business. Beyond 2005, we expect growth services will become a greater component of our future revenue base.

In 2005, the anticipated revenue increases from our growth services are expected to be driven by solid increases in the number of subscribers and targeted increases in average revenue per subscriber across these services.

In local and access and long distance revenues, we expect the trends experienced over the past years to continue and the rate of decline of these services to increase somewhat as cable companies begin expected launches of VoIP offerings. We also expect continued legacy revenue declines from the Enterprise and Wholesale businesses due to continued competitive pricing pressures and the migration to IP.

See *Segmented Analysis* for a discussion of operating revenues on a segmented basis, and *Product Line Analysis* for a discussion of operating revenues on a product line basis.

Operating Income

Operating income declined 28% or $1,145 million to $2,976 million in 2004, compared to 2003. This was mainly because of an increase in restructuring and other items and a higher net benefit plans cost. Excluding the impact of the restructuring and other items, operating income increased 1.6% or $65 million to $4,200 million in 2004. This increase stemmed from operating income growth in our Consumer and Business segments, as well as improvements in Bell Globemedia and Telesat in the Other BCE segment, driven by the underlying growth in these sectors.

See *Segmented Analysis* for a discussion of operating income on a segmented basis.

EBITDA

Our EBITDA grew 2.1% or $154 million to $7,564 million in 2004, compared to 2003. This represented a growth rate of 3.0%, excluding the estimated negative impact of $71 million from the Aliant labour disruption, from improvements at Bell Canada and the Other BCE segment.