

BCE INC
Form 6-K/A
August 04, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the month of: **August 2005**

Commission File Number: **1-8481**

BCE Inc.

(Translation of Registrant's name into English)

1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal, Québec H3B 4Y7, (514) 870-8777

(Address of principal executive offices)

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

Form 20-F _____

Form 40-F _____

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

Yes _____

No _____

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

Notwithstanding any reference to BCE's Web site on the World Wide Web in the documents attached hereto, the information contained in BCE's site or any other site on the World Wide Web referred to in BCE's site is not a part of this Form 6-K and, therefore, is not filed with the Securities and Exchange Commission.

News Release

For immediate release

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

BELL CANADA ENTERPRISES REPORTS SECOND QUARTER RESULTS

Double-digit year over year subscriber growth in wireless, Internet and video

- ° Wireless: 146,000 net adds, up 54%
- ° High-speed Internet: 92,000 net adds, up 42%
- ° Video: 63,000 net adds, up 163%

Top-line growth in Business segment improved for fourth consecutive quarter

Competitive agreements create long-term labour stability

Montréal (Québec), August 3, 2005 For the second quarter of 2005, BCE Inc. (TSX, NYSE: BCE) reported revenues of \$5.0 billion, up 4.2% from the same period last year. Operating income for the quarter was \$1.1 billion, unchanged from the previous year, and earnings per share (EPS) were \$0.61 cents, up \$0.01 from the previous year. EBITDA⁽¹⁾ was \$2 billion, up 2.5% from the same period last year. EPS before restructuring and other items and net gains on investments⁽²⁾ were up \$0.03 at \$0.58 compared to \$0.55 the previous year. Cash from operating activities was \$1.5 billion in the quarter, up from \$1.1 billion for the second quarter of 2004, while free cash flow⁽³⁾ was \$138 million, up from \$64 million for the same period last year.

Bell Canada saw double-digit growth in wireless, high-speed Internet and video combined with continued positive results in the Business segment this quarter, said Michael Sabia, President and Chief Executive Officer of BCE. These results show very good progress in meeting our objective of cost-effectively ramping-up growth of our new services to more than offset the decline of our legacy business.

Both Consumer and Business segments achieved their results while managing operating costs effectively and preserving BCE's overall 40% EBITDA margin. The company's cost reduction plans remain on track and a number of Galileo initiatives will start rolling out in the third quarter to further increase the level of savings.

In the Consumer segment, subscriber growth is providing Bell Canada with an expanding base of high-value multi-product customer relationships. These relationships can be further leveraged as the reach and appeal of the company's product mix and value-added services (VAS) continues to expand.

In the Business segment, the company continued to expand its VAS offering, positioning the company for further progress in the delivery of new growth services to business customers. 47% of Business segment revenues in the second quarter

were generated by new services, evidence of the company's growing position as a technology partner to its customers.

Within Bell Canada overall, 44% of total revenues came from growth services compared to 40% six months ago; important progress in Bell's planned shift in revenue mix away from legacy services. The company is moving towards its target of 55% of revenues from growth services by the end of 2006.

In July, new collective agreements were ratified with Bell Canada's clerical and associated employees as well as with employees at Entourage Technology Solutions, a wholly-owned Bell Canada subsidiary. These agreements, combined with the August 2004 agreement reached with Bell Canada technicians, provide the company and its subsidiaries with a stable and competitive labour environment for the coming years.

The company's objective was to reach significantly more competitive labour agreements. We achieved that goal, said Mr. Sabia. The new collective agreements give the company the flexibility it needs to meet the challenges of a highly competitive marketplace while providing employees with attractive working conditions. This stable labour environment allows Bell to continue its determined focus on strengthening customer service and advancing the strategic development of the company.

Key operational achievements

Wireless

Wireless growth accelerated with the addition of 146,000 new subscribers to Bell's customer base during the second quarter, up 54% over the second quarter of 2004. This is the company's strongest second quarter of net additions on record. Total subscribers reached the 5.1 million mark, an increase of 11% when compared to June 30, 2004.

The increase in net additions is attributable to the success of new rate plans, the introduction of Bell's Push-to-Talk service, known as 10-4, new RIM customers, the launch of the Virgin Mobile service, and strong growth in the West.

The company gained 117,000 postpaid net new customers in the second quarter, an increase of 50% over the second quarter of 2004. Postpaid customers also generally represent higher Average Revenue per User (ARPU) than prepaid customers. This contributed to an overall ARPU in the quarter of \$50, up \$4 from the first quarter of 2005, an increase that returns the company to the levels reached in the second quarter of 2004. Blended churn was at 1.6 per cent per month, with improvements in postpaid churn from last quarter.

Wireless revenues for the second quarter reached \$771 million, an improvement of \$73 million, or 10%, over the second quarter of 2004. Due to effective cost containment, wireless EBITDA margin was above 42% in the second quarter of 2005, despite the costs associated with a very large number of new customer acquisitions.

With relatively low wireless penetration in Canada, the company has introduced offers that will tap underserved segments of the market. On July 25, Bell launched Solo Mobile, a wireless service designed specifically for the youth market. Solo is based on Push-to-Talk technology and provides Bell's innovative 10-4 service for \$1 per day on top of the basic rate plan. The company estimates that this represents a potential market of 5 million in its serving territory with a penetration rate of only 50%.

Video

ExpressVu posted its strongest second quarter on record as net additions jumped 163% over the same quarter in 2004 to 63,000. By June 30, 2005, total subscribers reached the 1.6 million mark, up 12% compared to June 30, 2004. Churn remained low at 0.9%, and slightly improved over the previous year. The company also completed its Smart Card replacement program to its entire customer base, making its satellite platform free from piracy.

Video revenues increased by 12% year-over-year driven by the higher customer base and an improvement in ARPU of \$1. EBITDA remained positive despite a marked increase in new additions. EBITDA performance was driven by a reduction of nearly 20% in the average unit cost of acquiring new customers.

Bell recently purchased the residential assets of Cable VDN, a local cable company selling residential TV and high-speed Internet services in Montreal. This acquisition allows Bell to cost-effectively deliver a quadruple play (video, high-speed Internet, wireless and long-distance) to the multi-dwelling-unit (MDU) market in Montreal.

High-speed Internet

High-speed Internet additions were 92,000 in the second quarter of 2005, an increase of 42% over the same period in 2004. The total high-speed subscriber base exceeded the 2 million mark, up by 24% over the second quarter of last year. The popularity of Bell's 128 kbps DSL service, which is both attracting new customers and converting dial-up customers to DSL, contributed to the growth this quarter.

VAS subscriber growth, such as MSN Premium, Security Services and Home Networking, grew by 99,000 in the second quarter of 2005, to reach a total of 865,000 double the number a year ago.

Sympatico.MSN continued to be the country's most popular online destination with 15.8 million unique visitors to the site monthly. Portal revenues increased by 131% and VAS revenues increased by 61%, year over year.

During the quarter Bell launched a series of service innovations to further simplify the customer experience. The new Grab n Go offer simplifies the installation process by allowing customers to pick up their DSL kit and modem directly in Bell retail outlets. The company also implemented improvements to its on-line Net Assistant service to provide additional functionality including a Customer Chat capability for billing related issues. These improvements also give customers greater

control over their service with better automation capabilities and quick fix solutions.

Consumer segment highlights

Consumer segment revenues grew by 1.7% over the same quarter of 2004, to \$1.9 billion, driven by the solid increases in net subscriber additions for growth products over this period, offsetting declines in Bell's legacy business. Year to date, Consumer revenues were \$3.7 billion, up 1.7% from the same period last year.

Operating income was down 1.4% for the quarter, mainly due to the higher costs associated with accelerated growth during the period and higher pension and amortization expense.

In the second quarter, Bell sharpened its focus and advanced its strategy of increasing valuable multi-product households in its territory. As of June 30, 2005, 57% of Bell households in Quebec and Ontario subscribed to at least two services from Bell, with 1.27 million of those having three or more services. Going forward the company will continue to grow the number of multi-product households with the introduction of highly targeted and customized offers.

Business segment highlights

Business segment revenues were \$1.5 billion in the second quarter or 4% higher compared to the second quarter of 2004, demonstrating continued growth in this segment. Year to date revenues were approximately \$3 billion compared to \$2.9 billion for the same period in 2004, an increase of 3.5%.

Bell continued to make steady progress in the second quarter in its stated objective of becoming a technology partner to business customers through the delivery of advanced, IP-enabled solutions. In the small and medium-sized business unit (SMB), performance was driven by growth in wireless and data revenues and from steady progress in our Virtual Chief Information Officer (VCIO) strategy and in Enterprise by the strong demand for IP solutions, such as IP VPN and other VAS. Business VAS grew by over 59% in the quarter over the same quarter in 2004.

Small and Medium Business

The SMB group continues to see strong growth in key strategic areas, with VCIO product revenues more than doubling during the second quarter. This growth was driven primarily by the launch of the PC Care and Network Care solutions. These solutions offer remote or on-site assistance for small and medium businesses, replacing any need for full-time IT support.

In the quarter, the SMB group acquired CSB Systems, an established Enterprise Resource Planning systems integrator in Western Canada. To fully leverage the power of recent acquisitions and further deliver on Bell's promise of being a trusted technology advisor to small and medium businesses, the SMB group has created Bell Business Solutions (BBS) which houses the resources of CSB Systems, Nexxlink

Technologies and Charon Systems. These acquisitions are helping to bolster growth in data product revenues which grew 41% in the quarter.

Sales teams in the SMB group and within BBS are working very successfully to drive cross-selling revenue opportunities. For example, the rate of growth in Charon Systems has essentially doubled since it was acquired by Bell, which also attests to its strategic fit within the company.

Enterprise

The Enterprise Group continues to gain momentum in its conversion to an IP and VAS provider, including managing the strong demand for its IP VPN service and its growing ability to provide new services from standardized platforms. Enterprise added 27,000 IP-enabled voice lines on customer premises equipment during the quarter for a total of 185,000. At the end of the second quarter 73% of traffic on Bell's core network was IP.

The group has also been successful in supporting Canadian businesses internationally with the launch of its Global VoIP solution for Canadian multi-national companies in partnership with BT Infonet. With this new service, Bell can manage the total voice and data traffic for customers doing business internationally over a single, integrated IP network anywhere in the world.

Sales of VAS services in the second quarter increased by 47% year over year. Through partnerships with both suppliers and customers, Enterprise is delivering an increasingly broad and sophisticated suite of value-added solutions, including security, systems and storage, contact centre, outsourcing and wireless data for our customers.

During the quarter, the group further broadened its solutions portfolio through the acquisition of CDG Inc., a leading Canadian provider of anti-virus and anti-spam solutions. As well, the acquisition of PopWare Inc. will provide new systems integration wireless applications in the areas of Inventory and Asset Management. These two acquisitions bring important niche capabilities to the VAS portfolio within Enterprise.

Bell in the West

In the West, Bell continues to grow its Enterprise and SMB customer base leading to revenue increases in most areas of its business.

The company continues to expand its on-net capabilities and the revenue opportunities provided by the purchase of the western Canadian assets of 360Networks. As well, with the construction phase of the Alberta SuperNet essentially complete, Bell is turning its attention to developing the products, services and applications that will exploit the network's virtually unlimited potential.

Bell has reached new contractual arrangements with the Government of Alberta and Axia NetMedia Corporation that will further enable the development of

6

commercial services on the network and best serves the interests of the three parties involved.

Telesat Canada

Telesat's second quarter revenues grew by approximately 61% to \$137 million largely as a result of higher revenues from network services for Interactive Distance Learning Services, its acquisition of The SpaceConnection Inc. and Ka-band revenues from Anik F2. Operating income increased by 27% in the second quarter. During the quarter, the company launched its two-way high-speed Internet service now available through multiple dealers across the country.

The launch of Anik F1R is scheduled for late summer. The satellite is expected to be ready for service in the fourth quarter of 2005.

Bell Globemedia

Bell Globemedia's revenues for the second quarter increased by 8% over the same period last year to reach \$399 million. Improved profitability both at CTV and *The Globe and Mail* delivered a 28% increase in operating income over the same period last year.

CTV's strong schedule once again made it the most watched network in the country. During the summer season, for example, CTV has nine of the top 10 programs in Canada. The network's ever-popular Canadian Idol series continues to perform well in all markets. CTV's marathon 18-hour broadcast of *Live 8* was one of the biggest events in the network's history, reaching 10.5 million viewers, approximately one in every three Canadians. The strength of its line-up allowed the network to post double-digit growth in its conventional television advertising.

Stronger subscriber and advertising revenues on specialty channels such as Discovery and the Comedy Network helped mitigate revenue challenges at TSN and RDS sports specialty networks affected by the loss of NHL programming.

According to the latest NADBank audience measurement statistics, *The Globe and Mail* continues to lead its national competitor in readership by 60% on weekdays and 78% on Saturdays. As well *The Globe and Mail* has had considerable success with its suite of on-line properties that is helping compensate for softer revenues in its print operations.

BCE Financial Performance

Year to date revenues at BCE totaled \$9.8 billion, a 4.5% increase over the same period last year. Operating income year to date was \$2.2 billion, an increase of 2.4% over the same period in 2004. Year to date EBITDA was \$3.9 billion, an increase of 3.7% over the previous year. BCE's EBITDA margin for both the second quarter and for the year to date was 40%.

Net earnings applicable to common shares for Q2 2005 were \$563 million (\$0.61 per common share), up slightly from net earnings of \$554 million (\$0.60 per common share) for the second quarter of 2004. Included in 2005 second quarter earnings were \$25 million of net gains on investments and restructuring and other items composed primarily of a dilution gain recorded from the investment in TerreStar, a mobile satellite services company. In the second quarter of 2004 there were \$47 million in net gains on investments and restructuring. Excluding the impact of these special items, net earnings were \$538 million (\$0.58 per common share) up by \$31 million (\$0.03 per common share). This increase is attributable to a number of factors, including the net income tax savings resulting from the loss monetization program between Bell Canada and its subsidiaries.

Cash from operating activities was \$1.5 billion in the quarter and \$2.4 billion year to date, compared to \$1.1 billion and \$2.4 billion for the comparable periods in 2004. Free cash flow was \$138 million in the quarter and \$(24) million for the first six months. In the first quarter of 2005 cash flow was negatively affected by cash taxes paid and a number of specific payments, including pension plan top-ups and restructuring payments. With these items having a significantly lesser impact in the second half of the year, ongoing EBITDA contributions from its business units, and a balanced pace of capital expenditure spend, BCE expects to achieve its free cash flow target of \$700-\$900 million for 2005.

Cost savings within the company reached \$122 million in the quarter and are at \$242 million on a year to date basis.

Bell Canada Statutory Results

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

In the second quarter of 2005, Bell Canada's reported statutory revenue was \$4.3 billion, up 2.1% compared to the same period last year. Net earnings applicable to common shares were \$580 million in the second quarter of 2005, compared to net earnings applicable to common shares of \$567 million for the same period last year, an increase of 2.3%.

In the first six months of 2005, Bell Canada's reported statutory revenue was \$8.5 billion, up 2.3% compared to the same period last year. Net earnings applicable to common shares were \$1,108 million in the first six months of 2005, compared to net earnings applicable to common shares of \$1,115 million for the same period last year, a decrease of 0.6%.

Outlook

BCE Inc. confirmed its annual full year 2005 guidance, as previously issued:

Edgar Filing: BCE INC - Form 6-K/A

Revenue Growth	≥ GDP	
Galileo Savings	\$500	\$600M
EPS ^(a)	Single digit growth	
Free Cash Flow ^(b)	\$700	\$900M
Bell Canada Capital Intensity ^(c)	18%	19%
Cellular and PCS Subscriber Growth	10%	15%
High Speed Internet Subscriber Growth	15%	20%
Video Subscriber Growth	10%	15%

- (a) Before net investment gains/losses, or impairment or restructuring charges (please see note 2 for additional details).
- (b) Cash from operating activities less capital expenditures, total dividends and other investing activities (please see note 3 for additional details).
- (c) Capital expenditures as a percentage of revenues.

About BCE

BCE is Canada's largest communications company. Through its 27 million customer connections, BCE provides the most comprehensive and innovative suite of communication services to residential and business customers in Canada. Under the Bell brand, the company's services include local, long distance and wireless phone services, high-speed and wireless Internet access, IP-broadband services, value-added business solutions and direct-to-home satellite and VDSL television services. Other BCE businesses include Canada's premier media company, Bell Globemedia, and Telesat Canada, a pioneer and world leader in satellite operations and systems management. BCE shares are listed in Canada, the United States and Europe.

Notes

(1) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). Please refer to the section of BCE Inc.'s 2005 Second Quarter MD&A, dated August 2, 2005, entitled *Non-GAAP Financial Measures* included in this news release for more details on EBITDA including a reconciliation of EBITDA to operating income.

(2) Net earnings and EPS before restructuring and other items and net gains on investments do not have any standardized meaning prescribed by GAAP. Please refer to the section of BCE Inc.'s 2005 Second Quarter MD&A, dated August 2, 2005, entitled *Non-GAAP Financial Measures* included in this news release for more details on net earnings and EPS before restructuring and other items and net gains on investments including a reconciliation to net earnings applicable to common shares on a total and per share basis.

(3) We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities. Free cash flow does not have any standardized meaning prescribed by GAAP. Please refer to the section of BCE Inc.'s 2005 Second Quarter MD&A, dated August 2, 2005, entitled *Non-GAAP Financial Measures* included in this news release for more details on free cash flow including a reconciliation of free cash flow to cash from operating activities. For 2005, we expect to generate approximately \$700 million to \$900 million in free cash flow. This amount reflects expected cash from operating activities of approximately \$5.9 billion to \$6.1 billion less capital expenditures, total dividends and other investing activities.

BCE 2005 Second Quarter Financial Information

BCE's 2005 Second Quarter Shareholder Report (which contains BCE's 2005 second quarter MD&A and unaudited consolidated financial statements) and other relevant financial materials are posted at www.bce.ca/en/investors, under Investor Briefcase. BCE's 2005 Second Quarter Shareholder Report is also available on the Web site maintained by the Canadian securities regulators at www.sedar.com. It can also be ordered from BCE's Investor Relations Department (email: investor.relations@bce.ca, tel.: 1 800 339-6353; fax: (514) 786-3970).

Edgar Filing: BCE INC - Form 6-K/A

BCE's 2005 Second Quarter Shareholder Report will be sent to BCE's shareholders who have requested to receive it, on or about August 8, 2005.

Call with Financial Analysts

BCE will hold a teleconference for financial analysts to discuss its second quarter results on Wednesday, August 3, 2005 at 8:00 a.m. (Eastern). *Media are welcome to participate on a listen only basis.* Michael Sabia, President and CEO, Siim Vanaselja, Chief Financial Officer, and other executives will participate in the teleconference.

To participate, please dial **416-340-8010** or **1-866-540-8136** shortly before the start of the call. This teleconference will also be Webcast live and archived for 90 days on BCE's website at www.bce.ca.

Call with the Media

BCE will hold a teleconference for media to discuss its second quarter results on Wednesday, August 3, 2005 at 2:30 p.m. (Eastern). Michael Sabia, President and CEO will participate in the teleconference.

To participate, please dial **416-405-9328** or **1-800-387-6216** shortly before the start of the call. This teleconference will also be Webcast live and archived for 90 days on BCE's website at www.bce.ca.

Caution Concerning Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the statements appearing under the Outlook section, and other statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. For a description of risks that could cause actual results or events to differ materially from current expectations please refer to the sections entitled Risks That Could Affect Our Business contained in BCE Inc.'s Annual Information Form for the year ended December 31, 2004, and in BCE Inc.'s 2005 First Quarter MD&A dated May 3, 2005, both filed by BCE Inc. with the Canadian securities

commissions (available at www.bce.ca and on SEDAR at www.sedar.com), and with the U.S. Securities and Exchange Commission under Form 40-F and Form 6-K, respectively, (available on EDGAR at www.sec.gov), as updated in BCE Inc.'s 2005 Second Quarter MD&A dated August 2, 2005, included in this news release, under the section entitled Risks That Could Affect Our Business. The forward-looking statements contained in this news release represent our expectations as of August 3, 2005 and, accordingly, are subject to change after such date. However, we disclaim any intention or obligation to update any forward-looking statements, whether as a result of new information or otherwise.

The Quarter at a Glance

The Quarter at a Glance
This section reviews the key measures we use to assess our performance and how our results in Q2 2005 compare to our results in Q2 2004.

In the second quarter, we achieved strong gains in our wireless, video and high-speed Internet subscriber bases, which help lay an important foundation for the future profitable growth of these businesses. In addition, our Business segment continued to make steady progress on its overall Information and Communications Technology (ICT), or value-added services (VAS), strategy by leading the company in the shift towards new growth services. In Q2, growth revenues accounted for 44% of total revenues at Bell Canada, which is in line with our target of 45% by the end of 2005.

Revenue growth reached 4.2% at BCE and 2.1% at Bell Canada in Q2. Despite higher revenues and cost savings from our Galileo Program (Galileo), operating income declined by 0.5% at BCE and by 3.5% at Bell Canada as a result of the upfront cost of acquiring more subscribers, as well as higher amortization expense and net benefit plans cost. EBITDA⁽¹⁾ grew by 2.5% at BCE and by 1.0% at Bell Canada this quarter, as higher revenues and cost savings from Galileo more than offset increased subscriber acquisition costs.

In our Consumer segment, revenue grew as a result of continued strength in our growth businesses, but was partly offset by accelerated declines in legacy service revenues. This improvement reflected the success of our strategy to significantly enhance subscriber acquisition and stimulate average revenue per user (ARPU) for wireless and video.

In our Business segment, our Internet Protocol (IP) based connectivity and VAS strategies within the small and medium-sized business (SMB) and Enterprise markets continued to gain strength. This positive trend contributed to solid revenue growth during the quarter, despite increased competitive pressures and lower demand for our legacy wireline business services.

In the Aliant segment, strong growth in wireless and Internet services revenue offset declines in other areas of the business that were affected by the impacts of competition, technology substitution and regulatory restrictions.

Within the other Bell Canada segment, revenue growth was driven by the acquisition of the wholesale operations of 360networks, despite ongoing market challenges.

Within the other BCE segment, Bell Globemedia continued to demonstrate very good financial performance. This was driven by higher advertising revenue, reflecting strong television ratings as CTV Television held 18 of the top 20 regularly scheduled programs from September 2004 to July 2005. Telesat also had a good quarter, reflecting very strong revenue growth from its network for Interactive Distance Learning services and growth in Ka-band revenues on its Anik F2 satellite.

Customer Connections

CONNECTIONS (IN THOUSANDS)	Q2 2005 NET ACTIVATIONS	30-JUN-05 CONNEC- TIONS
Wireless	146	5,108
High-Speed Internet	92	2,028
Video	63	1,595
NAS	(145)	12,700

- **Wireless** Our wireless business regained its momentum this quarter with 146,000 net activations, increasing our customer base by 11.1% compared with last year and surpassing the 5 million customer mark. Approximately 80% of our net activations this quarter were on postpaid rate plans. Churn was unchanged from Q1 2005 at 1.6%, but increased from 1.3% in Q2 2004.
 - **High-Speed Internet** Our high-speed Internet business added 92,000 customers this quarter, fuelled in part by the growth of our 128 Kbps Basic Lite product introduced in Ontario during Q1. With these additions, total subscribers grew by 24.2% over the last twelve months, pushing our customer base to over 2 million.
- (1) EBITDA, free cash flow and net earnings excluding the impact of restructuring and other items and net gains on investments do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. For more details on these measures, including a reconciliation to the most comparable GAAP measure, please refer to the section entitled *Non-GAAP Financial Measures* contained in BCE Inc.'s 2005 Second Quarter MD&A dated August 2, 2005.

- **Video** Our video business had its best Q2 ever with 63,000 net activations, an increase of 163% compared with Q2 2004. Our video subscriber base grew by 11.8% over the last twelve months. Churn improved, year-over-year, to 0.9%.
- **Network Access Services (NAS)** NAS declined by 145,000 during the quarter, reflecting the seasonal impact of student and residential moves in Québec and Ontario, competitive losses and lower demand for second lines. End-of-period NAS in service declined by 1.8%, since the end of Q2 2004, representing a higher rate of decline compared with previous quarters. This increase in year-over-year NAS reductions reflects an increasingly competitive environment as a major cable operator expanded the footprint of its low-priced cable telephony offering in certain of our Québec markets.

Operating Revenues

Our revenues increased by 4.2% year-over-year to reach \$4,980 million in the quarter. This growth reflected improved revenue performance across most of our segments. At Bell Canada, revenues were driven primarily by the Consumer segment due to growth in wireless, video and Internet access services, as well as from continuing solid results within the Business segment attributable to focused execution of our Virtual Chief Information Officer (VCIO), VAS and IP strategies and the contribution from recent acquisitions, all of which have positively impacted data revenue growth. This was offset partially by lower Aliant segment revenues due mainly to lower directory revenues. Overall revenue performance was further enhanced by double-digit growth at Telesat and CGI, and high single-digit growth at Bell Globemedia.

Operating Income and EBITDA⁽¹⁾

Edgar Filing: BCE INC - Form 6-K/A

We achieved operating income of \$1,100 million, down 0.5% or \$5 million, compared with the same period last year. Despite higher revenues and cost savings from Galileo, the year-over-year decline was the result of an increase in the cost of acquiring a substantially higher number of subscribers in wireless and video, some margin pressure from the continuing transformation of our product mix towards growth services, and by higher net benefit plans cost and amortization expense. Similarly, Bell Canada's operating income in the quarter declined by \$36 million, or 3.5%, to \$981 million from \$1,017 million in Q2 2004.

Our EBITDA for the quarter was \$2,001 million, an increase of \$48 million or 2.5% compared with last year, reflecting increases in all segments. Bell Canada's EBITDA this quarter was \$1,839 million, or 1.0% higher than last year.

EBITDA margin in the second quarter was 40.2% at BCE and 43.2% at Bell Canada, down 0.7 and 0.4 percentage points, respectively, compared with Q2 2004. The year-over-year declines reflected higher acquisition costs as a result of significantly better subscriber growth, continued erosion of high-margin legacy business, and lower local and access and data revenues within our wholesale operations. This was partly offset by margin improvement at Aliant, and by strong revenue growth at Bell Globemedia, CGI and Telesat.

- (1) EBITDA, free cash flow and net earnings excluding the impact of restructuring and other items and net gains on investments do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. For more details on these measures, including a reconciliation to the most comparable GAAP measure, please refer to the section entitled *Non-GAAP Financial Measures* contained in BCE Inc.'s 2005 Second Quarter MD&A dated August 2, 2005.

The Quarter at a Glance

Net Earnings / Earnings Per Share

Net earnings applicable to common shares for Q2 2005 were \$563 million, or \$0.61 per common share, up 1.6% from net earnings of \$554 million, or \$0.60 per common share, for the same period last year. Included in second-quarter earnings this year were \$25 million of net gains on investments and restructuring and other items, composed primarily of a dilution gain relating to our interest in Terre Star, a mobile satellite services company. This compared with net gains of \$47 million in Q2 2004. Excluding the impact of these items, net earnings of \$538 million, or \$0.58 per common share, were up \$31 million, or \$0.03 per share, representing an increase of 5.5% per share over last year⁽¹⁾. This improvement can be largely attributed to higher EBITDA and net income tax savings resulting from a loss monetization program based on an agreement entered into by Bell Canada and Bell Canada International Inc. in August 2004, offset partly by a significant increase in net benefit plans cost and higher amortization expense.

Capital Expenditures

Capital expenditures were \$914 million this quarter, or 10.7% higher than the same period last year. As a percentage of revenues, capital expenditures increased this quarter to 18.4% from 17.3% last year, reflecting an acceleration in our spending program. This year-over-year increase related to an expansion of our fiber-to-the-node (FTTN) footprint to deliver higher-speed broadband access, information technology (IT) efficiency projects to deliver cost savings, as well as a return to more normal spending levels at Aliant after its labour disruption in 2004.

Cash from operating activities and free cash flow⁽¹⁾

Cash from operating activities in the second quarter was \$1,450 million, representing a 29% or \$326 million improvement over Q2 2004. This increase was mainly due to:

- an improvement in cash earnings as a result of higher EBITDA and lower interest costs; and
- an improvement in accounts receivable collections compared with the second quarter of 2004 that was negatively impacted by the implementation of a new wireless billing platform.

(1) EBITDA, free cash flow and net earnings excluding the impact of restructuring and other items and net gains on investments do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. For more details on these measures, including a reconciliation to the most comparable GAAP measure, please refer to the section entitled *Non-GAAP Financial Measures* contained in BCE Inc.'s 2005 Second Quarter MD&A dated August 2, 2005.

On a year-to-date basis, cash from operating activities was relatively flat at \$2,389 million, compared with \$2,384 million for the first six months of 2004. This resulted mainly from an improvement in cash earnings and accounts receivable collections, offset substantially by a number of impacts, which more than offset our growth in EBITDA and lower interest payments. These impacts were:

- an increase in income taxes paid, primarily related to the final instalment for 2004;
- higher pension and other benefit plan payments, stemming primarily from a voluntary contribution by Aliant; and
- restructuring payments related to employee departure programs announced last year at Bell Canada and Aliant.

Our free cash flow this quarter was \$138 million, up from free cash flow of \$64 million in the second quarter of last year. The increase was attributable to higher cash from operating activities, offset partially by a number of anticipated items, including:

- Telesat insurance proceeds that were received in Q2 2004, which did not recur this year;
- an increase in capital expenditures related to our investment in next-generation service platforms; and
- higher dividends paid as a result of a \$0.12 annual increase in the dividend per common share.

In the first six months of 2005, free cash flow was negative \$24 million down from free cash flow of \$320 million in the same period last year.

Management's Discussion and Analysis

In this MD&A, *we, us, our* and *BCE* mean BCE Inc., its subsidiaries and joint ventures.

All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted.

Please refer to the unaudited consolidated financial statements for the second quarter of 2005 when reading this MD&A. We also encourage you to read BCE Inc.'s MD&A for the year ended December 31, 2004 dated March 2, 2005 (BCE 2004 MD&A).

You will find more information about BCE, including BCE Inc.'s annual information form for the year ended December 31, 2004 (BCE 2004 AIF), the BCE 2004 MD&A and recent financial reports, on BCE Inc.'s website at www.bce.ca, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

About Forward-Looking Statements

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

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

Non-GAAP Financial Measures

This section describes the non-GAAP financial measures we used in the

This management's discussion and analysis of financial condition and results of operations (MD&A) comments on BCE's operations, performance and financial condition for the three months (Q2) and six months (YTD) ended June 30, 2005 and 2004.

About Forward-Looking Statements

Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company's future prospects and make informed investment decisions.

Unless otherwise mentioned in this MD&A, the outlooks provided in the BCE 2004 MD&A dated March 2, 2005 remain unchanged.

This MD&A contains forward-looking statements about BCE's objectives, strategies, financial condition, results of operations, cash flows and businesses. These statements are forward-looking because they are based on our current expectations, estimates and assumptions about the markets we operate in, the Canadian economic environment and our ability to attract and retain customers and to manage network assets and operating costs. It is important to know that:

- forward-looking statements in this MD&A describe our expectations at August 2, 2005
- our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, you are cautioned not to place undue reliance on these forward-looking statements.
- forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them. Accordingly, the expected impact cannot be meaningfully described in the abstract or presented in the same manner as known risks affecting our business.
- we disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

Risks that could cause our actual results to materially differ from our current expectations are discussed throughout this MD&A and, in particular, in *Risks That Could Affect Our Business*.

Non-GAAP Financial Measures

EBITDA

The term EBITDA does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP). It is therefore unlikely to be comparable to similar measures presented by other companies. EBITDA is presented on a consistent basis from period to period.

We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of amortization expense, net benefit plans cost, and restructuring and other items. We exclude amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital assets and the fund performance of a company's pension plans. We exclude restructuring and other items because they are transitional in nature.

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

MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable Canadian GAAP financial measures.

EBITDA

We define EBITDA (earnings before interest, taxes, depreciation and amortization) as operating revenues less operating expenses, which means it represents operating income before amortization expense, net benefit plans cost, and restructuring and other items.

15 Bell Canada Enterprises 2005 Quarterly Report

The most comparable Canadian GAAP financial measure is operating income. The tables below are reconciliations of EBITDA to operating income on a consolidated basis for BCE and Bell Canada.

BCE	Q2 2005	Q2 2004	YTD 2005	YTD 2004
EBITDA	2,001	1,953	3,939	3,797
Amortization expense	(792)	(769)	(1,565)	(1,536)
Net benefit plans cost	(104)	(65)	(207)	(128)
Restructuring and other items	(5)	(14)	(1)	(17)
Operating income	1,100	1,105	2,166	2,116

BELL CANADA	Q2 2005	Q2 2004	YTD 2005	YTD 2004
EBITDA	1,839	1,821	3,654	3,576
Amortization expense	(746)	(733)	(1,478)	(1,465)
Net benefit plans cost	(107)	(58)	(213)	(118)
Restructuring and other items	(5)	(13)		(16)
Operating income	981	1,017	1,963	1,977

Operating Income Before Restructuring and Other Items

The term operating income before restructuring and other items does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We use operating income before restructuring and other items, among other measures, to assess the operating performance of our ongoing businesses without the effects of restructuring and other items. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. The exclusion of these items does not imply they are non-recurring.

The most comparable Canadian GAAP financial measure is operating income. The table below is a reconciliation of operating income to operating income before restructuring and other items on a consolidated basis.

	Q2 2005	Q2 2004	YTD 2005	YTD 2004
Operating income	1,100	1,105	2,166	2,116
Restructuring and other items	5	14	1	17
Operating income before restructuring and other items	1,105	1,119	2,167	2,133

Net Earnings Before Restructuring and Other Items and Net Gains on Investments

The term net earnings before restructuring and other items and net gains on investments does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies.

We use net earnings before restructuring and other items and net gains on investments, among other measures, to assess the operating performance of our ongoing business without the effects of after-tax restructuring and other items and net gains on investments.

We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. The exclusion of these items does not imply they are non-recurring.

The most comparable Canadian GAAP financial measure is net earnings applicable to common shares. The table below is a reconciliation of net earnings applicable to common shares to net earnings before restructuring and other items and net gains on investments on a consolidated basis and per common share.

	Q2 2005		Q2 2004		YTD 2005		YTD 2004	
	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE	TOTAL	PER SHARE
Net earnings applicable to common shares	563	0.61	554	0.60	1,037	1.12	1,024	1.11
Restructuring and other items	3		(16)	(0.02)	1		(15)	(0.02)
Net gains on investments	(28)	(0.03)	(31)	(0.03)	(28)	(0.03)	(38)	(0.04)
Net earnings before restructuring and other items and net gains on investments	538	0.58	507	0.55	1,010	1.09	971	1.05

Management's Discussion and Analysis

Free Cash Flow

We define free cash flow as cash from operating activities after capital expenditures, total dividends and other investing activities.

Free Cash Flow

The term free cash flow does not have any standardized meaning prescribed by Canadian GAAP. It is therefore unlikely to be comparable to similar measures presented by other companies. Free cash flow is presented on a consistent basis from period to period.

We consider free cash flow to be an important indicator of the financial strength and performance of our business because it shows how much cash is available to repay debt and to reinvest in our company. We believe that certain investors and analysts use free cash flow when valuing a business and its underlying assets.

The most comparable Canadian GAAP financial measure is cash from operating activities. The table below is a reconciliation of free cash flow to cash from operating activities on a consolidated basis.

	Q2 2005	Q2 2004	YTD 2005	YTD 2004
Cash from operating activities	1,450	1,124	2,389	2,384
Capital expenditures	(914)	(826)	(1,651)	(1,507)
Total dividends paid	(387)	(350)	(736)	(692)
Other investing activities	(11)	116	(26)	135
Free cash flow	138	64	(24)	320

About Our Business

A detailed description of our products and services and our objectives and strategy is provided in the BCE 2004 MD&A.

Strategic Priorities

Our strategy is to deliver unrivalled integrated communication services to customers and to take a leadership position in setting the standard in Internet Protocol (IP). During the quarter, we made significant progress on each of our three key strategic priorities.

1) Delivering an enhanced customer experience while significantly lowering costs (our Galileo program)

In our Consumer segment:

- We gained 127,000 subscriptions to the Bell Bundle (a combination of wireless, Internet and video services in one offer) this quarter. During the quarter, almost half of bundle activations included the sale of at least one new service. At the end of the quarter, we had 681,000 subscribers with bundles.

Edgar Filing: BCE INC - Form 6-K/A

- The \$5 long distance bundle introduced in June 2004 added 87,000 customers this quarter, bringing total sales since launch to 406,000. On July 3, 2005, we stopped offering the \$5 long distance bundle option as part of our refocused consumer market strategy to grow the number of multi-product households by using more targeted offers.
- At the end of the quarter, we had almost one million customers enjoying the benefits of a single bill for their wireline, Internet, and video services.
- We continued to expand the benefits of bundling to include superior customer care through our Privileges Program, a service with extended hours providing technical and administrative support to high value customers. At the end of the quarter, we had 650,000 members in the program.
- We completed the prototype for our new Bell.ca website, which we expect to be launched in the fourth quarter. We also fortified our current website by improving login times and the search engine.

- We launched a Grab n Go offer in our Bell World stores, enabling customers to pick up everything they need to install their high-speed Internet service in a single box. Previously, the high-speed modem required for the service was shipped separately to customers after the sale. This launch has now made it simpler for customers to get high-speed Internet service and simplified the selling task for our in-store customer representatives.
- We implemented improvements to our on-line Net Assistant service for Sympatico Internet customers to provide additional functionality, including a Customer Chat capability, for billing related issues. These improvements also give customers greater control over their service with better automation capabilities and quick-fix solutions.

In our Business segment:

- We continued making progress on moving our core traffic to a pervasive national IP multi-protocol label-switching (IP-MPLS) network. At the end of Q2, 73% of the migratable traffic on our core network was IP-based, which is in line with our objective to reach 75% by the end of 2005.
- As part of our strategy shift to IP, we continued the process of discontinuing legacy data services. In Q2, this list was expanded by 11 services, bringing the year-to-date number to 22.
- We officially launched Service Promise to provide customers with a consistent level of service in the delivery of connectivity services.

Overall, our various Galileo initiatives led to cost reductions this quarter of \$122 million, bringing total savings for the first six months of 2005 to approximately \$242 million, which keeps us on track to achieve our target run-rate savings of \$500-\$600 million for 2005. These savings have come primarily from:

- the employee departures that took place in Q4 2004;
- reduced procurement costs resulting in COA savings; and
- improvements in cost of goods sold stemming from optimization of our network and product simplification.

2) Deliver abundant bandwidth to enable next-generation services

We continued our fiber-to-the-node (FTTN) rollout by deploying another 593 neighbourhood nodes, raising the total number of nodes served to 1,355. Our objective is to deploy 2,000 nodes by the end of 2005.

We made steady progress in the deployment of very-high bit-rate digital subscriber line (VDSL) to large multiple-dwelling units (MDUs). By the end of the quarter, we had signed access agreements with 537 buildings and had provisioned VDSL in 345 buildings.

3) Create next-generation services to drive future growth

Our Consumer segment:

Edgar Filing: BCE INC - Form 6-K/A

- At the end of Q2, we had 55,000 subscribers on our 10-4 push-to-talk service, which included a significant number of retail consumers.
- Introduced Solo Mobile, our new wireless youth brand, offering custom-built services and unique features such as a nationwide pay-per-use push-to-talk (PTT) service and the choice of postpaid or prepaid options. We are the first Canadian wireless operator to actively market PTT to the consumer youth segment.
- Launched True Tones, a monthly service that enables customers to download a recording artist's actual song as their ringtone.
- Launched Seek & Find, a wireless location-based system that enables subscribers to simultaneously locate multiple individuals away from their homes or offices.
- Commercially introduced a dual tuner high definition personal video recorder (HD PVR), which allows Bell ExpressVu customers to instantly pause live television, as well as record, replay, stop, fast forward and fast rewind HD and standard definition programming on up to two TVs in the home through a single receiver.

Management's Discussion and Analysis

Our small and medium-sized businesses (SMB) unit:

- Launched GoTrax, a new low-cost remote wireless tracking system for SMB customers. GoTrax is a handset-based technology that allows assets to be tracked in places where traditional Global Positioning System (GPS) signals do not work.
- Introduced a new integrated and Bell-hosted audio and web conferencing solution for SMB customers based on the bilingual version of Microsoft® Office Live Meeting 2005 that allows for control of the audio conference call directly from the desktop.
- Completed the acquisition of CSB Systems (CSB), an established enterprise resource planning systems integrator in Western Canada, which helps expand our range of value-added services (VAS) in the area of integrated IT solutions.

Our Enterprise unit:

- Has sold 185,000 IP-enabled lines on customer premises equipment (CPE) to date, representing a more than two-fold increase over the past twelve months.
- Launched Global Voice over Internet Protocol solution for Canadian multinationals, a managed IP service delivered by BT Infonet that can provide unlimited, international intra-company voice services at a flat rate by virtue of interconnecting geographically dispersed customer locations over a virtual private IP network.
- Continued to enhance its capabilities through the acquisitions of CDG, Inc. (CDG), a Canadian provider of anti-virus and anti-spam solutions, which should provide a strong presence in the West, and PopWare Inc., a systems integrator providing inventory and asset management solutions, which expands our wireless solutions portfolio.

Government of Alberta Agreement

In June 2005, Bell Canada and the Government of Alberta (GOA) entered into a new agreement whereby completion of the construction of a next-generation network (SuperNet) and service acceptance by the GOA is scheduled for September 2005. Under the terms of the agreement, Bell Canada assumes ownership of the Extended Area Network (EAN) and provides rights of use to the GOA under indefeasible right-of-use agreements. The SuperNet, which will provide high-speed Internet and broadband capabilities, is comprised of a Base Area Network (BAN), covering 27 of Alberta's largest communities, and the EAN, reaching over 400 communities in rural Alberta. In conjunction with this agreement, Bell Canada also entered into a new revenue sharing agreement with the GOA and Axia NetMedia Corporation, the access manager for SuperNet. The new agreements replace the initial contracts entered into in 2001.

Labour agreements

On July 18, 2005, Bell Canada reached a new four-year agreement with approximately 10,000 clerical and associated employees represented by the Canadian Telecommunications Employees Association (CTEA).

On July 21, 2005, we were informed that Entourage Technology Solutions Inc. s (Entourage) 1,400 technicians in Ontario represented by the Communications, Energy and Paperworkers Union of Canada (CEP) voted in favour of a new four-year collective agreement, ending a labour disruption that began in March. Entourage technicians in Québec already had accepted a new four-year collective agreement in April.

With these agreements and the major agreements signed by Bell Canada and Aliant with their respective technicians in 2004, Bell Canada now has the labour stability and a more competitive cost structure needed to deliver quality services and value to customers in the years ahead.

Quarterly Financial Information

The table below shows selected consolidated financial data for the eight most recently completed quarters. This information has been prepared on the same basis as the annual consolidated financial statements, but is unaudited.

	2005		2004				2003	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating revenues	4,980	4,859	4,986	4,778	4,779	4,638	4,815	4,624
EBITDA	2,001	1,938	1,831	1,936	1,953	1,844	1,847	1,895
Amortization expense	(792)	(773)	(803)	(769)	(769)	(767)	(775)	(801)
Net benefit plans cost	(104)	(103)	(67)	(61)	(65)	(63)	(46)	(44)
Restructuring and other items	(5)	4	(126)	(1,081)	(14)	(3)	(13)	(1)
Operating income	1,100	1,066	835	25	1,105	1,011	1,013	1,049
Earnings from continuing operations	581	492	367	102	544	485	486	453
Discontinued operations		(1)	(2)	(2)	27	3	(86)	11
Extraordinary gain			69					
Net earnings	581	491	434	100	571	488	400	464
Net earnings applicable to common shares	563	474	417	82	554	470	386	446
Included in net earnings:								
Net gains on investments								
Continuing operations	28	1	64	325			84	
Discontinued operations		(1)	(2)	(2)	31	7	(94)	8
Restructuring and other items	(3)	2	(62)	(725)	16	(1)	(9)	6
Net earnings per common share								

Continuing operations basic	0.61	0.51	0.38	0.09	0.57	0.51	0.50	0.48
Continuing operations diluted	0.61	0.51	0.38	0.09	0.57	0.51	0.50	0.47
Net earnings basic	0.61	0.51	0.45	0.09	0.60	0.51	0.41	0.49
Net earnings diluted	0.61	0.51	0.45	0.09	0.60	0.51	0.41	0.48
Average number of common shares outstanding (millions)	926.6	926.2	925.3	924.6	924.3	924.1	923.4	921.5

20 Bell Canada Enterprises 2005 Quarterly Report

Management's Discussion and Analysis

Financial Results Analysis

This section provides detailed information and analysis about our performance in Q2 2005 and YTD 2005 compared with Q2 2004 and YTD 2004. It focuses on our consolidated operating results and provides financial information for each of our operating segments.

Financial Results Analysis

Consolidated Analysis

	Q2 2005	Q2 2004	% CHANGE	YTD 2005	YTD 2004	% CHANGE
Operating revenues	4,980	4,779	4.2%	9,839	9,417	4.5%
Operating expenses	(2,979)	(2,826)	(5.4%)	(5,900)	(5,620)	(5.0%)
EBITDA	2,001	1,953	2.5%	3,939	3,797	3.7%
Amortization expense	(792)	(769)	(3.0%)	(1,565)	(1,536)	(1.9%)
Net benefit plans cost	(104)	(65)	(60.0%)	(207)	(128)	(61.7%)
Restructuring and other items	(5)	(14)	64.3%	(1)	(17)	94.1%
Operating income	1,100	1,105	(0.5%)	2,166	2,116	2.4%
Other income	24	24	0.0%	31	60	(48.3%)
Interest expense	(247)	(253)	2.4%	(494)	(505)	2.2%
Pre-tax earnings from continuing operations	877	876	0.1%	1,703	1,671	1.9%
Income taxes	(223)	(293)	23.9%	(494)	(555)	11.0%
Non-controlling interest	(73)	(39)	(87.2%)	(136)	(87)	(56.3%)
Earnings from continuing operations	581	544	6.8%	1,073	1,029	4.3%
		27	(100.0%)	(1)	30	(103.3%)

Discontinued
operations

Net earnings	581	571	1.8%	1,072	1,059	1.2%
Dividends on preferred shares	(18)	(17)	(5.9%)	(35)	(35)	0.0%
Net earnings applicable to common shares	563	554	1.6%	1,037	1,024	1.3%
EPS	0.61	0.60	1.7%	1.12	1.11	0.9%

Operating revenues

Our revenues increased by 4.2% in the second quarter to \$4,980 million and by 4.5% to \$9,839 million on a year-to-date basis. The growth delivered this quarter reflected improved revenue performance across all of our segments except Aliant. At Bell Canada this was driven primarily by higher Consumer revenues attributable to stronger growth in wireless, video and Internet access services, as well as from continuing solid results within the Business segment, due to focused execution of our Virtual Chief Information Officer (VCIO), VAS and IP strategies and recent acquisitions, which has increased data revenues. Although our second quarter revenue growth was tempered slightly by Aliant's performance, due to lower directory revenues, on a year-to-date basis Aliant contributed positively to our overall revenue growth. The Other BCE segment also contributed significantly to higher revenues, with double-digit growth at Telesat Canada (Telesat) and CGI Group Inc. (CGI) and high single-digit growth at Bell Globemedia Inc. (Bell Globemedia).

Operating income

We achieved operating income of \$1,100 million, down 0.5% or \$5 million compared with the same period last year. Despite higher revenues and cost savings from our Galileo program and prudent expense management at Aliant, the year-over-year decline was driven mainly by increased acquisition costs brought about by substantially stronger subscriber growth in wireless, video and high-speed Internet services, as well as by higher net benefit plans

cost and amortization expense. For the first half of 2005, however, operating income increased 2.4% to \$2,166 million, compared with the same six months last year. Stronger revenue growth, particularly at Bell Globemedia, Telesat and CGI, more than offset higher subscriber acquisition costs, higher wireless bad debt expense in Q1 stemming from billing delays associated with our billing system conversion last year, and increases in net benefit plans cost and amortization expense.

At Bell Canada, due mainly to the upfront costs associated with acquiring subscribers, operating income declined 3.5% to \$981 million in the second quarter and 0.7% to \$1,963 million year-to-date, despite solid revenue growth and further Galileo-related cost savings. The various cost-reduction and process improvement initiatives generated \$122 million in savings this quarter, bringing total Galileo-related cost savings for the first six months of 2005 to \$242 million. These savings resulted mainly from:

- the employee departures that took place in Q4 2004;
- reduced procurement costs resulting in COA savings; and
- improvements in cost of goods sold from optimization of our network and product simplification.

EBITDA

Our EBITDA for the second quarter and first half of 2005 was \$2,001 million and \$3,939 million, respectively, corresponding to increases of 2.5% and 3.7%, compared with the same periods last year, reflecting increases in all segments. Similarly, Bell Canada EBITDA increased by 1.0% versus Q2 2004 to reach \$1,839 million in the quarter, while on a year-to-date basis EBITDA was up 2.2% to \$3,654 million, reflecting revenue improvements in wireless and video, offset by lower local and access and data revenues within our wholesale operations.

Wireless EBITDA increased year-over-year by 5.0%, due to double-digit revenue growth, despite the higher cost of acquisition associated with 41% more gross subscriber additions during the second quarter of this year. As a result of this incremental cost impact, EBITDA margin for the quarter was 2.5 percentage points below the same period last year.

On a year-to-date basis, wireless EBITDA increased by 9.3%, which reflected wireless revenue growth of 10%. This was offset by the costs of acquiring a larger number of customers this quarter and higher bad debt expense in Q1, which resulted in a slight 0.4 percentage-point decline in EBITDA margin.

Video EBITDA was positive and increased both on a quarterly and year-to-date basis, despite a strong increase in activations, reflecting continued focus on cost containment and solid revenue growth driven by the combination of a higher average number of subscribers and higher ARPU.

Wireless cost of acquisition (COA) improved by 2.9% to \$401 per gross activation in the second quarter of 2005 and by 10.4% to \$389 in the first half of 2005 from \$413 and \$434 per gross activation for the same respective periods in 2004. Despite an increase in hardware subsidies incurred to acquire higher quality customers, the year-over-year improvements in COA were driven primarily by a greater number of gross activations, reduced promotions and advertising costs, and a slightly higher proportion of prepaid activations.

The COA for video services in the second quarter and first six months of 2005 decreased by 18.9% and 24%, respectively, to \$462 and \$466 per gross activation from \$570 and \$610 per gross activation in the same periods last year. The significant improvements can be attributed primarily to lower set-top box (STB) pricing, reflecting the negotiation of a favourable supply contract, our STB rental program and the increased purchasing power of a stronger Canadian dollar, partially offset by a higher number of customers taking additional STBs.

Management's Discussion and Analysis

Amortization expense

Amortization expense of \$792 million in Q2 2005 and \$1,565 million on a year-to-date basis in 2005 represent increases of 3.0% and 1.9%, respectively, compared to the same periods last year. This was a result of an increase in our capital asset base from capital spending that continues to be higher than asset retirements.

Net benefit plans cost

Edgar Filing: BCE INC - Form 6-K/A

The net benefit plans cost of \$104 million in Q2 2005 and \$207 million on a year-to-date basis in 2005 represent increases of 60% and 62%, respectively, compared to the same periods last year. The increases resulted mainly from:

- a reduction in the discount rate from 6.5% to 6.2%, which resulted in an increase in the accrued benefit obligation of our pension plans
- a reduction in plan assets due to the amortization of investment losses experienced in 2001 and 2002
- fully amortizing in 2004 the savings relating to the transitional asset that arose upon the adoption of new accounting rules in 1987
- an increase in the pension obligation from the early retirement program in 2004.

Restructuring and other items

We recorded restructuring and other items of \$5 million in Q2 2005 and \$1 million on a year-to-date basis in 2005, which consisted of charges of \$5 million in Q2 2005 and \$26 million on a year-to-date basis in 2005. These charges were mainly for relocating employees and closing real estate facilities that are no longer needed because of the reduction in the workforce from the 2004 employee departure program. This was partly offset by a \$25 million credit in Q1 2005 for the reversal of restructuring provisions that were no longer necessary, since the actual payments made to employees were lower than estimated.

We recorded restructuring and other items of \$14 million in Q2 2004 and \$17 million on a year-to-date basis in 2004, which consisted mainly of:

- a \$110 million provision recorded in Q2 2004 for cost overruns on a contract with the Government of Alberta (GOA)

partly offset by:

- income of \$75 million recorded in Q2 2004 relating to an agreement reached between BCE Inc. and Manitoba Telecom Services Inc. (MTS) to settle lawsuits
- a \$23 million credit in Q2 2004 for the reversal of restructuring provisions that were no longer necessary, since the actual payments made to employees were lower than estimated.

Net earnings / Earnings per Share (EPS)

Net earnings applicable to common shares for Q2 2005 were \$563 million, or \$0.61 per common share, 1.6% higher than net earnings of \$554 million, or \$0.60 per common share, for the same period last year. Included in the second quarter earnings this year were \$25 million of net gains on investments and restructuring and other items, composed primarily of a dilution gain relating to our interest in TerreStar Networks Inc., a mobile satellite services company, compared with \$47 million in Q2 2004. Excluding the impact of these items, net earnings of \$538 million, or \$0.58 per common share, were up \$31 million, or \$0.03 per share, representing an increase of 5.5% over last year.

On a year-to-date basis, net earnings applicable to common shares were \$1,037 million, or \$1.12 per common share, 1.3% higher than net earnings of \$1,024 million, or \$1.11 per common share, for the same period last year. Included in year-to-date earnings this year were \$27 million of net gains on investments and restructuring and other items, compared with \$53 million for the same period last year. Excluding the impact of these items, net earnings of \$1,010 million, or \$1.09 per common share, were up \$39 million, or \$0.04 per share, representing an increase of 3.8% over last year.

Both the quarterly and year-to-date improvements can be attributed directly to higher EBITDA, lower interest expense, as well as the net income tax savings from the loss monetization program between Bell Canada and Bell Canada International Inc. (BCI), which were partly offset by higher net benefit plans cost and amortization expense.

Segmented Analysis

	Q2 2005	Q2 2004	% CHANGE	YTD 2005	YTD 2004	% CHANGE
Operating revenues						
Consumer	1,890	1,858	1.7%	3,746	3,683	1.7%
Business	1,499	1,441	4.0%	2,977	2,876	3.5%
Aliant	518	526	(1.5%)	1,042	1,030	1.2%
Other Bell Canada	485	468	3.6%	964	942	2.3%
Inter-segment eliminations	(134)	(121)	(10.7%)	(262)	(253)	(3.6%)
Total Bell Canada	4,258	4,172	2.1%	8,467	8,278	2.3%
Other BCE	835	722	15.7%	1,583	1,373	15.3%
Inter-segment eliminations	(113)	(115)	1.7%	(211)	(234)	9.8%
Total operating revenues	4,980	4,779	4.2%	9,839	9,417	4.5%
Operating income						
Consumer	552	560	(1.4%)	1,078	1,086	(0.7%)
Business	221	227	(2.6%)	461	468	(1.5%)
Aliant	99	92	7.6%	186	174	6.9%
Other Bell Canada	109	138	(21.0%)	238	249	(4.4%)
Total Bell Canada	981	1,017	(3.5%)	1,963	1,977	(0.7%)
Other BCE	119	88	35.2%	203	139	46.0%
Total operating income	1,100	1,105	(0.5%)&n			