

FINANCIAL STATEMENTS DATA

Income statement data

For the quarters ended June 30, 2005 and 2004

(Adjusted for inflation and expressed in millions of constant bolivars as of June 30, 2005, and millions of US dollars, except per share amounts)

	Bs. 2005	% of total operating revenues	Bs. 2004	% of total operating revenues	US\$ 2005	US\$ 2004	% Increase (Decrease)
Operating Revenue			(Restated)			(Restated)	
Fixed revenue							
Local services	231,375	19.3%	263,332	24.4%	108	123	(12.1%)
Domestic long distance usage	74,890	6.3%	81,445	7.6%	35	38	(8.0%)
International long distance	26,974	2.3%	29,946	2.8%	13	14	(9.9%)
Net settlements	(2,606)	(0.2%)	(1,977)	(0.2%)	(2)	(1)	31.8%
Total international long distance	24,368	2.0%	27,969	2.6%	11	13	(12.9%)
Fixed to mobile - Outgoing	191,292	16.0%	172,327	16.0%	89	80	11.0%
Interconnection incoming	25,599	2.1%	23,769	2.2%	12	11	7.7%
Total interconnection	216,891	18.1%	196,096	18.2%	101	91	10.6%
Other wireline-related services	47,674	4.0%	33,818	3.1%	22	16	41.0%
Internet dial-up	14,815	1.2%	15,207	1.4%	7	7	(2.6%)
Other telecommunications-related services	2,634	0.2%	20,770	1.9%	1	9	(87.3%)
Total Internet dial-up and other	65,123	5.4%	69,795	6.5%	30	32	(6.7%)
Total fixed revenue	612,647	51.2%	638,637	59.3%	285	297	(4.1%)
Mobile revenue	433,423	36.2%	317,941	29.5%	202	148	36.3%
Broadband revenue							
Private circuits	84,723	7.1%	89,687	8.3%	39	41	(5.5%)
ADSL (ABA)	66,949	5.6%	31,557	2.9%	31	15	112.2%
Total broadband revenue	151,672	12.7%	121,244	11.2%	70	56	25.1%
Total operating revenue	1,197,742	100.0%	1,077,822	100.0%	557	501	11.1%
Operating Expenses							
Provision for uncollectibles	17,635	1.5%	23,342	2.2%	8	11	(24.4%)
Operations, maintenance, repairs and administrative	716,472	59.8%	509,344	47.3%	333	237	40.7%
Interconnection cost	126,388	10.6%	112,529	10.4%	59	52	12.3%
Concession and other taxes	72,886	6.1%	64,852	6.0%	34	30	12.4%
	933,381	77.9%	710,067	65.9%	434	330	31.4%
EBITDA	264,361	22.1%	367,755	34.1%	123	171	(28.1%)
EBITDA Margin	22%		34%		22%	34%	(1,200 bps)
Depreciation and amortization	285,327	23.8%	254,315	23.6%	133	118	12.2%
Total operating expenses	1,218,708	101.8%	964,382	89.5%	567	448	26.4%
Operating Income (Loss)	(20,966)	(1.8%)	113,440	10.5%	(10)	53	N.M.
Other Income, net							
Interest income	20,283	1.7%	11,634	1.1%	10	5	74.3%
Interest expense	(7,742)	(0.6%)	(4,844)	(0.4%)	(4)	(2)	59.8%
Exchange gain, net	3,953	0.3%	4,973	0.5%	2	2	(20.5%)
Gain (loss) from net monetary position	41,609	3.5%	(4,692)	(0.4%)	19	(2)	N.M.
Net financing benefit	58,103	4.9%	7,071	0.7%	27	3	721.7%
Other	(9,350)	(0.8%)	4,220	0.4%	(4)	2	N.M.
	48,753	4.1%	11,291	1.0%	23	5	331.8%
Income before Income Taxes	27,787	2.3%	124,731	11.6%	13	58	(77.7%)
Income Tax							
Current	45,002	3.8%	19,914	1.8%	21	9	126.0%
Deferred (benefit)	(21,066)	(1.8%)	(10,766)	(1.0%)	(10)	(5)	95.7%
Total income tax	23,936	2.0%	9,148	0.8%	11	4	161.7%
Minority Interest	(785)	(0.1%)	1,343	0.1%	-	1	N.M.
Net Income	4,636	0.4%	114,240	10.6%	2	53	(95.9%)
Earnings per Share	6	0.0%	147	0.0%	0.00	0.07	(95.9%)
Earnings per ADS (based on 7 shares per ADS)	42	0.0%	1,031	0.0%	0.02	0.48	(95.9%)
Average Shares Outstanding (in millions)	776		776		776	776	

Income statement data

For the six-month period ended June 30, 2005 and 2004

(Adjusted for inflation and expressed in millions of constant bolivars as of June 30, 2005, and millions of US dollars, except per share amounts)

	Bs. 2005	% of total operating revenues	Bs. 2004	% of total operating revenues	US\$ 2005	US\$ 2004	% Increase (Decrease)
Operating Revenue			(Restated)			(Restated)	
Fixed revenue							
Local services	465,683	19.7%	529,419	25.5%	218	246	(12.0%)
Domestic long distance usage	153,171	6.5%	159,196	7.7%	71	74	(3.8%)
International long distance	56,519	2.4%	60,314	2.9%	26	28	(6.3%)
Net settlements	(2,374)	(0.1%)	(2,918)	(0.1%)	(1)	(1)	(18.6%)
Total international long distance	54,145	2.3%	57,396	2.8%	25	27	(5.7%)
Fixed to mobile - Outgoing	373,725	15.8%	338,943	16.3%	173	157	10.3%
Interconnection incoming	52,807	2.2%	44,590	2.1%	25	21	18.4%
Total interconnection	426,532	18.1%	383,533	18.5%	198	178	11.2%
Other wireline-related services	78,845	3.3%	65,107	3.1%	37	30	21.1%
Internet dial-up	30,213	1.3%	30,198	1.5%	14	14	0.0%
Other telecommunications-related services	20,843	0.9%	20,950	1.0%	9	10	(0.5%)
Total Internet dial-up and other	129,901	5.5%	116,255	5.6%	60	54	11.7%
Total fixed revenue	1,229,432	52.1%	1,245,799	60.0%	572	579	(1.3%)
Mobile revenue	840,345	35.6%	603,970	29.1%	391	281	39.1%
Broadband revenue							
Private circuits	166,592	7.1%	168,073	8.1%	77	79	(0.9%)
ADSL (ABA)	122,827	5.2%	58,723	2.8%	57	27	109.2%
Total broadband revenue	289,419	12.3%	226,796	10.9%	134	106	27.6%
Total operating revenue	2,359,196	100.0%	2,076,565	100.0%	1,097	966	13.6%
Operating Expenses							
Provision for uncollectibles	41,139	1.7%	46,640	2.2%	19	22	(11.8%)
Operations, maintenance, repairs and administrative	1,259,393	53.4%	940,639	45.3%	586	437	33.9%
Interconnection cost	248,938	10.6%	205,422	9.9%	116	96	21.2%
Concession and other taxes	134,257	5.7%	126,864	6.1%	62	59	5.8%
Total operating expenses	1,683,727	71.4%	1,319,565	63.5%	783	614	27.6%
EBITDA	675,469	28.6%	757,000	36.5%	314	352	(10.8%)
EBITDA Margin	29%		36%		29%	36%	(700 bps)
Depreciation and amortization	507,226	21.5%	568,959	27.4%	236	265	(10.9%)
Total operating expenses	2,190,953	92.9%	1,888,524	90.9%	1,019	879	16.0%
Operating Income	168,243	7.1%	188,041	9.1%	78	87	(10.5%)
Other Income (Expense), net							
Interest income	43,555	1.8%	29,126	1.4%	20	13	49.5%
Interest expense	(13,394)	(0.6%)	(11,577)	(0.6%)	(6)	(5)	15.7%
Exchange gain (loss), net	31,312	1.3%	(368)	(0.0%)	15	-	N.M.
Gain (loss) from net monetary position	40,732	1.7%	(33,668)	(1.6%)	19	(16)	N.M.
Net financing benefit (cost)	102,205	4.3%	(16,487)	(0.8%)	48	(8)	N.M.
Other	78,762	3.3%	6,887	0.3%	36	4	1043.6%
Total other income (expense), net	180,967	7.7%	(9,600)	(0.5%)	84	(4)	N.M.
Income before Income Taxes	349,210	14.8%	178,441	8.6%	162	83	95.7%
Income Tax							
Current	68,130	2.9%	35,621	1.7%	32	16	91.3%
Deferred (benefit)	(1,716)	(0.1%)	(65,048)	(3.1%)	(1)	(30)	(97.4%)
Total income tax (benefit)	66,414	2.8%	(29,427)	(1.4%)	31	(14)	N.M.
Minority Interest	462	0.0%	1,520	0.1%	-	1	(69.6%)
Net Income	282,334	12.0%	206,348	9.9%	131	96	36.8%
Earnings per Share	364	0.0%	266	0.0%	0.17	0.12	36.8%
Earnings per ADS (based on 7 shares per ADS)	2,547	0.0%	1,861	0.0%	1.18	0.87	36.8%
Average Shares Outstanding (in millions)	776		776		776	776	

Balance sheet data

As of June 30, 2005 and December 31, 2004

(Adjusted for inflation and expressed in millions of constant bolivars as of June 30, 2005, and millions of US dollars)

	June 30, 2005	December 31, 2004	US\$ 2005	US\$ 2004
Assets		(Restated)		(Restated)
Current Assets:				
Cash and temporary investments	1,072,137	1,072,073	499	499
Accounts receivable, net of provision for uncollectibles of Bs. 112,587 and Bs. 104,593, respectively	563,673	505,945	262	235
Accounts receivable from Venezuelan Government entities	166,203	196,500	77	91
Inventories and supplies, net	306,807	282,987	143	132
Deferred tax asset	137,947	141,237	64	66
Other current assets	64,679	50,872	30	23
Total current assets	2,311,446	2,249,614	1,075	1,046
Property, plant and equipment, net of accumulated depreciation of Bs. 17,708,741 and Bs. 17,465,432, respectively	4,214,415	4,398,079	1,960	2,046
Cellular concession, net	196,781	200,437	92	93
Accounts receivable from Venezuelan Government entities	72,832	41,681	34	19
Deferred tax asset	190,182	208,846	88	97
Other assets	362,597	380,621	169	178
Total assets	7,348,253	7,479,278	3,418	3,479
Liabilities and Shareholders' Equity				
Current Liabilities:				
Short-term debt	195,610	183,110	91	85
Accounts payable	781,067	800,132	363	372
Accrued employee benefits	156,083	92,955	73	43
Short-term pension and other post-retirement benefits obligations	97,893	95,960	46	45
Dividends payable	99,183	25,445	46	12
Concession tax	56,710	69,504	26	32
Subscriber rights	77,836	80,746	36	38
Deferred revenue	129,297	158,456	60	74
Income, value added and other taxes	69,981	81,117	33	38
Other current liabilities	115,035	93,605	53	43
Total current liabilities	1,778,695	1,681,030	827	782
Long-Term Liabilities:				
Long-term debt	82,007	100,229	38	47
Deferred tax liability	82,438	86,681	38	40
Provision for legal and tax contingencies	175,535	131,953	82	61
Pension plan obligations	194,028	264,541	90	123
Post-retirement benefit obligations	519,751	493,249	243	230
Total liabilities	2,832,454	2,757,683	1,318	1,283
Minority Interests	4,093	4,823	2	2
Shareholders' Equity	4,511,706	4,716,772	2,098	2,194
Total liabilities and shareholders' equity	7,348,253	7,479,278	3,418	3,479

Cash flow data

For the six-month period ended June 30, 2005 and 2004

(Adjusted for inflation and expressed in millions of constant bolivars as of June 30, 2005, and millions of US dollars)

	Bs. 2005	Bs. 2004	US\$ 2005	US\$ 2004
Operating activities:		(Restated)		(Restated)
Net income	282,334	206,348	131	96
Adjustments to reconcile net income to net cash provided by operating activities:				
(Gain) loss from net monetary position	(40,732)	33,668	(19)	16
Exchange (gain) loss, net	(31,312)	368	(15)	-
Gain in sale of investments	(85,599)	-	(40)	-
Depreciation and amortization	507,226	568,959	236	265
Deferred income tax (benefit)	(1,716)	(65,048)	(1)	(30)
Provision for uncollectibles	41,139	46,640	19	22
Provision for inventories obsolescence	(6,212)	11,497	(3)	5
Provision for legal and tax contingencies	76,598	37,650	36	18
Changes in current assets and liabilities	(144,952)	(115,385)	(67)	(54)
Changes in non-current assets and liabilities	110,875	(1,120)	52	(1)
Net cash provided by operating activities	707,649	723,577	329	337
Investing activities:				
Acquisition of software, net of disposals	(58,894)	(15,565)	(27)	(7)
Capital expenditures, net of disposals	(279,853)	(160,617)	(131)	(75)
Net cash used in investing activities	(338,747)	(176,182)	(158)	(82)
Free cash flow	368,902	547,395	171	255
Financing activities:				
Proceeds from borrowings	71,692	-	34	-
Payments of debt	(71,791)	(225,786)	(33)	(105)
Dividend payments	(326,290)	(380,699)	(152)	(177)
Assignment (purchase) of shares for the workers benefit fund	3,210	(5,555)	1	(3)
Net cash used in financing activities	(323,179)	(612,040)	(150)	(285)
Increase (decrease) in cash and temporary investments before loss in purchasing power of cash and temporary investments and foreign exchange gain of cash and temporary investments	45,723	(64,645)	21	(30)
Loss in purchasing power of cash and temporary investments	(76,284)	(86,844)	(35)	(40)
Foreign exchange gain of cash and temporary investments	30,625	36,190	14	17
Increase (decrease) in cash and temporary investments	64	(115,299)	-	(53)
Cash and temporary investments:				
Beginning of the period	1,072,073	916,334	499	426
End of the period	1,072,137	801,035	499	373

Reconciliation of Non-GAAP financial measures

(In millions of constant bolivars as of June 30, 2005)

For the quarters ended June 30, 2005 and 2004

	Bs. 2005	Bs. 2004	US\$ 2005	US\$ 2004
EBITDA		(Restated)		(Restated)
Net income	4,636	114,240	2	53
Plus: Income tax	23,936	9,148	11	4
Plus: Minority interest	(785)	1,343	-	1
Minus: Other income, net	48,753	11,291	23	5
Plus: Depreciation and amortization	285,327	254,315	133	118
EBITDA	264,361	367,755	123	171
EBITDA Margin				
EBITDA	= 264,361	367,755	123	171
Total operating revenues	1,197,742	1,077,822	557	501
EBITDA Margin	22%	34%	22%	34%

For the six-month period ended June 30, 2005 and 2004

	Bs. 2005	Bs. 2004	US\$ 2005	US\$ 2004
EBITDA		(Restated)		(Restated)
Net income	282,334	206,348	131	96
Plus: Income tax (benefit)	66,414	(29,427)	31	(14)
Plus: Minority interest	462	1,520	-	1
Minus: Other income (expense), net	180,967	(9,600)	84	(4)
Plus: Depreciation and amortization	507,226	568,959	236	265
EBITDA	675,469	757,000	314	352
EBITDA Margin				
EBITDA	= 675,469	757,000	314	352
Total operating revenues	2,359,196	2,076,565	1,097	966
EBITDA Margin	29%	36%	29%	36%
Cash Earnings				
Net income	282,334	206,348	131	96
Plus: (Gain) loss from net monetary position	(40,732)	33,668	(19)	16
Plus: Exchange (gain) loss, net	(31,312)	368	(15)	-
Plus: Gain in sale of investments	(85,599)	-	(40)	-
Plus: Depreciation and amortization	507,226	568,959	236	265
Plus: Deferred income tax (benefit)	(1,716)	(65,048)	(1)	(30)
Plus: Provision for uncollectibles	41,139	46,640	19	22
Plus: Provision for inventories obsolescence	(6,212)	11,497	(3)	5
Plus: Provision for legal and tax contingencies	76,598	37,650	36	18
Cash Earnings	741,726	840,082	344	392
Free Cash Flow				
Net cash provided by operating activities	707,649	723,577	329	337
Minus: Net cash used in investing activities	(338,747)	(176,182)	(158)	(82)
Free cash flow	368,902	547,395	171	255

As of June 30, 2005 and December 31, 2004

	June 30, 2005	December 31, 2004	US\$ 2005	US\$ 2004
Net Cash Position		(Restated)		(Restated)
Cash and temporary investments	1,072,137	1,072,073	499	499
Minus: Short-term debt	195,610	183,110	91	85
Minus: Long-term debt	82,007	100,229	38	47
Net cash position	794,520	788,734	370	367