

9. CONSOLIDATED INCOME STATEMENTS

(TNL CONSOLIDATED)

R\$ million	3Q03	2Q04	3Q04	9M03	9M04
Wireline Services Revenues	4,764.6	4,753.3	5,006.6	13,235.0	14,501.8
Revenue from Local Services	2,932.0	2,783.9	2,961.6	8,141.0	8,517.3
Subscription Charges	1,434.6	1,417.3	1,523.7	3,891.4	4,356.4
Pulses	710.0	627.5	701.6	1,898.0	1,963.9
Installation	17.7	17.5	13.2	63.6	46.5
Collect Calls	34.5	25.9	24.2	93.7	76.7
Other Local Revenues	2.5	3.6	3.9	5.4	11.8
Fixed-to-Mobile (VC1)	732.9	692.0	694.9	2,188.9	2,062.0
Long Distance Revenues	775.0	889.7	915.6	2,122.0	2,689.8
Intra-State	377.4	393.2	404.6	996.0	1,203.8
Inter-State	151.4	145.2	155.0	403.0	449.7
Inter-Regional	86.8	156.8	163.2	208.5	441.0
International	19.8	26.1	25.9	60.5	79.6
Fixed-to-Mobile (VC2 and VC3)	139.6	168.4	166.8	453.9	515.8
Advanced Voice Revenue	58.4	54.8	52.5	174.9	165.7
Public Telephone Revenue	210.0	234.7	266.1	600.2	740.2
Additional Services Revenue	113.9	120.6	123.9	304.7	361.6
Network Usage Remuneration	366.9	294.6	279.3	1,020.0	879.7
Data Transmission Services Revenue	304.9	373.2	405.0	864.7	1,142.5
Leased Lines (EILD)	80.8	68.9	81.7	241.1	241.9
Leased Lines (SLDD/SLDA)	83.9	87.1	77.3	248.9	243.8
IP Services	51.5	53.9	54.9	153.5	163.9
Packet switch and frame relay	34.5	52.1	55.3	94.3	148.0
ADSL (Velox)	33.2	85.7	105.3	73.4	260.2
Other Data Services	21.0	25.4	30.5	53.5	84.7
Other Wireline Services	3.4	1.8	2.6	7.5	5.0
Wireless Services Revenues	363.8	493.3	588.8	874.7	1,454.2
Subscription Charges	54.0	81.4	87.8	128.8	242.3
Outgoing Calls	78.2	129.0	154.7	188.2	396.6
Domestic/Internacional Roaming	14.4	22.7	26.2	39.3	77.0
Handsets Revenue	163.0	177.6	231.0	363.0	503.8
Network Usage Remuneration	42.7	55.6	59.0	130.2	160.2
Other SMP Services	11.6	27.1	30.0	25.3	74.4
Contact Center	23.8	68.9	78.1	65.4	177.7
Gross Operating Revenue	5,152.2	5,315.6	5,673.5	14,175.1	16,133.7
Taxes and Deductions	1,381.7	1,517.2	1,589.4	3,843.3	4,562.4
Net Operating Revenue	3,770.5	3,798.3	4,084.1	10,331.8	11,571.3
Operating Expenses	2,099.4	2,253.8	2,370.0	5,686.5	6,632.3
Cost of Services	585.7	675.1	687.1	1,615.0	1,963.1
Cost of Goods Sold	211.8	222.3	279.6	450.2	622.2
Interconnection Costs	636.4	623.3	652.3	1,911.4	1,873.3
Selling Expenses	452.6	460.0	469.4	1,208.1	1,397.8
General and Administrative Expenses	148.1	183.2	196.3	487.2	551.7
Other Op. Expenses (Rev), net	64.8	90.1	85.4	14.7	224.3
EBITDA	1,671.1	1,544.5	1,714.1	4,645.3	4,939.0
Margin %	44.3%	40.7%	42.0%	45.0%	42.7%
Equity Accounting	(13.1)	(6.6)	5.0	(52.5)	(3.2)
Depreciation and Amortization	913.9	887.3	884.9	2,843.9	2,672.7
EBIT	770.3	663.8	824.2	1,853.9	2,269.6
Financial Expenses	831.1	618.8	598.0	2,110.7	1,774.1
Financial Revenues	217.3	161.2	180.4	508.1	488.0
Non Operating Expenses (Rev)	2.0	10.1	2.0	100.4	3.4
Income Before Tax and Social Contribution	154.6	196.2	404.7	150.9	980.1
Income Tax and Social Contribution	146.2	39.2	164.0	326.6	270.0
Employee Profit Sharing	33.6	51.3	29.6	86.5	128.6
Minority Interest	(1.7)	27.3	51.8	39.1	123.5
Net Income	(23.6)	78.3	159.3	(301.3)	458.0
Margin %	-0.6%	2.1%	3.9%	-2.9%	4.0%
Outstanding Shares Thousand (ex Treasury)	381,777	385,646	381,628	381,777	381,628
Income (Loss) per share (R\$)	(0.062)	0.203	0.417	(0.789)	1.200
Income (Loss) per ADR (US\$)	(0.021)	0.067	0.140	(0.252)	0.404

INCOME STATEMENT - TMAR CONSOLIDATED*

R\$ million	3Q03	2Q04	3Q04	9M03	9M04
Wireline Services Revenues	4,763.7	4,754.6	5,007.8	13,224.8	14,504.9
Revenue from Local Services	2,932.0	2,783.9	2,961.5	8,141.0	8,517.3
<i>Subscription Charges</i>	1,434.6	1,417.3	1,523.7	3,891.4	4,356.4
<i>Pulses</i>	710.0	627.5	701.6	1,898.0	1,963.9
<i>Installation</i>	17.7	17.5	13.2	63.6	46.5
<i>Collect Calls</i>	34.5	25.9	24.2	93.7	76.7
<i>Other Local Revenues</i>	2.5	3.6	3.8	5.4	11.8
<i>Fixed-to-Mobile (VC1)</i>	732.9	692.0	694.9	2,188.9	2,062.0
Long Distance Revenues	775.0	889.7	915.6	2,092.5	2,689.8
<i>Intra-State</i>	377.4	393.2	404.6	996.0	1,203.8
<i>Inter-State</i>	151.4	145.2	155.0	403.0	449.7
<i>Inter-Regional</i>	86.8	156.8	163.2	208.5	441.0
<i>International</i>	19.8	26.1	25.9	31.0	79.6
<i>Fixed-to-Mobile (VC2 and VC3)</i>	139.6	168.4	166.8	453.9	515.8
Advanced Voice revenue	58.5	55.8	53.1	172.6	167.7
Public Telephone Revenue	210.0	234.7	266.1	600.2	740.2
Additional Services Revenue	113.9	120.6	123.9	304.7	361.6
Network Usage Remuneration	366.9	294.6	279.3	1,024.1	879.7
Data Transmission Services Revenue	305.4	373.5	405.6	887.8	1,143.7
Other	2.0	1.7	2.6	1.9	4.9
Wireless Services Revenues	363.8	493.3	588.8	565.7	1,454.2
Subscription	54.0	81.4	87.8	83.7	242.3
Outgoing Calls	78.2	129.0	154.7	118.1	396.6
Domestic/Internacional Roaming	14.4	22.7	26.2	22.3	77.0
Handsets Sales	163.0	177.6	231.0	247.5	503.8
Network Usage Remuneration	42.7	55.6	59.0	77.5	160.2
Additional Services	11.6	27.1	30.0	16.5	74.4
Gross Operating Revenue	5,127.5	5,248.0	5,596.6	13,790.5	15,959.1
Taxes and Deductions	1,380.6	1,510.3	1,583.1	3,750.2	4,546.1
Net Operating Revenue	3,747.0	3,737.7	4,013.5	10,040.3	11,413.0
Operating Expenses	2,112.9	2,246.3	2,338.2	5,520.6	6,619.8
<i>Cost of Services Provided</i>	489.4	541.0	546.5	1,294.2	1,589.6
<i>Cost of Goods Sold</i>	211.8	222.3	279.6	321.6	622.2
<i>Interconnection Costs</i>	636.4	623.3	652.3	1,951.4	1,873.3
<i>Selling Expenses</i>	580.3	603.8	621.3	1,440.8	1,842.2
<i>General and Administrative Expenses</i>	141.0	176.5	175.6	435.8	517.7
<i>Other Op. Expenses (Rev), net</i>	53.9	79.5	63.0	76.8	174.8
EBITDA	1,634.1	1,491.4	1,675.3	4,519.7	4,793.3
<i>Margin %</i>	43.6%	39.9%	41.7%	45.0%	42.0%
Equity Accounting	-	-	-	2.3	-
Depreciation	879.7	847.0	843.8	2,589.0	2,552.1
EBIT	754.4	644.3	831.4	1,928.4	2,241.2
Financial Expenses	700.2	488.2	455.8	1,567.3	1,420.6
Financial Revenues	114.6	74.9	74.9	272.3	211.3
Non Operating Expenses (Rev)	0.1	16.9	2.5	(11.2)	21.8
Income Before Tax and Social Contribution	168.5	214.1	448.0	644.6	1,010.0
Income Tax and Social Contribution	144.9	24.8	143.1	359.2	237.8
Employee Profit Sharing	32.8	45.6	29.0	81.4	120.1
Net Income	(9.2)	143.7	275.9	204.0	652.2
<i>Margin %</i>	-0.2%	3.8%	6.9%	2.0%	5.7%
<i>Outstanding Shares Thousand (ex Treasury)</i>	241,478	241,312	240,592	241,478	240,592
<i>Income/Loss per share (R\$)</i>	<i>(0.038)</i>	<i>0.596</i>	<i>1.147</i>	<i>0.845</i>	<i>2.711</i>

* Includes the effects of Oi's acquisition (Apr/03).

INCOME STATEMENT TNL-PCS (OI)


R\$ MM	3Q03	2Q04	3Q04	9M03	9M04
Wireless Services Revenues	445.8	617.2	717.3	1,089.4	1,822.9
Subscription	54.0	81.4	87.8	128.8	242.2
Outgoing Calls	78.2	129.0	154.7	188.2	396.6
Domestic/Internacional Roaming	14.4	22.7	26.2	39.4	77.0
Handsets Sales	163.0	177.6	231.0	362.9	503.7
Network Usage Remuneration	124.7	178.9	187.1	344.8	528.0
Additional Services	11.6	27.1	30.0	25.4	74.3
Other SMP Services	-	0.5	0.4	-	1.0
LD/Advanced Voice Service Revenues	50.6	81.7	78.9	111.4	236.4
Gross Operating Revenue	496.4	698.9	796.2	1,200.8	2,059.3
Taxes and Deductions	95.7	153.5	179.8	233.0	460.5
Net Operating Revenue	400.7	545.5	616.4	967.8	1,598.8
Operating Expenses	319.8	527.5	631.5	858.2	1,553.5
<i>Cost of Services Provided</i>	77.0	106.3	104.1	228.7	302.5
<i>Cost of Goods Sold</i>	211.8	222.3	279.6	450.1	622.2
<i>Interconnection Costs</i>	47.5	83.4	88.6	129.8	239.4
<i>Selling Expenses</i>	118.6	122.6	158.8	277.7	398.8
<i>General and Administrative Expenses</i>	20.8	31.1	40.7	67.2	102.2
<i>Other Op. Expenses (Rev), net</i>	(156.0)	(38.2)	(40.3)	(295.3)	(111.6)
EBITDA	80.9	18.0	(15.0)	109.7	45.4
<i>Margin %</i>	20.2%	3.3%	-2.4%	11.3%	2.8%
Depreciation and Amortization	94.3	107.9	111.4	271.0	322.3
EBIT	(13.5)	(89.9)	(126.4)	(161.3)	(276.9)
Financial Expenses	179.6	35.4	79.3	736.0	156.1
Financial Revenues	11.4	29.9	22.6	13.3	65.9
Non Operating Expenses	0.0	(0.0)	-	0.1	(0.2)
Income Before Tax and Social Contribution	(181.6)	(95.4)	(183.1)	(884.0)	(367.0)
Income Tax and Social Contribution	-	-	-	-	-
Employee Profit Sharing	8.5	7.4	3.8	7.8	18.5
Net Income	(190.1)	(102.8)	(187.0)	(891.8)	(385.6)
<i>Margin %</i>	-47.5%	-18.8%	-30.3%	-92.1%	-24.1%

10. BALANCE SHEETS
TNL CONSOLIDATED BALANCE SHEET

R\$ million	09/30/2003	06/30/2004	09/30/2004
TOTAL ASSETS	26,660	28,635	28,541
Current	7,639	10,042	10,499
Cash and ST Investments	2,412	4,845	4,863
Accounts Receivable	3,665	3,585	3,735
Recoverable Taxes	1,114	833	938
Inventories	85	184	354
Other Current Assets	363	595	608
Long Term	2,072	2,565	2,534
Recoverable and Deferred Taxes	1,111	1,583	1,501
Other	961	982	1,032
Permanent	16,949	15,758	15,509
Investments	350	321	302
Property Plant and Equipment	16,041	14,914	14,699
Deferred Assets	558	524	507

	09/30/2003	06/30/2004	09/30/2004
TOTAL LIABILITIES	26,660	28,365	28,541
Current	5,214	6,044	6,527
Suppliers	1,235	1,527	1,802
Loans and Financing	2,606	2,762	2,848
Payroll and Related Accruals	248	279	297
Payable Taxes	715	979	1,104
Dividends Payable	154	335	373
Other Accounts Payable	256	162	103
Long Term	10,564	11,549	11,232
Loans and Financing	8,547	9,438	9,015
Payable and Deferred Taxes	892	862	860
Contingency Provisions	1,089	1,203	1,344
Other Accounts Payable	35	46	13
Unrealized Earnings	-	54	78
Minority Interest	2,052	1,990	1,973
Shareholders' Equity	8,830	8,728	8,732

CONSOLIDATED BALANCE SHEET - TMAR *

R\$ million	09/30/2003	06/30/2004	09/30/2004		09/30/2003	06/30/2004	09/30/2004
TOTAL ASSETS	24,235	23,803	24,234	TOTAL LIABILITIES	24,235	23,803	24,234
Current	5,443	5,700	6,379	Current	5,080	5,034	5,664
Cash and ST Investments	553	747	1,012	Suppliers	1,268	1,495	1,752
Accounts Receivable	3,707	3,548	3,695	Loans and Financing	2,497	1,765	1,807
Recoverable and Deferred Taxes	768	638	726	Payroll and Related Accruals	199	211	221
Inventories	85	184	354	Payable Taxes	636	902	1,049
Other Current Assets	330	583	591	Dividends Payable	223	494	721
				Other Accounts Payable	258	166	114
Long Term	1,544	2,080	2,110	Long Term	8,410	8,239	7,992
Recoverable and Deferred Taxes	857	1,255	1,234	Loans and Financing	6,549	6,288	5,942
Other	687	825	876	Payable Taxes	745	712	709
Permanent	17,248	16,023	15,745	Contingency Provisions	1,086	1,199	1,333
Investments	796	739	705	Other Accounts Payable	30	41	8
Property Plant and Equipment	15,901	14,764	14,537	Unrealized Earnings	-	54	78
Deferred	551	519	503	Shareholders' Equity	10,745	10,476	10,500

* Includes the effects of Oi's acquisition (Apr/03).

BALANCE SHEET TNL-PCS (OI)



R\$ million	09/30/2003	06/30/2004	09/30/2004		09/30/2003	06/30/2004	09/30/2004
TOTAL ASSETS	5,161	5,569	6,350	TOTAL LIABILITIES	5,161	5,569	6,350
Current	1,124	1,348	2,025	Current Liabilities	1,332	533	745
Cash and ST Investments	263	432	891	Suppliers	360	429	617
Accounts Receivable	554	408	427	Loans and Financing	864	5	14
Recoverable and Deferred Taxes	102	107	102	Payroll and Related Accruals	26	30	34
Inventories	52	158	326	Payable Taxes	36	62	54
Other Current Assets	153	242	233	Other Accounts Payable	46	8	26
Long Term	356	394	398	Long Term	2,796	484	1,240
Recoverable and Deferred Taxes	196	390	394	Loans and Financing	2,448	0	419
Other	160	4	4	Contingency Provisions	-	1	6
Permanent	3,681	3,828	3,927	Payable Taxes	-	1	1
Property Plant and Equipment	3,131	3,325	3,439	AFCI*	348	482	815
Deferred Assets	550	503	487	Shareholders' Equity	1,033	4,552	4,365

*Advancement for Future Capital Increase

11. MAIN LOANS

R\$ '000 - 9/30/04

	<u>Date</u>	<u>Currency</u>	<u>Costs</u>	<u>Maturity</u>	<u>Amortization</u>	<u>Outstanding Balance</u>
<u>BNDES</u>	Dec/00	R\$	TJLP + 4.40% p.a.	Jan/08	Monthly	1,360,042
	Dec/03	R\$	TJLP + 4.50% p.a.	Jan/11	Monthly	352,100
	Dec/00	Currency Basket	Floating Interest Rate + 4.40% p.a.	Jan/08	Monthly	502,466
	Dec/03	Currency Basket	Floating Interest Rate + 4.50% p.a.	Jan/11	Monthly	82,686
	Sep/04	R\$	TJLP + 4.50% p.a.	Oct/12	Quarterly in the shortage period and monthly after Apr/06	400,898
						BNDES 2,698,192
<u>Sindicated Loans*</u>	Aug/01	US\$	LIBOR + 5.5% p.a.	Aug/09	Quarterly	1,982,271
<u>JBIC</u>	Aug/01	Yen	1.65% p.a.	Jan/10	Semi-annually	670,422
	Jan/03	Yen	Japonesse LIBOR + 1.25% p.a.	Jan/11	Semi-annually	631,516
<u>Debentures</u>	Jul/01	R\$	CDI+0.7%	Jun/06	"Bullet"	1,270,607
<u>Senior Notes</u>	Dec/03	US\$	8 % p.a.	Aug/13	"Bullet"	879,795
<u>KFW</u>	Feb/03	US\$	LIBOR + 0.75% p.a	Aug/12	Semi-annually	186,930
	Jun/00	US\$	8.75% up to 11.87% p.a.	Oct/09	Semi-annually	277,281
	Jun/02	US\$	LIBOR+0.8% up to 4.5% p.a.	Jan/11	Semi-annually	205,301
<u>ABN AMRO</u>	Dec/00	US\$	LIBOR + 5%a.a	May/06	Semi-annually	121,946
	Jan/04	US\$	LIBOR+3% up to 4.83% p.a.	Apr/09	Semi-annually	174,421
<u>FINNVERA</u>	Feb/03	US\$	LIBOR + 1.1% p.a	Feb/12	Semi-annually	430,409
<u>Swap Results</u>						996,536
<u>Other</u>						1,337,346
<u>Total</u>						11,862,973

* Lead by ABN AMRO (mainly Oi)