

9. CONSOLIDATED INCOME STATEMENT (TNL)

R\$ million	2Q03	1Q04	2Q04	1H03	1H04
Wireline Services Revenues	4,256.1	4,741.7	4,753.3	8,470.3	9,495.1
Revenue from Local Services	2,617.4	2,768.4	2,780.5	5,209.0	5,549.0
<i>Subscription Charges</i>	1,223.7	1,415.4	1,417.3	2,456.8	2,832.7
<i>Pulses</i>	595.6	634.8	627.5	1,188.1	1,262.3
<i>Installation</i>	21.3	15.7	17.5	46.0	33.3
<i>Collect Calls</i>	29.9	26.5	25.9	59.2	52.5
<i>Other Local Revenues</i>	1.4	1.0	0.2	3.0	1.2
<i>Fixed-to-Mobile (VC1)</i>	745.5	675.0	692.0	1,456.0	1,367.0
Long Distance Revenues	680.9	884.5	889.7	1,346.9	1,774.2
<i>Intra-State</i>	309.1	405.9	393.2	618.7	799.1
<i>Inter-State</i>	124.1	149.4	145.2	251.5	294.7
<i>Inter-Regional</i>	69.3	121.0	156.8	121.8	277.8
<i>International</i>	16.6	27.6	26.1	40.7	53.7
<i>Fixed-to-Mobile (VC2 and VC3)</i>	161.8	180.6	168.4	314.2	349.0
Advanced Voice Revenue	55.5	58.5	54.8	116.4	113.3
Public Telephone Revenue	194.5	239.3	234.7	390.2	474.1
Additional Services Revenue	96.7	117.0	120.6	190.8	237.7
Network Usage Remuneration	316.8	296.5	282.5	646.7	579.0
Data Transmission Services Revenue	288.8	364.2	373.2	559.8	737.4
<i>Leased Lines (EILD)</i>	74.4	91.3	68.9	160.3	160.2
<i>Leased Lines (SLDD/SLDA)</i>	78.7	79.4	87.1	165.0	166.5
<i>IP Services</i>	62.2	55.1	53.9	102.0	109.0
<i>Packet switch and frame relay</i>	31.9	40.5	52.1	59.8	92.6
<i>ADSL (Velox)</i>	23.7	69.1	85.7	40.2	154.9
<i>Other Data Services</i>	17.8	28.8	25.4	32.5	54.2
Other Wireline Services	5.6	13.2	17.3	10.5	30.4
Wireless Services Revenues	292.1	372.1	493.3	510.9	865.5
<i>Subscription Charges</i>	42.7	73.1	81.4	74.8	154.4
<i>Outgoing Calls</i>	58.4	112.9	129.0	110.0	241.9
<i>Domestic/Internacional Roaming</i>	12.7	28.1	22.7	24.9	50.8
<i>Handsets Revenue</i>	118.4	95.3	177.6	200.0	272.8
<i>Network Usage Remuneration</i>	52.1	45.6	55.6	87.5	101.2
<i>Other SMP Services</i>	7.9	17.2	27.1	13.7	44.3
Contact Center	21.5	30.8	68.9	41.7	99.7
Gross Operating Revenue	4,569.7	5,144.7	5,315.6	9,022.8	10,460.2
Taxes and Deductions	1,226.7	1,455.8	1,517.2	2,461.5	2,973.0
Net Operating Revenue	3,343.0	3,688.9	3,798.3	6,561.3	7,487.2
Operating Expenses	1,854.3	2,008.6	2,253.8	3,587.0	4,262.3
<i>Cost of Services</i>	495.8	600.9	675.1	1,029.3	1,276.0
<i>Cost of Goods Sold</i>	151.3	120.3	222.3	238.3	342.6
<i>Interconnection Costs</i>	621.3	597.7	623.3	1,274.9	1,221.0
<i>Selling Expenses</i>	442.5	468.6	460.0	755.5	928.5
<i>General and Administrative Expenses</i>	159.0	172.2	183.2	339.1	355.4
<i>Other Op. Expenses (Rev), net</i>	(15.5)	48.8	90.1	(50.1)	138.9
EBITDA	1,488.7	1,680.3	1,544.5	2,974.3	3,224.8
<i>Margin %</i>	44.5%	45.6%	40.7%	45.3%	43.1%
Equity Accounting	5.5	(1.6)	(6.6)	(39.4)	(8.2)
Depreciation and Amortization	944.9	900.4	887.3	1,930.1	1,787.8
EBIT	538.3	781.5	663.8	1,083.7	1,445.3
Financial Expenses	680.0	557.3	618.8	1,279.6	1,176.1
Financial Revenues	153.2	146.4	161.2	290.8	307.6
Non Operating Expenses (Rev)	75.9	(8.6)	10.1	98.4	1.4
Income Before Tax and Social Contribution	(64.4)	379.2	196.2	(3.6)	575.4
Income Tax and Social Contribution	66.9	66.8	39.2	180.4	106.0
Employee Profit Sharing	41.7	47.7	51.3	52.9	99.0
Minority Interest	(7.5)	44.3	27.3	40.9	71.6
Net Income	(165.5)	220.4	78.3	(277.7)	298.7
<i>Margin %</i>	-5.0%	6.0%	2.1%	-4.2%	4.0%
<i>Outstanding Shares (excluding Treasury)</i>	381,777	386,075	385,646	381,777	385,646
<i>Income (Loss) per thousand shares (R\$)</i>	(0.433)	0.571	0.203	(0.728)	0.775
<i>Income (Loss) per ADR (US\$)</i>	(0.145)	0.197	0.067	(0.225)	0.261

CONSOLIDATED INCOME STATEMENT (TMAR)*

R\$ million	2Q03	1Q04	2Q04	1H03	1H04
Wireline Services Revenues	4,253.8	4,742.4	4,754.7	8,461.2	9,497.0
Revenue from Local Services	2,617.4	2,768.4	2,780.5	5,209.0	5,549.0
<i>Subscription Charges</i>	1,223.7	1,415.4	1,417.3	2,456.8	2,832.7
<i>Pulses</i>	595.6	634.8	627.5	1,188.1	1,262.3
<i>Installation</i>	21.3	15.7	17.5	46.0	33.3
<i>Collect Calls</i>	29.9	26.5	25.9	59.2	52.5
<i>Other Local Revenues</i>	1.4	1.0	0.2	3.0	1.2
<i>Fixed-to-Mobile (VC1)</i>	745.5	675.0	692.0	1,456.0	1,367.0
Long Distance Revenues	675.5	884.5	889.7	1,317.4	1,774.2
<i>Intra-State</i>	309.1	405.9	393.2	618.7	799.1
<i>Inter-State</i>	124.1	149.4	145.2	251.5	294.7
<i>Inter-Regional</i>	69.3	121.0	156.8	121.8	277.8
<i>International</i>	11.2	27.6	26.1	11.2	53.7
<i>Fixed-to-Mobile (VC2 and VC3)</i>	161.8	180.6	168.4	314.3	349.0
Advanced Voice revenue	53.6	58.9	55.8	114.1	114.6
Public Telephone Revenue	194.5	239.3	234.7	390.2	474.1
Additional Services Revenue	96.7	117.0	120.6	190.8	237.7
Network Usage Remuneration	317.4	296.5	282.5	653.8	579.0
Data Transmission Services Revenue	295.2	364.5	373.5	582.4	738.0
Other	3.4	13.2	17.3	3.4	30.4
Wireless Services Revenues	201.9	372.1	493.3	201.9	865.5
<i>Subscription</i>	29.7	73.1	81.4	29.7	154.4
<i>Outgoing Calls</i>	39.9	112.9	129.0	39.9	241.9
<i>Domestic/Internacional Roaming</i>	8.0	28.1	22.7	8.0	50.8
<i>Handsets Sales</i>	84.5	95.3	177.6	84.5	272.8
<i>Network Usage Remuneration</i>	34.8	45.6	55.6	34.8	101.2
<i>Additional Services</i>	5.0	17.2	27.1	5.0	44.3
Gross Operating Revenue	4,455.7	5,114.5	5,248.0	8,663.0	10,362.5
Taxes and Deductions	1,203.4	1,452.7	1,510.3	2,369.6	2,963.0
Net Operating Revenue	3,252.3	3,661.8	3,737.7	6,293.4	7,399.4
Operating Expenses	1,827.8	2,035.3	2,246.3	3,407.8	4,281.6
<i>Cost of Services Provided</i>	348.8	502.1	541.0	804.8	1,043.2
<i>Cost of Goods Sold</i>	109.8	120.3	222.3	109.8	342.6
<i>Interconnection Costs</i>	630.5	597.7	623.3	1,315.0	1,221.0
<i>Selling Expenses</i>	583.5	617.1	603.8	860.5	1,220.9
<i>General and Administrative Expenses</i>	136.0	165.6	176.5	294.8	342.1
<i>Other Op. Expenses (Rev), net</i>	19.2	32.4	79.5	22.9	111.8
EBITDA	1,424.4	1,626.5	1,491.4	2,885.7	3,117.9
<i>Margin %</i>	43.8%	44.4%	39.9%	45.9%	42.1%
Equity Accounting	(0.5)	-	-	2.3	-
Depreciation	867.3	861.2	847.0	1,709.2	1,708.3
EBIT	557.6	765.2	644.3	1,174.1	1,409.6
Financial Expenses	577.1	476.5	488.2	867.0	964.8
Financial Revenues	82.6	61.5	74.9	157.7	136.4
Non Operating Expenses (Rev)	(6.6)	2.4	16.9	(11.5)	19.3
Income Before Tax and Social Contribution	69.7	347.8	214.1	476.3	561.9
Income Tax and Social Contribution	70.0	69.8	24.8	214.4	94.6
Employee Profit Sharing	38.8	45.6	45.6	48.6	91.1
Net Income	(39.0)	232.4	143.7	213.3	376.2
<i>Margin %</i>	-1.2%	6.3%	3.8%	3.4%	5.1%
<i>Outstanding Shares</i>	241,867	241,490	241,312	241,867	241,312
<i>Income/Loss per thousand Shares (R\$)</i>	(0.161)	0.962	0.596	0.882	1.559

* Includes the effects of Pegasus's acquisition (Dec/02), Oi (Apr/03) and Aix (Dec/03)



INCOME STATEMENT TNL-PCS (Oi)

R\$ MM	2Q03	1Q04	2Q04	1H03	1H04
Wireless Services Revenues	366.3	497.6	629.9	650.1	1,127.5
Subscription	42.7	73.1	81.4	74.8	154.4
Outgoing Calls	58.4	112.9	129.0	110.0	241.9
Domestic/Internacional Roaming	12.7	28.1	22.7	25.0	50.8
Handsets Sales	118.4	95.2	177.6	199.9	272.7
Network Usage Remuneration	122.4	161.9	178.9	220.1	340.9
Additional Services	7.9	17.2	27.1	13.8	44.3
Other SMP Services	3.8	9.3	13.2	6.6	22.5
LD/Advanced Voice Service Revenues	24.5	66.5	69.1	54.1	135.6
Advanced Voice Service Revenue	4.1	-	-	9.6	-
Gross Operating Revenue	390.8	564.1	699.0	704.3	1,263.1
Taxes and Deductions	68.2	127.2	153.5	137.3	280.7
Net Operating Revenue	322.7	436.9	545.5	566.9	982.4
Operating Expenses	303.3	394.5	527.5	538.4	922.0
<i>Cost of Services Provided</i>	74.2	92.1	106.3	151.7	198.4
<i>Cost of Goods Sold</i>	151.3	120.3	222.3	238.3	342.6
<i>Interconnection Costs</i>	44.2	67.4	83.4	82.3	150.8
<i>Selling Expenses</i>	88.3	117.4	122.6	159.0	240.0
<i>General and Administrative Expenses</i>	26.0	30.3	31.1	46.3	61.4
<i>Other Op. Expenses (Rev), net</i>	(80.7)	(33.0)	(38.2)	(139.3)	(71.3)
EBITDA	19.4	42.4	18.0	28.6	60.4
<i>Margin %</i>	6.0%	9.7%	3.3%	5.0%	6.2%
Depreciation and Amortization	91.2	103.0	107.9	176.6	210.9
EBIT	(71.9)	(60.6)	(89.9)	(148.0)	(150.5)
Financial Expenses	279.6	41.4	35.4	556.4	76.8
Financial Revenues	1.0	13.4	29.9	1.9	43.3
Non Operating Expenses	-	(0.1)	(0.0)	0.0	(0.2)
Income Before Tax and Social Contribution	(350.5)	(88.5)	(95.4)	(702.6)	(183.9)
Income Tax and Social Contribution	-	-	-	-	-
Employee Profit Sharing	(2.1)	7.3	7.4	(0.7)	14.7
Net Income	(348.4)	(95.8)	(102.8)	(701.9)	(198.6)
<i>Margin %</i>	-108.0%	-21.9%	-18.8%	-123.8%	-20.2%

10. CONSOLIDATED BALANCE SHEET (TNL)

R\$ million	06/30/2003	03/31/2004	06/30/2004
TOTAL ASSETS	26,437	27,854	28,365
Current	6,810	9,015	10,042
Cash and ST Investments	1,789	3,617	4,845
Accounts Receivable	3,328	3,589	3,585
Recoverable Taxes	1,228	919	833
Inventories	123	207	184
Other Current Assets	342	682	595
Long Term	2,171	2,574	2,565
Recoverable and Deferred Taxes	1,284	1,628	1,583
Other	887	946	982
Permanent			
Investments	17,456	16,265	15,758
Property Plant and Equipment	369	341	321
Deferred Assets	16,513	15,383	14,914
	574	541	524
TOTAL LIABILITIES	26,437	27,854	28,365
Current	4,452	5,722	6,044
Suppliers	1,094	1,427	1,527
Loans and Financing	2,264	2,820	2,762
Payroll and Related Accruals	196	263	279
Payable Taxes	463	737	979
Dividends Payable	149	299	335
Other Accounts Payable	286	175	162
Long Term	11,050	11,400	11,549
Loans and Financing	9,130	9,185	9,438
Payable and Deferred Taxes	754	903	862
Contingency Provisions	1,131	1,265	1,203
Other Accounts Payable	35	47	46
Unrealized Earnings	-	57	54
Minority Interest	2,093	2,010	1,990
Shareholders' Equity	8,842	8,665	8,728

CONSOLIDATED BALANCE SHEET (TMAR)*

R\$ million	06/30/2003	03/31/2004	06/30/2004		06/30/2003	03/31/2004	06/30/2004
TOTAL ASSETS	24,435	24,290	23,802	TOTAL LIABILITIES	24,435	24,290	23,802
Current	4,947	5,607	5,700	Current	4,856	4,539	5,033
Cash and ST Investments	354	505	747	Suppliers	1,154	1,389	1,494
Accounts Receivable	3,369	3,565	3,547	Loans and Financing	2,735	1,777	1,767
Recoverable and Deferred Taxes	803	674	638	Payroll and Related Accruals	162	210	211
Inventories	123	207	184	Payable Taxes	432	690	902
Other Current Assets	298	656	583	Dividends Payable	85	293	494
				Other Accounts Payable	288	178	165
Long Term	1,716	2,137	2,080	Long Term	8,673	9,157	8,239
Recoverable and Deferred Taxes	984	1,333	1,255	Loans and Financing	6,932	7,101	6,288
Other	732	804	825	Payable Taxes	634	753	712
Permanent	17,772	16,547	16,023	Contingency Provisions	1,077	1,261	1,199
Investments	830	774	739	Other Accounts Payable	30	42	41
Property Plant and Equipment	16,375	15,237	14,764	Unrealized Earnings	-	57	54
Deferred	567	536	519	Shareholders' Equity	10,905	10,538	10,476

* Includes the effects of Pegasus's acquisition (Dec/02), Oi (Apr/03) and Aix (Dec/03)



BALANCE SHEET TNL-PCS (Oi)

R\$ million	06/30/2003	03/31/2004	06/30/2004		06/30/2003	03/31/2004	06/30/2004
TOTAL ASSETS	4,756	5,589	5,569	TOTAL LIABILITIES	4,756	5,589	5,569
Current	740	1,350	1,348	Current Liabilities	832	525	533
Cash and ST Investments	1	299	432	Suppliers	288	425	429
Accounts Receivable	415	424	408	Loans and Financing	422	10	5
Recoverable and Deferred Taxes	88	104	88	Payroll and Related Accruals	17	33	30
Inventories	83	176	158	Payable Taxes	49	49	62
Other Current Assets	153	346	242	Other Accounts Payable	56	7	8
Long Term	360	398	394	Long Term	2,700	410	484
Recoverable and Deferred Taxes	203	395	390	Loans and Financing	2,699	10	0
Other	157	3	4	Contingency Provisions	1	1	1
Permanent	3,656	3,841	3,828	Payable Taxes	-	1	1
Property Plant and Equipment	3,090	3,323	3,325	AFCI*	-	398	482
Deferred Assets	566	519	503	Shareholders' Equity	1,224	4,655	4,552

*Advancement for Future Capital Increase

11. Main Loans

R\$ '000 - 06/30/04

	Date	Currency	Costs	Maturity	Amortization	Outstanding Balance
Syndicated Loan*	Aug/01	US\$	LIBOR+5.5%a.a.	Aug/09	Quarterly	2,322,588
<u>BNDES</u>	Dec/00	R\$	TJLP +4.40% a.a.	Jan/08	Monthly	1,448,790
	Dec/03	R\$	TJLP +4.50% a.a.	Jan/11	Monthly	347,292
	Dec/00	Currency Basket	Floating Interest Rate + 4.40%a.a.	Jan/08	Monthly	589,238
	Dec/03	Currency Basket	Floating Interest Rate + 4.50%a.a.	Jan/11	Monthly	89,694
					BNDES	2,475,014
<u>JBIC</u>	Aug/01	Yen	1,65%a.a.	Jan/10	Semi-annually	807,812
	Jan/03	Yen	Japones LIBOR + 1.25%a.a.	Jan/11	Semi-annually	750,431
					JBIC	1,558,243
<u>Debentures</u>	Jul/01	R\$	CDI+0.7%	Jun/06	"Bullet"	1,221,197
<u>Senior Notes</u>	Dec/03	US\$	8 % a.a.	Aug/13	"Bullet"	935,091
<u>KFW</u>	Fev/03	US\$	LIBOR+0.75%a.a	Aug/12	Semi-annually	196,190
	Jun/00	US\$	8.75% to 11.87% a.a.	Oct/09	Semi-annually	323,228
	Jul/02	US\$	LIBOR+0.8% to 4.5%a.a.	Jan/11	Semi-annually	245,732
					KFW	765,150
<u>ABN AMRO</u>	Dec/00	US\$	LIBOR+5%a.a	Mai/06	Semi-annually	130,400
	Jan/04	US\$	LIBOR+3% to 4.83%a.a.	Apr/09	Semi-annually	189,884
					ABN AMRO	320,284
<u>Other</u>						2,602,609
Total						12,200,176

* Leadership by ABN AMRO

11. Scheduled Events:**Conference Call**

Date: Friday, July 30, 2004

Time: 1:00 PM (Rio de Janeiro)

Access: 888-425-9978 (USA)
1-210-839-8553 (Other countries)

Passcode: Telemar

Replay: 866-441-8817 (USA)
1-203-369-1060 (Other countries)

Apimec – Rio de Janeiro

Date: Monday, August 9, 2004

Time: 5:00 PM (Rio de Janeiro)

Local: JW Marriott Hotel
Atlântica Avenue, 2.600
Copacabana

For additional information please access:

<http://www.telemar.com.br/docs/apimec2004.pdf>

A slide presentation will be available on our website one hour before the call, at the following link: <http://www.telemar.com.br/docs/confcall2Q04.ppt>

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