

NATIONAL TELEPHONE CO OF VENEZUELA

Form 6-K

February 27, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6 - K**

**Report of Foreign Issuer**

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

For the month of February 2006

**NATIONAL TELEPHONE COMPANY OF VENEZUELA (CANTV)**

**(Translation of Registrant's Name into English)**

**EDIFICIO CANTV**

**AVENIDA LIBERTADOR**

**CARACAS, VENEZUELA**

**(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

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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 Act of 1934

Yes  No

If  is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 - \_\_\_\_\_

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Attached to this report is a copy of the fourth quarter press release and supplemental data, dated February 23, 2006, pertaining to the financial condition and results of operations at and for the quarter ended December 31, 2005, as well as forecasts for the registrant's operations for the fiscal year ending December 31, 2006. The consolidated financial information of the registrant included in the press release and the supplemental data were prepared on the basis of accounting principles generally accepted in Venezuela, which differ in certain important respects from accounting principles generally accepted in the United States.

The earning projections for the fiscal year ending December 31, 2006 included in the attachment contain forward-looking statements. The registrant desires to qualify for the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and consequently is hereby filing cautionary statements identifying important factors that could cause the registrant's actual results to differ materially from those set forth in the attachment.

The registrant's earning projections are based on a series of projections and estimates regarding the economy and the telecommunications industry in Venezuela in general. The projections and estimates regarding the telecommunications industry may be affected by the state of the economy in Venezuela and abroad, the effects of competition, the pricing of services, tariff-setting regulations and the success of new products, new services and new businesses. No assurance can be given that the registrant's actual results will not vary significantly from the projected earnings.

From: Compañía Anónima Nacional

For Release: **FOR IMMEDIATE RELEASE**

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February 23, 2006

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**CANTV ANNOUNCES FOURTH QUARTER 2005 RESULTS AND 2006 GUIDANCE, A BOARD OF DIRECTOR S DIVIDEND PROPOSAL AND LOWER THAN PREVIOUSLY ANNOUNCED INCREASE IN PENSION LIABILITY**

***HIGHLIGHTS***

***Fourth quarter 2005 results and 2006 guidance:***

Total revenue was higher by Bs. 414.7, or 37.3%, compared to fourth quarter 2004. This increase was primarily the result of significant growth in Mobile subscribers and sustained momentum of our Broadband business.

Our Mobile and Broadband customer bases grew 67.0% and 74.1%, respectively, compared to fourth quarter 2004. Mobile subscribers reached nearly the 5.2 million mark, driven by approximately 1.2 million net additions during the quarter.

EBITDA and Net income grew 38.4% to Bs. 343.8 billion and 664.7% to Bs. 137.7 billion, respectively, compared to fourth quarter 2004. These results reflect a total charge of Bs. 49.7 billion expense related to an increase in the additional pension obligation recorded in September 2006 (see details below).

In our 2006 guidance, Cantv aims to achieve increase in free cash flow between 24% and 39% over 2005 results.

***Board of Directors dividend proposal:***

Cantv s Board of Directors will propose shareholders approve a dividend payment of Bs. 700 per share (US\$2.28 per ADS) at the upcoming annual Shareholders Meeting, scheduled to be held on March 31, 2006.

*Increase in pension liability (see relevant section on page 11):*

In fourth quarter 2005, Cantv posted a Bs. 49.7 billion expense to increase the additional pension obligation created by the July 2005 Supreme Court's decision to Bs. 765 billion from the Bs. 715 billion recorded as of September 30, 2005.

This expense is lower than the Bs. 118 billion expense announced on February 9, 2006, due to further revisions of actuarial calculations. As of December 31, 2005 the additional pension obligation recorded to provide for the July 2005 Supreme Court decision was Bs. 765 billion compared to Bs. 833 billion announced on February 9, 2006.

This adjustment does not represent change in Cantv's position regarding the July 2005 Supreme Court's Social Chamber decision.

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Financial results are stated in accordance with International Financial Reporting Standards (IFRS). Translation of financial statements data to US\$ has been performed, solely for the convenience of the reader, converting Bolivar amounts at the current official exchange rate of Bs. 2,150 per US\$1.

**INITIAL NOTES**

As announced on February 9, 2006, Cantv adopted International Financial Reporting Standards (IFRS) effective January 1, 2005. Accordingly, audited financial statements data for all periods included herein are presented in conformity with IFRS, using nominal amounts except for a) non-monetary assets together with related expense accounts, and b) liabilities and equity accounts which were adjusted for inflation through December 31, 2003. (Please refer to our press release announcing Adoption of IFRS effective January 1, 2005 dated February 9, 2006).

Pursuant to IFRS, figures in Bolivars are not adjusted for inflation as required under Venezuelan Generally Accepted Accounting Principles (VenGAAP). Accordingly, year-over-year variances included herein represent variations in nominal bolivars. For reference purposes only, the 2005 inflation reported by the Central Bank of Venezuela was 14.4%.

**KEY FINANCIAL AND OPERATING INDICATORS****Figure 1 - Key Financial Highlights and Operating Indicators**

*Billions of Bs. and %*

|                                | <u>4Q05</u>         | <u>4Q04</u>         | <u>Inc./</u> (Dec.) | <u>%</u> |
|--------------------------------|---------------------|---------------------|---------------------|----------|
| Revenue                        | 1,525.6             | 1,110.9             | 414.7               | 37.3%    |
| EBITDA                         | 343.8               | 248.4               | 95.4                | 38.4%    |
| EBITDA Margin                  | 23%                 | 22%                 | 100bps              | N.M.     |
| Net Income                     | 137.7               | 18.0                | 119.7               | 664.7%   |
| EPADS (Bs.)                    | 1,242               | 162                 | 1,080               | 664.7%   |
|                                | <u>Full Year 05</u> | <u>Full Year 04</u> | <u>Inc./</u> (Dec.) | <u>%</u> |
| Revenue                        | 5,088.4             | 3,835.7             | 1,252.7             | 32.7%    |
| EBITDA                         | 741.5               | 1,068.8             | (327.3)             | (30.6%)  |
| EBITDA Margin                  | 15%                 | 28%                 | (1,300bps)          | N.M.     |
| Net Income                     | 214.4               | 425.6               | (211.2)             | (49.6%)  |
| EPADS (Bs.)                    | 1,934               | 3,840               | (1,906)             | (49.6%)  |
| CAPEX                          | 958.4               | 518.3               | 440.1               | 84.9%    |
| Free Cash Flow                 | 691.8               | 881.3               | (189.5)             | (21.5%)  |
| Debt payments                  | 243.0               | 204.9               | 38.1                | 18.6%    |
|                                | <u>4Q05</u>         | <u>4Q04</u>         | <u>Inc./</u> (Dec.) | <u>%</u> |
| <b>Subscribers (thousands)</b> |                     |                     |                     |          |
| <b>Fixed</b>                   | 3,404.6             | 3,060.1             | 344.5               | 11.3%    |
| Switched access lines          | 3,097.7             | 2,883.8             | 213.9               | 7.4%     |
| Residential                    | 2,384.7             | 2,201.3             | 183.4               | 8.3%     |
| Non-residential                | 608.4               | 587.2               | 21.2                | 3.6%     |
| Public Telephones              | 104.6               | 95.3                | 9.3                 | 9.8%     |
| Broadband                      | 306.9               | 176.3               | 130.6               | 74.1%    |

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|                                      |         |         |         |        |
|--------------------------------------|---------|---------|---------|--------|
| ABA (ADSL) lines                     | 289.9   | 159.0   | 130.9   | 82.3%  |
| Private Circuits                     | 17.0    | 17.3    | (0.3)   | (1.6%) |
| <b>Mobile</b>                        | 5,188.2 | 3,106.4 | 2,081.8 | 67.0%  |
| Postpaid                             | 254.8   | 221.9   | 32.9    | 14.8%  |
| Prepaid                              | 4,933.4 | 2,884.5 | 2,048.9 | 71.0%  |
| <b>Traffic (millions of minutes)</b> |         |         |         |        |
| Fixed Local                          | 3,430   | 3,693   | (263)   | (7.1%) |
| Fixed DLD and ILD                    | 617     | 653     | (36)    | (5.5%) |
| Mobile                               | 1,139   | 683     | 456     | 66.8%  |

*N.M. = Not meaningful*

*Note: further details are disclosed in additional tables posted in Cantv's Investor Relations web page*

### YEAR IN REVIEW

Overall, Cantv experienced growth in most of its key performance indicators. Revenue grew 32.7% driven by increases in mobile, broadband and switched access lines subscribers.

Mobile business was the primary driver of Cantv's 32.7% revenue growth. In 2005, mobile revenue represented 38.9% of the Company's total revenue, from 30.7% in the previous year. Mobile subscribers posted a strong 67.0% growth and reached almost 5.2 subscribers while increasing ARPU. Postpaid and prepaid ARPU for 2005 were 18.8% and 18.3% higher than 2004, respectively.

Our switched access lines increased 7.4% during 2005. Fixed revenue, excluding broadband revenue, posted a 10.3% increase over 2004, the absence of regulatory approval for residential tariffs increases curbed the growth of fixed lines revenue. Migration to mobile services combined with competitive pressures in public telephony and long distance markets also limited revenue growth on this segment.

Continued Broadband growth confirms its significant importance to Cantv's revenue stream as an important high growth opportunity. During 2005, ABA (ADSL) subscribers grew 82.3%.

On July 26, 2005, the Social Chamber of the Supreme Court of Venezuela rendered its decision on the lawsuit brought by Federación Nacional de Jubilados y Pensionados de Teléfonos de Venezuela ( FETRAJUPTTEL ) (the Venezuelan National Telephone Association of Retirees and Pensioners) regarding the adjustment of pensions payable to Cantv's retirees. As a result of this decision Cantv's pension obligations were significantly increased. In recognition of the increased obligation, as of December 31, 2005 Cantv recorded a Bs. 694.9 billion provision for additional pension obligation due to Supreme Court decision which is reflected as an increase to its pension plan liability (for additional information on recent adjustments made to the additional pension obligation due to Supreme Court ruling, please see specific section below Reduction in pension liability ). This amount reflects the estimated additional pension liabilities based upon our interpretation of the decision that requires pensions to be adjusted to minimum wage after December 1999. It should be noted that the Venezuelan courts have not yet rendered their final determination of the obligation. As of the date of this release, the case remains in the execution stage and is being administered by a lower Court: Juzgado Quinto de Primera Instancia de Sustanciación, Mediación y Ejecución del Área Metropolitana de Caracas . This Court has appointed the Venezuelan Central Bank (Banco Central de Venezuela) to perform the necessary calculations to determine the actual amounts due to the beneficiaries.

Full year 2005 EBITDA totaling Bs. 741.5 billion decreased 30.6% compared to 2004. Without the impact of the increased additional pension obligation due to Supreme Court Ruling referred above, EBITDA would have been Bs. 1,436.4, equivalent to EBITDA margin of 28%, a 29.0% increase over 2004.

The year-over-year reduction of Bs. 189.5 billion or 21.5% in free cash flow, was mainly attributable to Bs. 440.1 increase (84.9%) in CAPEX required to seize growth opportunities.

During 2005, the Company paid Bs. 505 per share (equivalent to US\$ 1.64 per ADS) in dividends to its shareholders.

## REVENUE ANALYSIS

### *Strong mobile and broadband revenue continued to drive top line growth*

Operating revenue totaled Bs. 1,525.6 billion during fourth quarter 2005, a 37.3% increase over fourth quarter 2004.

Quarter-over-quarter revenue growth was driven by 87.9%, 47.3% and 5.6% increases in mobile, broadband and fixed line revenue excluding broadband, respectively.

As a percentage of total revenue, fourth quarter mobile revenue increased from 32.5% in fourth quarter 2004 to 44.4% in fourth quarter 2005 (See Figure 2).

Revenue for fixed line revenue excluding broadband grew 5.6% compared to fourth quarter 2004 and 10.3% during 2005, despite absence of tariffs increases. Mobile revenue growth of 87.9% compared to fourth quarter 2004 and 68.3% during 2005 was driven by our larger customer base and increased handset sales. The Broadband revenue increases of 47.3% and 50.4%, compared to fourth quarter 2004 and full year 2004, respectively, were also driven by an increased customer base.

**Fixed**

*Switched Access Lines:*

*Continued growth in switched access lines*

Total lines in service reached almost 3.1 million as of December 31, 2005, a 7.4% increase over 2004, primarily driven by our prepaid service offerings, marking our tenth consecutive quarter of subscriber growth (see Figure 3).

Fourth quarter 2005 growth was driven by a 1.9% increase in residential lines, 1.0% increase in non-residential lines and almost 4 thousand new public telephony lines when compared to third quarter 2005. Our prepaid products continue to drive our switched access line growth with fourth quarter net additions of 55 thousand lines. Particularly, our fixed wireless offer accounts for 65.0% of the prepaid net additions.

**Internet subscribers Dial-up:**

By the end of fourth quarter 2005, our Dial-up Internet subscribers base reached over 239 thousand, a 36 thousand (17.5%) increase on a year-over-year basis. Residential subscribers represent 94.0% of Dial-up Internet subscribers and 42.2% of total Internet customers. This increase in subscriber base drove a commensurate 17.3% increase in Dial Up Internet revenue during 2005.

**Local Service Revenue:**

**Local service revenue increased by 0.3% as residential tariffs continues frozen**

Fourth quarter 2005 local service revenue of Bs. 230.3 billion was Bs. 0.7 billion higher (0.3%) than fourth quarter 2004. This increase in revenue primarily reflects 10.7% and 2.8% fourth quarter 2005 year-over-year increase in weighted average usage and monthly recurring charge tariffs, respectively. The absence of tariffs increases limited growth in this line of business. Line growth has been the source of the modest revenue increase.

Monthly recurring charges component for local service revenue increased 3.8% during fourth quarter 2005 compared to fourth quarter 2004 (see Figure 4). This increase was driven by a 135.0% revenue increase in our Habla por Llamadas service plan and a 3.6% higher non-residential subscriber base, offset in part by 0.79% and 0.01% weighted average rate reductions in residential and non-residential postpaid tariffs, respectively.

**Figure 4 - Local Service Revenue**

|                          | <i>(in millions of Bs.)</i> |                |                    |             |
|--------------------------|-----------------------------|----------------|--------------------|-------------|
|                          | <b>4Q05</b>                 | <b>4Q04</b>    | <b>Inc./(Dec.)</b> | <b>%</b>    |
| Monthly recurring charge | 126,492                     | 121,842        | 4,650              | 3.8%        |
| Installation & Equipment | 10,213                      | 9,046          | 1,167              | 12.9%       |
| Usage                    | 93,564                      | 98,656         | (5,092)            | (5.2%)      |
| <b>Total</b>             | <b>230,269</b>              | <b>229,544</b> | <b>725</b>         | <b>0.3%</b> |

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The 12.9% increase in installation and equipment revenue compared to fourth quarter 2004 was primarily attributable to a 12.5% increase in equipment sales mainly related to our fixed wireless residential offering.

Local usage revenue decreased 5.2% due to a 9.8% decrease in unbundled (billed) minutes, partially offset by a 5.1% increase in the weighted average price charged per minute. As shown in Figure 5, this decrease in unbundled traffic was due to reductions of 11.3%, 3.3% and 24.9% in residential, non-residential and Public Telephony traffic, respectively. The increase in the weighted average price per minute of 5.1% was mainly driven by the increase in prepaid minutes as percentage of total traffic that are charged at a higher tariff than postpaid traffic.

Figure 5 - Local Unbundled Minutes

|                  | <i>(in millions)</i> |              |                     |               |
|------------------|----------------------|--------------|---------------------|---------------|
|                  | <u>4Q05</u>          | <u>4Q04</u>  | <u>Inc./</u> (Dec.) | <u>%</u>      |
| Residential      | 1,441                | 1,624        | (183)               | (11.3%)       |
| Non-residential  | 809                  | 837          | (28)                | (3.3%)        |
| Public telephony | 145                  | 193          | (48)                | (24.9%)       |
| <b>Total</b>     | <b>2,395</b>         | <b>2,654</b> | <b>(259)</b>        | <b>(9.8%)</b> |

Reduction of 24.9% in Public Telephony traffic was driven by a 61.1% decrease in traffic generated through traditional payphones partially offset by a 21.2% increase in traffic generated through Telecommunication Centers.

**Domestic Long Distance Revenue:****DLD revenue decreased 1.3%. Lower unbundled traffic combined with revenue reduction**

Domestic Long Distance (DLD) revenue decreased Bs. 1.0 billion (1.3%) compared to fourth quarter 2004.

Compared to the same period in 2004, fourth quarter 2005 residential unbundled DLD revenue increased 0.3% to Bs. 17.2 billion mainly due to 0.8% increase in residential DLD unbundled traffic.

**Figure 6 - DLD Revenue**

|                        | <i>Revenue (in millions of Bs.)</i> |               |                  |               | <i>Minutes (in millions)</i> |             |                  |                |
|------------------------|-------------------------------------|---------------|------------------|---------------|------------------------------|-------------|------------------|----------------|
|                        | <b>4Q05</b>                         | <b>4Q04</b>   | <b>Inc./Dec.</b> | <b>%</b>      | <b>4Q05</b>                  | <b>4Q04</b> | <b>Inc./Dec.</b> | <b>%</b>       |
| Residential            | 17,248                              | 17,189        | 59               | 0.3%          | 123                          | 122         | 1                | 0.8%           |
| Non-residential        | 32,325                              | 32,394        | (69)             | (0.2%)        | 165                          | 167         | (2)              | (1.2%)         |
| Public telephony       | 10,122                              | 11,062        | (940)            | (8.5%)        | 70                           | 76          | (6)              | (7.9%)         |
| <b>Total Unbundled</b> | <b>59,695</b>                       | <b>60,645</b> | <b>(950)</b>     | <b>(1.6%)</b> | <b>358</b>                   | <b>365</b>  | <b>(7)</b>       | <b>(1.9%)</b>  |
| Nights and Weekends    | 15,344                              | 15,355        | (11)             | (0.1%)        | 171                          | 225         | (54)             | (24.0%)        |
| <b>Total</b>           | <b>75,039</b>                       | <b>76,000</b> | <b>(961)</b>     | <b>(1.3%)</b> | <b>529</b>                   | <b>590</b>  | <b>(61)</b>      | <b>(10.3%)</b> |

Compared to fourth quarter 2004, Public Telephony domestic long distance revenue declined Bs. 0.9 billion to Bs. 10.1 billion. This 8.5% decline was attributable to a 7.9% reduction in traffic.

The 0.1% revenue decline in our bundled DLD plans *Noches y Fines de Semana Libres* was due to a 24.0% drop in traffic, partially offset by higher weighted average tariffs and the increase in subscribers of the *Plan Nacional 3000* offer.

**International Long Distance Revenue and Net Settlements:****ILD revenue increased 2.0% over 4Q04**

Fourth quarter 2005 International Long Distance (ILD) revenue of Bs. 30.6 billion increased 2.0% over fourth quarter 2004, mainly due to a 52.4% increase in net settlements revenue, while outgoing traffic charged to customers remained almost unchanged (see Figure 7).

Figure 7 - ILD Minutes

|                                       | <i>(in millions)</i> |             |                    |          |
|---------------------------------------|----------------------|-------------|--------------------|----------|
|                                       | <u>4Q05</u>          | <u>4Q04</u> | <u>Inc./(Dec.)</u> | <u>%</u> |
| Incoming minutes                      | 129                  | 68          | 61                 | 89.7%    |
| Outgoing minutes                      | 88                   | 63          | 25                 | 39.7%    |
| Net Settlements                       | 41                   | 5           | 36                 | 720.0%   |
| Incoming/Outgoing ratio               | 1.47                 | 1.08        | 0.39               | 35.8%    |
| Outgoing minutes charged to customers | 65                   | 64          | 1                  | 1.6%     |

The Bs. 0.6 billion net settlement revenue year-over-year increase continues to reflect an improved incoming/outgoing traffic ratio. The increase was achieved through negotiations with key operators that involved higher commitments for inbound traffic combined with improved quality of service. The bolivar devaluation against the US\$ experienced during 2005 also contributed to the net settlement revenue increase.

**Interconnection Revenue (Outgoing Fixed to Mobile and Incoming):****IXC revenue increase driven mainly by 58.0% YoY higher incoming revenue**

Fourth quarter 2005 year-over-year 19.2% increase in interconnection revenue was attributable to a 58.0% increase in incoming revenues, combined with 15.4% increase in total outgoing revenue. An increase in incoming revenue was due to 15.9% growth in traffic after other operators completed their installation of additional interconnection points (see Figure 8).

**Figure 8 - Interconnection Revenue**

|                       | <i>Revenue (in millions of Bs.)</i> |                |                    |              | <i>Minutes (in millions)</i> |             |                    |              |
|-----------------------|-------------------------------------|----------------|--------------------|--------------|------------------------------|-------------|--------------------|--------------|
|                       | <b>4Q05</b>                         | <b>4Q04</b>    | <b>Inc./(Dec.)</b> | <b>%</b>     | <b>4Q05</b>                  | <b>4Q04</b> | <b>Inc./(Dec.)</b> | <b>%</b>     |
| Local F-M Outgoing    | 137,114                             | 121,104        | 16,010             | 13.2%        | 424                          | 376         | 48                 | 12.8%        |
| DLD F-M Outgoing      | 63,193                              | 52,495         | 10,698             | 20.4%        | 209                          | 170         | 39                 | 22.9%        |
| <b>Total Outgoing</b> | <b>200,307</b>                      | <b>173,599</b> | <b>26,708</b>      | <b>15.4%</b> | <b>633</b>                   | <b>546</b>  | <b>87</b>          | <b>15.9%</b> |
| Incoming              | 27,185                              | 17,202         | 9,983              | 58.0%        | 515                          | 463         | 52                 | 11.2%        |

The 13.2% and 20.4% increases in local and DLD fixed to mobile (F-M) outgoing revenue were driven by 12.8% and 22.9% traffic increases, respectively, over the same period in the previous year. Higher outgoing traffic resulted mainly from the mobile market growth.

**Broadband:****Fourth quarter Broadband revenue increased 47.3% driven by ABA (ADSL) subscriber growth**

Fourth quarter Broadband revenue increased Bs. 63.3 billion (47.3%) on a year-over-year basis to Bs. 196.9 billion, increasing its percentage of total revenue from 12.0% to 12.9%. The increase in broadband revenue in fourth quarter 2005 was mainly attributable to Bs. 41.4 billion (98.2%) increase in ABA (ADSL) revenue combined with a Bs. 21.9 billion (23.9%) increase in private circuits revenue (see Figure 9).

**Figure 9 - Broadband**

| <i>Revenue (in millions of Bs.)</i> |             |                    |          | <i>Subscribers (thousands)</i> |             |                    |          |
|-------------------------------------|-------------|--------------------|----------|--------------------------------|-------------|--------------------|----------|
| <b>4Q05</b>                         | <b>4Q04</b> | <b>Inc./(Dec.)</b> | <b>%</b> | <b>4Q05</b>                    | <b>4Q04</b> | <b>Inc./(Dec.)</b> | <b>%</b> |

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|                  |         |         |        |       |         |         |         |        |
|------------------|---------|---------|--------|-------|---------|---------|---------|--------|
| Private circuits | 113,441 | 91,529  | 21,912 | 23.9% | 17,000  | 17,272  | (272)   | (1.6%) |
| ABA (ADSL)       | 83,478  | 42,123  | 41,355 | 98.2% | 289,931 | 159,003 | 130,928 | 82.3%  |
| Total            | 196,919 | 133,652 | 63,267 | 47.3% | 306,931 | 176,275 | 130,656 | 74.1%  |

ABA (ADSL) lines experienced strong increases over the last seven quarters, with 82.3% year-over-year growth measured at the end of the fourth quarter. As of December 2005, our ABA (ADSL) customer base totaled almost 290 thousand lines. Our continued investment and commercial efforts to improve and promote our Broadband offerings have fuelled the strong ABA (ADSL) sales momentum.

## Mobile

### *Mobile revenue increased by 87.9% in 4Q05*

Fourth quarter Mobile revenue increased 87.9% on a year-over-year basis to Bs. 677.5 billion, increasing its share of our total revenues from 32.5% in 2004 to 44.4% in 2005. Our mobile business continues to be the main driver of our revenue growth. Growth in mobile revenue resulted from a 64.7% gain in traffic driven by 67.0% increase in our customer base and 116.0% increase in equipment sales.

**Subscribers:**

***Net adds of over a million drove the mobile subscriber base to almost 5.2 million***

By the end of fourth quarter 2005, our mobile customer base totaled nearly 5.2 million subscribers, a remarkable 67.0% increase on a year-over-year basis (see Figure 10). Postpaid and prepaid subscribers individually posted increases of 14.8% and 71.0%, respectively.

This marks the first quarter of over a million net additions. Addition of almost 1.2 million net subscribers represents a 29.6% sequential increase over third quarter 2005 customer base.

***The 67.0% year-over-year growth in subscribers compares favorably to the 48.4% mobile market subscriber growth reported by Conatel***

According to Conatel, the Venezuelan Regulator for the Telecommunication Industry, total mobile subscribers grew 48.4% in 2005. The 67.0% increase in the Company's mobile subscriber base achieved during 2005 represents a significant gain in market share.

Our competitive success in fourth quarter and throughout 2005 resulted from improved demand forecasts which facilitated better provisioning of terminal equipment, particularly of low cost handsets, as well as the market's recognition of the Company's superior network coverage and quality shown in market opinion surveys.

**Usage and ARPUs:**

***Total usage grew 64.7% compared with 4Q04***

A total of 1,301 million minutes of use (outgoing and incoming) were generated during fourth quarter 2005, a 64.7% increase compared to fourth quarter 2004 (see Figure 11). Full year 2005 minutes of use passed the 4 million mark.

**Figure 11 - Mobile Minutes**

| <i>(in millions)</i> |      |            |   |
|----------------------|------|------------|---|
| 4Q05                 | 4Q04 | Inc./Dec.) | % |
|                      |      |            |   |

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|                               |              |            |            |              |
|-------------------------------|--------------|------------|------------|--------------|
| Outgoing                      | 1,139        | 683        | 456        | 66.8%        |
| Incoming                      | 162          | 107        | 55         | 51.4%        |
| <b>Total</b>                  | <b>1,301</b> | <b>790</b> | <b>511</b> | <b>64.7%</b> |
| Incoming from related parties | 267          | 212        | 55         | 25.9%        |

Our bundled offers continue to channel most outgoing traffic growth. The 66.8% increase in fourth quarter 2005 outgoing minutes resulted from a 147.3% increase in bundled traffic combined with a 22.9% growth in unbundled minutes. Compared to fourth quarter 2004 volumes, our prepaid bundled plans, first introduced in April 2004, drove 277 million additional minutes in fourth quarter 2005. An additional 79 million minutes were generated by postpaid bundled.

During fourth quarter 2005, Prepaid ARPU increased 2.8% to Bs. 36,776 and postpaid grew to Bs. 164,412 (12.5%) (see Figure 12). The 0.6% decline in blended ARPU to Bs. 44,118 reflects the increase of prepaid customers as percentage of our customer base.

**Figure 12 - Mobile ARPU**

|          | <i>(in Bs.)</i> |             |                    |          |
|----------|-----------------|-------------|--------------------|----------|
|          | <b>4Q05</b>     | <b>4Q04</b> | <b>Inc./(Dec.)</b> | <b>%</b> |
| Prepaid  | 36,776          | 35,786      | 990                | 2.8%     |
| Postpaid | 164,412         | 146,093     | 18,319             | 12.5%    |
| Blended  | 44,118          | 44,388      | (270)              | (0.6%)   |

***SMS revenue increased 180.3%***

Fourth quarter 2005 SMS revenue totaled Bs. 126.0 billion, a 180.3% increase over fourth quarter 2004. Approximately 2,161 million messages, 104.0% over the same period in 2004, were sent by customers during the quarter. SMS represented 18.6% of the Company's total fourth quarter mobile revenue.

***Equipment sales with lower subsidy represented 28.0% of revenue***

Handset sales during fourth quarter 2005 increased 116.0% on a year-over-year basis, representing 28.0% of mobile revenue. Movilnet sold over 1,504 thousand handsets for Bs. 189.8 billion during fourth quarter 2005. Improved purchasing power of lower income segments combined with the Company's efforts to source lower cost handsets have allowed lower subsidy levels, in terms of Bs. per handset, in fourth quarter 2005 when compared to the same period last year.

## EXPENSE AND MARGIN ANALYSIS

### Total Operating Expenses

#### *Total operating expenses increase of 26.2% mainly driven by higher sales of terminal equipment*

Fourth quarter 2005 total operating expenses increased Bs. 289.0 billion or 26.2%, to Bs. 1,389.8 billion compared to fourth quarter 2004. The increase reflects a Bs. 319.5 billion, or 37.0% increase in operating expenses excluding depreciation and amortization, partially offset by a Bs. 30.5 billion, or 12.8%, decrease in depreciation and amortization expenses.

Operations, maintenance, repairs and administrative expenses increased by Bs. 282.5 billion or 44.8% primarily resulting from 130.6% increase in cost of sales associated with sale of cellular handset, combined with: (i) Bs. 81.1 billion pension and post-retirement benefits curtailment and settlement loss; ii) Bs. 26.4 billion increase in contractor expenses supporting customer service and; (iii) Bs. 49.7 billion expense from additional pension obligation due to Supreme Court ruling resulting from the revised actuarial calculation after further adjustments on assumptions were performed for year-end review (see below section Increase in Pension Liability ).

Interconnection cost increased by Bs. 34.7 billion or 30.6% due to 9.6% increase in traffic volumes over fourth quarter of 2004.

Concession and other taxes increased 28.0% as a result of the higher revenue base.

Provision for uncollectible decreased by Bs. 36.5 billion due to changes in fixed telephony uncollectible policy. The provision was previously based on a percentage of gross revenues and now based on a percentage and aging analysis of accounts receivable. Management's analysis of the provision resulted in an excess of Bs. 20 billion reversal in fourth quarter 2005.

Other income, net decreased Bs. 14.1 billion to Bs. 4.5 billion in fourth quarter 2005 due to the Bs. 15.0 billion gain in the sale of News Skies Satellite N.V. recorded in fourth quarter 2004.

Decrease in depreciation and amortization expenses of Bs. 30.5 billion or 12.8% resulted from certain fixed and mobile network assets reaching the end of their useful lives.

Total operating expenses for the full year 2005 increased by Bs. 1,550.0 billion or 42.8% to Bs. 5,174.6 billion compared to 2004. Operating expenses excluding depreciation and amortization increased 57.1% to Bs. 4,346.9 billion mainly due to the 2005 Bs. 694.9 billion additional pension obligation due to Supreme Court ruling compared to Bs. 44.4 billion in 2004. Moreover, the increase by Bs. 503.1 billion in the cost of cellular handsets and fixed wireless equipment, combined with higher benefits, contractor and miscellaneous expenses contributed to higher operating expenses. This increase was partially offset by higher other income, net from the sale of our 1.12% investment in International Satellite Telecommunications Organization (INTELSAT). Depreciation and amortization decreased by Bs. 30.0 billion or 3.5% resulting from certain fixed and mobile network assets reaching the end of their useful lives.



## **EBITDA and EBITDA Margin**

### ***EBITDA of Bs. 343.8 billion, 38.4% higher than 4Q04***

Fourth quarter EBITDA increased 38.4% to Bs. 343.8 billion from Bs. 248.4 billion in fourth quarter 2004. As a percentage of revenue, this reflected 100 basis points margin increase. The increase resulted from revenue increased at rate of 37.3% while operating expenses excluding depreciation and amortization increased at a slightly lower rate of 37.0% driven by the provision for uncollectibles reversal. Excluding the impact of the expense related to additional pension obligation due to Supreme Court Ruling, 2005 fourth quarter EBITDA and EBITDA margin would have been Bs. 393.4 billion and 26%, respectively.

For 2005, EBITDA totaled Bs. 741.5 billion with EBITDA margin of 15%, compared to Bs. 1,068.8 billion and 28% in 2004, representing a decrease of 30.6% and 1,300 basis points, respectively. Excluding the impact of the increased additional pension obligation due to Supreme Court Ruling, EBITDA and EBITDA margin for 2005 would have been Bs. 1,436.4 billion and 28%, respectively. This result would have represented an increase of 29.0% in EBITDA as a result of the increase in total operating revenues, mainly mobile services despite the absence of fixed regulated tariff increase approvals.

Please refer to the section on Reconciliation of Non-GAAP financial measures on page 16 for a reconciliation of EBITDA to GAAP financial measures.

## **Interest and Exchange Gain, net and taxes**

### ***Lower financing benefit, net and higher tax benefits***

Interest and exchange gain, net decreased Bs. 1.6 billion or 7.8%, to Bs. 18.4 billion compared to fourth quarter 2004. Interest income decreased Bs. 4.5 billion or 20.4% due to lower average effective interest rates. Fourth quarter interest expense decreased Bs. 3.3 billion or 58.6% due to lower debt. Exchange gain slightly decreased by 10.4% or Bs. 0.4 billion in fourth quarter of 2005 compared to the same period in 2004.

For full year 2005, the interest and exchange gain, net of Bs. 91.0 billion resulted from higher interest income and an exchange gain of Bs. 39.4 billion recognized from the sale INTELSAT, previously recorded as unrealized translation gain in a separate equity account.

During fourth quarter 2005 total income tax expense was Bs. 16.5 billion, compared to a Bs. 12.0 billion expense recorded during the same period in the previous year. Current tax provision increased by Bs. 4.8 billion mainly due to the December 31, 2004 expiration of investment income tax credits. Deferred tax benefit of Bs. 35.8 billion in fourth quarter 2005 compared to Bs. 35.6 billion in fourth quarter 2004.

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Income tax benefit for full year 2005 was Bs. 209.5 billion compared to Bs. 166.5 billion in 2004. Current tax provision increased by Bs. 56.7 billion mainly due to the December 31, 2004 expiration of investment income tax credits. Deferred tax benefit of Bs. 357.4 billion in 2005 compared to Bs. 257.7 billion in 2004 mainly driven by the deferred tax benefit from the additional pension obligation due to Supreme Court ruling.

### **Net Income**

*Net income of Bs. 137.7 compared to Bs. 18.0 billion in 4Q04*

Fourth quarter net income totaled Bs. 137.7 billion compared to Bs. 18.0 billion in fourth quarter of 2004. This resulted from Bs. 125.8 billion increase in operating income, partially offset by higher tax expense of Bs. 4.5 billion. Excluding the Bs. 49.7 billion in additional pension obligation, net of taxes in fourth quarter 2004, net income would have been Bs. 170.5 billion.

Full year 2005 net income totaled Bs. 214.4 billion compared to Bs. 425.6 billion in 2004. Excluding the Bs. 694.9 billion impact of the additional pension obligation, net of taxes of Bs. 236.3 billion, net income would have been Bs. 673.0 billion.

## CASH FLOW ANALYSIS

### *Increase of 84.9% in CAPEX reduced free cash flow for the year*

Free cash flow (FCF) for the year ended December 31, 2005 totaled Bs. 691.8 billion, 21.5% lower than the Bs. 881.3 billion in 2004. The Bs. 189.5 billion year-over-year reduction in FCF was driven by a Bs 440.1 billion increase in CAPEX and Bs. 3.5 billion increase in the net balance of current and non-current assets and liabilities, partially offset by Bs. 254.1 billion increase in cash earnings (net income or loss adjusted for non-cash items). (See Reconciliation of Non-GAAP financial measures on page 16).

Cash used in financing activities totaled Bs. 591.3 billion, primarily reflecting payment of Bs. 415.1 billion in dividends and debt repayment of Bs. 243.0 billion.

The Company's net cash position totaled Bs. 994.3 billion as of December 31, 2005, compared to Bs. 705.1 billion as of December 31, 2004. (See Reconciliation of Non-GAAP financial measures on page 16).

## Capital Expenditures

### *CAPEX continues to focus on CDMA-1X, ADSL and information systems*

Capital expenditures for the year ended December 31, 2005 totaled Bs. 958.4 billion, a Bs. 440.1 billion (84.9%) increase over 2004. 2005 Capital expenditures were focused on: i) expansion of our CDMA-1X network footprint to support projected demand in mobile and fixed wireless services; ii) deployment of backbone and data networks to sustain the growth in our ABA (ADSL) and other data product lines; and iii) integration and transformation of the Company's information systems. In addition, the Company is currently deploying Evolution Data Optimized (EVDO) technology for wireless broadband services and initiated substitution of analog switches with multi-service access nodes to support service enhancements and increase operating efficiency.

## Total Debt

During 2005, Cantv's debt payments totaled Bs. 243.0 billion, including Bs. 84.7 billion (US\$39.4 million) for International Finance Corporation (IFC) loans, Bs. 20.3 billion (¥1,081.9 million) to Japan's Eximbank, and repayments of Bs. 138.0 billion of commercial paper and other external and local loans. During 2004, payments of Bs. 204.9 billion included a Bs. 160.0 billion (US\$100 million) for Yankee Bonds, Bs. 25.3 billion (US\$14.4 million) for the IFC loans, Bs. 17.6 billion (¥1,081.9 million) to Japan's Eximbank and repayments of Bs. 2.0 billion for other local loans.

As of December 31, 2005, The Company's debt totaled Bs. 104.3 billion, a Bs. 158.1 billion decrease compared to 2004. During 2005, the Company issued commercial paper totaling Bs. 69.1 billion, of which Bs. 11.2 billion remained outstanding as of December 31, 2005, subsequently paid in January 2006.

Total debt represented 2.8% as a percentage of Equity as of December 31, 2005 compared to 6.6% as of December 31, 2004.

**2005 Dividend**

*Dividends paid of Bs. 415.1 billion*

During 2005, the Company paid dividends for Bs. 415.1 billion compared to Bs. 563.1 billion in 2004. The 2005 dividend resulted from a Bs. 505 ordinary dividend per share declared in March 2005.

## **INCREASE IN PENSION LIABILITY**

On February 9, 2006, Cantv announced that in preparation for our 2005 year end closing, the Company increased by Bs. 118 billion from Bs. 715 billion to Bs. 833 billion its provision related to the decision made by the Social Chamber of the Supreme Court in July 2005.

The year-end review of Cantv's financial statements required further adjustments of actuarial assumptions underlying the calculation of the obligation for future pension payments and disclosed an error in the actuarial calculation of this obligation performed by an external actuarial expert. This third party consultant inadvertently utilized an incorrect set of future wage inflation assumptions.

Based on these revised actuarial calculations, as of December 31, 2005 the additional pension obligation recorded to provide for the July 2005 Supreme Court decision was reduced by Bs. 68 billion to Bs. 765 billion from Bs. 833 billion previously announced.

The impact of this adjustment on 2005 fourth quarter operating expenses is a Bs. 49.7 billion expense to increase the additional pension obligation created by the July 2005 Supreme Court's decision to Bs. 765 billion from the Bs. 715 billion recorded as of September 30, 2005.

The adjustment does not represent a change in Cantv's position regarding the July 2005 Supreme Court's Social Chamber decision.

## **OTHER DEVELOPMENTS**

### **Dividend proposal**

Cantv's Board of Directors will propose shareholders to approve a dividend of Bs. 700 per share (US\$2.28 per ADS) payable on April 27, 2006 at the upcoming annual Shareholders' Meeting, scheduled to be held on March 31, 2006.

### **Exchange Control**

The exchange control regime established by the Government on January 21, 2003, remains in effect. At its outset, the exchange rate was fixed at Bs. 1,600 per US\$1, subsequently adjusted on February 6, 2004 to Bs. 1,920 per US\$1, and on March 2, 2005 to the current rate of Bs. 2,150 per US\$1.

The Company has received approvals from the Comisión de Administración de Divisas (CADIVI) (the Government's Commission for Administration of Foreign Exchange) to acquire US\$1,007.2 million since the implementation of the exchange control regime referred to above, for payments of foreign goods and services (US\$796.6 million) and payments of interest and debt (US\$210.6 million). During fourth quarter of 2005, the Company received approvals from CADIVI to acquire US\$77.7 million for payments of foreign goods and services, and US\$7.6 million for payments of interest and debt.

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Additionally, as of December 30, 2005, CADIVI has approved US\$505.6 million since the implementation of the exchange controls for the conversion of bolivars to US dollars for repatriation of dividends.

### **Other**

The Government announced a 15% increase on urban minimum wage, and the elimination of bank debit tax of 0.5%, both effective February 10, 2006.

*CANTV 4Q05 Earnings Commentary February 23, 2006 NYSE: VNT*

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**FINANCIAL STATEMENTS DATA****Income statement data**

For the quarters ended December 31, 2005 and 2004

(Expressed in millions of bolivars and millions of US dollars, except per share amounts)

|   | Bs.<br>2005 | % of total<br>operating<br>revenues | Bs.<br>2004 | % of total<br>operating<br>revenues | US\$<br>2005 | US\$<br>2004 | % Increase<br>(Decrease) |
|---|-------------|-------------------------------------|-------------|-------------------------------------|--------------|--------------|--------------------------|
| <b>Operating Revenue</b>                                  |             |                                     |             |                                     |              |              |                          |
| <b>Fixed revenue</b>                                      |             |                                     |             |                                     |              |              |                          |
| Local services  | 230,269     | 15.1%                               | 229,544     | 20.7%                               | 107          | 107          | 0.3%                     |
| Domestic long distance                                    | 75,039      | 4.9%                                | 76,000      | 6.8%                                | 35           | 35           | (1.3%)                   |
| International long distance                               | 28,905      | 1.9%                                | 28,908      | 2.6%                                | 13           | 13           | (0.0%)                   |
| Net settlements   | 1,744       | 0.1%                                | 1,144       | 0.1%                                | 1            | 1            | 52.4%                    |
| Total international long distance                         | 30,649      | 2.0%                                | 30,052      | 2.7%                                | 14           | 14           | 2.0%                     |
| Fixed to mobile - Outgoing                                | 200,307     | 13.1%                               | 173,599     | 15.6%                               | 93           | 81           | 15.4%                    |
| Interconnection incoming                                  | 27,185      | 1.8%                                | 17,202      | 1.5%                                | 13           | 8            | 58.0%                    |
| Total interconnection                                     | 227,492     | 14.9%                               | 190,801     | 17.2%                               | 106          | 89           | 19.2%                    |
| Other wireline-related services                           | 73,063      | 4.8%                                | 64,148      | 5.8%                                | 34           | 30           | 13.9%                    |
| Internet dial-up  | 13,271      | 0.9%                                | 12,989      | 1.2%                                | 6            | 6            | 2.2%                     |
| Other telecommunications-related services                 | 1,480       | 0.1%                                | 13,180      | 1.2%                                | 1            | 6            | (88.8%)                  |
| Total Internet dial-up and other                          | 87,814      | 5.8%                                | 90,317      | 8.1%                                | 41           | 42           | (2.8%)                   |
| Private circuits  | 113,441     | 7.4%                                | 91,529      | 8.2%                                | 53           | 42           | 23.9%                    |
| ADSL (ABA)  | 83,478      | 5.5%                                | 42,123      | 3.8%                                | 39           | 20           | 98.2%                    |
| Total broadband   | 196,919     | 12.9%                               | 133,652     | 12.0%                               | 92           | 62           | 47.3%                    |
| Total fixed revenue                                       | 848,182     | 55.6%                               | 750,366     | 67.5%                               | 395          | 349          | 13.0%                    |
| <b>Mobile revenue</b>                                     | 677,449     | 44.4%                               | 360,541     | 32.5%                               | 315          | 168          | 87.9%                    |
| Total operating revenue                                   | 1,525,631   | 100.0%                              | 1,110,907   | 100.0%                              | 710          | 517          | 37.3%                    |
| <b>Operating Expenses</b>                                 |             |                                     |             |                                     |              |              |                          |
| Provision for uncollectibles                              | (13,161)    | (0.9%)                              | 23,294      | 2.1%                                | (6)          | 11           | N.M.                     |
| Operations, maintenance, repairs and administrative       | 913,425     | 59.9%                               | 630,904     | 56.8%                               | 425          | 293          | 44.8%                    |
| Additional pension obligation due to Supreme Court ruling | 49,653      | 3.3%                                | 44,426      | 4.0%                                | 23           | 21           | 11.8%                    |
| Interconnection cost                                      | 148,319     | 9.7%                                | 113,609     | 10.2%                               | 69           | 53           | 30.6%                    |
| Concession and other taxes                                | 88,172      | 5.8%                                | 68,896      | 6.2%                                | 41           | 32           | 28.0%                    |
| Other income, net   | (4,532)     | (0.3%)                              | (18,656)    | (1.7%)                              | (2)          | (9)          | (75.7%)                  |
|   | 1,181,876   | 77.5%                               | 862,473     | 77.6%                               | 550          | 401          | 37.0%                    |
| <b>EBITDA</b>   | 343,755     | 22.5%                               | 248,434     | 22.4%                               | 160          | 116          | 38.4%                    |

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|   |                  |              |                  |              |             |             |                |
|---|------------------|--------------|------------------|--------------|-------------|-------------|----------------|
| <b>EBITDA Margin</b>                                | 23%              | 0.0%         | 22%              | 0.0%         | 23%         | 22%         | 100 bps        |
| Depreciation and amortization                       | 207,949          | 13.6%        | 238,402          | 21.5%        | 97          | 111         | (12.8%)        |
| <b>Total operating expenses</b>                     | <b>1,389,825</b> | <b>91.1%</b> | <b>1,100,875</b> | <b>99.1%</b> | <b>647</b>  | <b>512</b>  | <b>26.2%</b>   |
| <b>Operating Income</b>                             | <b>135,806</b>   | <b>8.9%</b>  | <b>10,032</b>    | <b>0.9%</b>  | <b>63</b>   | <b>5</b>    | <b>1253.7%</b> |
| <b>Interest Income and Exchange Gain, net</b>       |                  |              |                  |              |             |             |                |
| Interest income                                     | 17,569           | 1.2%         | 22,063           | 2.0%         | 9           | 10          | (20.4%)        |
| Interest expense                                    | (2,337)          | (0.2%)       | (5,650)          | (0.5%)       | (1)         | (3)         | (58.6%)        |
| Interest income and exchange gain, net              | 3,200            | 0.2%         | 3,571            | 0.3%         | 1           | 2           | (10.4%)        |
| Interest income and exchange gain, net              | 18,432           | 1.2%         | 19,984           | 1.8%         | 9           | 9           | (7.8%)         |
| <b>Income before Income Taxes</b>                   | <b>154,238</b>   | <b>10.1%</b> | <b>30,016</b>    | <b>2.7%</b>  | <b>72</b>   | <b>14</b>   | <b>413.9%</b>  |
| <b>Income Tax</b>                                   |                  |              |                  |              |             |             |                |
| Current   | 52,368           | 3.4%         | 47,610           | 4.3%         | 25          | 23          | 10.0%          |
| Deferred (benefit)                                  | (35,843)         | (2.3%)       | (35,603)         | (3.2%)       | (17)        | (17)        | 0.7%           |
| Total income tax (benefit)                          | 16,525           | 1.1%         | 12,007           | 1.1%         | 8           | 6           | 37.6%          |
| <b>Net Income</b>                                   | <b>137,713</b>   | <b>9.0%</b>  | <b>18,009</b>    | <b>1.6%</b>  | <b>64</b>   | <b>8</b>    | <b>664.7%</b>  |
| <b>Net Income Attributable to:</b>                  |                  |              |                  |              |             |             |                |
| Equity holders of the Company                       | 137,808          | 9.0%         | 17,128           | 1.5%         | 64          | 8           | 704.6%         |
| Minority interest                                   | (95)             | (0.0%)       | 881              | 0.1%         |             |             | N.M.           |
| <b>Net Income</b>                                   | <b>137,713</b>   | <b>9.0%</b>  | <b>18,009</b>    | <b>1.6%</b>  | <b>64</b>   | <b>8</b>    | <b>664.7%</b>  |
| <b>Earnings per Share</b>                           | <b>177</b>       |              | <b>23</b>        |              | <b>0.08</b> | <b>0.01</b> | <b>664.7%</b>  |
| <b>Earnings per ADS (based on 7 shares per ADS)</b> | <b>1,242</b>     |              | <b>162</b>       |              | <b>0.58</b> | <b>0.07</b> | <b>664.7%</b>  |
| <b>Average Shares Outstanding (in millions)</b>     | <b>776</b>       |              | <b>776</b>       |              | <b>776</b>  | <b>776</b>  |                |

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**Income statement data**

For the years ended December 30, 2005 and 2004

(Expressed in millions of bolivars and millions of US dollars, except per share amounts)

|   | <b>Bs.</b>       | <b>% of total</b> | <b>Bs.</b>       | <b>% of total</b> | <b>US\$</b>  | <b>US\$</b>  | <b>% Increase</b>  |
|---|------------------|-------------------|------------------|-------------------|--------------|--------------|--------------------|
|   | <b>2005</b>      | <b>revenues</b>   | <b>2004</b>      | <b>revenues</b>   | <b>2005</b>  | <b>2004</b>  | <b>(Decrease)</b>  |
| <b>Operating Revenue</b>                                  |                  |                   |                  |                   |              |              |                    |
| <b>Fixed revenue</b>                                      |                  |                   |                  |                   |              |              |                    |
| Local services  | 912,042          | 17.9%             | 891,685          | 23.2%             | 424          | 415          | 2.3%               |
| Domestic long distance                                    | 296,380          | 5.8%              | 280,799          | 7.3%              | 138          | 131          | 5.5%               |
| International long distance                               | 113,380          | 2.2%              | 106,159          | 2.8%              | 53           | 49           | 6.8%               |
| Net settlements   | 2,055            | 0.0%              | (2,015)          | (0.1%)            | 1            | (1)          | N.M.               |
| <b>Total international long distance</b>                  | <b>115,435</b>   | <b>2.3%</b>       | <b>104,144</b>   | <b>2.7%</b>       | <b>54</b>    | <b>48</b>    | <b>10.8%</b>       |
| Fixed to mobile - Outgoing                                | 751,561          | 14.8%             | 612,784          | 16.0%             | 350          | 285          | 22.6%              |
| Interconnection incoming                                  | 97,963           | 1.9%              | 81,890           | 2.1%              | 45           | 38           | 19.6%              |
| <b>Total interconnection</b>                              | <b>849,524</b>   | <b>16.7%</b>      | <b>694,674</b>   | <b>18.1%</b>      | <b>395</b>   | <b>323</b>   | <b>22.3%</b>       |
| Other wireline-related services                           | 200,662          | 3.9%              | 170,893          | 4.5%              | 93           | 79           | 17.4%              |
| Internet dial-up  | 57,882           | 1.1%              | 49,329           | 1.3%              | 27           | 23           | 17.3%              |
| Other telecommunications-related services                 | 18,933           | 0.4%              | 30,584           | 0.8%              | 9            | 14           | (38.1%)            |
| <b>Total Internet dial-up and other</b>                   | <b>277,477</b>   | <b>5.5%</b>       | <b>250,806</b>   | <b>6.5%</b>       | <b>129</b>   | <b>116</b>   | <b>10.6%</b>       |
| Private circuits  | 380,926          | 7.5%              | 312,002          | 8.1%              | 177          | 145          | 22.1%              |
| ADSL (ABA)  | 274,950          | 5.4%              | 124,036          | 3.2%              | 128          | 58           | 121.7%             |
| <b>Total broadband</b>                                    | <b>655,876</b>   | <b>12.9%</b>      | <b>436,038</b>   | <b>11.4%</b>      | <b>305</b>   | <b>203</b>   | <b>50.4%</b>       |
| <b>Total fixed revenue</b>                                | <b>3,106,734</b> | <b>61.1%</b>      | <b>2,658,146</b> | <b>69.3%</b>      | <b>1,445</b> | <b>1,236</b> | <b>16.9%</b>       |
| <b>Mobile revenue</b>                                     | <b>1,981,658</b> | <b>38.9%</b>      | <b>1,177,513</b> | <b>30.7%</b>      | <b>922</b>   | <b>548</b>   | <b>68.3%</b>       |
| <b>Total operating revenue</b>                            | <b>5,088,392</b> | <b>100.0%</b>     | <b>3,835,659</b> | <b>100.0%</b>     | <b>2,367</b> | <b>1,784</b> | <b>32.7%</b>       |
| <b>Operating Expenses</b>                                 |                  |                   |                  |                   |              |              |                    |
| Provision for uncollectibles                              | 35,068           | 0.7%              | 83,050           | 2.2%              | 16           | 39           | (57.8%)            |
| Operations, maintenance, repairs and administrative       | 2,858,941        | 56.2%             | 2,038,831        | 53.2%             | 1,330        | 948          | 40.2%              |
| Additional pension obligation due to Supreme Court ruling | 694,916          | 13.7%             | 44,426           | 1.2%              | 323          | 21           | 1464.2%            |
| Interconnection cost                                      | 534,494          | 10.5%             | 385,256          | 10.0%             | 249          | 179          | 38.7%              |
| Concession and other taxes                                | 295,161          | 5.8%              | 233,019          | 6.1%              | 137          | 108          | 26.7%              |
| Other income, net   | (71,721)         | (1.4%)            | (17,759)         | (0.5%)            | (33)         | (8)          | 303.9%             |
| <b>Total operating expenses</b>                           | <b>4,346,859</b> | <b>85.4%</b>      | <b>2,766,823</b> | <b>72.1%</b>      | <b>2,022</b> | <b>1,287</b> | <b>57.1%</b>       |
| <b>EBITDA</b>   | <b>741,533</b>   | <b>14.6%</b>      | <b>1,068,836</b> | <b>27.9%</b>      | <b>345</b>   | <b>497</b>   | <b>(30.6%)</b>     |
| <b>EBITDA Margin</b>                                      | <b>15%</b>       | <b>0.0%</b>       | <b>28%</b>       | <b>0.0%</b>       | <b>15%</b>   | <b>28%</b>   | <b>(1,300 bps)</b> |
| Depreciation and amortization                             | 827,692          | 16.3%             | 857,680          | 22.4%             | 385          | 399          | (3.5%)             |

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|   |                 |               |                |              |             |             |                |
|---|-----------------|---------------|----------------|--------------|-------------|-------------|----------------|
| Total operating expenses                            | 5,174,551       | 101.7%        | 3,624,503      | 94.5%        | 2,407       | 1,686       | 42.8%          |
| <b>Operating Income (Loss)</b>                      | <b>(86,159)</b> | <b>(1.7%)</b> | <b>211,156</b> | <b>5.5%</b>  | <b>(40)</b> | <b>98</b>   | <b>N.M.</b>    |
| <b>Interest Income and Exchange Gain, net</b>       |                 |               |                |              |             |             |                |
| Interest income                                     | 85,572          | 1.7%          | 62,626         | 1.6%         | 40          | 30          | 36.6%          |
| Interest expense                                    | (27,393)        | (0.5%)        | (18,583)       | (0.5%)       | (13)        | (9)         | 47.4%          |
| Exchange gain, net                                  | 32,843          | 0.6%          | 3,910          | 0.1%         | 15          | 2           | 740.0%         |
| Interest income and exchange gain, net              | 91,022          | 1.8%          | 47,953         | 1.3%         | 42          | 23          | 89.8%          |
| <b>Income before Income Taxes</b>                   | <b>4,863</b>    | <b>0.1%</b>   | <b>259,109</b> | <b>6.8%</b>  | <b>2</b>    | <b>121</b>  | <b>(98.1%)</b> |
| <b>Income Tax</b>                                   |                 |               |                |              |             |             |                |
| Current   | 147,881         | 2.9%          | 91,193         | 2.4%         | 68          | 43          | 62.2%          |
| Deferred (benefit)                                  | (357,426)       | (7.0%)        | (257,728)      | (6.7%)       | (166)       | (120)       | 38.7%          |
| Total income tax (benefit)                          | (209,545)       | (4.1%)        | (166,535)      | (4.3%)       | (98)        | (77)        | 25.8%          |
| <b>Net Income</b>                                   | <b>214,408</b>  | <b>4.2%</b>   | <b>425,644</b> | <b>11.1%</b> | <b>100</b>  | <b>198</b>  | <b>(49.6%)</b> |
| <b>Net Income Attributable to:</b>                  |                 |               |                |              |             |             |                |
| Equity holders of the Company                       | 213,929         | 4.2%          | 423,463        | 11.0%        | 100         | 197         | (49.5%)        |
| Minority interest                                   | 479             | 0.0%          | 2,181          | 0.1%         |             | 1           | (78.0%)        |
| <b>Net Income</b>                                   | <b>214,408</b>  | <b>4.2%</b>   | <b>425,644</b> | <b>11.1%</b> | <b>100</b>  | <b>198</b>  | <b>(49.6%)</b> |
| <b>Earnings per Share</b>                           | <b>276</b>      |               | <b>549</b>     |              | <b>0.13</b> | <b>0.26</b> | <b>(49.6%)</b> |
| <b>Earnings per ADS (based on 7 shares per ADS)</b> | <b>1,934</b>    |               | <b>3,840</b>   |              | <b>0.90</b> | <b>1.79</b> | <b>(49.6%)</b> |
| <b>Average Shares Outstanding (in millions)</b>     | <b>776</b>      |               | <b>776</b>     |              | <b>776</b>  | <b>776</b>  |                |

**Balance sheet data**

As of December 31, 2005 and 2004

(Expressed in millions of bolivars and millions of US dollars)

|   | December 31,<br>2005 | December 31,<br>2004 | US\$<br>2005 | US\$<br>2004 |
|---|----------------------|----------------------|--------------|--------------|
| <b>Assets</b>   |                      |                      |              |              |
| <b>Non-Current Assets:</b>  |                      |                      |              |              |
| Property, plant and equipment, net of accumulated depreciation of Bs. 13,942,782 and Bs. 13,486,088, respectively | 3,483,063            | 3,423,333            | 1,620        | 1,592        |
| Cellular concession, net  | 150,088              | 155,769              | 70           | 72           |
| Long-term accounts receivable from Venezuelan Government entities   | 64,377               | 18,266               | 30           | 8            |
| Deferred tax asset  | 830,231              | 472,823              | 386          | 220          |
| Information systems (software), net   | 342,349              | 265,700              | 159          | 124          |
| Other assets  | 71,433               | 125,137              | 34           | 59           |
| <b>Total non-current assets</b>   | <b>4,941,541</b>     | <b>4,461,028</b>     | <b>2,299</b> | <b>2,075</b> |
| <b>Current Assets:</b>  |                      |                      |              |              |
| Other current assets  | 62,552               | 63,321               | 29           | 29           |
| Inventories, spare parts and supplies, net  | 312,255              | 254,056              | 145          | 118          |
| Accounts receivable from Venezuelan Government entities   | 188,095              | 182,007              | 87           | 85           |
| Accounts receivable, net of provision for uncollectibles of Bs. 71,286 and Bs. 96,879, respectively               | 687,039              | 468,630              | 320          | 218          |
| Cash and temporary investments  | 1,098,629            | 967,543              | 511          | 450          |
| <b>Total current assets</b>   | <b>2,348,570</b>     | <b>1,935,557</b>     | <b>1,092</b> | <b>900</b>   |
| <b>Total assets</b>   | <b>7,290,111</b>     | <b>6,396,585</b>     | <b>3,391</b> | <b>2,975</b> |
| <b>Stockholders Equity and Liabilities</b>  |                      |                      |              |              |
| <b>Stockholders Equity</b>  | 3,669,069            | 3,960,470            | 1,707        | 1,842        |
| <b>Non-Current Liabilities:</b>   |                      |                      |              |              |
| Long-term debt  | 63,338               | 92,837               | 29           | 43           |
| Deferred income tax liability   |                      | 73,274               |              | 34           |
| Provision for legal and tax contingencies   | 134,513              | 77,717               | 63           | 36           |
| Pension and other post-retirement benefit obligations   | 1,230,166            | 655,953              | 572          | 305          |
| <b>Total non-current liabilities</b>  | <b>1,428,017</b>     | <b>899,781</b>       | <b>664</b>   | <b>418</b>   |
| <b>Current Liabilities:</b>   |                      |                      |              |              |
| Current portion of the long-term debt   | 40,992               | 169,605              | 19           | 79           |
| Accounts payable  | 1,161,580            | 742,117              | 540          | 345          |
| Accrued employee benefits   | 92,608               | 78,413               | 43           | 36           |
| Current portion of pension and other post-retirement benefit obligations  | 348,532              | 95,983               | 162          | 45           |
| Income tax payable  | 77,352               | 56,303               | 36           | 26           |
| Dividends payable   |                      | 23,568               |              | 11           |
| Deferred revenue  | 184,518              | 143,802              | 86           | 67           |
| Concession tax  | 75,412               | 64,378               | 35           | 30           |
| Subscriber rights   | 69,462               | 74,791               | 32           | 35           |
| Other current liabilities   | 142,569              | 87,374               | 67           | 41           |
| <b>Total current liabilities</b>  | <b>2,193,025</b>     | <b>1,536,334</b>     | <b>1,020</b> | <b>715</b>   |

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|  |           |           |       |       |
|--|-----------|-----------|-------|-------|
| Total liabilities                          | 3,621,042 | 2,436,115 | 1,684 | 1,133 |
| Total stockholders' equity and liabilities | 7,290,111 | 6,396,585 | 3,391 | 2,975 |

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**Cash flow data**

For years ended December 30, 2005 and 2004

(Expressed in millions of bolivars and millions of US dollars)

|   | Bs.       | Bs.       | US\$  | US\$  |
|---|-----------|-----------|-------|-------|
|   | 2005      | 2004      | 2005  | 2004  |
| <b>Operating Activities:</b>  |           |           |       |       |
| Net income  | 214,408   | 425,644   | 100   | 198   |
| Adjustments to reconcile net income to net cash provided by operating activities:                                   |           |           |       |       |
| Exchange gain, net  | (32,843)  | (3,910)   | (15)  | (2)   |
| Minority interest   | (479)     | (2,181)   |       | (1)   |
| Depreciation and amortization   | 827,692   | 857,680   | 385   | 399   |
| Current income tax  | 147,881   | 91,193    | 68    | 43    |
| Deferred income tax (benefit)   | (357,426) | (257,728) | (166) | (120) |
| Provision for inventories obsolescence  | 912       | 46,491    |       | 22    |
| Provision for legal and tax contingencies   | 68,878    | 60,320    | 32    | 28    |
| Additional pension obligation due to Supreme Court ruling   | 694,916   | 44,426    | 323   | 21    |
| Provision for uncollectibles  | 35,068    | 83,050    | 16    | 39    |
| Changes in current assets and liabilities   | 248,433   | (8,757)   | 116   | (4)   |
| Changes in non-current assets and liabilities   | (197,289) | 63,376    | (91)  | 28    |
| Net cash provided by operating activities   | 1,650,151 | 1,399,604 | 768   | 651   |
| <b>Investing Activities:</b>  |           |           |       |       |
| Acquisition of information systems (software), net of disposals   | (141,733) | (49,602)  | (66)  | (23)  |
| Acquisition of property, plant and equipment, net of disposals  | (816,657) | (468,658) | (380) | (218) |
| Net cash used in investing activities   | (958,390) | (518,260) | (446) | (241) |
| <b>Free Cash Flow</b>   | 691,761   | 881,344   | 322   | 410   |
| <b>Financing Activities:</b>  |           |           |       |       |
| Proceeds from borrowings  | 69,095    | 44,505    | 32    | 21    |
| Payments of debt  | (243,007) | (204,902) | (113) | (96)  |
| Dividend payments   | (415,133) | (563,064) | (193) | (262) |
| (Purchase) assignment of shares for the workers benefit fund  | (2,255)   | 1,294     | (1)   | 1     |
| Net cash used in financing activities   | (591,300) | (722,167) | (275) | (336) |
| Increase in cash and temporary investments before effect of exchange rate changes on cash and temporary investments | 100,461   | 159,177   | 47    | 74    |
| Effect of exchange rate changes on cash and temporary investments   | 30,625    | 27,496    | 14    | 13    |
| Increase in cash and temporary investments  | 131,086   | 186,673   | 61    | 87    |
| Cash and temporary investments:   |           |           |       |       |
| Beginning of the year   | 967,543   | 780,870   | 450   | 363   |
| Beginning of the year   | 1,098,629 | 967,543   | 511   | 450   |



**Reconciliation of Non-GAAP financial measures***(Expressed in millions of bolivars and millions of US dollars)**For the quarters ended December 31, 2005 and 2004*

|  | Bs.            | Bs.            | US\$       | US\$       |
|--|----------------|----------------|------------|------------|
|  | 2005           | 2004           | 2005       | 2004       |
| <b>EBITDA</b>                          |                |                |            |            |
| Net Income                             | 137,713        | 18,009         | 64         | 8          |
| Plus / (minus):                        |                |                |            |            |
| Total income tax (benefit)             | 16,525         | 12,007         | 8          | 6          |
| Interest income and exchange gain, net | (18,432)       | (19,984)       | (9)        | (9)        |
| Depreciation and amortization          | 207,949        | 238,402        | 97         | 111        |
| <b>EBITDA</b>                          | <b>343,755</b> | <b>248,434</b> | <b>160</b> | <b>116</b> |
| EBITDA Margin                          |                |                |            |            |
| EBITDA                                 | = 343,755      | 248,434        | 160        | 116        |
| Total operating revenues               | 1,525,631      | 1,110,907      | 710        | 517        |
| <b>EBITDA Margin</b>                   | <b>23%</b>     | <b>22%</b>     | <b>23%</b> | <b>22%</b> |

*For the years ended December 31, 2005 and 2004*

|  | Bs.            | Bs.              | US\$       | US\$       |
|--|----------------|------------------|------------|------------|
|  | 2005           | 2004             | 2005       | 2004       |
| <b>EBITDA</b>                          |                |                  |            |            |
| Net Income                             | 214,408        | 425,644          | 100        | 198        |
| Plus / (minus):                        |                |                  |            |            |
| Total income tax (benefit)             | (209,545)      | (166,535)        | (98)       | (77)       |
| Interest income and exchange gain, net | (91,022)       | (47,953)         | (42)       | (23)       |
| Depreciation and amortization          | 827,692        | 857,680          | 385        | 399        |
| <b>EBITDA</b>                          | <b>741,533</b> | <b>1,068,836</b> | <b>345</b> | <b>497</b> |
| EBITDA Margin                          |                |                  |            |            |
| EBITDA                                 | = 741,533      | 1,068,836        | 345        | 497        |
| Total operating revenues               | 5,088,392      | 3,835,659        | 2,367      | 1,784      |
| <b>EBITDA Margin</b>                   | <b>15%</b>     | <b>28%</b>       | <b>15%</b> | <b>28%</b> |
| <b>Cash Earnings</b>                   |                |                  |            |            |
| Net income                             | 214,408        | 425,644          | 100        | 198        |
| Plus / (minus):                        |                |                  |            |            |
| Exchange gain, net                     | (32,843)       | (3,910)          | (15)       | (2)        |
| Minority interest                      | (479)          | (2,181)          | (1)        | (1)        |
| Depreciation and amortization          | 827,692        | 857,680          | 385        | 399        |
| Current income tax                     | 147,881        | 91,193           | 68         | 43         |
| Deferred income tax (benefit)          | (357,426)      | (257,728)        | (166)      | (120)      |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Provision for inventories obsolescence                    | 912               | 46,491            | 22                |                   |
| Provision for legal and tax contingencies                 | 68,878            | 60,320            | 32                | 28                |
| Additional pension obligation due to Supreme Court ruling | 694,916           | 44,426            | 323               | 21                |
| Provision for uncollectibles                              | 35,068            | 83,050            | 16                | 39                |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Cash Earnings</b>                                      | 1,599,007         | 1,344,985         | 743               | 627               |
| Free Cash Flow  |                   |                   |                   |                   |
| Net cash provided by operating activities                 | 1,650,151         | 1,399,604         | 768               | 651               |
| Minus:  |                   |                   |                   |                   |
| Net cash used in investing activities                     | (958,390)         | (518,260)         | (446)             | (241)             |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Free cash flow</b>                                     | 691,761           | 881,344           | 322               | 410               |

As of December 31, 2005 and 2004

|                                | <b>December 31,</b> | <b>December 31,</b> | <b>US\$</b>       | <b>US\$</b>       |
|--------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                | <b>2005</b>         | <b>2004</b>         | <b>2005</b>       | <b>2004</b>       |
|                                | <u>          </u>   | <u>          </u>   | <u>          </u> | <u>          </u> |
| Cash and temporary investments |                     |                     |                   |                   |
| Cash and temporary investments | 1,098,629           | 967,543             | 511               | 450               |
| Minus:                         |                     |                     |                   |                   |
| Long-term debt                 | (63,338)            | (92,837)            | (29)              | (43)              |
| Short-term debt                | (40,992)            | (169,605)           | (19)              | (79)              |
|                                | <u>          </u>   | <u>          </u>   | <u>          </u> | <u>          </u> |
| <b>Net cash position</b>       | 994,299             | 705,101             | 463               | 328               |

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**2006 GUIDANCE**

Macroeconomic indicators presented here are based on a compilation of market consensus and constitute the Company's working scenario assumed to define the Guidance for operating and financial indicators

To improve understanding of guidance targets, growth ranges shown below that are implicit in guidance objectives for financial indicators, are calculated over year 2005 results adjusted to exclude the effect of the Supreme Court's July, 2005 decision

**MACROECONOMIC INDICATORS**

|  | Range |       |
|--|-------|-------|
|  | From  | To    |
| <b>Economic growth</b>                 |       |       |
| Total GDP Growth                       | 6%    | 8%    |
| Oil GDP Growth                         | 0%    | 2%    |
| Average oil price (US \$ per barrel) * | 51    | 57    |
| Non-Oil GDP Growth                     | 7%    | 9%    |
| Communication GDP                      | 13%   | 15%   |
| <b>Exchange rate (Bs./US\$)</b>        |       |       |
| Average                                | 2,150 | 2,150 |
| Year-end                               | 2,150 | 2,150 |
| Devaluation (Year-to-Year)             | 0     | 0     |
| <b>Inflation (CPI)</b>                 |       |       |
| CPI                                    | 13%   | 15%   |
| WPI                                    | 14%   | 16%   |

\* Venezuelan basket

**KEY OPERATING INDICATORS**

|                                      | End of year |       | Growth range |       | Actual 2005 |
|--------------------------------------|-------------|-------|--------------|-------|-------------|
|                                      | From        | To    | From         | To    |             |
| <b>Fixed</b>                         |             |       |              |       |             |
| Fixed access lines *                 | 3,206       | 3,238 | 3.5%         | 4.5%  | 3,098       |
| ADSL lines                           | 400         | 430   | 45.0%        | 49.0% | 290         |
| <b>Mobile subscribers</b>            |             |       |              |       |             |
| Regulated Tariffs Effective Increase |             |       | 0.0%         | 7.0%  |             |

\* Excludes ADSL and private circuits

**KEY FINANCIAL INDICATORS**

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(in billions of Bs.)

|   | Full year |       | Growth range * |     | Year 2005   |        |
|---|-----------|-------|----------------|-----|-------------|--------|
|   | From      | To    | From           | To  | Adjusted ** | Actual |
| Revenue                                   | 6,600     | 6,700 | 30%            | 32% | 5,088       | 5,088  |
| Cash operating expenses                   | 4,700     | 4,600 | 29%            | 26% | 3,653       | 4,347  |
| EBITDA                                    | 1,900     | 2,100 | 33%            | 46% | 1,435       | 741    |
| <i>EBITDA Margin (bp and percentages)</i> | 29%       | 31%   | 59             | 314 | 28%         | 15%    |
| Net Income (loss)                         | 890       | 980   | 32%            | 46% | 673         | 214    |
| CAPEX                                     | 1,030     | 1,120 | 7%             | 17% | 958         | 958    |
| Free Cash Flow                            | 860       | 960   | 24%            | 39% | 692         | 692    |

\* For illustrative purposes, estimated as percentages of adjusted year 2005 figures

\*\* Excluding the effect of the July 26, 2005 Supreme Court's decision on pension litigation

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**COMPANY PROFILE**

Cantv, a Venezuelan corporation, is the leading Venezuelan telecommunications services provider with almost 3.1 million switched fixed access lines in service, almost 5.2 million mobile subscribers and almost 307 thousand broadband subscribers as of December 31, 2005. The Company's principal strategic stockholder is a wholly-owned subsidiary of Verizon Communications Inc. with 28.5% of the capital stock. Other major stockholders include the Venezuelan Government with 6.6% of the capital stock (Class B Shares), employees, retirees and employee trusts which own 6.7% (Class C Shares) and the remaining 58.2% of the capital stock is held by public and other stockholders.

**SAFE HARBOR FOR FORWARD LOOKING STATEMENTS:**

*This press release contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those predicted in such forward-looking statements. Factors which may cause actual results to differ materially from those discussed herein include economic considerations that could affect demand for telecommunications services and the ability of the Company to make collections, inflation, regulatory factors, exchange controls and occurrences in currency markets, competition, labor relations, legal proceedings and the risk factors set forth in the Company's various filings with the Securities and Exchange Commission, including its most recently filed Annual Report on Form 20-F. The Company undertakes no obligation to revise these forward-looking statements to reflect events or circumstances after the date hereof, and claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.*

**GLOSSARY OF KEY TERMS**

|                                      |   |
|--------------------------------------|---|
| <b>ADSL:</b>                         | Asymmetrical Digital Subscriber Lines.  |
| <b>ARPU:</b>                         | Average monthly revenue per user excluding terminal equipment sales, taxes and late-payment charges.  |
| <b>Bundled minutes:</b>              | Actual minutes used by the customer within the minutes allowed under variously priced monthly customer tariff plans that include a maximum number of allowed minutes within the monthly tariff. |
| <b>Capital expenditures (CAPEX):</b> | Net cash used in investing activities, including acquisition of property, plant and equipment and information systems.  |
| <b>Cash earnings:</b>                | Net income adjusted for non cash items or adjustments to reconcile net income to net cash provided by operating activities.   |
| <b>EBITDA:</b>                       | Earnings before interest, taxes, depreciation and amortization, equivalent to operating income plus depreciation and amortization.  |
| <b>EBITDA margin:</b>                | EBITDA as a percent of total operating revenue.   |
| <b>EPADS:</b>                        | Earnings per ADS.   |
| <b>Free cash flow (FCF):</b>         | Cash flow from operating activities minus cash used in investing activities.  |
| <b>IXC:</b>                          | Interconnection.  |
| <b>Net cash position:</b>            | Cash and temporary investments minus short-term and long-term debt.   |
| <b>SMS:</b>                          | Short text mobile messaging service.  |
| <b>Switched access lines:</b>        | Fixed access lines including Residential, non Residential and Public Telephony.   |
| <b>Total debt:</b>                   | Short-term plus long-term debt.   |

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**Unbundled minutes:**

Minutes in excess of the limits set forth in a specific monthly customer tariff plan that are billed to the customer on a per minute basis in addition to the basic monthly tariff plan that the customer has selected.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPañIA ANONIMA NACIONAL

TELEFONOS DE VENEZUELA, (CANTV)

By: /s/ Armando Yañes  
Armando Yañes  
Chief Financial Officer

Date: February 24, 2006