

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.

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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**

	Revenue (in millions of Bs.)				Minutes (in millions)			
	4Q05	4Q04	Inc./Dec.)	%	4Q05	4Q04	Inc./Dec.)	%
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).