

NATIONAL TELEPHONE CO OF VENEZUELA

Form 6-K

November 01, 2005

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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 November 2005

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.

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Form 20-F Form 40-F

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 Yes 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 third quarter press release and supplemental data, dated October 26, 2005, pertaining to the financial condition and results of operations at and for the quarter ended September 30, 2005. 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 financial results for the quarter ended September 30, 2005 are unaudited.

This report may contain statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. 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. 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, 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.

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CANTV ANNOUNCES THIRD QUARTER 2005 RESULTS

Strong Mobile and Broadband growth drove an 11.0% increase in revenue. Mobile customer base exceeded the 4 million mark. Negative EBITDA and Net Income attributable to an increased provision for pension contingency

HIGHLIGHTS

Total revenue grew 11.0% over third quarter 2004 due to sustained strong growth in Mobile and Broadband segments.

Our Mobile and Broadband customer bases posted 45.8% and 80.4% increases, respectively, over third quarter 2004.

Third quarter mobile net additions exceeded 405 thousand driving our mobile customer base to over 4 million subscribers.

Continued strong ABA (ADSL) sales increased our customer base to almost 245 thousand subscribers, a 92.5% increase over third quarter 2004.

Sustained growth in our fixed customer base with a year over year increase of 8.7%.

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September year to date CAPEX reflects a Bs. 219.3 billion increase over 2004. The increase is consistent with the Company's initiatives to expand coverage and capacity as well as improve the quality of its service offerings.

Cantv's provision for pension contingency was increased by Bs. 630.7 billion to Bs. 714.9 billion to reflect estimated additional pension liabilities associated with the Social Chamber's July 26 decision. Cash payments to settle retroactive obligations and the adjustment of our pension benefit obligation based on revised plan guidelines are expected to be made once the amounts of pensions are finally determined by the Court that will be assigned to execute the judgment of the Social Chamber of the Supreme Court.

Third Quarter EBITDA decreased significantly to negative Bs. 300.3 billion, primarily as a result of the increase in Cantv's provision for pension contingency to reflect estimated additional pension liabilities. Excluding the impact of the incremental provision, EBITDA and EBITDA margin would have been Bs. 330.4 billion and 25%, respectively.

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Financial results are stated in accordance with Generally Accepted Accounting Principles in Venezuela. Amounts in Bolivars (the local currency) have been adjusted for inflation as of September 30, 2005. 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.

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On October 14, 2005, the Social Chamber of the Supreme Court of Venezuela (the Social Chamber) released a decision concerning their July 26, 2005 ruling 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 of retirees of Cantv. In its new decision, the Social Chamber declined to consider Cantv's request for clarification of the Social Chamber's July ruling on the adjustment of Cantv's pension obligations to its retirees. The case now goes to a lower court for execution of the Social Chamber's decision. Cantv will defend its interpretation of the decision and pursue its legal rights.

To reflect the estimated retroactive settlement and additional pension liabilities associated with the Social Chamber's decision, Cantv increased its provision for pension contingency in the third quarter by Bs. 630.7 billion to Bs. 714.9 billion. The estimated liability is based on the Company's interpretation of the decision which requires pensions to be adjusted to minimum wage after December 1999. Cash payments to settle retroactive obligations and the adjustment of our pension benefit obligation based on revised plan guidelines are expected to be made once the amounts of pensions are finally determined by the Court that will be assigned to execute the judgment of the Social Chamber of the Supreme Court.

Cantv's previously issued 2005 Guidance does not include any consideration regarding the current and potential impact of the pension litigation. In addition to actual results, the Company provides EBITDA and Net Income figures excluding the impact of the increase in provision for pension contingency for the third quarter 2005 earnings release to allow for comparisons to previously reported results and our 2005 Guidance.

A separate section is included on page 16 to present a summary of our Initial Assessment of Adoption of International Financial Reporting Standards (IFRS) as required by the Comisión Nacional de Valores (CNV) (the Venezuelan Securities Commission), to be adopted beginning January 1, 2006. A brief description of applicable changes to Cantv under IFRS and their impact on the December 31, 2004 balance sheet used as base year for adopting the new standards, is presented in that section.

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

Billions of Bs. and %

	<u>3Q05</u>	<u>3Q04</u>	<u>Inc./ (Dec.)</u>	<u>%</u>
Revenue	1,303.6	1,174.4	129.2	11.0%
EBITDA	(300.3)	394.2	(694.5)	N.M.
EBITDA Margin	(23%)	34%	N.M.	N.M.
Net Income (Loss)	(437.1)	158.0	(595.1)	N.M.
EPADS (Bs.)	(3,943)	1,426	(5,369)	N.M.
	Sep 05YTD	Sep 04YTD	Inc./ (Dec.)	%

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	3Q05	3Q04	Inc./ (Dec.)	%
Revenue	3,741.7	3,320.4	421.3	12.7%
EBITDA	397.8	1,176.5	(778.7)	(66.2%)
EBITDA Margin	11%	35%	(2400 bps)	N.M.
Net Income	(145.3)	371.3	(516.6)	N.M.
EPADS (Bs.)	(1,311)	3,349	(4,660)	N.M.
CAPEX	595.2	375.9	219.3	58.3%
Free Cash Flow	440.6	816.9	(376.3)	(46.1%)
Debt payments	247.7	259.5	(11.8)	(4.5%)
Subscribers (thousands)				
Fixed	3,043	2,798	245	8.7%
Residential	2,340	2,125	215	10.1%
Non-residential	603	580	23	4.0%
Public Telephones	100	93	7	8.1%
Mobile	4,004	2,747	1,257	45.8%
Postpaid	238	215	23	10.8%
Prepaid	3,766	2,532	1,234	48.8%
Broadband	262	145	117	80.4%
ABA (ADSL) lines	245	127	118	92.5%
Private Circuits	17	18	(1)	(5.3%)
Traffic (millions of minutes)				
Fixed Local	3,568	3,640	(72)	(2.0%)
Fixed DLD and ILD	614	660	(46)	(7.0%)
Mobile	949	674	275	40.8%

N.M.= Not meaningful

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

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REVENUE ANALYSIS

Strong mobile and broadband revenue continued to drive top line growth

Operating revenue totaled Bs. 1,303.6 billion during third quarter 2005, a Bs. 129.2 billion (11.0%) increase over third quarter 2004.

Third quarter 11.0% year-over-year revenue growth was driven by 34.9% and 36.5% increases in mobile and broadband revenue, respectively, partially offset by a 7.2% decrease in fixed telephony revenue. As a percentage of total revenue, third quarter mobile revenue increased from 31.4% in third quarter 2004 to 38.1% in third quarter 2005 (See Figure 2).

Figure 2 - Revenue

Customer base growth in our three business segments contributed to our overall 11.0% revenue growth. The fixed telephony revenue decline resulted mainly from a decrease in real tariffs. Mobile revenue growth was driven by a larger customer base and increased handset sales. Broadband revenue increase resulted from a larger customer base.

Fixed

Access Lines:

Ninth quarter of continued growth in access lines

Total lines in service increased 8.7% on a year-over-year basis and passed the 3 million line threshold. Nearly 72 thousand net additions were generated during third quarter 2005 marking our ninth consecutive quarter of subscriber growth (see Figure 3).

Figure 3 - Lines in Service

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These net additions were 36.0% higher than those generated during the same period in 2004. The third quarter growth was driven by a 57,807 residential lines increase, 11,715 non-residential lines increase and 2,238 new public telephony lines. Our prepaid product continues to drive our fixed line growth with third quarter net additions of 66,635 lines.

Internet Subscribers Dial-up and Broadband:

Internet subscribers grew 43.2% on a year-over-year basis from 325 thousand to 465 thousand, of which broadband (ADSL) subscribers increased as a percentage of total Internet subscribers from 39.1% at the end of September 2004 to 52.6% at the end of third quarter 2005.

Local Service Revenue:

Local service revenue decreased by 9.9% as residential tariffs continue frozen

Third quarter 2005 local service revenue of Bs. 235.3 billion was Bs. 25.9 billion lower (9.9%) than the same period in 2004.

The decline in revenue primarily reflects the absence of a tariff increase and the resulting decrease in real residential tariffs, partially offset by Company's actions towards continuing line growth and

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implementing programs to stimulate usage. Failure by CONATEL to approve residential tariffs increases since 2003, has resulted in 11.9% and 12.0% third quarter 2005 year-over-year real reductions in the weighted average usage and monthly recurring charge tariffs.

Figure 4 - Local Service Revenue

	<i>(in millions of Bs.)</i>			
	3Q05	3Q04	Inc./Dec.	%
Monthly recurring charge	128,409	142,378	(13,969)	(9.8%)
Installation & Equipment	10,510	6,166	4,344	70.5%
Usage	96,331	112,630	(16,299)	(14.5%)
Total	235,250	261,174	(25,924)	(9.9%)

The monthly recurring charges component of local service revenue dropped 9.8% during third quarter 2005 compared to third quarter 2004 (see Figure 4). This decline was driven by 11.8% and 13.6% weighted average rate reductions in residential and non-residential postpaid tariffs. These declines were partially offset by a 3.2% increase in non-residential postpaid lines. Almost all prepaid lines, which represent 25.6% of fixed lines as of September 2005, do not generate monthly recurring charges.

Figure 5 - Local Unbundled Minutes

	<i>(in millions)</i>			
	3Q05	3Q04	Inc./Dec.	%
Residential	1,526	1,573	(47)	(3.0%)
Non-residential	836	819	17	2.1%
Public telephony	167	194	(27)	(13.9%)
Total	2,529	2,586	(57)	(2.2%)

The 70.5% increase in installation and equipment revenue compared to third quarter 2004 was primarily attributable to a 118.4% increase in equipment sales mainly related to the fixed wireless product in the residential segment fueled by stronger advertising and promotions.

Local usage revenue decreased 14.5% due to a 11.9% real decrease in the weighted average tariff combined with a slight decrease of 2.2% in unbundled (billed) minutes. As shown in Figure 5, the 2.1% increase in non-residential traffic was offset by reductions of 3.0% and 13.9% in residential and public telephony traffic, respectively. The 2.1% increase in non-residential unbundled minutes is attributable to the 4.0% increase in new lines.

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The reduction of 13.9% in public telephony traffic was driven by a 36.7% decrease in traffic generated by traditional payphones partially offset by a 23.1% increase in traffic generated through Telecommunication Centers.

In addition, a new lower denomination (Bs. 2,000) prepaid card was introduced during third quarter 2005 to enhance the Company's offer to the lower segment and improve our competitiveness against informal telecommunications vendors.

Domestic Long Distance Revenue:

DLD revenue decreased 12.4%. Higher unbundled traffic partially offset revenue reduction

Domestic Long Distance (DLD) revenue decreased Bs. 10.6 billion (12.4%) compared to third quarter 2004 (see Figure 6).

Compared to the same period in 2004, third quarter 2005 residential unbundled DLD revenue decreased 3.9% to Bs. 19.0 billion. The Bs. 0.8 billion decrease in residential domestic long distance revenue was driven by a 14.2% decrease in weighted average real rates, partially offset by a 12.5% increase in unbundled traffic.

Non-residential domestic long distance revenue decreased Bs. 4.3 billion to Bs. 32.4 billion. This 11.8% decline is attributable to a 13.3% average tariff decrease combined with a 1.8% decline in traffic (see Figure 6).

Compared to third quarter 2004, Public telephony domestic long distance revenue declined by Bs. 5.2 billion to Bs. 8.3 billion. This 38.4% decline was attributable to an 11.6% real term reduction in

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tariffs, a 4.3% reduction in traffic, and Bs. 2.3 billion in higher commissions paid to Telecommunications Centers franchisees which are reflected as a revenue reduction.

Figure 6 - DLD Revenue

	<i>Revenue (in millions of Bs.)</i>				<i>Minutes (in millions)</i>			
	<u>3Q05</u>	<u>3Q04</u>	<u>Inc./Dec.</u>	<u>%</u>	<u>3Q05</u>	<u>3Q04</u>	<u>Inc./Dec.</u>	<u>%</u>
Residential	19,038	19,817	(779)	(3.9%)	135	120	15	12.5%
Non-residential	32,386	36,707	(4,321)	(11.8%)	166	169	(3)	(1.8%)
Public telephony	8,343	13,535	(5,192)	(38.4%)	66	69	(3)	(4.3%)
Total Unbundled	59,767	70,059	(10,292)	(14.7%)	367	358	9	2.5%
Nights and Weekends	14,713	14,975	(262)	(1.7%)	180	239	(59)	(24.7%)
Total	74,480	85,034	(10,554)	(12.4%)	547	597	(50)	(8.4%)

The revenue decline in our bundled DLD plans *Noches y Fines de Semana Libres* was due to a 24.7% drop in traffic driven by a 22.1% decline in subscribers, partially offset by higher weighted average real tariffs and the introduction of *Plan Nacional 3000*. This new DLD plan offering 3000 bundled seconds has retained most of the customers transitioned from our traditional DLD offerings, and represents 47.5% of total DLD customers as of third quarter 2005.

International Long Distance Revenue and Net Settlements:**ILD revenue increased 6.0% driven by 3.5 billion increase in net settlements revenue**

Third quarter 2005 International Long Distance (ILD) revenue of Bs. 32.8 billion (2.5% of total revenue) reflected a 6.0% increase over third quarter 2004 results, mainly due to a Bs. 3.5 billion increase in net settlements revenue partially offset by Bs. 1.6 billion (5.1%) decrease in outgoing revenue. This decrease reflected a 15.4% reduction in weighted average tariffs partially offset by a 6.3% increase in traffic (see Figure 7). The ILD tariffs drop is primarily attributable to competitive pressures.

Figure 7 - ILD Minutes

	<i>(in millions)</i>			
	<u>3Q05</u>	<u>3Q04</u>	<u>Inc./Dec.</u>	<u>%</u>
Incoming minutes	116	61	55	90.2%

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Outgoing minutes	<u>67</u>	<u>63</u>	<u>4</u>	<u>6.3%</u>
Net Settlements	49	(2)	51	N.M.
Incoming/Outgoing ratio	1.73	0.97		