- charge for interconnection based on the "real costs and a profit" as provided in the Federal Telecommunications Act of 1996;

- provide for the reselling of all services offered on a retail basis; and

- provide other telecommunications companies with access to poles, ducts, conduits and rights of way, directory assistance, telephone directories, 911 service and operation support systems, for which we will be compensated.

WE HAVE EXPERIENCED SERVICE DELIVERY AND CUSTOMER SERVICE PROBLEMS AND FACE WORKFORCE CHALLENGES, ALL OF WHICH MAY INHIBIT OUR ABILITY TO COMPETE EFFECTIVELY WITH OTHER INDUSTRY PARTICIPANTS

Our ability to compete effectively will depend upon our ability to offer high quality, market-driven services at prices generally equal to or below those charged by our competitors. Our ability to respond to these challenges could be affected by:

- our lack of experience in managing our operations as a private company;

- the increasingly competitive environment in the telecommunications industry;

- outmoded operational processes, many of which are currently manually intensive; and

- our failure to fill new orders for basic wireline service expeditiously due to delays in processing and execution and because equipment and components are unavailable.

In addition, our predominantly unionized work-force needs to become more service-oriented. To change our work rules, we will need to engage in collective bargaining with our unions and modify existing agreements which expire in 1999 and 2000. In 1998, our unions organized a 41-day work stoppage to protest the privatization of our company. In 1997, there were sporadic protests after the privatization was originally announced. We cannot predict the outcome of the upcoming collective bargaining negotiations.

WE OPERATE ONLY IN PUERTO RICO AND ARE EXPOSED TO NATURAL DISASTERS AND OTHER LOCAL RISKS WHICH MAY SIGNIFICANTLY AFFECT OUR OPERATIONS

Puerto Rico has been, and in the future may be, affected by natural disasters, including hurricanes, earthquakes and tropical storms, as evidenced by Hurricane Georges. On September 21, 1998, Hurricane Georges struck Puerto Rico and caused considerable property damage to our service area in general, including our telecommunications systems. Future hurricanes, tropical storms, earthquakes and other natural disasters could have a material adverse effect on our business due to resulting damage to our network facilities or from curtailed telephone traffic resulting from the effects of these events, such as the destruction of homes and businesses. For a discussion of the effects of Hurricane Georges on our operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Hurricane Georges."

In addition, in 1996 Section 936 of the United States Internal Revenue Code was amended to phase out and eliminate significant federal tax benefits for specified companies with operations in Puerto Rico. It is not possible at this time to determine what long-term effects these amendments will have on the Puerto Rico economy or our business. These amendments may, however, adversely

affect future growth in Puerto Rico's economy and consequently, our business.

WE FACE RISKS ASSOCIATED WITH RAPIDLY CHANGING TECHNOLOGY -- OUR FAILURE TO OBTAIN EFFECTIVE TECHNOLOGY AND EQUIPMENT MAY ADVERSELY AFFECT OUR ABILITY TO PROVIDE COMPETITIVE PRODUCTS AND SERVICE

The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new products and services, increased availability of transmission capacity, and the increasing utilization of the Internet for voice and data transmission. Our success will depend substantially on the ability of our management and controlling shareholders to predict which of the many possible current and future networks, products and services will be important to finance, establish and maintain. The cost of implementing emerging and future technologies could be significant, and we may not select appropriate technology and equipment or obtain appropriate new technology on a timely basis and/or on satisfactory terms.

In addition, the introduction of new products or technologies may reduce the cost or increase the supply of certain services similar to those that we provide. As a result, our most significant competitors in the future may be new entrants to the telecommunications industry.

THE LOCAL TELEPHONY AND LONG DISTANCE INDUSTRIES ARE SUBJECT TO SIGNIFICANT GOVERNMENT REGULATION WHICH MAY INCREASE OUR COST OF PROVIDING SERVICES, LIMIT OUR EXPANSION INTO NEW MARKETS AND SUBJECT US TO PENALTIES FOR NON-COMPLIANCE

We are required to obtain and maintain licenses, permits and other regulatory approvals from the FCC and the Telecommunications Regulatory Board of Puerto Rico in connection with some of our services. Any of the following could have an adverse effect on our business:

- failure to establish tariffs in accordance with federal and local regulations;
- failure to comply with federal or local laws and regulations;
- failure to obtain and maintain required licenses and permits; and
- burdensome or adverse regulatory requirements or developments.

We are also required to file tariffs for many of our services and to comply with local license or permit requirements relating to installation and operation of our network. For more information regarding the regulatory environment in Puerto Rico, see "Business -- Regulatory Environment in Puerto Rico."

IF OUR COMPUTER SYSTEMS AND SOFTWARE FAIL TO COMPLY WITH YEAR 2000 REQUIREMENTS, WE COULD FACE SERVICE DISRUPTIONS, BILLING DIFFICULTIES AND OTHER PROBLEMS

The Year 2000 issue is the result of computer programs using two digits rather than four to define the applicable year. Because of this programming convention, software, hardware or firmware may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures, miscalculations or errors causing disruptions of operations or other business problems including, among others, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. The billing system for Celulares Telefonica is currently being customized, installed and tested by its third party developer and is scheduled to be installed by the end of October 1999. The billing system is Year 2000 compliant; however, if it is not ready on time, we may experience significant Year 2000 problems. We may also face significant Year 2000 problems if the business processes or systems of our key suppliers or customers fail. Although we have been addressing our Year 2000

exposure since the second quarter of 1997, we cannot know the actual effects of the Year 2000 issue on our business and operations until the year 2000. We cannot be certain that full compliance will be achieved.

FRAUDULENT CONVEYANCE -- U.S. FEDERAL AND PUERTO RICO STATUTES ALLOW COURTS, UNDER SPECIFIC CIRCUMSTANCES, TO VOID SOME CLAIMS IN RESPECT OF THE EXCHANGE NOTES AND THE SUBSIDIARY GUARANTEES AND REQUIRE NOTEHOLDERS TO RETURN PAYMENTS RECEIVED

Under applicable provisions of the federal bankruptcy law or comparable provisions of the Commonwealth of Puerto Rico fraudulent conveyance law, claims in respect of the exchange notes could be avoided or subordinated to some or all of our other debts or those of Puerto Rico Telephone Company, Celulares Telefonica or any future subsidiary guarantor and payments made in respect of the exchange notes or guarantees may be required to be returned. This avoidance, subordination or returned payment would occur if at the time we incurred the indebtedness evidenced by the exchange notes and at the time that Puerto Rico Telephone Company, Celulares Telefonica or any future subsidiary guarantor, issued its guarantee, we or our subsidiary guarantors, among other things:

- incurred the debt with the intent to hinder, delay or defraud a present or future creditor; or

- received less than reasonably equivalent fair value or fair consideration for the incurrence of the debt; and

(1) we were or are insolvent or rendered insolvent by reason of such incurrence; or

(2) we were or are engaged in a business or transaction for which the assets remaining with our company constituted unreasonably small capital; or

(3) we intended or intend to incur, or believed or believe that we or our subsidiaries would incur, debts beyond an ability to pay such debts as they mature; or

(4) we are subject to an outstanding unsatisfied money judgment or attachment writ not subsequently satisfied or vacated, upon which the aggrieved creditor cannot recover.

A creditor of Puerto Rico Telephone Company, Celulares Telefonica or any future subsidiary guarantor may challenge the guarantee of the exchange notes on fraudulent conveyance grounds by alleging that, among other things Puerto Rico Telephone Company, Celulares Telefonica or any future subsidiary guarantor, as the case may be, did not receive fair value for its guarantee. To the extent one of our subsidiary's guarantee of the exchange notes is avoided, you would cease to have any claim in respect of that guarantee and would be creditors solely of us and of the subsidiary whose guarantee was not avoided.

We believe that the issuance of the exchange notes by us and the issuance of the guarantees by Puerto Rico Telephone Company and Celulares Telefonica complied with fraudulent conveyance laws. However, we cannot predict the precise standard a court might apply, including whether or not a court would take into account equitable considerations, or whether a court's conclusion would be the same as our views with respect to these issues.

ABSENCE OF A PUBLIC MARKET FOR THE EXCHANGE NOTES -- YOU CANNOT BE SURE THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THESE EXCHANGE NOTES

The exchange notes are a new issue of securities for which there is no

active trading market. The members of the initial syndicate have advised us that they currently intend to make a market in the old notes and, when issued, the exchange notes, although they are under no obligation to do so and they may stop any market-making activities without notice. Therefore, there can be no assurance as to the future development of a market for the exchange notes, the ability of the holders of the exchange notes to sell their exchange notes, or the price for which those holders would be able to sell their exchange notes. In addition, the liquidity of, the trading market and the market price quoted for, these exchange notes may be disproportionately affected by:

- changes in the overall market for debt securities;

- adverse economic, social, political, regulatory or governmental developments in Puerto Rico;

- changes in our financial performance or prospects; and

- changes in the prospects for companies in our industry in general.

We do not intend to apply for listing or quotation of the exchange notes on any national securities exchange or through the National Association of Securities Dealers Automated Quotation System. As a result, you cannot be sure that an active market for these exchange notes will develop.

IF YOU DO NOT EXCHANGE YOUR OLD NOTES FOR EXCHANGE NOTES, YOUR OUTSTANDING NOTES MAY TRADE AT A DISCOUNT AND YOU MAY NOT BE ABLE TO SELL YOUR OLD NOTES

In the event the exchange offer is consummated, we will not be required to register the outstanding old notes under the Securities Act. In this event, the exchange notes would rank equally with the outstanding old notes. However, holders of outstanding old notes seeking liquidity in their investment would have to rely on exemptions from registration requirements under the securities laws, including the Securities Act. A reduction of the aggregate principal amount of the currently outstanding old notes as a result of the exchange offer may have an adverse effect on the ability of holders of outstanding old notes to sell the notes or on the price at which a holder could sell the notes.

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS WHICH ARE INHERENTLY UNCERTAIN

This prospectus contains forward-looking statements, including the statements about our plans, strategies and prospects under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These forward-looking statements reflect our views with respect to our financial performance and future events. All forward-looking statements contained in this prospectus are inherently uncertain. Although we believe that these statements accurately reflect our plans and expectations, economic and social conditions in the U.S. and Puerto Rico, the effects of increased competition and significant government regulation, as well as other risks described in this section and elsewhere in this prospectus, could cause actual results to differ materially and adversely from these forward-looking statements. Words such as "believe," "expect," "intend," "estimate," "strategy," "plans," "may," "should" and "anticipate" and similar expressions identify forward-looking statements. We caution you not to place reliance on these forward-looking statements.

You should not regard the inclusion of forward-looking statements in this prospectus as a representation by us or any other person that the projected results will be achieved or that we will inform you about changes in our projections.

THE EXCHANGE OFFER

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

We originally sold the old notes on May 13, 1999 to a syndicate of investment banks in accordance with the terms of the purchase agreement. The syndicate subsequently resold the old notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in accordance with the terms of Regulation S under the Securities Act.

As a condition to the purchase agreement, we entered into the registration rights agreement with the syndicate pursuant to which we agreed to:

(1) file a registration statement within 90 days after the date on which the old notes were issued with respect to an offer to exchange the old notes for the exchange notes. The exchange notes will have terms substantially identical to the old notes, except that the exchange notes will not be subject to transfer restrictions and registration rights;

(2) cause the exchange offer registration statement to be declared effective under the Securities Act within 150 days after the date on which the old notes were originally issued; and

(3) consummate the exchange offer on or prior to the 180th day following the date of the original issuance of the old notes.

Upon the exchange offer registration statement being declared effective, we will offer the exchange notes in exchange for surrender of the old notes. We will keep the exchange offer open for not less than 20 business days and not more than 40 business days after the date that notice of the exchange offer is mailed to the holders of the old notes. For each of the old notes surrendered to us pursuant to the exchange offer, the surrendering holder will receive exchange notes having a principal amount equal to that of the surrendered old notes. Interest on each exchange note will accrue from the later of

(1) the last interest payment date on which interest was paid on the old note surrendered; or

(2) from the date of the original issue of the old note, if no interest has been paid on the old note.

Under existing interpretations of the Commission contained in several no-action letters to third parties, the exchange notes will be freely transferable by holders that are not our affiliates after the exchange offer without further registration under the Securities Act. These letters include Exxon Capital Holdings Corporation (available as of May 13, 1988) and Morgan Stanley and Co. Inc. (available as of June 5, 1991). However, in order for the exchange notes to be freely transferable in accordance with the Commission's no-action letters, each holder that wishes to exchange its old notes for exchange notes will be required to represent the following at the time of the consummation of the exchange offer:

(1) that any exchange note it is to receive will be acquired in the ordinary course of its business;

(2) will have no arrangement or understanding with any person to participate in the distribution of the old notes or the exchange notes in violation of the Securities Act;

(3) that it is not our "affiliate" as that term is defined in Rule 405 promulgated under the Securities Act;

(4) that if it is not a broker-dealer, it is not engaged in, and does not intend to engage in, the distribution of exchange notes; and

(5) that if that holder is a broker-dealer, it will receive exchange notes for its own account in exchange for old notes that were acquired as a result of market-making or other trading activities and that it will deliver a prospectus in connection with any resale of the exchange notes.

Upon receipt of written notice following the completion of the exchange offer stating that a broker-dealer has received exchange notes in the exchange offer, we will agree to make available, during the period required

by the Securities Act, a prospectus meeting the requirements of the Securities Act for use by broker-dealers and other persons, if any, with similar prospectus delivery requirements.

SHELF REGISTRATION

In the event that:

- changes in the law or in currently applicable interpretations of the staff of the Commission do not permit us to effect this exchange offer;

- for any other reason the exchange offer registration statement is not declared effective within 150 days after the date of the original issuance of the old notes or the exchange offer is not consummated within 180 days after the original issuance of the old notes;

- the initial syndicate requests that we file a shelf registration statement with respect to old notes not eligible to be exchanged for exchange notes in the registered exchange offer and in certain other circumstances; or

- any holder of old notes, other than a member of the initial syndicate, is not eligible to participate in the registered exchange offer or does not receive freely tradable exchange notes in the registered exchange offer other than by reason of such holder being an affiliate of Telecomunicaciones de Puerto Rico,

then we will, at our expense,

(a) not later than 45 days after so required or requested pursuant to the registration rights agreement, file a shelf registration statement covering resales of the old notes or the exchange notes, as the case may be;

(b) cause the shelf registration statement to be declared effective under the Securities Act; and

(c) use our best efforts to keep the shelf registration statement effective until two years after its effective date or such shorter period that will terminate when all notes covered by the shelf registration statement have been sold.

We will, in the event a shelf registration statement is filed, provide to each holder for whom it was filed copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take several other actions as are required to permit unrestricted resales of the old notes or the exchange notes, as the case may be. Holders of old notes will be required to deliver

information to be used in connection with the shelf registration statement in order to have their notes included in the shelf registration statement. A holder selling some old notes or exchange notes pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers. In addition, these selling holders will be subject to some of the civil liability provisions under the Securities Act in connection with their sales and will be bound by the applicable provisions of the registration rights agreement.

In addition, we shall:

- make available a prospectus meeting the requirements of the Securities Act to any broker-dealer for use in connection with any resale of any exchange notes;

- pay all expenses incident to the exchange offer, including the expense of one counsel to the holders covered thereby; and

- indemnify holders of the notes, including any broker-dealer, against specific liabilities, including liabilities under the Securities Act.

A broker-dealer which delivers a prospectus to purchasers in connection with resales of exchange notes will be subject to the certain civil liability provisions under the Securities Act and will be bound by the provisions of the registration rights agreement, including indemnification rights and obligations.

The Commission has taken the position that broker-dealers may fulfill their prospectus delivery requirements with respect to the exchange notes, other than a resale of an unsold allotment from the original sale of the notes, with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we are required to allow broker-dealers and other persons, if any, subject to similar prospectus delivery requirements to use the prospectus contained in the exchange offer registration statement in connection with the resale of the exchange notes.

If the holder is not a broker-dealer, it will be required to include a representation in its letter of transmittal with respect to the exchange offer that it has not entered into any arrangement or understanding with us or any of our affiliates to distribute the exchange notes.

The foregoing description of the material provisions of the registration rights agreement does not purport to be complete and is qualified in its entirety by reference to all provisions of the registration rights agreement.

INCREASE IN INTEREST RATE

If any of the following events occur:

- neither an exchange offer registration statement nor a shelf registration statement is filed with the Commission on or prior to 90 days after the date on which the old notes were originally issued;

- on or prior to the 150th day following the date of the original issuance of the old notes, neither the exchange offer registration statement nor the shelf registration statement has been declared effective;

- on or prior to the 180th day following the date of the original issuance of the old notes, neither the registered exchange offer has been consummated nor the shelf registration statement has been declared effective; or

- after either the exchange offer registration statement or the shelf registration statement has been declared effective, the exchange offer registration statement or the shelf registration statement thereafter ceases to be effective or usable, subject to some exceptions, in connection with resales of old notes or exchange notes in accordance with and during the periods specified in the registration rights agreement;

then additional interest pursuant to provisions of the old notes shall become payable in respect of the notes. Additional interest will accrue on the principal amount of the old notes from and including the date on which any registration default event described in the clauses above shall occur up to, but excluding, the date on which any registration default has been cured. Additional interest will accrue at a rate of 0.25% per annum during the 90-day period immediately following the occurrence of such registration default and shall increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event shall such rate exceed 1.0% per annum.

Any amounts of additional interest due will be payable in cash, on the same original interest payment dates as the notes. The amount of additional interest will be determined by multiplying the applicable rate of additional interest by the principal amount of the notes, multiplied by a fraction. The numerator of the fraction is the number of days that rate of additional interest was applicable during that period, which is determined on the basis of a 360-day year comprised of twelve 30-day months. The denominator of the fraction is 360.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all old notes validly tendered and not withdrawn prior to 12:00 midnight New York City time on the expiration date. We will issue $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding notes accepted in the exchange offer. Holders may tender some or all of their old notes pursuant to the exchange offer. However, old notes may be tendered only in integral multiples of $1,000.

The form and terms of the exchange notes are the same as the form and terms of the old notes except that:

- the exchange notes have been registered under the Securities Act and therefore will not bear legends restricting their transfer; and

- the holders of the exchange notes will not be entitled to some of their rights under the registration rights agreement, including the provisions providing for an increase in the interest rate on the notes in circumstances relating to the timing of this exchange offer, all of which will terminate when the exchange offer is consummated.

The exchange notes will evidence the same debt as the old notes and will be entitled to the benefits of the indenture.

As of the date of this prospectus, $1,000,000,000 aggregate principal amount of old notes were outstanding. We have fixed the close of business on October 20, 1999 as the record date for the exchange offer for purposes of determining the persons to whom this prospectus and the letter of transmittal will be mailed initially.

We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the Commission

thereunder.

We shall be deemed to have accepted validly tendered notes when, as and if we have given oral or written notice to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us.

If any tendered notes are not accepted for exchange because of an invalid tender, the occurrence of several other events set forth herein or otherwise, the certificates for these unaccepted notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the expiration date.

Telecommunicaciones de Puerto Rico, Puerto Rico Telephone Company and Celulares Telefonica have agreed to pay all expenses incurred in connection with the performance of their obligations arising from the exchange offer, including reimbursing the initial purchasers for the reasonable fees and disbursements of counsel therewith. For additional information regarding these fees and expenses see "-- Fees and Expenses."

EXPIRATION DATE; EXTENSIONS; AMENDMENTS

The term "expiration date" means 12:00 midnight New York City time, on November 26, 1999, unless we, in our reasonable discretion, extend the exchange offer, in which case the term "expiration date" shall mean the latest date and time to which the exchange offer is extended. Notwithstanding the foregoing, we will not extend the expiration date beyond December 24, 1999.

In order to extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice and will mail to the registered holders an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. We reserve the right, in our reasonable discretion, to:

- delay accepting any old notes, to extend the exchange offer or to terminate the exchange offer if any of the conditions set forth below under "-- Conditions" shall not have been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or

- amend the terms of the exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered holders.

INTEREST ON THE EXCHANGE NOTES

Interest on each exchange note will accrue from the later of (a) the date of original issue of the old notes, if no interest has been paid on such old notes or (b) the last interest payment on which interest was paid on

the old notes surrendered. Holders of old notes that are accepted for exchange will receive, in cash, accrued interest thereon to, but not including, the date of issuance of the exchange notes. This interest will be paid with the first interest payment on the exchange notes on November 15, 1999. Interest on the old notes accepted for exchange will cease to accrue upon issuance of the exchange notes. Interest on the exchange notes is payable semiannually on each May 15 and November 15, commencing on November 15, 1999.

PROCEDURES FOR TENDERING OLD NOTES

Only a holder of old notes may tender its old notes in the exchange offer. To tender in the exchange offer, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures guaranteed if required by the letter of transmittal, and mail or otherwise deliver the letter of transmittal or the facsimile, together with the old notes and any other required documents, to the exchange agent prior to 12:00 midnight New York City time, on the expiration date. To be tendered effectively, the old notes, letter of transmittal and other required documents must be completed and received by the exchange agent at the address set forth below under "Exchange Agent" prior to 12:00 midnight New York City time, on the expiration date. Delivery of the old notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of delivery by book-entry transfer must be received by the exchange agent prior to the expiration date.

By executing the letter of transmittal, each holder will make to us the representations set forth above in the fourth paragraph under the heading "-- Purpose and Effect of the Exchange Offer."

The tender by a holder and the acceptance of the tender by us will constitute agreement between that holder and us in accordance with the terms, and subject to the conditions, set forth in this prospectus and in the letter of transmittal.

THE METHOD OF DELIVERY OF OLD NOTES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND SOLE RISK OF THE HOLDER. AS AN ALTERNATIVE TO DELIVERY BY MAIL, HOLDERS MAY WISH TO CONSIDER OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR NOTES SHOULD BE SENT TO US. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES, OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR THEM.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender old notes should contact the registered holder promptly and instruct that registered holder to tender on the beneficial owner's behalf. For additional information about notification to a registered holder, see "Instruction to Registered Holder and/or Book-Entry Transfer Facility Participant from Owner" included with the letter of transmittal.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an institution that is a member firm of the Medallion system unless the notes are tendered as follows: (1) by a registered holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or (2) for the account of a member firm of the Medallion system.

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed therein, those old notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the notes with the signature guaranteed by an institution that is a member firm of the Medallion system.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, the persons should so indicate when signing, and evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the notes at

the book-entry transfer facility, The Depository Trust Company,

for the purpose of facilitating the exchange offer. Subject to the establishment thereof, any financial institution that is a participant in The Depository Trust Company's system may make book-entry delivery of old notes by causing the book-entry transfer facility to transfer the old notes into the exchange agent's account with respect to the old notes in accordance with the book-entry transfer facility's procedures for the transfer. Although delivery of the old notes may be effected through book-entry transfer into the exchange agent's account at the book-entry transfer facility, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee, or an agent's message, which is described below, in connection with a book-entry transfer, and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under those procedures. Delivery of documents to the book-entry transfer facility does not constitute delivery to the exchange agent. The term "agent's message" means a message transmitted by the book-entry transfer facility to, and received by, the exchange agent and forming part of a book-entry confirmation, which states that such book-entry transfer facility has received an express acknowledgment from the participant in such book-entry transfer facility tendering the old notes that such participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce such agreement against such participant.

All questions as to the validity, form, eligibility, acceptance of tendered old notes and withdrawal of tendered old notes will be determined by us in our reasonable discretion, which determination will be final and binding. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes which, if accepted, would, in the opinion of our counsel, be unlawful. We also reserve the right in our reasonable discretion to waive any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer and the instructions in the letter of transmittal will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within the amount of time we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither us, the exchange agent nor any other person shall incur any liability for failure to give such notification. Tenders of old notes will not be deemed to have been made until any defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

GUARANTEED DELIVERY PROCEDURES OF OLD NOTES

Holders who wish to tender their old notes and:

- whose old notes are not immediately available;
- who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent; or
- who cannot complete the procedures for book-entry transfer prior to the expiration date;

may effect a tender if:

- the tender is made through an institution that is a member firm of the Medallion system;

- prior to the expiration date, the exchange agent receives by fax, mail or hand delivery from a Medallion system member firm a properly completed and duly executed notice of guaranteed delivery setting forth the name and address of the holder, the certificate number(s) of old notes and the principal amount of old notes tendered, stating that the tender is being made and guaranteeing that, within five New York Stock Exchange trading days after the expiration date, the letter of transmittal together with the certificate(s) representing the notes, and any other documents required by the letter of transmittal will be deposited by the firm with the exchange agent; and

- the properly completed and executed letter of transmittal, as well as the certificate(s) representing all tendered old notes in proper form for transfer, and all other documents required by the letter of

transmittal are received by the exchange agent upon five New York Stock Exchange trading days after the expiration date.

Under this procedure, the certificate(s) representing the old notes may be substituted by a confirmation of book-entry transfer of those old notes into the exchange agent's account at the book-entry transfer facility. Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

WITHDRAWAL OF TENDERS OF OLD NOTES

Except as otherwise provided herein, tenders of old notes may be withdrawn at any time prior to 12:00 midnight New York City time, on the expiration date. To withdraw a tender of old notes in the exchange offer, a telegram, telex, letter or facsimile transmission notice of withdrawal must be received by the exchange agent at its address set forth herein prior to 12:00 midnight New York City time on the expiration date. Any notice of withdrawal must:

- specify the name of the person having deposited the old notes to be withdrawn;

- identify the old notes to be withdrawn, which must include the certificate number(s) and principal amount of those old notes, or, in the case of old notes transferred by book-entry transfer, the name and number of the account at the book-entry transfer facility to be credited;

- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the old notes were tendered or be accompanied by documents of transfer sufficient to have the trustee with respect to the old notes register the transfer of the old notes into the name of the person withdrawing the tender, and be accompanied by any required signature guarantees; and

- specify the name in which any of the old notes are to be registered, if different from that of the person who deposited the old notes.

We will determine all questions as to the validity, form and eligibility and the time of receipt of withdrawal notices and our determination shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no exchange notes will be issued with respect thereto unless the old notes so withdrawn are validly retendered. Any old notes which have been tendered but which are not

accepted for exchange will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described above under "-- Procedures for Tendering" at any time prior to the expiration date.

CONDITIONS

Notwithstanding any other term of the exchange offer, we shall not be required to accept for exchange, or exchange any old notes for exchange notes, and may terminate or amend the exchange offer as provided herein before the acceptance of such old notes, if:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our reasonable judgment, might materially impair our ability to proceed with the exchange offer or any material adverse development has occurred in any existing action or proceeding with respect to us or any of our subsidiaries; or

- any law, statute, rule, regulation or interpretation by the staff of the Commission is proposed, adopted or enacted, which, in our reasonable judgment, might materially impair our ability to proceed with the exchange offer or materially impair the contemplated benefits of the exchange offer to us; or

- any governmental approval has not been obtained, which approval we shall, in our reasonable discretion, deem necessary for the consummation of the exchange offer as contemplated hereby.

If we determine in our reasonable discretion that any of the conditions are not satisfied, we may:

- extend the exchange offer and retain all notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw those notes; or

- waive any unsatisfied conditions with respect to the exchange offer and accept all properly tendered notes which have not been withdrawn.

EXCHANGE AGENT

The Bank of New York has been appointed as exchange agent for the exchange offer. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the exchange agent addressed as follows:

The Bank of New York
101 Barclay Street
Floor 7E

ATTENTION: Santino Ginocchietti

Reorganization Department
New York, NY 10286

Telephone: (212) 815-6331

Facsimile: (212) 815-4699

Delivery to an address other than as set forth above will not constitute a valid delivery.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telecopy, telephone or in person by our officers and regular employees and employees of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers, or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses.

We have agreed to pay all expenses incurred in connection with the exchange offer, including reimbursing the initial purchasers for the reasonable fees and disbursements of counsel. In the event that a shelf registration statement is filed, (a) we have agreed to reimburse the holders for the reasonable fees and disbursements of one firm or counsel designated by the majority holders participating in the shelf registration and (b) each holder shall pay all underwriting discounts, commissions and transfer taxes, if any, relating to the sale or disposition of the holder's securities pursuant to the shelf registration statement.

ACCOUNTING TREATMENT

The exchange notes will be recorded at the same carrying value as the old notes on the exchange as reflected in our accounting records on the date of the exchange. Accordingly, we will recognize no gain or loss for accounting purposes.

CONSEQUENCES OF THE FAILURE TO TENDER

The old notes that are not exchanged for exchange notes pursuant to the exchange offer will remain restricted securities. Accordingly, old notes that are not exchanged may be resold only:

- to us upon redemption thereof or otherwise;

- so long as the old notes are eligible for resale pursuant to Rule 144A, to a person inside the United States whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A, in

accordance with Rule 144 under the Securities Act, or pursuant to another exemption from the registration requirements of the Securities Act. Any transaction of this type is to be based upon an opinion of counsel reasonably acceptable to us;

- outside the United States to a foreign person in a transaction meeting the requirements of Rules 901-905 under the Securities Act; or

- pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

RESALES OF THE EXCHANGE NOTES

With respect to resales of exchange notes, based on interpretations by the

staff of the Commission set forth in no-action letters issued to third parties, we believe that a holder or other person who receives exchange notes, whether or not that person is the holder who receives exchange notes in exchange for notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes, will be allowed to resell the exchange notes to the public without further registration under the Securities Act and without delivering a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder acquires exchange notes in the exchange offer for the purpose of distributing or participating in a distribution of the exchange notes, that holder cannot rely on the position of the staff of the Commission enunciated in such no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available. Further, each broker-dealer that receives exchange notes for its own account in exchange for old notes, where those old notes were acquired by that broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes.

USE OF PROCEEDS

This exchange offer is intended to satisfy some of our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the exchange notes in this exchange offer.

The net proceeds from the sale of the old notes were $993,965,000. The net proceeds were used, together with available cash on hand, to prepay a $1 billion, 364-day revolving credit facility with Citibank N.A., Bank of America National Trust and Savings Association, The Chase Manhattan Bank and Morgan Guaranty Trust Company of New York and other lenders, some of whose affiliates were also the syndicate for the initial sale of the old notes. The borrowings under this credit facility were used to pay a portion of a special dividend to the Puerto Rico Telephone Authority in connection with the GTE Group's acquisition of our company.

THE ACQUISITION AND RELATED CORPORATE RESTRUCTURING

On April 7, 1997, the Government of the Commonwealth of Puerto Rico announced a plan which resulted in the privatization of our company through a bidding process. The Puerto Rico Telephone Company was the incumbent provider of local and on-island long distance telephone service and one of the principal providers of wireless telephony, paging services and other telephone-related products and services in Puerto Rico. In anticipation of the privatization, Telecomunicaciones de Puerto Rico was formed to hold the capital stock of Puerto Rico Telephone Company and Celulares Telefonica.

On July 21, 1998, the GTE Group agreed to purchase from the Puerto Rico Telephone Authority a controlling equity interest in Telecomunicaciones de Puerto Rico. The acquisition was completed on March 2, 1999, with the acquisition by GTE Holdings of 40.01% plus one share, by Popular, Inc. of 9.99% and by the employee stock ownership plan of 7% of the outstanding common stock of Telecomunicaciones de Puerto Rico. The government received gross proceeds of $2,040.0 million composed of the payment of $469.8 million paid by GTE Holdings, Popular, Inc. and the employee stock ownership plan for the shares of Telecomunica-

ciones de Puerto Rico and the payment of a special dividend to the Puerto Rico Telephone Authority by Telecomunicaciones de Puerto Rico of $1,570.2 million. In addition, in exchange for its interest in Telecomunicaciones de Puerto Rico, the

Puerto Rico Telephone Authority agreed to make capital contributions to Telecomunicaciones de Puerto Rico in an aggregate amount of $200 million over five years to reduce our unfunded pension and other post-retirement benefit liabilities which were under-funded as of December 31, 1998.

RELATED FINANCINGS. On the date of the closing of the acquisition, we borrowed a total of $1,591.1 million through:

- a full drawing under a $1 billion, 364-day syndicated revolving credit facility and a $500 million, five-year syndicated revolving credit facility; and

- a partial drawing of $91.1 million under a $200 million credit facility.

Of the $91.1 million that we borrowed under the $200 million credit facility, $65 million was used for the special dividend and $26.1 million was used to make a loan to the employee stock ownership plan to purchase 3% of Telecomunicaciones de Puerto Rico's shares from the Puerto Rico Telephone Authority. For more information regarding the financing of the acquisition see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Description of Some of Our Debt."

EMPLOYEE OWNERSHIP.

As part of the acquisition, the Puerto Rico Telephone Authority contributed 3% of Telecomunicaciones de Puerto Rico's shares and the GTE Group purchased and contributed an additional 1% of Telecomunicaciones de Puerto Rico's shares to the employee stock ownership plan. As a result of these contributions and the purchase of 3% of Telecomunicaciones de Puerto Rico's shares using funds borrowed from Telecomunicaciones de Puerto Rico, the employee stock ownership plan received a total of 7% of Telecomunicaciones de Puerto Rico's shares. For more information regarding the employee stock ownership plan, see "Shareholders and Shareholder Relationships."

CORPORATE GOVERNANCE.

Under the terms of the acquisition agreements, GTE Holdings is currently entitled to nominate 5 of the 9 members of our Board of Directors. GTE Holdings and Popular, Inc. have agreed that they will vote to elect one additional director nominated by Popular, Inc. The Puerto Rico Telephone Authority and other government entities are currently entitled to nominate 3 directors. Some corporate actions require approval by the Puerto Rico Telephone Authority or by the directors nominated by the Puerto Rico Telephone Authority. Specific other corporate actions require approval by Popular, Inc. For more information regarding the corporate governance of our company, see "Management," "Shareholders and Shareholder Relationships" and "Certain Relationships and Related Transactions."

MANAGEMENT ASSISTANCE AND TECHNOLOGY LICENSE.

We will pay to subsidiaries of GTE, for five years after the acquisition, a combination of fixed management fees for services to be rendered by them in Puerto Rico and the mainland U.S. and a variable technology license royalty primarily for advice and direction regarding the administration and operation of our business. The aggregate amount of these fees and royalty will not exceed 8%, and will gradually decrease to 6%, of our earnings before deducting interest payments, taxes and depreciation allowance. The cash payment of the fees and royalty will be deferred, with interest, until at least March 2, 2000. For more information regarding our relationship with GTE Corporation, see "Certain Relationships and Related Transactions."

TRANSFER RESTRICTIONS; ADDITIONAL SHARES.

The following transfer restrictions are in effect as of the date of this prospectus:

- GTE Holdings is able to sell shares representing up to 5% of our capital stock only after March 2, 2002 and its remaining interest after March 2, 2004;

- Popular, Inc. is restricted from selling its equity interest in Telecomunicaciones de Puerto Rico until March 2, 2002;

- However, transfers by GTE Holdings to a wholly-owned affiliate of GTE Corporation or by Popular, Inc. to a wholly-owned affiliate of Popular, Inc., or to other members of the GTE Group, are permitted at any time.

The government may sell any or all of its Telecomunicaciones de Puerto Rico shares, excluding shares under an option agreement with the GTE Group and GTE International Telecommunications Incorporated, which we refer to as GTE International, at any time but subject to the GTE Group's right of first refusal. The GTE Group holds a three-year option to acquire an additional 15% of our shares from the Puerto Rico Telephone Authority at 132% of the initial per share purchase price paid in the acquisition. For more information regarding share transfer restrictions, see "Shareholders and Shareholder Relationships."

CAPITALIZATION

The following table sets forth our cash and cash equivalents, short-term debt, long-term debt and shareholders' equity as of June 30, 1999. For more detailed information about our capitalization, see "The Acquisition and Related Corporate Restructuring," "Selected Historical Financial and Operational Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Factors Affecting Our Future Financial Results."

<TABLE>
<CAPTION>

	AS OF JUNE 30, 1999
<S>	<C>
CASH AND CASH EQUIVALENTS	$ 63.7
SHORT-TERM DEBT:	
Current Portion of Capital Leases	$ .2
Banco Popular Revolving Credit Facility	26.1
Total Short Term Debt	26.3
LONG-TERM DEBT EXCLUDING CURRENT PORTION:	
Long-Term Portion of Capital Leases	.5
Offered Notes	999.7
5-year Revolving Credit Facility	500.0
Total Long-Term Debt	1,500.2
Total Debt and Lease Obligations	1,526.5
SHAREHOLDERS' EQUITY:	
Common Stock and Additional Paid-in Capital	699.3
Deferred Employee Stock Ownership Plan Obligation(1)	(34.8)

Subscription Receivable(2)	(161.8)
Retained Deficit	(40.1)
Accumulated Other Comprehensive Loss	(9.9)
Total Shareholders' Equity	452.7
Total Capitalization	$1,979.2

</TABLE>

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(1) Represents (a) an amount equal to $8.7 million representing the value of 1% of Telecomunicaciones de Puerto Rico's shares contributed by the GTE Group to the employee stock ownership plan and (b) an amount equal to $26.1 million representing the value of 3% of Telecomunicaciones de Puerto Rico's shares purchased by the employee stock ownership plan with the proceeds of a $26.1 million loan from Telecomunicaciones de Puerto Rico.

(2) Represents the commitment by the Puerto Rico Telephone Authority to make future contributions to Telecomunicaciones de Puerto Rico to help fund our pension and other post-retirement benefit liabilities. In accordance with generally accepted accounting principles, the future contributions from the Puerto Rico Telephone Authority are included in "Common Stock and Additional Paid-in-Capital" and deducted as "Subscription Receivable" until the amounts are actually contributed to Telecomunicaciones de Puerto Rico.

SELECTED HISTORICAL FINANCIAL AND OPERATIONAL DATA

The following selected historical financial and operational data have been derived from the historical consolidated financial statements of Telecomunicaciones de Puerto Rico as of June 30, 1999 and for the period from March 2, 1999 through June 30, 1999 and the notes thereto. This data has also been derived from the historical combined financial statements of our predecessors (a) as of and for the five-year period ended December 31, 1998, and the notes thereto, (b) for the six-month period ended June 30, 1998 and (c) for the period from January 1, 1999 through March 1, 1999. Following the acquisition, our reported results of operations and financial condition differ materially from those previously reported. You should read the following data together with (a) the historical combined financial statements and notes thereto of our predecessors as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, which have been audited by Deloitte & Touche LLP, independent auditors, (b) our historical consolidated financial statements and the notes thereto as of and for the six-month period ended June 30, 1999 and (c) our predecessor's historical combined financial statements and the notes thereto as of and for the six-month period ended June 30, 1998 appearing elsewhere in this prospectus. The financial statements for the four years ended December 31, 1995 to 1998 were prepared in conformity with GAAP applicable to commercial entities. The 1994 financial statements were prepared in conformity with GAAP applicable to government-owned entities and restated to conform with GAAP applicable to commercial entities. The restatement involved the recording of pension obligations and related expenses based on Statements of Financial Accounting Standards (SFAS) Nos. 87 and 88 and liabilities for other postretirement benefits under SFAS No. 106.

Prior to their acquisition by the GTE Group, Puerto Rico Telephone Company and Celulares Telefonica, as wholly-owned subsidiaries of the Puerto Rico Telephone Authority, were exempt from income, property, and certain other taxes in Puerto Rico.

<TABLE>
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	COMPANY	PREDECESSORS		
	PERIOD FROM MARCH 2 THROUGH JUNE 30, 1999	PERIOD FROM JANUARY 1 THROUGH MARCH 1, 1999	SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED)	1998
<S>	<C>	<C>	<C>	(DOLLARS IN <C>
INCOME STATEMENT DATA:				
Revenues and Sales	$447.0	$223.3	$ 639.0	$1,270.7
Operating Costs and Expenses	386.8	222.4	504.7	1,043.4
Operating Income	60.2	.9	134.3	227.3
Interest Income (Expense), Net	(29.3)	.4	1.7	2.5
Other Income (Expense)	1.2	.6	(.1)	(5.4)
Income Tax Provision	(11.7)	--	--	--
Net Income, Before Extraordinary Charge	20.4	1.9	135.9	224.4
Extraordinary Charge	(60.5)	--	--	--
Net Income (Loss)	$(40.1)	$ 1.9	$ 135.9	$ 224.4
OTHER FINANCIAL DATA:				
Depreciation and Amortization	$ 99.5	$ 50.4	$ 145.7	$ 296.5
Cash Flow from Operations	123.8	55.9	272.8	613.8
Capital Expenditures	71.1	33.2	110.6	288.0
Cash Flow used in Investing Activities	67.1	33.1	106.1	279.6
Cash Flow from Financing Activities	(65.6)	14.2	(166.9)	(319.8)
EBITDA(1)	159.7	51.3	280.0	523.8
EBITDA Margin(2)	36%	23%	44%	41%
Ratio of Earnings to Fixed Charges(3)	2.1			

</TABLE>

<PAGE> 32

<TABLE>
<CAPTION>

	COMPANY	
	AS OF JUNE 30, 1999	1998
<S>	<C>	<C>
BALANCE SHEET DATA:		
Current Assets	$ 469.0	$ 435.4
Property, Plant and Equipment, Net	1,730.7	1,987.9
Total Assets	2,713.7	2,456.6
Current Liabilities	370.6	347.2
Total Debt	1,526.5	0.8
Shareholders' Equity	452.7	1,812.7

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	COMPANY		
	AS OF JUNE 30,		
	1999	1998	1998
			(DOLLA
<S>	<C>	<C>	<C>
OPERATING DATA:			
Access Lines in Service (000)	1,252	1,236	1,231
Wireless subscribers:			
Cellular (000)	254	164	204
Paging (000)	204	230	219
Total Access Lines (per 100 households)	75	76	75
Number of Full-Time Employees	7,445	7,784	7,703
Access Lines/Wireline Employee	178	167	169
Cellular Average Monthly Service Revenue Per User	$ 48	$ 54	$ 49

</TABLE>

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(1) EBITDA represents operating income plus depreciation and amortization expense. EBITDA is used by some investors and analysts to analyze and compare companies on the basis of liquidity. EBITDA is not recognized under generally accepted accounting principles and should therefore not be construed as an alternative for net income, which is an indicator of a company's performance, or cash flow from operations, which is a liquidity measure. It is included in this prospectus because management believes that it provides additional information with respect to our anticipated ability to meet future debt service, capital expenditures, and working capital requirements. Our calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be affected.

(2) Determined by dividing EBITDA by Revenues and Sales.

(3) The ratio of earnings to fixed charges of the predecessors has not been presented as the fixed charges were nominal prior to the acquisition since there was no significant indebtedness.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on and should be read in conjunction with our consolidated financial statements and the combined financial statements of our predecessors and the notes thereto starting on page F-1, the unaudited pro forma condensed consolidated financial statements and the notes thereto and other financial information appearing elsewhere in this prospectus.

RESULTS OF OPERATIONS

THE ACQUISITION AND CHANGE IN ACCOUNTING BASIS

Our results of operations and financial position as of and for the six-month period ended June 30, 1999 reflect the adoption of a new accounting basis for our assets and liabilities and reflect the effects of becoming a tax paying enterprise as a result of the acquisition of control of Telecomunicaciones de Puerto Rico by the GTE Group. The new asset and liability valuation basis adopted reflects the fair market value paid by the GTE Group to

acquire their 50% plus one share interest in Telecomunicaciones de Puerto Rico in excess of the historical net book value of the assets and liabilities acquired. As a result of this acquisition, our reported results of operations and financial position for periods ending after March 2, 1999 differ materially from those previously reported by Puerto Rico Telephone Company and Celulares Telefonica prior to the privatization, which we refer to as our predecessors. The results of operations and financial position for periods subsequent to March 2, 1999 also reflect the discontinuation of the application of accounting principles applicable to rate regulated companies. The opening up of our markets to competitors, the change in the regulation of our rates so that they are no longer based upon our costs of providing service and the privatization of our company have resulted in the need to adopt accounting principles which are followed by commercial companies in general and not the specialized accounting principles applicable to rate regulated companies.

For a description of these changes and the pro forma effects that these changes would have had on certain income statement items for the year ended December 31, 1998, see "Factors Affecting Our Future Financial Results" and "Unaudited Pro Forma Condensed Consolidated Financial Statements."

We had originally prepared our financial statements as of and for the three months ended March 31, 1999 without applying the applicable provisions of EITF 88-16 "Basis in Leveraged Buyout Transactions," which requires a partial step-up in accounting basis to reflect the acquisition of Telecomunicaciones de Puerto Rico by the GTE Group and without discontinuing the application of SFAS No. 71 regulatory accounting principles. We have restated these financial statements to incorporate this partial step-up in accounting basis and to discontinue the application of SFAS No. 71 in accordance with U.S. generally accepted accounting principles. The financial statements as of and for the six months ended June 30, 1999 and the unaudited pro forma condensed consolidated financial statements which are included in this prospectus reflect these adjustments. For a more detailed discussion of the effects of applying partial step-up accounting and discontinuing the application of SFAS No. 71, see note 1 to the condensed consolidated financial statements for the six-month periods ended June 30, 1999 and 1998.

SEGMENT RESULTS OF OPERATIONS

Results of operations for the years ended December 31, 1998, 1997 and 1996 and for the six months ended June 30, 1998 included in the discussion below are based on the operating results of our predecessors. The discussion for the six months ended June 30, 1999 is based upon our operating results for the period from March 2, 1999 to June 30, 1999 and those of our predecessors from January 1, 1999 to March 1, 1999. The following discussion is intended to facilitate an understanding and assessment of significant changes and trends related to our financial condition and our results of operations. As a result, we have not made a distinction between Telecomunicaciones de Puerto Rico and our predecessors where it would not be helpful in comparing trends in operating results and where results are not affected by the changes in the basis of accounting. We discuss the effect of the change in the basis of accounting for those balance sheet and income statement items that are materially affected.

We have two reportable segments, Wireline and Wireless operations, which we operate and manage as strategic business units. You can find additional information about our segments in Note 14 to the combined financial statements as of and for the year ended December 31, 1998 and Note 10 to the consolidated financial statements as of and for the six months ended June 30, 1999, beginning on page F-1 of this prospectus.

The Wireline segment provides:

- Local service, including basic voice, telephone and private branch exchange rental, value-added services, high-speed private line services, public phone services, Internet access and installations.

- Network access services provided to inter-exchange carriers, cellular companies and paging operators and other local exchange companies to originate and terminate calls to and from our local customers.

- Long distance service both on and off the island of Puerto Rico. Off-island services began on February 1, 1999.

- Directory and other services, including publishing right revenues and listing fees, billing and collection services to competing long distance operators and private branch exchange equipment sales.

The Wireless segment includes cellular and paging services.

The comparability of revenues recorded before and after the acquisition was not affected by the changes in the accounting basis of the assets and the liabilities that was recorded on March 2, 1999. Accordingly, in the discussion of revenue trends we have not distinguished between the operations of the predecessors before March 2, 1999 and our operations on and after this date.

REVENUES

<TABLE>
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	SIX MONTHS ENDED JUNE 30,				YEAR ENDED DE		
	1999		1998		1998		199
	(DOLLARS IN MILLIONS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
WIRELINE:							
Local(1)	$241	36%	$238	37%	$ 468	37%	$ 447
Network Access	169	25	150	24	300	23	278
Long Distance	123	18	126	20	252	20	252
Directory and Other(1)	48	7	46	7	91	7	100
Total Wireline	581	86	560	88	1,111	87	1,077
WIRELESS:							
Cellular	65	10	48	7	100	8	102
Paging	24	4	31	5	60	5	55
Total Wireless	89	14	79	12	160	13	157
Total Revenues and Sales	$670	100%	$639	100%	$1,271	100%	$1,234

</TABLE>

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(1) Reclassifications of prior year data have been made, where appropriate, to conform to the 1999 presentation.

OPERATING COSTS AND EXPENSES

<TABLE>
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SIX MONTHS

	ENDED JUNE 30,		YEAR
	1999	1998	199
		(DOLLARS IN	
<S>	<C>	<C>	<C>
WIRELINE:			
Cost of services and sales	$250	$221	$ 4
Selling, general and administrative	116	87	1
Employee stock ownership plan compensation expense	25	--	
Effect of early retirement	4	--	
Depreciation and amortization	127	136	2
Total Wireline	$522	$444	$ 9
WIRELESS:			
Cost of services and sales	$ 21	$ 16	$
Selling, general and administrative	42	35	
Employee stock ownership plan compensation expense	1	--	
Depreciation and amortization	23	10	
Total Wireless	$ 87	$ 61	$ 1
Total Operating Costs and Expenses	$609	$505	$1,0

</TABLE>

OPERATING DATA

<TABLE>
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	SIX MONTHS ENDED JUNE 30,		YEA
	1999	1998	19
<S>	<C>	<C>	<C>
Access Lines in Service (000)(1)	1,252	1,236	1,
On-island LD Minutes (millions)	725	844	1,
Off-island LD Minutes (millions)(2)	13	--	
Cellular Subscribers (000)	254	164	
Cellular Average Revenue Per Unit	$ 48	$ 54	$
Paging Subscribers (000)	204	230	

</TABLE>

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(1) Access lines excludes Celulares Telefonica's wireless subscribers.

(2) Sales of off-island long distance service commenced February 1, 1999.

SIX MONTHS ENDED JUNE 30, 1999 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1998

REVENUES AND SALES. Total Wireline and Wireless revenues for the six months ended June 30, 1999 increased $31 million, or 4%, to $670 million from the $639 million reported for the same period of 1998.

Wireline:

Local service revenues for the six months ended June 30, 1999 increased $3 million, or 1%, to $241 million from $238 million for the same period in 1998, resulting primarily from increases in measured service, value-added service, and private lines of $4 million, $2 million and $2 million, respectively. These

increases were offset in part by decreases in telephone rentals of $3 million.

Access line growth in the six-month period ended June 30, 1999 was 2%, compared to 1% growth for the same period in 1998. While the rate of growth has increased slightly over 1998 levels, it is below historical levels of growth due primarily to the existence of a high waiting list for new service. The waiting list of orders for new installations decreased to 24,600 at June 30, 1999 from 31,600 in March 31, 1999, and 36,600 in December 31, 1998. The Company was inhibited from deploying service during the first quarter of 1999

because efforts were devoted to restoring service in the areas adversely affected by Hurricane Georges. During the second quarter of 1999, we refocused our efforts on installations.

Network access revenues for the six months ended June 30, 1999 increased $19 million, or 13%, to $169 million from $150 million reported for the comparable 1998 period. We received $9 million of additional access revenues from long distance carriers to originate intra-island calls which was the direct result of our intra-island long distance market share loss. An additional $5 million was realized from cellular operators as a result of an increase in cellular traffic volumes and $4 million of the increase was attributable to higher long-term support subsidies.

Long distance revenues decreased $3 million, or 2%, to $123 million in the six months ended June 30, 1999 from $126 million for the comparable period in 1998. The decrease was attributed to 12% lower intra-island minutes of use, which was partially offset by an increase in off-island minutes-of-use and higher operator assisted set-up fees. Competition in the intra-island market started in earnest in February 1999 with the introduction of dialing parity and the reduction in per-minute prices by our competitors. We have experienced erosion in market share from 98% in February 1999 to an estimated 63% in June 1999. The increase in traffic volumes for the total market has mitigated some of our market share loss. Additionally, we realized $2 million in new revenues from our entrance into the off-island long distance market in February 1999.

Wireless:

Revenues from cellular and paging service increased $10 million, or 13%, to $89 million in the six-month period ended June 30, 1999 from $79 million in the same period of 1998. Cellular service revenues increased by $17 million as a result of the net addition of approximately 50,000 new subscribers in the six-month period ended June 30, 1999 and 90,000 new subscribers since June 1998. Cellular average revenue per unit decreased $6 million, or 12%, to $48 million for the six-month period ended June 30, 1999 as compared to $54 million for the same period in 1998. This reduction in average revenue per unit is a result of the promotion of new lower tariffs in order to meet competition and gain new customers, and an increase in the number of pre-paid plans which have a lower average revenue per unit. Revenues from paging declined $7 million, or 23%, to $24 million in the six-month period ended June 30, 1999 from $31 million for the comparable period in 1998, due primarily to a reduction of 14,600 subscribers during the six-month period of 1999 and a reduction of 25,500 since June 1998. This paging subscriber decrease is partly a result of customer migration to cellular plans.

OPERATING COSTS AND EXPENSES. Total Wireline and Wireless costs and expenses for the six months ended June 30, 1999 increased approximately $104 million, or 21%, to $609 million from $505 million reported for the comparable period in 1998.

Wireline:

Total Wireline costs and expenses for the six-month period ended June 30, 1999 increased $78 million, or 18%, to $522 million from $444 million incurred in the same period of 1998. Cost of sales and services increased $29 million, or 13%, to $250 million mainly due to an additional $28 million of maintenance and labor expenses primarily associated with Hurricane Georges damage repairs. Selling, general and administrative expenses of $116 million increased $29 million, or 33%, compared to the same period in 1998. The principal component of the increase related to a management and technology license fee of $14 million for the period.

Wireless:

Total Wireless costs and expenses for the six-month period ended June 30, 1999 increased $26 million, or 43%, to $87 million from $61 million reported for the comparable period of 1998. Cost of services and sales increased $5 million, or 31%, to $21 million from $16 million in 1998, primarily due to equipment costs associated with gross subscriber additions. Selling, general and administrative expenses increased $7 million, or 20%, to $42 million primarily due to a management and technology license fee of $4.0 million and higher property and municipal taxes.

Employee Stock Ownership Plan Compensation Expenses. A $26.1 million non-recurring, non-cash provision was recorded in March 1999 representing the Puerto Rico Telephone Authority's grant of shares to the employee stock ownership plan in connection with the acquisition of control of Telecomunicaciones de Puerto Rico. The grant from the Puerto Rico Telephone Authority was recorded as compensation expense, with an offsetting credit to paid-in-capital as these shares fully vested in 1999. The grant was made to share with our employees the future results of our operations.

Effect of Early Retirement. Some of our predecessors' employees participated in the Commonwealth of Puerto Rico Employees' Retirement System, a cost-sharing multiple-employer retirement system. Effective March 1, 1999, some employees that participated in this System were eligible for an early retirement program. The statements of operations of the predecessors for the period ended March 1, 1999 include expenses amounting to approximately $4.2 million resulting from this program. Also, effective March 2, 1999, the employees which participated in this System discontinued participating in the plan and became participants in our defined benefit pension plans.

Depreciation and Amortization Expense. For the six-month period ended June 30, 1999, the amount of depreciation and amortization expense was also impacted by the effects of proportional purchase accounting and the discontinuation of regulatory accounting commencing from the date of the acquisition of control of Telecomunicaciones de Puerto Rico on March 2, 1999.

Wireline depreciation and amortization expense was reduced for the six months ended June 30, 1999 by $9 million. This reduction is attributable to a reduction in the values assigned to the property, plant and equipment due to the revaluation made in partial step-up purchase accounting and the discontinuation of regulatory accounting principles. These decreases were offset by increases in amortization related to the goodwill and other long-term intangibles allocated to the Wireline operations in the partial step-up in basis recorded in accordance with the purchase accounting provisions of EITF 88-16 and depreciation on additional investments in property, plant and equipment incurred as we continue to invest in new technology to expand the services offered to our customers in order to remain competitive.

Wireless depreciation and amortization expense increased due to increased