

TELESP CELLULAR HOLDING CO /ADR/  
Form F-4/A  
January 24, 2006  
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As filed with the Securities and Exchange Commission on January 24, 2006

Registration No. 333-130410

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1**

**TO**

**FORM F-4**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**TELESP CELULAR PARTICIPAÇÕES S.A.**

To be renamed Vivo Participações S.A. in connection with the transactions described herein

(Exact name of registrant as specified in its charter)

**Telesp Cellular Holding Company**

(Translation of registrant's name into English)

**The Federative Republic of Brazil**  
(State or other jurisdiction of  
incorporation or organization)

**4812**  
(Primary Standard Industrial

**Not Applicable**  
(I.R.S. Employer

Classification Code #)  
**Av. Roque Petroni Júnior, 1464**

Identification Number)

**4º Andar Lado A**

**04707-000 São Paulo, SP, Brazil**

**011-55-11-5105-2276**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Puglisi & Associates**

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P.O. Box 885

Newark, Delaware 19715

(302) 738-6680

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

S. Todd Crider, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, NY 10017

(212) 455-2000

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)	Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee(4)
Common shares, no par value	8,239,042	U.S.\$ 27,490,182.02	U.S.\$ 2,941.44
Preferred shares, no par value(1)	664,587,459	U.S.\$ 2,620,588,413.70	U.S.\$ 280,402.96

- (1) 360,384,219 of these shares will initially be represented by the registrant's American Depositary Shares (ADSs), each of which represents 1 (one) preferred share, and which are evidenced by American Depositary Receipts (ADRs). A separate registration statement on Form F-6 will be filed to register the ADSs. The remaining 304,203,240 shares will not be represented by ADSs.
- (2) Includes a maximum number of the registrant's shares expected to be issued to holders of ADSs and to U.S. holders of common and preferred shares in connection with the merger described in the accompanying prospectus. The securities to be issued in connection with the merger outside the United States to non-U.S. residents are not registered under this registration statement.
- (3) The Proposed Maximum Aggregate Offering Price (estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) and Rule 457(f) under the Securities Act) is calculated in accordance with the exchange ratios of 3.0830, 3.8998, 3.2879 and 7.0294 common shares or preferred shares or ADSs of the registrant to be exchanged for each common share or preferred share held directly by a U.S. resident or each ADS of Tele Centro Oeste Celular Participações S.A. (TCO), Tele Leste Celular Participações S.A. (TLE), Tele Sudeste Celular Participações S.A. (TSD) or Celular CRT Participações S.A. (Celular CRT), respectively, in connection with the merger described in the accompanying prospectus, based on (a) R\$24.73, R\$28.15, R\$24.58 and R\$61.66, the average of the high and low prices of the common shares of TCO, TLE, TSD and Celular CRT, respectively, and R\$27.85, R\$34.90, R\$28.75 and R\$53.50, the average of the high and low prices of the preferred shares of TCO, TLE, TSD and Celular CRT, respectively, as reported on the São Paulo Stock Exchange on December 12, 2005, converted into U.S. dollars based on an exchange rate of R\$2.2634 = U.S.\$1.00, the noon buying rate on December 12, 2005, and (b) U.S.\$12.26, U.S.\$15.20, U.S.\$12.99, the average of the high and low prices of the ADSs of TCO, TLE and TSD as reported on the New York Stock Exchange on December 12, 2005.
- (4) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.



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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, Dated January 24, 2006**

**Prospectus**

**Telesp Celular Participações S.A.**

**(Telesp Cellular Holding Company)**

Telesp Celular Participações S.A., or TCP, has proposed a merger of shares under Brazilian law (*incorporação de ações*) of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, and a merger of companies under Brazilian law (*incorporação de empresas*) of Tele Leste Celular Participações S.A., or TLE, Tele Sudeste Celular Participações S.A., or TSD, and Celular CRT Participações S.A., or Celular CRT, with TCP. The transaction is referred to herein as the merger. TCP, TCO, TLE, TSD and Celular CRT provide cellular telecommunications services in their respective authorized areas in Brazil under the VIVO brand. If the merger is approved:

TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP, with TCP as the surviving company;

holders of American Depositary Shares, or ADSs, of TCO, TLE and TSD will receive, subject to the procedures described herein and upon payment of the fees and expenses of the depository of TCO, TLE or TSD, as the case may be, and of the TCP depository:

3.0830 ADSs of TCP for each TCO ADS they hold;

3.8998 ADSs of TCP for each TLE ADS they hold; and

3.2879 ADSs of TCP for each TSD ADS they hold;

holders of common shares and holders of preferred shares of TCO, TLE, TSD and Celular CRT will receive, without any further action by those holders:

3.0830 common shares, no par value, of TCP for each TCO common share they hold, and 3.0830 preferred shares, no par value, of TCP for each TCO preferred share they hold;

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3.8998 common shares, no par value, of TCP for each TLE common share they hold, and 3.8998 preferred shares, no par value, of TCP for each TLE preferred share they hold;

3.2879 common shares, no par value, of TCP for each TSD common share they hold, and 3.2879 preferred shares, no par value, of TCP for each TSD preferred share they hold; and

7.0294 common shares, no par value, of TCP for each Celular CRT common share they hold, and 7.0294 preferred shares, no par value, of TCP for each Celular CRT preferred share they hold.

The merger of each of TCO, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders' meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD or Celular CRT, respectively. The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders' meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE. We expect the merger to be approved because:

our controlling shareholder, which directly and indirectly holds 92.51% of our common shares and 50.02% of our preferred shares, representing 66.09% of our voting shares, has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger;

we hold 90.59% of the voting common shares of TCO, and we intend to vote the shares of TCO we hold in favor of the merger; and

our controlling shareholder also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares, and has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

Holders of preferred shares of TCO, TSD and Celular CRT, and holders of ADSs of TCO and TSD do not have the right to vote on the merger.

We will apply to list the TCP ADSs to be received by holders of TCO, TLE and TSD ADSs on the New York Stock Exchange, or the NYSE. Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADSs. We will apply to list the common shares and preferred shares to be received by holders of TCO, TLE, TSD and Celular CRT on the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or Bovespa. Upon the completion of the merger and the end of the period for the exercise of appraisal rights, where applicable, TCP will be renamed Vivo Participações S.A., the ticker symbols for the common shares and preferred shares of TCP on Bovespa will change to VIVO3 and VIVO4, respectively, and the ticker symbol for the ADSs of TCP on the NYSE will change to VIV.

This prospectus has been prepared for holders of common shares and preferred shares of TCO, TLE, TSD and Celular CRT residing in the United States, and for holders of ADSs of TCO, TLE and TSD, to provide information about the merger. This prospectus also serves as an information statement to provide information about the merger to holders of common shares, preferred shares and ADSs of TCP, which holders will continue to hold the same securities after the merger.

**You should read this prospectus carefully. In particular, please read the section entitled Risk Factors beginning on page 49 for a discussion of risks that you should consider in evaluating the transactions described in this prospectus.**

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**TCP IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND TCP A PROXY.**

This prospectus is dated January , 2006 and is expected first to be mailed to shareholders on or about that date.

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**This prospectus includes important business and financial information about TCP that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. To obtain timely delivery, security holders must request the information no later than five business days before February 22, 2006, the scheduled date of the extraordinary general shareholders meetings scheduled to approve the merger. See Part Seven: Additional Information for Shareholders Incorporation by Reference.**



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**PRESENTATION OF FINANCIAL INFORMATION**

The following financial statements are included or incorporated by reference in this prospectus:

the audited consolidated financial statements of Telesp Celular Participações S.A., or TCP, as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from the Annual Report of Telesp Celular Participações S.A. on Form 20-F for the Fiscal Year Ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TCP as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Centro Oeste Celular Participações S.A., or TCO, as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from TCO's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TCO as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Leste Celular Participações S.A., or TLE, as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from TLE's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TLE as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Sudeste Celular Participações S.A., or TSD, as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from TSD's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TSD as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Celular CRT Participações S.A., or Celular CRT, as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in Part Nine: Financial Statements of this prospectus; and

the unaudited condensed consolidated interim financial statements of Celular CRT as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus.

We prepare our financial statements in accordance with accounting practices adopted in Brazil, which include accounting practices derived from the Brazilian corporation law, regulations applicable to public telecommunications service concessionaires and accounting regulations and procedures established by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. We refer to these accounting practices in this prospectus as generally accepted accounting principles in Brazil, or Brazilian GAAP.



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Brazilian GAAP differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. The notes to the financial statements of TCP, TCO, TLE, TSD and Celular CRT included or incorporated by reference in this prospectus contain explanations of these differences as they relate to those companies:

For an explanation of these differences as they relate to TCP, see note 21 to TCP's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 and note 37 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004.

For an explanation of these differences as they relate to TCO, see note 37 to TCO's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TCO's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TLE, see note 34 to TLE's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 20 to TLE's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TSD, see note 35 to TSD's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TSD's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to Celular CRT, see note 31 to Celular CRT's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 19 to Celular CRT's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

References to the *real*, *reais* or R\$ are to Brazilian *reais* (plural) and the Brazilian *real* (singular), and references to U.S. dollars or U.S.\$ are to United States dollars.

This prospectus contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated some Brazilian currency amounts using a rate of R\$2.2222 to U.S.\$1.00, the PTAX selling rate of the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank, on September 30, 2005.

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In this prospectus, TCP, we, us and our refer to Telesp Celular Participações S.A. and its consolidated subsidiaries. References to the Targets refer to TCO, TLE, TSD and Celular CRT. References to New TCP refer to TCP upon consummation of the merger.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

We have made forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements relate to among other things:

management strategy;

synergies and cost savings;

integration of new business units;

market position and the size of the Brazilian telecommunications market;

statements concerning the operations and prospects of our company and the other VIVO companies;

estimated demand forecasts;

the ability of our company and of the other VIVO companies to secure and maintain telecommunications infrastructure licenses, rights of way and other regulatory approvals;

our strategic initiatives and plans for business growth;

industry conditions;

our funding needs and financing sources;

network completion and product development schedules;

expected characteristics of competing networks, products and services;

influence of controlling shareholders;

litigation; and

the timetable for the merger.

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Forward-looking statements also may be identified by words such as believes, expects, anticipates, projects, intends, should, seeks, or future or similar expressions. The sections of this prospectus that contain forward-looking statements include:

Part One: Questions and Answers About the Merger ;

Part Two: Summary ;

Part Three: Risk Factors ;

Part Five: The Merger Reasons for the Merger , Management and Unaudited Pro Forma Combined Financial Information ;

Part Six: Shareholder Rights ;

Part Seven: Additional Information for Shareholders Enforceability of Civil Liabilities Under U.S. Securities Laws ; and

Part Eight: Legal and Regulatory Matters General.

These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including but not limited to changes in technology, regulation, the global cellular communications marketplace and local economic conditions. In light of the many risks and uncertainties surrounding this marketplace, you should understand that we cannot assure you that the forward-looking statements contained in this prospectus will be realized. You are cautioned not to put undue reliance on any forward-looking information.

We undertake no obligation to publicly update or revise these forward looking statements after the date we distribute this prospectus.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

***Q: What is the merger?***

**A:** Telesp Celular Participações S.A., or TCP, has proposed a merger of shares (*incorporação de ações*) of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, and a merger of companies (*incorporação de empresas*) of Tele Leste Celular Participações S.A., or TLE, Tele Sudeste Celular Participações S.A., or TSD, and Celular CRT Participações S.A., or Celular CRT, each a company under common control with TCP. The transaction is referred to herein as the merger. The merger is a Brazilian law procedure under which TCO will become a wholly owned subsidiary of TCP, each of TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company, and holders of common shares, preferred shares or (where applicable) ADSs of TCO, TLE, TSD and Celular CRT will receive common shares, preferred shares or ADSs, respectively, of TCP upon approval of the merger by the requisite percentage of the voting shareholders of TCP, on one hand, and of TCO, TLE, TSD and Celular CRT, as the case may be, on the other hand.

***Q: What are the reasons for the merger?***

**A:** We believe the merger will enable us to:

align the interests of the shareholders of TCP, of its subsidiary TCO, and of TLE, TSD and Celular CRT, which are all currently under common control;

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold;

simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base; and

take advantage of important synergies among the companies, which are already operating under the same brand name VIVO .

***Q: What will happen to my shares in the merger?***

**A:** If you are a direct holder of common shares or preferred shares of:

TCO, you will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share of TCO that you hold, respectively;

TLE, you will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share of TLE that you hold, respectively;

TSD, you will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share of TSD that you hold, respectively; or

Celular CRT, you will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share of Celular CRT that you hold, respectively.

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No further action by you is required. An entry or entries will be made in the share registry of TCP to evidence the common shares and preferred shares of TCP you will receive in the merger.

If you are a holder of ADSs of:

TCO, you will receive 3.0830 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TCO that you hold, upon surrender of your TCO ADSs and payment of the fees and expenses of the TCO depository and the TCP depository;

TLE, you will receive 3.8998 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TLE that you hold, upon surrender of your TLE ADSs and payment of the fees and expenses of the TLE depository and the TCP depository; or

TSD, you will receive 3.2879 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TSD that you hold, upon surrender of your TSD ADSs and payment of the fees and expenses of the TSD depository and the TCP depository.

If you are a holder of common shares, preferred shares or ADSs of TCP, you will continue to hold those securities after the merger.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

***Q: What shareholder approvals are needed?***

**A:** The merger of each of TCO, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD and Celular CRT, respectively, at separate extraordinary general shareholders meetings.

The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE at an extraordinary general meeting of the shareholders of that company.

If you hold common shares of TCP, TCO, TLE, TSD or Celular CRT, or preferred shares of TCP or TLE, you may vote at the TCP, TCO, TLE, TSD or Celular CRT shareholders meeting, respectively. If you hold preferred shares of TCO, TSD or Celular CRT, you are not entitled to vote at the TCO, TSD or Celular CRT shareholder meeting. If you hold TCP ADSs or TLE ADSs, you are not entitled to attend the TCP or TLE shareholders meeting, but you may communicate your voting instructions to the TCP or TLE depository, as the case may be. If you hold ADSs of TCO or TSD, you are not entitled to attend or vote at the TCO or TSD shareholders meeting.

We expect the merger to be approved because:

Brasilcel N.V., or Brasilcel, which directly and indirectly holds 92.51% of our common shares and 50.02% of our preferred shares, representing 66.09% of our voting shares, has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger;

We hold 90.59% of the voting common shares of TCO, and we intend to vote the shares of TCO we hold in favor of the merger; and

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares, and has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

***Q: Do I have appraisal rights?***

**A:** Holders of record of common shares of TCO, TLE, TSD and Celular CRT, and holders of record of preferred shares of TSD at the close of business on December 2, 2005 are entitled to appraisal rights in connection with the merger.

If you held common shares of TCO, TLE or TSD or preferred shares of TSD on the record date, you will have the right to choose to receive, instead of the TCP common shares or preferred shares, as the case may be, an amount in cash equal to the greater of the amounts shown for that company in the table below:



Appraisal amounts

the greater of

	Shareholders equity per share in accordance with Brazilian GAAP (1)	Market value of shareholders equity per share (1)
	(reais per share)	
TCO (common or preferred shares)	R\$ 21.80	R\$ 18.38
TLE (common or preferred shares)	33.18	24.99
TSD (preferred shares)	22.31	21.97

(1) Calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters Rights.

If you held common shares of Celular CRT on the record date, you will have the right to choose to receive, instead of the TCP common shares,

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

an amount in cash equal to R\$37.50 per share, the shareholders' equity per share of Celular CRT in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

Holders of record of TCP common shares and preferred shares at the close of business on December 2, 2005 also have the right to choose to receive an amount in cash equal to R\$6.52 per share, the shareholders' equity per share of TCP in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you have appraisal rights, your appraisal rights will lapse not less than 30 days after publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger. If you have appraisal rights with respect to voting shares, you cannot exercise those appraisal rights if you vote in favor of the merger.

If you hold TCP or TSD ADSs, you will not be able to exercise appraisal rights. Even if you held those ADSs on December 2, 2005, the holder of the preferred shares underlying those ADSs on that date was the applicable depository's custodian, and the custodian will not exercise appraisal rights on your behalf.

Holders of preferred shares of TCO, TLE and Celular CRT and holders of ADSs of TCO and TLE are not entitled to appraisal or dissenters' rights in connection with the merger under Brazilian law.

***Q: Why am I receiving this document?***

**A:** This document is a prospectus of TCP relating to the common shares and preferred shares of TCP that the shareholders of TCO, TLE, TSD and Celular CRT will receive in the merger. If you hold common shares or preferred shares of TCO, TLE, TSD or Celular CRT or ADSs of TCO, TLE or TSD, you are receiving this prospectus because TCP may be deemed to be offering you its securities for purposes of the U.S. Securities Act of 1933, as amended. If you hold common shares, preferred shares or ADSs of TCP, you are receiving this document to provide you with information about the merger and the matters that will be considered at the TCP shareholders' meeting.

***Q: What will be the accounting treatment of the reorganization?***

**A:** Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value.

Under U.S. GAAP, since TCP and each of the Targets have been under common control since December 27, 2002, the exchange of shares of TCP for common and preferred shares of the Targets held directly or indirectly by Brasilcel will be accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the assets acquired and the liabilities assumed in the merger, to the extent of the proportionate interests in the Targets under common control, will be accounted for based on the historical carrying values of the assets and liabilities of each of the Targets, as would be reflected in the consolidated financial statements of Brasilcel. The proportionate interests in each of the Targets acquired from shareholders unrelated to the controlling shareholders will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. Under the purchase method of

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accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of purchase price over the related fair value of net assets acquired is accounted for as goodwill. The financial statements of New TCP presented after the merger will retroactively reflect the combination of TCP and the Targets to the extent of the proportionate interests in the Targets under common control since December 27, 2002, in accordance with Brazilian GAAP and U.S. GAAP.

***Q: What are the U.S. federal income tax consequences of the merger?***

A: If you are a U.S. Holder (as defined in Part Five: The Merger Material Tax Considerations

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

United States Federal Income Tax Considerations ) of TCO common shares or preferred shares (together the TCO shares ) or TCO ADSs, the U.S. federal income tax consequences of the merger are uncertain. If required, TCP intends to take the position that, pursuant to the merger, you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP common shares or preferred shares (together the TCP shares ) or TCP ADSs in exchange for your TCO shares or TCO ADSs, except to the extent of any cash received in lieu of fractional shares. If you are a U.S. Holder of common shares or preferred shares (together the shares ) of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, TCP believes you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, except to the extent of any cash received in lieu of fractional shares. See Part Five: The Merger Material Tax Considerations United States Federal Income Tax Considerations. The tax consequences to you of the merger are complex and will depend on your particular facts and circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

***Q: When will the merger be completed?***

**A:** The extraordinary general shareholders meeting of each of TCP, TCO, TLE, TSD and Celular CRT will be held on February 22, 2006, unless any of the meetings is postponed. The merger will be legally effective upon approval of the merger at the shareholder meetings. However, new common shares, preferred shares and ADSs of TCP will not be delivered in the merger until after the end of the period for the exercise of appraisal rights, where applicable, which period will end not less than 30 days after publication of the minutes of the extraordinary general shareholders meeting called to approve the merger. See also Could the merger be unwound? below.

***Q: Could the merger be unwound?***

**A:** Under the Brazilian corporation law, if management believes that the total value of the appraisal rights exercised by the shareholders of TCP, TCO, TLE, TSD and Celular CRT may put at risk the financial stability of New TCP, management may, within 10 days after the end of the appraisal rights period, call an extraordinary general meeting of shareholders to either unwind or ratify the merger. Payment relating to the exercise of the appraisal rights will not be due if the merger is unwound. Because it holds, directly and indirectly, a majority of the voting shares of TCP, TCO, TLE, TSD and Celular CRT, Brasilcel would be able to cause the unwinding of the merger at the applicable extraordinary general shareholders meetings.

***Q: Are any other approvals necessary for the completion of the merger?***

**A:** No.

***Q: After the merger, will I have the same ownership percentage that I now have?***

**A:** No. After the merger, New TCP will be a significantly larger company than any of TCP, TCO, TLE, TSD or Celular CRT. You will have a lower percentage ownership in New TCP than you currently have in TCP, TCO, TLE, TSD or Celular CRT. Assuming that none of the common shareholders of TCP, TCO, TLE and Celular CRT and none of the common and preferred shareholders of TSD exercises appraisal rights, the following are the percentages of the outstanding capital stock of TCP that former shareholders of TCO, TLE, TSD and Celular CRT, other than the controlling shareholders, will hold:

former TCO shareholders (other than TCP) will hold approximately 13.40%;

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former TLE shareholders (other than Brasilcel) will hold approximately 1.30%;

former TSD shareholders (other than Brasilcel) will hold approximately 1.91%; and

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former Celular CRT shareholders (other than Brasilcel) will hold approximately 5.04%.

Based on the assumptions described above, the percentage of the outstanding capital stock of TCP held by existing TCP shareholders (other than Brasilcel and its subsidiaries) will decrease from 33.91% to 15.79%.

***Q: How will my rights as a shareholder change after the merger?***

**A:** Your rights as a shareholder of TCP will be similar to your rights as a shareholder of TCO, TLE, TSD or Celular CRT. Part Six: Shareholder Rights – General describes certain differences in the calculation of the preference of preferred shareholders of TCP, TSD, TLE and Celular CRT in the receipt of dividends. The relative amounts that a preferred shareholder would receive under these different calculation methods depends on factors such as the amount of adjusted net income of the company calculated in accordance with the Brazilian corporation law, the company's capital stock and/or the company's shareholders' equity. Part Six: Shareholder Rights – General also describes some variations in voting rights of preferred shareholders of the companies.

***Q: When will I receive my TCP common shares, preferred shares or ADSs?***

**A:** Assuming the merger is completed, we will deliver common and preferred shares in connection with the merger after the end of the period for the exercise of appraisal rights, where applicable, which period will end not less than 30 days after the publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger. During that period, the common shares and preferred shares of TCP, TCO, TLE, TSD and Celular CRT are expected to continue to trade on the São Paulo Stock Exchange under their existing ticker symbols.

Assuming the merger is completed, we will make the ADSs representing preferred shares of TCP issued in the merger available to U.S. shareholders within three business days after the related preferred shares are deposited with the depository's custodian in Brazil. This deposit is expected to occur after the end of the period for the exercise of appraisal rights, where applicable, which period will end not less than 30 days after the publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger. During that period, the ADSs of TCP, TCO, TLE and TSD are expected to continue to trade on the New York Stock Exchange under their existing ticker symbols.

***Q: When will I receive any cash attributable to any fractional TCP security?***

**A:** If you hold ADSs of TCO, TLE or TSD and the application of the relevant exchange ratio to the ADSs you hold would result in your receiving a fractional TCP ADS, the depository under the ADS program of TCO, TLE or TSD, as the case may be, will sell on the open market the fractional TCP ADS to which you would otherwise be entitled. You will receive cash in lieu of any fractional TCP ADS you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including sales commissions) from the sale on the New York Stock Exchange of the aggregate number of fractional entitlements to TCP ADSs. Payments for interests in fractional TCP ADSs will be available to registered holders approximately five business days after the applicable depository completes sales of the aggregated fractional TCP ADSs on the New York Stock Exchange.

If you hold common shares or preferred shares of TCO, TLE, TSD or Celular CRT directly, TCP will make available to you any cash to which you are entitled in connection with the payments for fractional interests in TCP common shares or TCP preferred shares five business days after the proceeds of the sale of all such fractional interests by TCP on the São Paulo Stock Exchange become available to TCP.



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The sale of such fractional interests in auctions on the São Paulo Stock Exchange will occur as soon as practicable after the completion of the merger and after due notice of the auction is given in accordance with the rules of the São Paulo Stock Exchange.

**Q:** *If I hold ADSs of TCO, TLE or TSD, will I have to pay ADS cancellation and issuance fees?*

**A:** Yes. If you hold ADSs of TCO, TLE or TSD, you will have to pay the fees of the depositary of TCO, TLE or TSD, as the case may be, in accordance with the applicable deposit agreement for the cancellation each ADS of TCO, TLE or TSD that you hold in connection with the merger. These cancellation fees will not exceed \$5.00 per 100 ADSs (or portion thereof) of TCO, TLE or TSD you hold. You will also have to pay the ADS issuance fees of the TCP depositary in accordance with the TCP deposit agreement for each TCP ADS issued to you in connection with the merger. These issuance fees will not exceed \$5.00 per 100 ADSs (or portion thereof) of TCP to be issued to you. Given the exchange ratios of TCP ADSs to be received for each ADS of TCO, TLE or TSD that you hold, the maximum ADS cancellation and issuance fees you will have to pay to the depositaries for each ADS of TCO, TLE or TSD that you hold are set forth below:

Target ADS	Maximum ADS cancellation and issuance fees payable in connection with the merger for each ADS held
TCO	US\$ 0.20415
TLE	0.24499
TSD	0.214395

You will also have to pay any applicable stock transfer taxes with respect to the cancellation of your TCO, TLE or TSD ADSs or the issuance of TCP ADSs to you.

**Q:** *Will I have to pay brokerage commissions?*

**A:** You will not have to pay brokerage commissions if your TCO, TLE, TSD or Celular CRT shares are registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger. If you hold TCO, TLE or TSD ADSs, you will have to pay the ADS cancellation and issuance fees described under *If I hold ADSs of TCO, TLE or TSD, will I have to pay ADS cancellation and issuance fees?* above.

**Q:** *What do I need to do now?*

**A:** If you hold common shares or preferred shares of TCO, TLE, TSD or Celular CRT, you do not need to do anything to receive TCP common shares or TCP preferred shares, respectively, in the merger. The TCP common shares and the TCP preferred shares are book-entry shares, and an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares you will receive.



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If you hold TCO, TLE or TSD ADSs, the preferred shares underlying those ADSs will become TCP preferred shares by operation of law. If you hold TCO, TLE or TSD ADSs indirectly through a broker or other intermediary, you will automatically receive your new TCP ADSs upon payment of the applicable ADS cancellation, issuance fees and expenses and any stock transfer taxes. However, if you hold ADSs directly as a registered holder, in addition to paying the applicable ADS cancellation fees, issuance fees and expenses and any stock transfer taxes, you must surrender your American Depositary Receipts, or ADRs, representing ADSs to the depository. Upon surrender of those ADRs, the depository will deliver the TCP ADSs to the registered holders of former TCO, TLE and TSD ADSs. See Part Five: The Merger Receipt of Shares and ADSs of TCP for more details.

**Q:** *What do I need to do if I would like to attend the shareholders meeting?*

**A:** *TCP* If you hold common shares or if you hold preferred shares directly, you may attend the extraordinary general shareholders meeting of

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

TCP at which the merger will be considered, and you may vote. If you hold ADSs, you are not entitled to attend the shareholders meeting, but you may communicate your voting instructions to the TCP depository.

*TCO* If you hold common shares, you may attend the extraordinary general shareholders meeting of TCO at which the merger will be approved, and you may vote. If you hold preferred shares directly you may attend the general shareholders meeting, but you may not vote. If you hold ADSs, you are not entitled to attend or vote at the shareholders meeting.

*TLE* If you hold common shares or if you hold preferred shares directly, you may attend the extraordinary general shareholders meeting of TLE at which the merger will be approved, and you may vote. If you hold ADSs, you are not entitled to attend the shareholders meeting, but you may communicate your voting instructions to the TLE depository.

*TSD* If you hold common shares, you may attend the extraordinary general shareholders meeting of TSD at which the merger will be approved, and you may vote. If you hold preferred shares directly you may attend the general shareholders meeting, but you may not vote. If you hold ADSs, you are not entitled to attend or vote at the shareholders meeting.

*Celular CRT* If you hold common shares, you may attend the extraordinary general shareholders meeting of Celular CRT at which the merger will be approved, and you may vote. If you hold preferred shares you may attend the general shareholders meeting, but you may not vote.

The shareholders meeting of each of TCP, TCO, TLE, TSD and Celular CRT is currently expected to be held on February 22, 2006, at 2:00 p.m., local time, at the respective principal executive offices as follows:

Telesp Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 - São Paulo, SP

Brazil

Tele Centro Oeste Celular Participações S.A.

SCS - Quadra 2, Bloco C, 226

Edifício Telebrasilíia Celular - 7º andar

70302-916 - Brasília, DF

Brazil

Tele Leste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 - São Paulo, SP

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botafogo, 501, Torre Corcovado,

7º andar

22250-040 - Rio de Janeiro, RJ

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245, Farroupilha

90040-130 - Porto Alegre, RS

Brazil

We have set a record date of December 19, 2005 for purposes of holders of TCP or TLE ADSs who wish to instruct the applicable depository how to vote the preferred shares underlying those ADSs. That is, holders of ADSs of TCP or TLE as of the close of business on December 19, 2005 may instruct the applicable depository how to vote the preferred shares underlying the ADSs they held on that date.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

***Q:*** *Who can help answer my questions?*

***A:*** If you have any questions about the merger, you can contact

Telesp Celular Participações S.A.

Tele Centro Oeste Celular Participações S.A.

Tele Leste Celular Participações S.A.

Tele Sudeste Celular Participações S.A.

Celular CRT Participações S.A.

at the following:

Av. Roque Petroni Júnior, 1464

4º Andar - Lado A

04707-000 - São Paulo, SP

Brazil

Attention: Charles E. Allen

Telephone: 011-55-11-5105-2276

Facsimile: 011-55-11-5105-2247

email: [vsm@vivo.com.br](mailto:vsm@vivo.com.br)

You may also contact the information agent for the merger:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

[proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com)

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Call Collect: (212) 929-5500

Toll-Free: (800) 322-2885

If you are a holder of TCP, TCO, TLE or TSD ADSs, you may also contact:

The Bank of New York

101 Barclay Street

New York, NY 10286

Telephone: (888) BNY-ADRS

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**PART TWO SUMMARY**

*The following summary highlights selected information from this prospectus and may not contain all the information that may be important to you. To understand the merger more fully, you should read carefully this entire prospectus.*

**The Companies**

TCP, TCO, TLE, TSD and Celular CRT, or the VIVO companies, are leading providers of cellular telecommunications in 19 states in Brazil and the Federal District. According to data published by the National Telecommunications Agency (*Agência Nacional de Telecomunicações*), or Anatel, the VIVO companies have 36.1% of the total market in Brazil and 45.9% of the total market in their authorized areas, with 28.8 million users as of September 30, 2005. Their operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population. On a pro forma basis reflecting the merger, the VIVO companies had net operating revenues of R\$10,929.3 million for the year ended December 31, 2004 and R\$8,308.1 million for the nine months ended September 30, 2005.

The VIVO companies are controlled by Brasilcel N.V., or Brasilcel, a joint venture of Portugal Telecom S.G.P.S., S.A., or Portugal Telecom, and Telefónica Móviles S.A., or Telefónica Móviles. The following chart shows the corporate structure of the VIVO companies as of December 4, 2005.

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**PART TWO SUMMARY**

**TCP**

We are a leading provider of cellular telecommunications services in Brazil through our subsidiaries Telesp Celular S.A., or Telesp Celular, Global Telecom S.A., or Global Telecom, and Tele Centro Oeste Celular Participações S.A., or TCO, according to data regarding market share published by Anatel. We are controlled by Brasilcel, which also controls, directly or indirectly, Tele Sudeste Celular Participações S.A., or TSD, Tele Leste Celular Participações S.A., or TLE, and Celular CRT Participações S.A., or Celular CRT. In the nine months ended September 30, 2005, we had net operating revenues of R\$5,491.7 million, and as of September 30, 2005 had 19.4 million cellular lines in service.

Telesp Celular provides mobile telecommunications services on the A Band frequency range in the state of São Paulo, covering approximately 248,209 square kilometers, representing approximately 2.9% of Brazil's territory. This state includes 63 municipalities with populations in excess of 100,000 people, including the city of São Paulo, Brazil's largest city, with more than 10 million people, and is home to more than 40.1 million people, representing 21.9% of Brazil's population, estimated based on information published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. The A Band frequency used by Telesp Celular covers 77% of the municipalities in the state of São Paulo and 98% of the population of the metropolitan area of São Paulo. Telesp Celular is the leading cellular operator, by number of customers, in the state of São Paulo, according to data published by Anatel.

Telesp Celular had net operating revenues of R\$3,415.0 million, R\$3,993.2 million and R\$4,329.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Telesp Celular had net operating revenues of R\$3,187.0 million. As of September 30, 2005, Telesp Celular had 10.0 million cellular lines in service and a market share of approximately 50.1% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Global Telecom provides mobile telecommunications services on the B Band frequency range in the states of Paraná and Santa Catarina. These two states cover an area of approximately 294,661 square kilometers, representing approximately 3.5% of Brazil's territory, and include 22 municipalities with populations in excess of 100,000 people. The states of Paraná and Santa Catarina are home to approximately 16.0 million people, representing 8.8% of Brazil's population, estimated based on information published by the IBGE.

Global Telecom had net operating revenues of R\$512.2 million, R\$669.0 million and R\$801.6 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Global Telecom had net operating revenues of R\$602.5 million. As of September 30, 2005, Global Telecom had 2.8 million cellular lines in service and a market share of approximately 36.2% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Telesp Celular has been our wholly owned subsidiary since we completed a corporate restructuring in January 2000. We acquired an 81.61% indirect economic interest in Global Telecom in February 2001, and Global Telecom became our wholly owned subsidiary on December 27, 2002. We acquired 61.10% of the voting capital stock of TCO on April 25, 2003. We acquired additional shares of voting capital stock of TCO in a public tender offer in October 2003, bringing the percentage of TCO's voting capital stock we owned to 86.19%. In October 2004, we acquired additional shares of voting capital stock and preferred shares of TCO in another public tender offer, and in July 2005 we acquired additional shares of voting capital stock of TCO in a capital increase, bringing the percentage of TCO's voting capital stock we own to 90.59%. Our net operating revenues for the nine months ended September 30, 2005 included R\$1,702.2 million attributable to the consolidation of TCO, R\$3,187.0 million attributable to the consolidation of Telesp Celular and R\$602.5





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### **PART TWO SUMMARY**

million attributable to the consolidation of Global Telecom. After consolidation adjustments, our net operating revenues for the nine months ended September 30, 2005 were R\$5,491.7 million.

Our principal executive offices are located at Av. Roque Petroni Júnior, 1464, 4º Andar, Lado A, 04707-000 São Paulo, SP, Brazil, and our telephone number is 011-55-11-5105-2276. We are incorporated under the laws of Brazil.

For more information about our company, please see our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

### **TCO**

According to data published by Anatel, TCO is the leading provider, by number of customers, of cellular telecommunications services in Brazil's Federal District and in 11 Brazilian states: Acre, Amapá, Amazonas, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondonia, Roraima and Tocantins, an area encompassing 5.8 million square kilometers, approximately 68% of Brazil's territory, including 34 municipalities with populations in excess of 100,000 people, and 31.8 million people, representing approximately 18% of Brazil's population.

TCO uses the A Band frequency range, covering 50% of the municipalities in the Federal District and in the states of Acre, Goiás, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins and 89% of the population of these areas. TCO also uses the B Band frequency range that covers 28% of the municipalities in the states of Amazonas, Amapá, Maranhão, Pará and Roraima and 65% of the population of those states.

TCO's subsidiaries are: Telegoiás Celular S.A., or Telegoiás, Telemat Celular S.A., or Telemat, Telems Celular S.A., or Telems, Teleron Celular S.A., or Teleron, Teleacre Celular S.A., or Teleacre, Norte Brasil Telecom S.A., or NBT, and TCO IP S.A., or TCO IP.

TCO and its subsidiaries had aggregate net operating revenues of R\$1,572.1 million, R\$1,958.9 million and R\$2,210.4 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TCO had net operating revenues of R\$1,702.2 million. As of September 30, 2005, TCO and its subsidiaries had 6.5 million cellular lines in service and a market share of approximately 47% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TCO's principal executive offices are located at SCS Quadra 2, Bloco C, 226, Edifício Telebrasília Celular, 7º andar, 70302-916, Brasília, DF, Brazil, and its telephone number is 011-55-61-3962-7756. TCO is incorporated under the laws of Brazil.

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For more information about TCO, please see TCO's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information - Consolidated Statements and Other Financial Information - Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

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#### **TLE**

According to data published by Anatel, TLE is a leading provider of cellular telecommunications services in the states of Bahia and Sergipe through its subsidiaries Telebahia Celular S.A., or Telebahia, and Telergipe Celular, or Telergipe.

TLE provides mobile telecommunications services on the A Band frequency range in an area with more than 15.5 million people, representing 8.6% of Brazil's population, and encompassing 16 metropolitan areas with populations in excess of 100,000 people. TLE covers 31% of the municipalities and 68% of the population in this area.

TLE and its subsidiaries had aggregate net operating revenues of R\$431.4 million, R\$441.3 million and R\$487.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TLE had net operating revenues of R\$418.7 million. As of September 30, 2005, TLE and its subsidiaries had 1.4 million cellular lines in service and a market share of approximately 34.4% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TLE's principal executive offices are located at Av. Roque Petroni Júnior, 1464, 4º Andar Lado A, 04707-000, São Paulo, SP, Brazil, and its telephone number is 011-55-11-5105-2276. TLE is incorporated under the laws of Brazil.

For more information about TLE, please see TLE's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

#### **TSD**

According to market share data published by Anatel, TSD is a leading provider of cellular telecommunications services in the states of Rio de Janeiro and Espírito Santo through its subsidiaries Telerj Celular S.A., or Telerj, and Telest Celular S.A., or Telest.

TSD provides mobile telecommunications services on the A Band frequency range in an area covering approximately 89,774 square kilometers, representing approximately 1.1% of Brazil's territory. This area is home to more than 18 million people, representing 10.2% of Brazil's population. TSD covers 100% of the municipalities and 96.8% of the population in this area.

TSD and its subsidiaries had aggregate net operating revenues of R\$1,847.6 million, R\$1,892.5 million and R\$1,927.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TSD had net operating revenues of R\$1,505.3 million. As of September 30,

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2005, TSD and its subsidiaries had 4.6 million cellular lines in service and a market share of approximately 44.2% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TSD's principal executive offices are located in Praia de Botafogo, 501, Torre Corcovado, 7º andar, 22250-040, Rio de Janeiro, RJ, Brazil, and its telephone number is 011-55-21-2586-6622. TSD is incorporated under the laws of Brazil.

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**PART TWO SUMMARY**

For more information about TSD, please see TSD's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

**Celular CRT**

According to data published by Anatel, Celular CRT is a leading provider of cellular telecommunications services in the state of Rio Grande do Sul through its subsidiary Celular CRT S.A. Celular CRT provides mobile telecommunications services on the A Band frequency range in an area with more than 10.5 million people, representing 5.6% of Brazil's population.

Celular CRT had net operating revenues of R\$896.3 million, R\$1,032.7 million and R\$1,174.3 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Celular CRT had net operating revenues of R\$892.4 million. As of September 30, 2005, Celular CRT had 3.4 million cellular lines in service and a market share of approximately 50.3% in its authorized area, estimated based on the total number of cellular lines in service in that area as published by Anatel.

Celular CRT's principal executive offices are located at Rua José Bonifácio, 245, Farroupilha, 90040-130 Porto Alegre, RS, Brazil, and its telephone number is 011-55-11-5105-2276. Celular CRT is incorporated under the laws of Brazil.

Celular CRT is not subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. For more information about Celular CRT, please see Part Four: Information on the VIVO Companies Description of Celular CRT's Business and Management's Discussion and Analysis of Financial Condition and Results of Operations of Celular CRT and the audited consolidated financial statements and unaudited condensed consolidated financial statements of Celular CRT included in this prospectus.

**VIVO**

In 2002, Portugal Telecom and Telefónica Móviles transferred all of their investments in cellular telecommunications businesses in Brazil to Brasilcel. Portugal Telecom and Telefonica Móviles are managing this joint venture on an equal basis.

All of TCP, TCO, TSD, TLE and Celular CRT are controlled by Brasilcel, directly and/or indirectly, and have been operating under the brand name VIVO since April 2003. The VIVO companies pursue a common commercial strategy and are guided by a common management team. VIVO designs marketing, promotional and other initiatives common to all the companies and then tailors those activities to the particular markets of those companies.

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According to data published by Anatel, VIVO has 36.1% of the total market in Brazil and 45.9% of the total market in its authorized areas, with 28.8 million users as of September 30, 2005. Its operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population.

Upon the completion of the merger of shares of TCO with TCP and of the merger of companies of each of TCO, TLE, TSD and Celular CRT with TCP, TCP will be renamed Vivo Participações S.A. and will be the holding company of TCO and of the subsidiaries of TLE, TSD and Celular CRT.

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**PART TWO SUMMARY**

The following chart shows our expected corporate structure after the merger.

*Combined Region*

The map below shows the regions in Brazil in which VIVO operates.

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**Terms of the Merger**

We are proposing the merger of shares (*incorporação de ações*) of TCO with TCP, and the merger of companies (*incorporações de empresas*) of TLE, TSD and Celular CRT with TCP, in each case under Brazilian law. We refer to the transaction herein as the merger.

**Purpose of and Reasons for the Merger**

We believe the merger will enable us to:

align the interests of the shareholders of TCP, TCO, TLE, TSD and Celular CRT;

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold;

simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base; and

take advantage of important synergies among the companies, which are already operating under a common brand name, VIVO.

We believe that the potential synergies from the transaction include the elimination of the costs to maintain the registration of the securities of TCO, TLE and TSD under the Exchange Act, the listing of the ADSs of those companies on the New York Stock Exchange and the listing of the common shares and preferred shares of those companies on the São Paulo Stock Exchange. These costs include the preparation of Annual Reports on Form 20-F for those companies, the submission of reports on Form 6-K for those companies, the preparation of audited financial statements reconciled to U.S. GAAP in accordance with the regulations of the U.S. Securities and Exchange Commission and, beginning in 2006, the preparation of reports on the internal control over financial reporting of those companies pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the attestations of such reports by the companies independent registered public accounting firm. Although the New TCP will be a larger and more complex company and its compliance costs are expected to increase as a result of the transaction, we believe that this increase will be more than offset by the reduction in these costs with respect to the other companies.

We selected the particular structure of this transaction, which includes a merger of shares of TCO with TCP under Brazilian law and concurrent mergers of companies of TLE, TSD and Celular CRT into TCP under Brazilian law, primarily because this structure provides the greatest certainty that unaffiliated shareholders will become shareholders of New TCP and that we will achieve the objectives described above. As an alternative to this structure, our controlling shareholder, Brasilcel, considered conducting a series of public tender offers for cash and/or securities of TCP to existing unaffiliated shareholders of TCO, TLE, TSD and Celular CRT. However, we and our controlling shareholder rejected this alternative because it (1) would not provide the certainty that there would be fewer than 300 U.S. resident holders of the preferred shares and ADSs of TCO, TLE and TSD after the transaction, which is a condition to deregistration of those securities under the Exchange Act, and (2) would not streamline the corporate and shareholder structure without undertaking a subsequent merger.



**Effects of the Merger on TCP, the Targets and Their Affiliates**

If the merger is approved:

TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company;

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direct holders of common shares and preferred shares of TCO will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TCO will receive 3.0830 ADSs of TCP for each ADS they hold, subject to the procedures described herein and upon payment of any fees and expenses of the TCO depository and of the TCP depository;

direct holders of common shares and preferred shares of TLE will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.8998 ADSs of TCP for each ADS they hold, subject to the procedures described herein and upon payment of any fees and expenses of the TLE depository and of the TCP depository;

direct holders of common shares and preferred shares of TSD will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.2879 ADSs of TCP for each ADS they hold, subject to the procedures described herein and upon payment of any fees and expenses of the TSD depository and of the TCP depository; and

holders of common shares or preferred shares of Celular CRT will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; Celular CRT does not have an ADS program, and no holder of CRT common shares or preferred shares will receive TCP ADSs.

As a result of the merger:

New TCP will be a significantly larger company and will be the holding company of TCO and its subsidiaries and of the subsidiaries of TLE, TSD and Celular CRT;

New TCP will be renamed Vivo Participações S.A., the common shares and preferred shares of New TCP will be listed on the São Paulo Stock Exchange and the ADSs of New TCP will be listed on the New York Stock Exchange;

the preferred shares and ADSs of TCO, TLE and TSD are expected to be deregistered under the Exchange Act, and those companies will no longer file Annual Reports on Form 20-F or reports on Form 6-K;

the ADSs of TCO, TLE and TSD will be delisted from the New York Stock Exchange, and the common shares and preferred shares of TCO, TLE, TSD and Celular CRT will be delisted from the São Paulo Stock Exchange; and

any dividends to holders of common shares, preferred shares or ADSs with respect to fiscal years after the fiscal year ended December 31, 2005 will be paid in accordance with the bylaws (*estatuto social*) of TCP and the Brazilian corporation law, as described in Part Six: Shareholder Rights.

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As a result of the transaction, TCP will own 100% of the capital stock of TCO, and TLE, TSD and Celular CRT will merge with and into TCP, with TCP as the surviving company. TCP's interest in the net book value and net income (loss) of each of those companies will therefore increase to 100%. The following table illustrates the effects of the merger on TCP's interest in the net book value and net income (loss) of TCO, TLE, TSD and Celular CRT.

	TCP's interest in the net book value of the Targets as of September 30, 2005	
	Historical	Pro forma
	(R\$ millions, unaudited)	
TCO	R\$ 1,487.6 (52.47%)	R\$2,835.3 (100%)
TLE		320.0 (100%)
TSD		2,048.7 (100%)
Celular CRT		1,224.1 (100%)

	TCP's interest in the net income (loss) of the Targets			
	Nine months ended September 30, 2005		Year ended December 31, 2004	
	Historical	Pro forma	Historical	Pro forma
	(R\$ millions, unaudited)			
TCO	R\$ 144.7 (52.47%)	R\$275.8 (100%)	R\$ 256.8 (50.65%)	R\$507.1 (100%)
TLE		(54.5) (100%)		(34.2) (100%)
TSD		78.0 (100%)		92.8 (100%)
Celular CRT		104.5 (100%)		181.9 (100%)

**Effects of the Merger on Unaffiliated Shareholders**

The benefits and actual or potential adverse effects of the merger for unaffiliated shareholders of the Targets can be summarized as follows:

**Principal Benefits**

The common shares, preferred shares and ADSs of TCP to be received by holders of common shares, preferred shares and ADSs of the Targets are expected to have greater liquidity than the existing common shares, preferred shares and ADSs of the Targets.

Holders of shares and ADSs of TCP will hold an investment in a more diversified cellular telecommunications provider that will provide services in 19 states in Brazil and the Federal District in an area that includes approximately 73% of the Brazilian population.

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At the same time, holders of shares and ADSs are expected to benefit from synergies to be obtained as a result of the merger.

Holders of shares of TLE would have experienced a decrease in loss from continuing operations per share for the nine months ended September 30, 2005 from R\$(5.65) per share on a historical basis under Brazilian GAAP to R\$(0.90) per share on a pro forma per share equivalent basis under Brazilian GAAP and from R\$(6.22) per share on a historical basis under U.S. GAAP to R\$(1.19) per share on a pro forma per share equivalent basis under U.S. GAAP, in each case calculated as described below under Summary Comparative Per Share Data. See also Part Five: The Merger Unaudited Pro Forma Combined Financial Information.

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Holders of shares of TCO, TLE, TSD and Celular CRT would have experienced an increase in book value per share on a U.S. GAAP basis as of September 30, 2005 from R\$21.98, R\$33.78, R\$22.31 and R\$37.65 on a historical basis to R\$28.27, R\$35.76, R\$30.15 and R\$64.46, respectively, on a pro forma per share equivalent basis, in each case calculated as described below under Summary Comparative Per Share Data. However, book value per share would have decreased on a Brazilian GAAP basis for a holder of TCO, TLE or TSD shares. On a Brazilian GAAP basis, book value per share as of September 30, 2005 was R\$21.80, R\$33.18, R\$22.31 and R\$37.50 for TCO, TLE, TSD and Celular CRT, respectively, and would have been R\$19.40, R\$24.54, R\$20.69 and R\$44.24, respectively, on a pro forma per share equivalent basis, in each case calculated as described below under Summary Comparative Per Share Data. See also Part Five: The Merger Unaudited Pro Forma Combined Financial Information.

***Principal Actual or Potential Adverse Effects***

Holders of shares of TCO, TSD and Celular CRT would have experienced a decrease in income from continuing operations per thousand shares on a Brazilian GAAP basis for the nine months ended September 30, 2005 from R\$2.12, R\$0.85 and R\$3.20 per share on a historical basis, respectively, to a loss from continuing operations per share of R\$(0.71), R\$(0.76) and R\$(1.62) on a pro forma per share equivalent basis, respectively, in each case calculated as described below under Summary Comparative Per Share Data. Similarly, holders of shares of TCO, TSD and Celular CRT would have experienced a decrease in income from continuing operations per share on a U.S. GAAP basis for the nine months ended September 30, 2005 from R\$1.80, R\$0.62 and R\$2.50 per share on a historical basis, respectively, to a loss from continuing operations per share of R\$(0.94), R\$(1.01) and R\$(2.15) on a pro forma per share equivalent basis, respectively, in each case calculated as described below under Summary Comparative Per Share Data. Holders of shares of TCO, TSD and Celular CRT would also have experienced decreases in income from continuing operations for the fiscal years ended December 31, 2003 and 2004 on a U.S. GAAP basis and (except for holders of shares of TCO and TSD for the fiscal year ended December 31, 2004) on a Brazilian GAAP basis, comparing historical per share amounts to pro forma per share equivalent amounts for those periods, in each case calculated as described below under Summary Comparative Per Share Data. See also Part Five: The Merger Unaudited Pro Forma Combined Financial Information.

As explained above, holders of TCO, TLE and TSD shares would have experienced a decrease in book value per share under Brazilian GAAP (though not under U.S. GAAP) as of September 30, 2005 on a pro forma per share equivalent basis, in each case calculated as described below under Summary Comparative Per Share Data. See also Part Five: The Merger Unaudited Pro Forma Combined Financial Information.

Holders of shares and ADSs of TCO, TSD and Celular CRT would not have received dividends or interest on shareholders' equity on a pro forma per share equivalent basis in at least the two last fiscal years, as described in Summary Comparative Per Share Data, because TCP does not currently pay dividends or interest on shareholders' equity due to its net losses. Holders of shares and ADSs of TLE would also not have received dividends or interest on shareholders' equity on a pro forma per share equivalent basis, but these holders do not currently receive dividends or interest on shareholders' equity due to TLE's net losses. However, TCP expects to effect a capital reduction in connection with the merger, intended to permit TCP to resume the payment of dividends or interest on shareholders' equity more promptly than might otherwise be possible. See Part Six: Shareholder Rights Information About Historical Dividend Payments.

The method of calculation of the preference of preferred shareholders in the receipt of dividends differs for TLE, TSD and Celular CRT from the method set forth in the bylaws of TCP. The relative amounts

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that a preferred shareholder would receive under these different calculation methods depend on factors such as the amount of adjusted net income of the company calculated in accordance with the Brazilian corporation law, the company's capital stock and/or the company's shareholders' equity. The bylaws of TSD provide that preferred shareholders are entitled to receive, out of any mandatory minimum dividends under the Brazilian corporation law, dividends 10% greater than those received by common shareholders. The bylaws of TLE and Celular CRT provide that preferred shareholders are entitled to a preference to receive out of any mandatory minimum dividends an amount equal to the greater of (1) 6% of subscribed capital per share and (2) dividends 10% greater than those received by common shareholders. The TCP bylaws contain a different preference, entitling preferred shareholders to a preference to receive out of any mandatory minimum dividends an amount equal to the greater of (1) 6% of subscribed capital per share and (2) 3% of shareholders' equity per share. Depending on the level of capital stock, shareholders' equity and adjusted net income for purposes of the Brazilian corporation law, the TCP preference rule could result in lesser dividends to preferred shareholders (and ADS holders) and common shareholders than would be payable under the bylaws of TLE, TSD and Celular CRT. See Part Six: Shareholder Rights General.

New TCP will be considerably more leveraged than TCO, TSD and Celular CRT. In addition, TCP will assume the liabilities of TLE, TSD and Celular CRT in connection with the merger. See Part Three: Risk Factors Risks Relating to the Merger.

Because New TCP will be a larger company than TCO, TLE, TSD and Celular CRT, the ownership percentage of any existing minority shareholder of the Targets will decrease as a result of the merger. See Part Three: Risk Factors Risks Relating to the Merger.

Holders of ADSs of TCO, TLE and TSD will be required to pay the ADS cancellation and issuance fees described in Part Five: The Merger Receipt of Shares and ADSs of TCP.

U.S. holders of shares or ADSs may have a gain or loss for U.S. federal income tax purposes, as described under Material Tax Considerations below and in Part Five: The Merger Material Tax Considerations United States Federal Income Tax Considerations.

You may have a gain or loss for Brazilian income tax purposes, as described under Material Tax Considerations below and in Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

**Material Tax Considerations (Page 157)**

If you are a U.S. Holder of TCO shares or TCO ADSs, the U.S. federal income tax consequences of the merger are uncertain. If required, TCP intends to take the position that, pursuant to the merger, you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for your TCO shares or TCO ADSs, except to the extent of any cash received in lieu of fractional shares. If you are a U.S. Holder of shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, TCP believes you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, except to the extent of any cash received in lieu of fractional shares. You will also be subject to certain U.S. federal income tax consequences as a result of holding TCP shares or TCP ADSs received pursuant to the merger. See Part Five: The Merger Material Tax Considerations United States Federal Income Tax Considerations.

There are reasonable Brazilian legal grounds to sustain that the receipt (resulting from the merger) by a non-Brazilian holder of ADSs or by a U.S. person of common or preferred shares that are registered as a foreign



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portfolio investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law 4,131/62 would not be subject to income tax pursuant to Brazilian law. However, Brazilian tax legislation does not contain specific provisions with respect to the merger. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

**Approval of the Merger (Page 136)**

Brasilcel holds, directly and indirectly, 92.51% of the common shares and 50.02% of the preferred shares of our company, representing 66.09% of our total voting shares. Brasilcel has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger.

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares. Brasilcel has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

We hold 90.59% of the voting common shares of TCO. We intend to vote the shares of TCO we hold in favor of the merger.

The merger of each of TCO, TLE, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders' meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD or Celular CRT. The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders' meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE.

The extraordinary general shareholders' meetings of TCP, TCO, TLE, TSD and Celular CRT are scheduled to be held as follows:

February 22, 2006

2 p.m., local time

Telesp Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 São Paulo, SP



Brazil

Tele Centro Oeste Celular Participações S.A.

SCS Quadra 2, Bloco C, 226

Edifício Telebrásília Celular, 7º andar

70302-916 Brasília, DF

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botafogo, 501

Torre Corcovado, 7º andar

22250-040 Rio de Janeiro, RJ

Brazil

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Tele Leste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 São Paulo, SP

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245, Farroupilha

90040-130 Porto Alegre, RS

Brazil

If you hold common shares of TCP, TCO, TSD, TLE or Celular CRT, you may attend and vote at the applicable meeting. If you hold preferred shares of TCO, TSD or Celular CRT directly, you may attend the applicable meeting, but you may not vote. If you hold TCP or TLE preferred shares directly, you may attend and vote at the respective meeting. Under the Brazilian corporation law, you may be required to show documents proving your identity to gain admittance to the meeting. If you grant a proxy to someone to act for you at the meeting, your proxy will be required to show original or certified copies of the documents that grant him or her powers of representation. The proxy must be deposited at the head office of TCP, TCO, TLE, TSD or Celular CRT, as the case may be, no later than 2 p.m., local time, two days before the applicable meeting.

If you hold ADSs of TCO or TSD, you are not entitled to attend, or vote through a representative at, the respective shareholders' meeting. If you hold TCP ADSs or TLE ADSs, you are not entitled to attend the respective shareholders' meeting, but you may communicate your voting instructions to the TCP depository or TLE depository, as the case may be. No holder of preferred shares of TCO, TSD or Celular CRT and no holder of ADSs of TCO or TSD may vote at the applicable meeting.

There are no conditions to the completion of each merger other than shareholder approval by TCP, on one hand, and TCO, TSD, TLE or Celular CRT, as the case may be, on the other hand. The approval of the NYSE of the listing of the ADSs of TCP to be delivered in connection with the merger of each of TCO, TLE or TSD, for which we will apply, must be obtained for these shares to be traded by their holders. However, this approval is not a condition to the completion of the merger.

The approval of the merger by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, is not a condition to the merger. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and Our Business. The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders' meetings scheduled to approve the merger.

**Receipt of Shares and ADSs of TCP (Page 139)**

If the merger is approved, each common share or preferred share:

of TCO will become 3.0830 common shares or preferred shares, respectively, of TCP;

of TLE will become 3.8998 common shares or preferred shares, respectively, of TCP;

of TSD will become 3.2879 common shares or preferred shares, respectively, of TCP; and

of Celular CRT will become 7.0294 common shares or preferred shares, respectively, of TCP,

in each case without any action by you. Because the common shares and preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares received in the merger. Neither you nor any other person will receive certificates evidencing common shares or preferred shares of TCP.

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Holders of ADSs representing preferred shares will receive:

3.0830 ADSs representing preferred shares of TCP in the merger for each ADS of TCO they hold;

3.8998 ADSs representing preferred shares of TCP in the merger for each ADS of TLE they hold; and

3.2879 ADSs representing preferred shares of TCP in the merger for each ADS of TSD they hold.

After the merger becomes effective and the end of the period for the exercise of appraisal rights, where applicable (see Appraisal or Dissenters Rights ), TCP will deposit with a custodian for The Bank of New York, as depositary under each of the TCO, TLE and TSD ADS programs, the TCP preferred shares issuable in respect of the ADSs of TCO, TLE or TSD then held in that program. The Bank of New York, as depositary, will deposit those TCP preferred shares with the custodian for The Bank of New York, as depositary under the TCP ADS program, and instruct that depositary to cause to be issued and to deliver, subject to payment of the fees and expenses of that depositary under the TCP deposit agreement, as described below, ADSs representing those TCP preferred shares to the depositary for the ADS program of TCO, TLE or TSD, as the case may be. When the TCP ADSs are received in the ADS program of each of TCO, TLE and TSD, the ADSs of each of TCO, TLE and TSD will represent a right to receive TCP ADSs.

If you hold ADSs indirectly through a broker or other intermediary, you will automatically receive your TCP ADSs (and cash in lieu of any fractions as described in Part Five: The Merger Fractional Shares and ADSs ) upon payment of the depositary's fees and expenses as provided in each of the TCO, TLE and TSD deposit agreements, as described below.

If you hold ADSs directly as a registered holder, you must, in addition to paying the fees and expenses of the depositary described below, surrender your ADRs to the depositary. Registered holders of TCO, TLE and TSD ADSs will be provided with the necessary forms, which will contain instructions on how to surrender their ADRs representing ADSs to the depositary. If you do not receive the necessary forms, you may call The Bank of New York toll-free at 1-888-BNY-ADRS or contact The Bank of New York at 101 Barclay Street, New York, NY 10286. Upon surrender of those ADRs, the depositary will deliver the TCP ADSs to the registered holders of former TCO, TLE and TSD ADSs (and cash in lieu of any fractions as described in Part Five: The Merger Fractional Shares and ADSs ). See Part Five: The Merger Receipt of Shares and ADSs of TCP Delivery of TCP ADRs.

If you hold ADSs of TCO, TLE or TSD, you will have to pay the fees of the depositary of TCO, TLE or TSD, as the case may be, in accordance with the applicable deposit agreement for the cancellation each ADS of TCO, TLE or TSD that you hold in connection with the merger. These cancellation fees will not exceed \$5.00 per 100 ADSs (or portion thereof) of TCO, TLE or TSD you hold. You will also have to pay the ADS issuance fees of the TCP depositary in accordance with the TCP deposit agreement for each TCP ADS issued to you in connection with the merger. These issuance fees will not exceed \$5.00 per 100 ADSs (or portion thereof) of TCP to be issued to you. Given the exchange ratios of TCP ADSs to be received for each ADS of TCO, TLE or TSD that you hold, the maximum ADS cancellation and issuance fees you will have to pay to the depositaries for each ADS of TCO, TLE or TSD that you hold are set forth below:

**Target ADS**

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		<b>Maximum ADS cancellation and issuance fees payable in connection with the merger for each ADS held</b>
TCO	US\$	0.20415
TLE		0.24499
TSD		0.214395

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### **PART TWO SUMMARY**

If you are a holder of common shares, preferred shares or ADSs of TCP, you will continue to hold those securities after the merger.

#### **Management (Page 150)**

TCP is managed, and after the merger will be managed, by a board of directors of nine members, each serving a three-year term expiring at the ordinary general meeting of shareholders to be held by April 2006, except that the term of Antônio Gonçalves de Oliveira will expire in April 2007. The board of executive officers of TCP currently consists of five members, led by Roberto Oliveira de Lima as chief executive officer.

TCP is headquartered in São Paulo, Brazil and will maintain that headquarters after the merger.

#### **Accounting Treatment of the Merger (Page 146)**

Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value. Under U.S. GAAP, since TCP and each of the Targets have been under common control since December 27, 2002, the exchange of shares of TCP for common and preferred shares of the Targets held directly or indirectly by Brasilcel will be accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the assets acquired and the liabilities assumed in the merger, to the extent of the proportionate interests in the Targets under common control, will be accounted for based on the historical carrying values of the assets and liabilities of each of the Targets, as would be reflected in the consolidated financial statements of Brasilcel. The proportionate interests in each of the Targets acquired from shareholders unrelated to the controlling shareholders will be accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. Under the purchase method of accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of purchase price over the related fair value of net assets acquired is accounted for as goodwill. The financial statements of New TCP presented after the merger will retroactively reflect the combination of TCP and the Targets to the extent of the proportionate interests in the Targets under common control since December 27, 2002, in accordance with Brazilian GAAP and U.S. GAAP.

#### **Stock Exchange Matters**

Upon the completion of the merger and the end of the period for the exercise of appraisal rights, where applicable (see Appraisal or Dissenters Rights ), TCP will be renamed Vivo Participações S.A. TCP's common shares will be traded on the São Paulo Stock Exchange under the ticker symbol VIVO3 and preferred shares will be traded on the São Paulo Stock Exchange under the ticker symbol VIVO4. We will apply to list the ADSs of TCP to be received by holders of TCO, TLE and TSD ADSs on the New York Stock Exchange, and all the ADSs of TCP are expected to trade under the ticker symbol VIV.

After the merger is complete and the period for the exercise of appraisal rights, where applicable, has ended (see Appraisal or Dissenters Rights ), preferred shares and common shares of TCO, TLE, TSD and Celular CRT will be delisted from the São Paulo Stock Exchange, and ADSs of

TCO, TLE and TSD will be delisted from the New York Stock Exchange.

**Appraisal or Dissenters Rights (Page 142)**

Holders of record of common shares of TCP, TCO, TLE, TSD and Celular CRT, and holders of record of preferred shares of TCP and TSD at the close of business on December 2, 2005 are entitled to appraisal rights in connection with the merger. If you held common shares of TCO, TLE or TSD or preferred shares of TSD on the

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record date, you will have the right to choose to receive, instead of the TCP common shares or preferred shares, as the case may be, an amount in cash equal to the greater of the amounts shown for that company in the table below:

	Appraisal amounts	
	the greater of	
	Shareholders' equity per share in accordance with Brazilian GAAP (1)	Market value of shareholders' equity per share (1)
	(reais per share)	
TCO (common or preferred shares)	R\$ 21.80	R\$ 18.38
TLE (common or preferred shares)	33.18	24.99
TSD (preferred shares)	22.31	21.97

(1) Calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you held common shares of Celular CRT on the record date, you will have the right to choose to receive, instead of the TCP common shares, an amount in cash equal to R\$37.50 per share, the shareholders' equity per share of Celular CRT in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you have appraisal rights, your appraisal rights will lapse not less than 30 days after publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger. If you have appraisal rights with respect to voting shares, you cannot exercise those appraisal rights if you vote in favor of the merger.

Holders of record of TCP common shares and preferred shares at the close of business on December 2, 2005 also have the right to choose to receive an amount in cash equal to R\$6.52 per share, the shareholders' equity per share of TCP in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you hold TCP or TSD ADSs, you will not be able to exercise appraisal rights. Even if you held those ADSs on December 2, 2005, the holder of the preferred shares underlying those ADSs on that date was the applicable depositary's custodian, and the custodian will not exercise appraisal rights on your behalf.

Holders of preferred shares of TCO, TLE and Celular CRT and holders of ADSs of TCO and TLE are not entitled to appraisal or dissenters' rights in connection with the merger under Brazilian law.



**Valuation Reports of Goldman Sachs (Page 169)**

In connection with the mergers, our board of directors received valuation reports from Goldman Sachs expressing the view that, as of the date of those reports and based on and subject to the assumptions and considerations described in those reports and based on other matters as Goldman Sachs considered relevant, if the exchange ratio approved by the board of directors of TCP with respect to each merger was within the implied exchange ratios derived from the valuation analyses performed by Goldman Sachs with respect to TCP and TCO, TLE, TSD or Celular CRT, as applicable, then that exchange ratio as of December 4, 2005 would constitute equitable treatment as understood in the manner described in such reports.

**We urge you to read carefully the summary of the valuation reports set forth in Part Five: The Merger Valuation Reports of Goldman Sachs, which includes information on how to obtain copies of the full reports.**

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**Timetable for the Merger**

Meeting of the boards of directors of each of TCP, Celular CRT, TCO, TLE and TSD to approve the merger	December 4, 2005
Announcement of the merger	December 4, 2005
Mailing of prospectus to holders of TCP, TCO, TLE and TSD ADSs and U.S. holders of common and preferred shares of TCP, TCO, TLE, TSD and Celular CRT	January 24, 2006
Meeting of shareholders of each of TCP, TCO, TLE, TSD and Celular CRT to approve the merger scheduled for	February 22, 2006
Beginning of period for exercise of appraisal rights, where applicable	February 24, 2006
End of period for exercise of appraisal rights, where applicable	March 27, 2006
Expected last day of trading of common and preferred shares of the Targets on Bovespa and of ADSs of TCO, TLE and TSD on the NYSE	March 30, 2006
Expected first day of trading of VIVO (New TCP) common shares and preferred shares on Bovespa and ADSs on the NYSE	March 31, 2006
Depository for TCO, TLE and TSD ADSs expected to close books for all transfers and other transactions involving ADSs of those companies	April 4, 2006
Depository begins to issue VIVO (New TCP) ADRs for ADRs of TCO, TLE and TSD on or about	April 5, 2006

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**Summary Historical and Pro Forma Financial Data**

The following information is provided to aid you in your analysis of the financial aspects of the merger. The historical information below is only a summary derived from the following financial statements included in this prospectus:

the audited consolidated financial statements of TCP, TCO, TLE, TSD and Celular CRT as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus, and the unaudited condensed consolidated interim financial statements of TCP as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005, included in this prospectus; and

the audited consolidated financial statements of Celular CRT as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and the unaudited condensed consolidated interim financial statements of Celular CRT as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005, in each case included in this prospectus.

You should read this summary historical and pro forma financial data together with these financial statements.

The unaudited pro forma combined balance sheet as of September 30, 2005 combines the historical consolidated balance sheets of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined statements of loss for the nine months ended September 30, 2005 and the years ended December 31, 2004 and 2003 combine the historical consolidated statements of income of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004.

The pro forma adjustments presented in the unaudited pro forma combined financial information give effect to estimates made by our management and assumptions it believes to be reasonable. The unaudited pro forma combined financial information does not include pro forma adjustments to take into account any synergies or cost savings that may or are expected to occur as a result of the merger.

The unaudited pro forma combined financial data were prepared for illustrative purposes only. This information does not purport to represent what the actual results of operations or financial position of TCP would have been had the merger actually occurred on the dates specified, nor does it project our results of operations or financial position for any future period or date.

The results of operations of TCP, TCO, TLE, TSD and Celular CRT for the nine months ended September 30, 2005 are not necessarily indicative of the operating results to be expected for the entire year ended December 31, 2005.

The comparability of TCP's financial statements as of and for the years presented is limited because:

We acquired 61.1% of the total voting capital stock (including treasury shares) of TCO on April 25, 2003. We acquired additional shares of voting capital stock of TCO in a public tender offer in November 2003, bringing the percentage of TCO's total voting capital stock (including treasury shares)

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we owned to 86.19% and the percentage of TCO's total capital stock (including treasury shares) we owned to 28.9% (and TCO then held an additional 4.5% of TCO's voting capital stock in treasury, representing 1.5% of TCO's capital stock). Since May 1, 2003, we have consolidated TCO due to our acquisition of control.

We acquired additional shares of voting capital stock and preferred shares of TCO in another public tender offer in October 2004, and in July 2005 we acquired additional shares of voting capital stock of TCO in a capital increase and TCO cancelled all treasury shares, bringing the percentage of TCO's total voting capital stock we own to 90.59% and the percentage of TCO's total capital stock we own to 52.47%.

The historical and pro forma financial data set forth below have been prepared in accordance with Brazilian GAAP. Brazilian GAAP differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

For an explanation of these differences as they relate to TCP, see note 21 to TCP's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 and note 37 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004.

For an explanation of these differences as they relate to TCO see note 37 to TCO's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TCO's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TLE see note 34 to TLE's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 20 to TLE's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TSD see note 35 to TSD's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TSD's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to Celular CRT see note 31 to Celular CRT's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 19 to Celular CRT's unaudited consolidated financial statements as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For convenience only, some Brazilian currency amounts have been translated into U.S. dollars at a rate of R\$2.2222 to U.S.\$1.00, the Brazilian Central Bank's PTAX selling rate on September 30, 2005.

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	As of or for the nine months ended September 30,			As of or for the year ended December 31,			
	2005	2005	2004	2004	2004	2003	2002
	(unaudited)						
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
<b>Income Statement Data:</b>							
<i>Brazilian GAAP</i>							
Net operating revenue	2,471.3	5,491.7	5,387.8	3,303.5	7,341.0	6,046.3	3,415.0
Cost of services and goods sold	(1,115.8)	(2,479.6)	(2,353.4)	(1,500.8)	(3,335.1)	(3,020.5)	(1,739.4)
Gross profit	1,355.5	3,012.1	3,034.4	1,802.7	4,005.9	3,025.8	1,675.6
Operating expenses:							
Selling expenses	(805.9)	(1,790.9)	(1,318.6)	(853.4)	(1,896.4)	(1,264.9)	(526.9)
General and administrative expenses	(204.8)	(455.1)	(506.1)	(285.7)	(634.9)	(561.3)	(343.2)
Other net operating income (expenses)	(129.2)	(287.0)	(151.9)	(71.8)	(159.6)	(145.0)	(39.8)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	215.6	479.1	1,057.8	591.8	1,315.0	1,054.6	765.7
Equity in losses of unconsolidated subsidiary							(890.7)
Net financial expenses	(307.8)	(683.9)	(751.3)	(492.9)	(1,095.4)	(1,133.5)	(808.4)
Operating income (loss)	(92.2)	(204.8)	306.5	98.9	219.6	(78.9)	(933.4)
Net non-operating income (expenses)	5.4	12.0	1.4	(23.0)	(51.2)	(25.7)	10.0
Income (loss) before income taxes, minority interests and extraordinary item	(86.8)	(192.8)	307.9	75.9	168.4	(104.6)	(923.4)
Income taxes	(119.6)	(265.8)	(294.0)	(147.2)	(327.0)	(277.9)	(46.5)
Minority interests	(59.9)	(133.0)	(269.4)	(149.2)	(331.5)	(257.7)	
Extraordinary item, net of taxes							(170.8)
Net loss	(266.3)	(591.6)	(255.5)	(220.5)	(490.1)	(640.2)	(1,140.7)
Net loss per share(2)	(0.40)	(0.89)	(0.00022)	(0.00019)	(0.00042)	(0.00055)	(0.00097)
<i>U.S. GAAP</i>							
Net operating revenue	3,222.0	7,160.0	7,575.1	4,508.9	10,019.7	7,886.5	4,575.0
Operating income	309.7	688.3	1,009.9	544.2	1,209.4	1,000.8	328.8
Net financial expenses	(299.1)	(664.7)	(662.1)	(443.6)	(985.8)	(375.9)	(1,149.6)
Equity in losses of unconsolidated subsidiaries							(759.1)
Net non-operating income (expenses)	5.4	12.0	1.4	(23.0)	(51.2)	(25.7)	9.8
Income (loss) before income taxes and minority interests	16.0	35.6	349.2	77.6	172.4	599.2	(1,570.1)
Income taxes and minority interest	(189.5)	(421.1)	(593.5)	(302.9)	(673.1)	(698.0)	74.4
Net loss	(173.5)	(385.5)	(244.3)	(225.3)	(500.7)	(98.8)	(1,495.7)
Basic and diluted net loss per share common and preferred(2)	(0.27)	(0.61)	(0.52)	(0.48)	(1.08)	(0.20)	(5.45)
<b>Cash Flow Data:</b>							
Cash flows from operating activities	392.2	871.6	872.4	588.3	1,307.3	1,459.7	984.4

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Cash flows from investing activities	(498.5)	(1,107.7)	(899.1)	(1,031.1)	(2,291.4)	(1,643.3)	(3,820.5)
Cash flows from financing activities	43.1	95.8	376.7	452.7	1,006.1	1,324.6	2,772.3

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	As of or for the nine months ended September 30,		As of or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(unaudited)		(R\$ millions, except			
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	per share data)		
<b>Balance Sheet Data:</b>						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	2,576.4	5,725.2	2,521.4	5,603.0	5,240.8	4,770.7
Total assets	6,089.1	13,531.1	6,359.1	14,131.2	13,624.7	9,654.4
Loans and financing current portion	738.0	1,640.0	1,303.7	2,897.0	3,993.3	2,068.1
Loans and financing non-current portion	1,489.5	3,309.9	929.8	2,066.2	2,295.8	2,392.7
Net assets	1,942.1	4,315.8	1,308.3	2,907.4	3,393.2	4,010.0
Capital stock	3,001.6	6,670.2	1,968.2	4,373.7	4,373.7	4,373.7
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	662,324	662,324	1,171,784,352	1,171,784,352	1,171,784,352	1,171,784,352
<i>U.S. GAAP</i>						
Property, plant and equipment, net	2,618.8	5,819.4	2,542.4	5,649.7	4,738.3	2,794.5
Total assets	6,233.2	13,851.4	6,401.9	14,226.3	13,546.5	10,202.0
Loans and financing current portion	741.1	1,647.0	1,308.0	2,906.6	3,993.9	2,068.1
Loans and financing non-current portion	1,491.7	3,314.8	940.0	2,088.8	2,311.6	2,392.7
Net assets	1,957.5	4,350.0	1,231.0	2,735.6	3,232.0	3,307.3
Capital stock	3,001.6	6,670.2	1,968.2	4,373.7	4,373.7	4,373.7
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	662,324	662,324	468,714	468,714	468,714	468,714

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) On April 1, 2005, TCP's shareholders approved a 2,500 for one reverse stock split of TCP's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, loss per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to R\$1.045, R\$1.365, R\$2.433 and R\$0.545, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 468,714, 468,714, 468,714 and 468,714 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net loss per share (common and preferred) and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.



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	As of or for the nine months ended			As of or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
	(unaudited)			(R\$ millions, except			
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	per share data)		
<b>Income Statement Data:</b>							
<i>Brazilian GAAP</i>							
Net operating revenue	766.0	1,702.2	1,601.5	994.7	2,210.4	1,958.9	1,572.1
Cost of services and goods sold	(328.2)	(729.3)	(619.3)	(409.7)	(910.4)	(904.0)	(741.8)
Gross profit	437.8	972.9	982.2	585.0	1,300.0	1,054.9	830.3
Operating expenses:							
Selling expenses	(224.9)	(499.7)	(340.1)	(212.7)	(472.7)	(300.5)	(215.3)
General and administrative expenses	(60.2)	(133.8)	(114.1)	(67.1)	(149.1)	(193.3)	(141.9)
Other net operating income (expenses)	0.6	1.3	6.3	1.4	3.1	(13.4)	(14.6)
Operating income before net financial income	153.3	340.7	534.3	306.6	681.3	547.7	458.5
Net financial income	41.9	93.2	50.9	28.0	62.2	111.7	4.0
Operating income	195.2	433.9	585.2	334.6	743.5	659.4	462.5
Net nonoperating expenses	1.4	3.0	(2.1)	(4.1)	(9.1)	(6.4)	4.3
Income before income taxes and minority interests	196.6	436.9	583.1	330.5	734.4	653.0	466.8
Income and social contribution taxes	(72.4)	(161.0)	(202.4)	(100.9)	(224.2)	(181.1)	(131.5)
Minority interests			(3.2)	(1.4)	(3.2)	(8.5)	(6.1)
Net income	124.2	275.9	377.5	228.2	507.0	463.4	329.2
Net income per share(2)	0.95	2.12	0.00099	0.00060	0.00133	0.00124	0.00088
Dividends declared per common share(3) R\$				0.00014	0.00032	0.00030	0.00021
Dividends declared per preferred share(3) R\$				0.00014	0.00032	0.00030	0.00021
Dividends declared per common share(3) US\$					0.00014	0.00014	0.00009
Dividends declared per preferred share(3) US\$					0.00014	0.00014	0.00009
<i>U.S. GAAP</i>							
Net revenue	1,047.7	2,328.2	2,277.2	1,369.7	3,043.8	2,466.5	1,890.8
Operating income	157.1	349.2	489.8	278.6	619.1	552.1	444.8
Net income	127.7	283.7	349.8	210.6	468.0	487.7	299.3
Net income (loss) per share(2):							
Common shares basic	0.99	2.20	2.79	1.67	3.72	3.93	2.43
Common shares diluted	0.81	1.80	2.46	1.47	3.27	3.87	2.43
Weighted average number of common shares outstanding basic (in thousands)	42,800,490	42,800,490	40,808,487	40,905,944	40,905,944	40,213,981	42,527,967
Weighted average number of common shares outstanding diluted (in thousands)	72,078,725	72,078,725	57,449,870	54,526,923	54,526,923	41,162,605	43,523,491
Preferred shares basic	1.00	2.21	2.79	1.67	3.72	3.93	2.43
Preferred shares diluted	0.81	1.80	2.46	1.53	3.39	3.90	2.43
Weighted average number of preferred shares outstanding basic and diluted (in thousands)	85,734,740	85,734,740	84,757,622	84,995,327	84,995,327	84,255,566	80,093,023
<b>Cash Flow Data:</b>							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	168.2	373.8	459.4	303.6	674.6	625.5	615.8
Cash flows from investing activities	(97.5)	(216.6)	(285.5)	(188.8)	(419.6)	502.9	(520.9)
Cash flows from financing activities	(18.9)	(41.9)	(104.0)	(124.1)	(275.8)	(314.9)	(263.1)



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	As of or for the nine months					
	ended September 30,		As of or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(unaudited) (U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
<b>Balance Sheet Data:</b>						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	509.7	1,132.7	496.9	1,104.3	891.0	891.4
Total assets	1,711.9	3,804.3	1,618.1	3,595.7	2,654.2	2,364.7
Loans and financing current portion	35.2	78.2	46.2	102.7	135.0	325.0
Loans and financing non-current portion	28.1	62.5	55.6	123.5	233.1	302.8
Capital stock	459.8	1,021.7	356.8	793.0	570.1	534.0
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	130,068	130,068	380,877,925	380,877,925	373,408,642	373,408,642
Net assets	1,275.9	2,835.3	1,098.7	2,441.5	1,556.1	1,218.5
<i>U.S. GAAP</i>						
Property, plant and equipment, net	541.9	1,204.1	407.8	906.2	811.5	811.9
Total assets	1,729.1	3,842.4	1,626.6	3,614.7	2,655.0	2,331.7
Loans and financing current portion	35.2	78.2	46.2	102.7	135.0	325.0
Loans and financing non-current portion	28.1	62.5	55.6	123.5	213.1	302.8
Net assets	1,286.7	2,859.3	1,122.0	2,493.3	1,545.1	1,183.3
Capital stock	459.8	1,021.7	356.8	793.0	570.1	534.0
Number of outstanding shares as adjusted to reflect changes in capital (in thousands)(2)	130,068	130,068	126,959	126,959	124,470	124,470

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) On March 31, 2005, TCO's shareholders approved a 3,000 for one reverse stock split of TCO's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to R\$3.993, R\$3.723, R\$2.645 and R\$2.973, respectively, and the number of shares adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine months ended September 30, 2004 would have amounted to 126,959, 124,470, 124,470 and 126,959 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per share (common and preferred) and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.
- (3) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.

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	As of or for the nine months ended			As of or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
		(unaudited)					
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)		(R\$ millions, except per share data)	
<b>Income Statement Data:</b>							
<i>Brazilian GAAP</i>							
Net operating revenue	188.4	418.7	351.6	219.2	487.0	441.3	431.4
Cost of services and goods sold	(105.0)	(233.4)	(204.5)	(127.0)	(282.2)	(256.3)	(241.4)
Gross profit	83.4	185.3	147.1	92.2	204.8	185.0	190.0
Operating expenses:							
Selling expenses	(63.8)	(141.8)	(103.7)	(66.2)	(147.1)	(145.0)	(116.4)
General and administrative expenses	(19.3)	(42.8)	(41.8)	(26.1)	(57.9)	(49.3)	(46.8)
Other net operating income (expenses)	(2.1)	(4.7)	(4.2)	(0.4)	(0.9)	(3.1)	2.1
Operating income before net financial income (expenses)	(1.8)	(4.0)	(2.6)	(0.5)	(1.1)	(12.4)	28.9
Net financial expenses	(20.1)	(44.7)	(14.5)	(11.1)	(24.7)	(30.3)	(32.8)
Operating loss	(21.9)	(48.7)	(17.1)	(11.6)	(25.8)	(42.7)	(3.9)
Net nonoperating income (expenses)	0.1	0.2	(0.5)	(0.9)	(1.9)	(0.7)	(1.6)
Loss before income taxes	(21.8)	(48.5)	(17.6)	(12.5)	(27.7)	(43.4)	(5.5)
Income and social contribution taxes	(2.7)	(6.0)	(4.7)	(3.0)	(6.6)	0.8	0.3
Net loss	(24.5)	(54.5)	(22.3)	(15.5)	(34.3)	(42.6)	(5.2)
Net loss per share(2)	(2.54)	(5.65)	(0.00005)	(0.00003)	(0.00006)	(0.00009)	(0.00001)
<i>U.S. GAAP</i>							
Net income (loss)	(27.0)	(59.9)	(33.0)	(21.9)	(48.7)	(6.5)	(56.0)
Net income (loss) per share(2):							
Common shares basic	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Common shares diluted	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Weighted average of common shares outstanding basic (thousands)	3,352,125	3,352,125	3,340,801	3,342,604	3,342,604	3,320,156	3,320,161
Weighted average number of common shares outstanding diluted (thousands)	3,352,125	3,352,125	3,340,801	8,042,937	8,042,937	6,519,624	7,183,546
Preferred shares basic	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Preferred shares diluted	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Weighted average number of preferred shares outstanding basic and diluted (thousands)	6,627,392	6,627,392	6,267,722	6,267,722	6,267,722	6,267,722	6,268,740
<b>Cash Flow Data:</b>							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	15.1	33.6	5.8	12.6	28.1	126.2	204.8
Cash flows from investing activities	(28.3)	(62.9)	(59.6)	(44.6)	(99.2)	(65.9)	(76.3)
Cash flows from financing activities	(12.9)	(28.7)	21.2	44.2	98.3	(82.1)	(76.2)

**Table of Contents****PART TWO SUMMARY**

	As of or for the nine months ended September 30,		As of or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(unaudited)		(R\$ millions, except per share data)			
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)			
<b>Balance Sheet Data:</b>						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	166.5	369.9	175.4	389.7	392.6	464.5
Total assets	386.9	859.8	429.8	955.1	835.8	956.7
Loans and financing current portion	66.0	146.7	23.5	52.3	68.6	99.7
Loans and financing non- current portion	52.5	116.6	117.8	261.8	153.7	269.9
Capital stock	138.1	306.8	137.9	306.4	305.4	305.4
Net assets	144.0	320.0	168.5	374.5	401.3	443.0
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	9,644	9,644	480,618,118	480,618,118	479,393,884	479,445,039
<i>U.S. GAAP</i>						
Property, plant and equipment, net	171.7	381.6	183.2	407.0	365.5	439.9
Total assets	394.2	875.9	440.9	979.7	876.7	947.7
Loans and financing current portion	66.0	146.7	23.5	52.3	68.6	99.7
Loans and financing non- current portion	52.5	116.6	117.8	261.8	153.7	269.9
Capital stock	138.1	306.8	137.9	306.4	305.4	305.4
Net assets	146.6	325.8	173.6	385.7	430.8	437.0
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	9,644	9,644	9,612	9,612	9,588	9,589

(1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.

(2) On March 28, 2005, TLE's shareholders approved a 50,000 for one reverse stock split of TLE's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, loss per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to R\$3,568, R\$4,443, R\$0.542 and R\$2.320, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 9,612, 9,588, 9,589 and 9,612 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net loss per share (common and preferred) and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

**Table of Contents****PART TWO SUMMARY****Summary Historical TSD Financial Data**

	As of or for the nine months ended			As of or for the year ended			
	September 30,			December 31,			
	2005	2005	2004	2004	2004	2003	2002
	(unaudited)						
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
<b>Income Statement Data:</b>							
<i>Brazilian GAAP</i>							
Net operating revenue	677.4	1,505.3	1,408.1	867.2	1,927.0	1,892.5	1,847.6
Cost of services and goods sold	(349.8)	(777.4)	(761.8)	(500.6)	(1,112.4)	(1,052.5)	(981.7)
Gross profit	327.6	727.9	646.3	366.6	814.6	840.0	865.9
Operating expenses:							
Selling expenses	(208.0)	(462.2)	(360.0)	(228.8)	(508.5)	(387.5)	(392.5)
General and administrative expenses	(66.8)	(148.4)	(150.1)	(84.5)	(187.8)	(224.4)	(229.9)
Other net operating income (expenses)	(2.8)	(6.3)	(6.0)	7.6	17.0	13.3	(17.0)
Operating income before net financial income (expenses)	50.0	111.0	130.2	60.9	135.3	241.4	226.5
Net financial income (expenses)	6.5	14.6	7.0	2.6	5.7	(15.0)	(15.1)
Operating income	56.5	125.6	137.2	63.5	141.0	226.4	211.4
Net nonoperating expenses	0.4	0.8	(0.1)			(8.6)	(1.2)
Income before income taxes	56.9	126.4	137.1	63.5	141.0	217.8	210.2
Income and social contribution taxes	(21.8)	(48.4)	(52.5)	(21.6)	(48.1)	(61.6)	(69.8)
Net income	35.1	78.0	84.6	41.9	92.9	156.2	140.4
Net income per share(2)	0.38204	0.84897	0.00019	0.00010	0.00021	0.00036	0.00034
Dividends declared per common share(3) R\$				0.00002	0.00005	0.00008	0.00023
Dividends declared per preferred share(3) R\$				0.00002	0.00005	0.00009	0.00026
Dividends declared per common share(3) U.S.\$					0.00002	0.00004	0.00010
Dividends declared per preferred share(3) U.S.\$					0.00002	0.00004	0.00012
<i>U.S. GAAP</i>							
Net income	26.8	59.6	26.1	6.2	13.7	116.8	4.0
Net income (loss) before cumulative effect of adoption of accounting principle per share(2):							
Common shares basic	0.28	0.62	0.28	0.068	0.15	1.30	
Common shares diluted	0.26	0.57	0.26	0.045	0.10	1.15	
Weighted average number of common shares outstanding basic	38,362,708	38,362,708	37,395,836	37,613,462	37,613,462	33,675,048	29,688,629
Weighted average number of common shares outstanding diluted	48,212,179	48,212,179	44,519,513	46,175,357	46,175,357	45,500,387	44,459,559
Preferred shares basic	0.31	0.69	0.30	0.068	0.15	1.40	0.05
Preferred shares diluted	0.28	0.62	0.28	0.068	0.15	1.25	0.05
Weighted average number of preferred shares outstanding basic and diluted	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007
<b>Cash Flow Data:</b>							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	129.8	214.4	277.7	196.7	437.2	737.4	756.9
Cash flows from investing activities	(87.1)	(193.6)	(126.3)	(108.4)	(240.8)	(255.6)	(370.5)
Cash flows from financing activities	(44.6)	(25.0)	(163.2)	(101.2)	(224.9)	(208.7)	(362.8)



**Table of Contents****PART TWO SUMMARY**

	As of or for the nine months		As of or for the year ended December 31,			
	ended September 30,		2004		2003	2002
	2005	2005	2004	2004	2003	2002
	(unaudited)		(U.S.\$ millions,		(R\$ millions, except	
	(U.S.\$ millions,	(R\$ millions,	except per		per share data)	
	except per	except per	share data)(1)	share data)	share data)(1)	per share data)
	share data)(1)	share data)	share data)(1)	share data)	share data)(1)	per share data)
<b>Balance Sheet Data:</b>						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	524.0	1,164.4	568.6	1,263.6	1,398.0	1,585.1
Total assets	1,254.0	2,786.7	1,304.6	2,899.1	2,824.7	2,793.8
Loans and financing current portion	7.0	15.6	22.6	50.3	165.8	200.9
Loans and financing non-current portion					53.2	259.6
Net assets	921.9	2,048.7	886.8	1,970.7	1,903.4	1,779.7
Capital stock	417.6	927.9	401.2	891.5	778.8	685.3
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	91,831	91,831	449,009,994	449,009,994	432,598,218	414,006,458
<i>U.S. GAAP</i>						
Property, plant and equipment, net	529.9	1,177.6	576.8	1,281.9	1,258.3	1,511.2
Total assets	1,263.6	2,807.9	1,329.1	2,953.5	2,960.9	2,996.7
Loans and financing current portion	7.0	15.6	22.6	50.3	165.8	200.9
Loans and financing non-current portion					53.2	259.6
Net assets	921.8	2,048.4	896.1	1,991.3	2,001.7	1,921.3
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	91,831	91,831	89,802	89,802	86,520	82,801

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) On April 1, 2005, TSD's shareholders approved a 5,000 for one reverse stock split of TSD's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to R\$1.034, R\$1.805, R\$1.696 and R\$0.942, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 89,802, 86,520, 82,801 and 89,802 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per share (common and preferred) and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.
- (3) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.



**Table of Contents****PART TWO SUMMARY****Summary Historical Celular CRT Financial Data**

	As of or for the nine months ended			As of or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
	(U.S.\$ millions, except per share data)(1)	(unaudited) (R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
<b>Income Statement Data:</b>							
<i>Brazilian GAAP</i>							
Net operating revenue	401.6	892.4	852.4	528.4	1,174.3	1,032.7	896.3
Cost of services and goods sold	(189.1)	(420.3)	(438.7)	(279.2)	(620.5)	(526.2)	(456.6)
Gross profit	212.5	472.1	413.7	249.2	553.8	506.5	439.7
Operating expenses:							
Selling expenses	(121.7)	(270.5)	(183.0)	(119.2)	(264.9)	(171.3)	(168.3)
General and administrative expenses	(34.4)	(76.5)	(71.6)	(43.0)	(95.6)	(89.3)	(83.1)
Other net operating income (expenses)	3.4	7.8	18.7	12.3	27.3	(3.9)	18.3
Operating income before net financial income (expenses)	59.8	132.9	177.8	99.3	220.6	242.0	206.6
Net financial income (expenses)	14.9	33.2	28.0	11.6	25.8	17.7	7.5
Operating income	74.7	166.1	205.8	110.9	246.4	259.7	214.1
Net nonoperating expenses	(1.0)	(2.3)	(3.2)	(3.5)	(7.7)	(1.2)	(3.7)
Income before income taxes	73.7	163.8	202.6	107.4	238.7	258.5	210.4
Income and social contribution taxes	(26.7)	(59.4)	(70.7)	(25.5)	(56.7)	(69.1)	(62.8)
Net income	47.0	104.4	131.9	81.9	182.0	189.4	147.6
Net income per share(2)	1.4	3.2	0.042	0.02583	0.05739	0.06107	0.04953
Dividends declared per common share(3) R\$				0.01011	0.02246	0.01424	0.01138
Dividends declared per preferred share(3) R\$				0.01112	0.02470	0.01566	0.01252
Dividends declared per common share(3) U.S.\$					0.01011	0.00641	0.00512
Dividends declared per preferred share(3) U.S.\$					0.01112	0.00705	0.00563
<i>U.S. GAAP</i>							
Net income	47.5	105.6	123.0	76.1	169.0	283.3	52.8
Net income per share(2):							
Common shares basic	1.40	3.13	3.69	2.30	5.08	8.73	1.71
Common shares diluted	1.02	2.27	2.87	1.70	3.70	6.46	1.04
Weighted average number of common shares outstanding basic	13,727,168	13,727,168	13,278,320	13,336,348	13,336,348	12,507,868	11,285,041
Weighted average number of common shares outstanding diluted	26,394,416	26,394,416	22,801,747	25,702,368	25,702,367	23,868,997	30,884,109
Preferred shares basic	1.55	3.44	4.06	2.50	5.56	9.57	1.84
Preferred shares diluted	1.13	2.50	3.16	1.83	4.07	7.10	1.14
Weighted average number of outstanding basic and diluted shares	18,202,337	18,202,337	18,201,880	18,201,880	18,201,880	18,201,880	18,201,880
<b>Cash Flow Data:</b>							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	85.3	189.6	257.6	161.0	368.7	464.7	363.6
Cash flows from investing activities	73.5	(163.4)	(106.9)	(92.0)	(204.4)	(142.9)	(112.5)
Cash flows from financing activities	44.9	(99.7)	(58.7)	(66.1)	(157.7)	(140.9)	(91.5)



**Table of Contents****PART TWO SUMMARY**

	As of or for the nine months ended September 30,		As of or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(unaudited)					
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(R\$ millions except per share data)		
<b>Balance Sheet Data:</b>						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	334.1	742.4	334.4	743.1	734.9	786.3
Total assets	814.7	1,810.5	865.0	1,922.1	1,739.5	1,678.7
Loans and financing current portion	3.3	7.3	48.9	108.7	105.1	140.9
Loans and financing non-current portion	60.0	133.3	71.7	159.3	288.5	476.5
Net assets	550.9	1,224.2	477.7	1,061.6	954.9	817.7
Capital stock	147.4	327.5	115.8	257.3	157.9	134.5
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	32,642	32,642	3,171,151	3,171,151	3,100,825	2,979,799
<i>U.S. GAAP</i>						
Property, plant and equipment, net	340.7	757.2	339.0	753.3	743.1	797.4
Total assets	819.8	1,821.7	869.9	1,933.1	1,764.6	1,681.0
Loans and financing current portion	3.3	7.4	48.9	108.7	105.1	140.9
Loans and financing non-current portion	60.0	133.3	159.3	71.7	288.5	476.5
Net assets	553.0	1,228.9	479.3	1,065.2	971.5	742.0
Number of shares as adjusted to reflect changes in capital (in thousands)(2)	32,642	32,642	31,712	31,712	31,008	29,798

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) On March 30, 2005, Celular CRT's shareholders approved a 100 for one reverse stock split of Celular CRT's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to R\$5.739, R\$6.108, R\$4.953 and R\$4.159, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 31,712, 31,008, 29,798 and 31,712 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per share (common and preferred) and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.
- (3) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.

**Table of Contents****PART TWO SUMMARY****Summary of Unaudited Pro Forma Combined Financial Data**

	Pro forma(1)				
	As of or for the nine months				
	ended September 30,		As of or for the year ended December 31,		
	2005	2005	2004	2004	2003
(U.S.\$ millions, except per share data(2))	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data(2))	(R\$ millions, except per share data)	(R\$ millions, except per share data)	
(Unaudited)					
<b>Income Statement Data:</b>					
<i>Brazilian GAAP</i>					
Net operating revenue	3,738.7	8,308.1	4,918.3	10,929.3	9,393.5
Cost of services and goods sold	(1,759.8)	(3,910.7)	(2,407.7)	(5,350.3)	(4,836.1)
Gross profit	1,978.9	4,397.4	2,510.6	5,579.0	4,557.4
Operating expenses:					
Selling expenses	(1,199.4)	(2,665.4)	(1,267.6)	(2,816.9)	(1,968.7)
General and administrative expenses	(325.3)	(722.8)	(439.3)	(976.1)	(924.4)
Other net operating expenses	(130.6)	(290.2)	(84.6)	(187.9)	(138.7)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	323.6	719.0	719.1	1,598.1	1,525.6
Net financial expenses	(306.3)	(680.8)	(489.8)	(1,088.6)	(1,161.1)
Operating income (loss)	17.3	38.2	229.3	509.5	364.5
Net non-operating expenses	4.8	10.7	(27.4)	(60.9)	(36.1)
Income (loss) before income taxes, minority interests and extraordinary item	22.1	48.9	201.9	448.6	328.4
Income taxes	(170.9)	(379.6)	(197.3)	(438.5)	(407.8)
Minority interests					(257.7)
Net income (loss)	(148.8)	(330.7)	4.6	10.1	(337.1)
Net income (loss) per share	(0.10)	(0.23)	0.01	0.01	(0.39)
<i>U.S. GAAP</i>					
Net income (loss)	(192.9)	(428.7)	(217.4)	(483.0)	248.8
Basic net income (loss) per share outstanding ( <i>reais</i> )	(0.14)	(0.31)	(0.18)	(0.39)	0.29
Diluted net income (loss) per share outstanding ( <i>reais</i> )	(0.14)	(0.31)	(0.18)	(0.39)	0.24
<b>Balance Sheet Data:</b>					
<i>Brazilian GAAP</i>					
Property, plant and equipment, net	3,600.9	8,001.9			
Total assets	8,534.4	18,965.2			
Loans and financing	2,416.3	5,369.5			
Net assets	4,039.9	8,977.4			
Capital stock	4,185.6	9,301.2			
Number of shares as adjusted to reflect changes in capital (in thousands)	1,426,412	1,426,412			
<i>U.S. GAAP</i>					

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Shareholders' equity (in thousands)	5,885.9	13,079.6
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- (1) The unaudited pro forma combined statements of loss for the nine months ended September 30, 2005 and the years ended December 31, 2004 and 2003 combine the historical consolidated statements of income of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined balance sheet as of September 30, 2005 combines the historical consolidated balance sheets of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005.
- (2) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.

**Table of Contents****PART TWO SUMMARY****Ratio of Earnings to Fixed Charges**

The table below provides the historical ratio of earnings to fixed charges for each of TCP, TCO, TLE, TSD and Celular CRT, and the pro forma ratio of earnings to fixed charges of the New TCP for the periods indicated.

For purposes of calculation of the ratio of earnings to fixed charges, earnings consist of:

income (loss) before income taxes and minority interest;

*plus* fixed charges (as defined below) and amortization of capitalized interest;

*minus* interest capitalized and, in the case of TCP, preference share dividend requirements of consolidated subsidiaries payable to third parties.

Fixed charges consist of interest costs (expensed or capitalized), amortized premiums, discounts and capitalized expenses related to indebtedness, an estimate of the interest component of rent expense and, in the case of TCP, preferred share dividend requirements of consolidated subsidiaries payable to third parties.

Further details on the calculation of the ratios set forth below are provided in Exhibit 12.1 of the registration statement of which this prospectus is a part, which you can obtain as described in Part Seven: Additional Information for Shareholders Where You Can Find More Information.

<u>Period</u>	<u>Historical</u>				<u>Pro forma</u>	
	<u>TCP</u>	<u>TCO</u>	<u>TLE</u>	<u>TSD</u>	<u>Celular CRT</u>	<u>New TCP</u>
<i>Brazilian GAAP</i>						
Year ended December 31, 2003	(1)	20.54x	(2)	4.96x	14.30x	1.55x(3)
Year ended December 31, 2004	1.38x	38.43x	(2)	15.76x	21.20x	2.51x(4)
Nine months ended September 30, 2005	(1)	45.50x	(2)	58.50x	26.76x	1.29x(4)
<i>U.S. GAAP</i>						
Year ended December 31, 2003	1.84x	21.66x	2.39x	4.45x	21.39x	2.75x
Year ended December 31, 2004	1.31x	35.14x	(5)	4.71x	19.35x	(4)(6)
Nine months ended September 30, 2005	1.09x	45.97x	(5)	49.03x	26.29x	(4)(6)

(1) In the year ended December 31, 2003 and in the nine months ended September 30, 2005, TCP had deficiencies of R\$146.2 million and R\$177.2 million, respectively.

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- (2) In the years ended December 31, 2003 and 2004 and in the nine months ended September 30, 2005, TLE had deficiencies of R\$37.5 million, R\$25.0 million and R\$44.6 million, respectively.
- (3) Gives effect to the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002. The unaudited pro forma combined ratio of earnings to fixed charges was prepared for illustrative purposes only.
- (4) Gives effect to (a) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (b) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined ratio of earnings to fixed charges was prepared for illustrative purposes only.
- (5) In the year ended December 31, 2004 and in the nine months ended September 30, 2005, TLE had deficiencies of R\$46.9 million and R\$52.2 million, respectively.
- (6) In the year ended December 31, 2004 and in the nine months ended September 30, 2005, the New TCP would have had deficiencies of R\$342.5 million and R\$49.0 million, respectively.

**Table of Contents****PART TWO SUMMARY****Summary Comparative Per Share Data**

We present below book value, cash dividend and income (loss) from continuing operations per share data on both a historical basis and an unaudited pro forma combined basis under Brazilian GAAP and U.S. GAAP.

We have derived the unaudited pro forma combined information appearing below from the unaudited pro forma combined financial data appearing elsewhere in this prospectus.

You should read the information below together with the historical and pro forma financial data of TCP and the historical financial statements of TCP, TCO, TLE, TSD and Celular CRT appearing elsewhere in this prospectus. The unaudited pro forma combined financial data appearing below is for illustrative purposes only. TCP, TCO, TLE, TSD and Celular CRT may have performed differently had they always been a combined entity. You should not rely on this information as being indicative of the actual results of that the combined businesses of these companies will experience after the merger.

For more information about historical dividend payments by TCP, TCO, TLE, TSD and Celular CRT, see Part Six: Shareholder Rights Information About Historical Dividend Payments.

**Brazilian GAAP****Year ended December 31, 2003**

	<b>(Historical)</b>					<b>(Pro forma)</b>				
	<b>TCP</b>	<b>TCO</b>	<b>TLE</b>	<b>TSD</b>	<b>Celular CRT</b>	<b>New TCP</b>	<b>TCO per share equivalent (1)</b>	<b>TLE per share equivalent (1)</b>	<b>TSD per share equivalent (1)</b>	<b>Celular CRT per share equivalent (1)</b>
	<i>(Reais)</i>									
Cash dividends declared per thousand common shares(2)		0.30		0.09	14.24	(3)				
Cash dividends declared per thousand preferred shares(2)		0.30		0.08	15.66	(3)				
Income (loss) per share (common/ preferred)	(0.00055)	0.00124	(0.00009)	0.00036	0.06107	(0.39)(3)	(1.20)	(1.52)	(1.28)	(2.74)



from continuing  
operations

- (1) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (2) Interest on shareholders' equity is included and is presented net of taxes. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Information, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (3) Gives effect to the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY**

Year ended December 31, 2004

	(Historical)					(Pro forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO per share equivalent (1)	TLE per share equivalent (1)	TSD per share equivalent (1)	Celular CRT per share equivalent (1)
	<i>(Reais)</i>									
Book value per thousand shares (common/preferred)	2.48	6.41	0.78	4.39	334.77	5.89(2)	18.16	22.97	19.37	41.40
Cash dividends declared per thousand common shares(3)		0.32		0.05	22.46	(4)				
Cash dividends declared per thousand preferred shares(3)		0.32		0.05	24.70	(4)				
Income (loss) per share (common/preferred) from continuing operations	(0.00042)	0.00133	(0.00006)	0.00021	0.05739	0.00708(4)	0.02183	0.02761	0.02328	0.04977

- (1) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (2) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on December 31, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (3) Interest on shareholders' equity is included and is presented net of taxes. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Information, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY****Nine months ended September 30, 2005(1)**

	<b>(Historical)</b>					<b>(Pro forma)</b>				
	<b>TCP</b>	<b>TCO</b>	<b>TLE</b>	<b>TSD</b>	<b>Celular CRT</b>	<b>New TCP</b>	<b>TCO</b>	<b>TLE</b>	<b>TSD</b>	<b>Celular CRT</b>
							<b>per share equivalent (2)</b>	<b>per share equivalent (2)</b>	<b>per share equivalent (2)</b>	<b>per share equivalent (2)</b>
	<i>(Reais)</i>									
Book value per share (common/preferred)	6.52	21.80	33.18	22.31	37.50	6.29(3)	19.40	24.54	20.69	44.24
Income (loss) per share (common/preferred) from continuing operations	(0.89)	2.12	(5.65)	0.85	3.20	(0.23)(4)	(0.71)	(0.90)	(0.76)	(1.62)

- (1) No dividends or interest on shareholders' equity were declared in the period.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY****U.S. GAAP**

Year ended December 31, 2003(1)

	(Historical)				(Pro forma)					
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO per share equivalent (2)	TLE per share equivalent (2)	TSD per share equivalent (2)	Celular CRT per share equivalent (2)
	<i>(Reais)</i>									
Cash dividends declared per thousand common shares(3)		0.90		0.45	1.78	(4)				
Cash dividends declared per thousand preferred shares(3)		0.90		0.41	1.92	(4)				
Income (loss) per share (basic common) from continuing operations	(0.20)	3.93	(0.50)	1.30	8.73	0.29(4)	0.89	1.12	0.95	2.02
Income (loss) per share (basic preferred) from continuing operations	(0.20)	3.93	(0.50)	1.40	9.57	0.29(4)	0.89	1.12	0.95	2.02
Income (loss) per share (diluted common) from continuing operations	(0.20)	3.87	(0.50)	1.15	6.46	0.24(4)	0.74	0.94	0.79	1.69
Income (loss) per share (diluted preferred) from continuing operations	(0.20)	3.90	(0.50)	1.25	7.10	0.24(4)	0.74	0.94	0.79	1.69

- (1) In 2005, the shareholders of each of TCO, TLE, TSD and Celular CRT effected a reverse stock split of their common and preferred shares. Amounts in this table are adjusted to reflect such reverse stock splits.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Interest on shareholders' equity is included and is presented net of taxes. Historical cash dividends and interest on shareholders' equity declared for purposes of U.S. GAAP for TCO, TLE, TSD and Celular CRT are the same as presented above under Brazilian GAAP because each of TCO, TLE, TSD and Celular CRT pays dividends only based on its results in accordance with the Brazilian corporation law. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Information, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (4) Gives effect to the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY**

	Year ended December 31, 2004(1)									
	(Historical)					(Pro forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO per share equivalent (2)	TLE per share equivalent (2)	TSD per share equivalent (2)	Celular CRT per share equivalent (2)
	<i>(Reais)</i>									
Book value per share (common/preferred)	5.84	19.64	40.12	22.17	33.59	9.12(3)	28.12	35.57	29.99	64.11
Cash dividends declared per thousand common shares(4)		0.96		2.30	2.27	(5)				
Cash dividends declared per thousand preferred shares(4)		0.96		2.55	2.47	(5)				
Income (loss) per share (basic common) from continuing operations	(1.08)	3.72	(5.00)	0.15	5.08	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) per share (basic preferred) from continuing operations	(1.08)	3.72	(5.00)	0.15	5.56	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) per share (diluted common) from continuing operations	(1.08)	3.27	(5.00)	0.10	3.70	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) per share (diluted preferred) from continuing operations	(1.08)	3.39	(5.00)	0.15	4.07	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)

- (1) In 2005, the shareholders of each of TCO, TLE, TSD and Celular CRT effected a reverse stock split of their common and preferred shares. Amounts in this table are adjusted to reflect such reverse stock splits.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on December 31, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Interest on shareholders' equity is included and is presented net of taxes. Historical cash dividends and interest on shareholders' equity declared for purposes of U.S. GAAP for TCO, TLE, TSD and Celular CRT are the same as presented above under Brazilian GAAP because each of TCO, TLE, TSD and Celular CRT pays dividends only based on its results in accordance with the Brazilian corporation law. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Information, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (5) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY**

Nine months ended September 30, 2005(1)

	(Historical)					(Pro forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO per share equivalent (2)	TLE per share equivalent (2)	TSD per share equivalent (2)	Celular CRT per share equivalent (2)
	<i>(Reais)</i>									
Book value per share (common/preferred)	6.57	21.98	33.78	22.31	37.65	9.17(3)	28.27	35.76	30.15	64.46
Income (loss) per share (basic common) from continuing operations	(0.61)	2.20	(6.22)	0.62	3.13	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) per share (diluted common) from continuing operations	(0.61)	1.80	(6.22)	0.57	2.27	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) per share (basic preferred) from continuing operations	(0.61)	2.21	(6.22)	0.69	3.44	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) per share (diluted preferred) from continuing operations	(0.61)	1.80	(6.22)	0.62	2.50	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)

- (1) No dividends or interests on shareholders' equity were declared in the period.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

**Table of Contents****PART TWO SUMMARY****Exchange Rates****Brazilian Central Bank Rates**

The following tables set forth information regarding the *real*/U.S. dollar exchange rate for the periods indicated. The Central Bank allows the *real*/U.S. dollar exchange rate to float freely but has sometimes intervened to control unstable fluctuations in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see Part Three: Risk Factors Risks Relating to Brazil Brazilian government exchange control policies could adversely affect our ability to make payments on foreign currency-denominated debt and Fluctuations in the value of the *real* against the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated or U.S. dollar-linked obligations and could lower the market value of our common shares, preferred shares and ADSs.

Before March 4, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market. Although these markets were used for different purposes, the exchange rates in those markets were generally the same or very similar. On March 4, 2005, the National Monetary Counsel (*Conselho Monetário Nacional*) unified the two markets. For periods prior to March 4, 2005, the tables below reflect the selling rate in the commercial rate exchange market.

On January 20, 2006, the selling rate was R\$2.2756 per U.S.\$1.00.

	Exchange rate of R\$ per U.S.\$			
	Low	High	Average(1)	Period end
Year ended December 31, 2000	1.7234	1.9847	1.8295	1.9554
Year ended December 31, 2001	1.9357	2.8007	2.3522	2.3204
Year ended December 31, 2002	2.2709	3.9552	2.9309	3.5333
Year ended December 31, 2003	2.8219	3.6623	3.0715	2.8892
Year ended December 31, 2004	2.6544	3.2051	2.9171	2.6544
Year ended December 31, 2005	2.1633	2.7621	2.4341	2.3407

Source: U.S. dollar selling rate as published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, Option 5.

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

Exchange rate of  
R\$ per U.S.\$

Month ended	Low	High
July 2005	2.3304	2.4656
August 2005	2.2767	2.4316
September 2005	2.2222	2.3623
October 2005	2.2339	2.2886
November 2005	2.1633	2.2516
December 2005	2.1800	2.3735
January 2006 (through January 20, 2006)	2.2632	2.3460

Source: U.S. dollar selling rate as published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800 Option 5.



**Table of Contents****PART TWO SUMMARY****Federal Reserve Bank of New York Rates**

The following tables show, for the periods indicated, certain information regarding the *real*/U.S. dollar exchange rate, based on the noon buying rate of the Federal Reserve Bank of New York. As of January 20, 2006, the noon buying rate was R\$2.2780 to U.S.\$1.00.

	Exchange Rate of R\$ per U.S.\$			
	Low	High	Average(1)	Period end
Year ended December 31, 2000	1.7230	1.9840	1.8350	1.9510
Year ended December 31, 2001	1.9380	2.7880	2.3530	2.3120
Year ended December 31, 2002	2.2650	3.9450	2.9945	3.5400
Year ended December 31, 2003	3.6640	2.8270	3.0584	2.8950
Year ended December 31, 2004	3.2085	2.6510	2.9146	2.6550
Year ended December 31, 2005	2.1695	2.7755	2.4352	2.3340

Source: Federal Reserve Bank of New York

(1) Average of the noon buying rate on the last day of each month in the period.

Month ended	Exchange rate of R\$ per U.S.\$	
	Low	High
July 2005	2.3265	2.4430
August 2005	2.2745	2.4500
September 2005	2.2125	2.3645
October 2005	2.2295	2.2868
November 2005	2.1688	2.2546
December 2005	2.1695	2.3755
January 2006 (through January 20, 2006)	2.2564	2.3320

Source: Federal Reserve Bank of New York

**Historical and Pro Forma Share Information**

The following table shows the closing prices of the common shares, preferred shares and ADSs of TCP, TCO, TLE, TSD and Celular CRT, as well as the equivalent value of TCO, TLE, TSD and Celular CRT common shares and preferred shares and TCO, TLE and TSD ADSs based on the merger ratio, as of December 2, 2005, the last trading day preceding public announcement of this transaction.

December 2, 2005		
(Actual)	(Actual)	(Per share equivalent)

	TCP	TCO	TLE	TSD	Celular CRT	TCO	TLE	TSD	Celular CRT
Common shares(1) ( <i>reais</i> )	8.50	25.50	15.90	18.77	42.00	26.21	33.15	27.95	59.75
Preferred shares(2) ( <i>reais</i> )	9.20	24.50	17.30	19.50	57.00	28.36	35.88	30.25	64.67
ADSs(3) (U.S.\$)	4.14	11.09	7.80	8.83		12.76	13.61	16.15	

Source: São Paulo Stock Exchange; Bloomberg.

- (1) The TCO, TLE, TSD and Celular CRT common share per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998, 3.2879 and 7.0294, the number of TCP common shares that will be received for each TCO, TLE, TSD and Celular CRT common share, respectively, in the merger.

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**PART TWO SUMMARY**

- (2) The TCO, TLE, TSD and Celular CRT preferred share per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998, 3.2879 and 7.0294, the number of TCP preferred shares that will be received for each TCO, TLE, TSD and Celular CRT preferred share, respectively, in the merger.
- (3) The TCO, TLE and TSD ADS per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998 and 3.2879, the number of TCP ADSs that will be received for each TCO, TLE and TSD ADS, respectively, in the merger.

**We urge you to obtain current market quotations.**

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**PART THREE RISK FACTORS**

**Risks Relating to the Merger**

*We may have actual or potential conflicts of interest relating to the merger.*

We may have actual or potential conflicts of interest because our controlling shareholders exercise voting control over the board of directors of each of TCO, TLE, TSD and Celular CRT. We have not negotiated the terms of this merger with any person acting on behalf of the minority shareholders of TCO, TLE, TSD or Celular CRT.

*The TCP securities you receive in the merger will represent an investment in a fundamentally different business from that in which you originally invested.*

You will receive TCP common shares or TCP preferred shares, or TCP ADSs, for your common shares or preferred shares of TCO, TLE, TSD or Celular CRT, or your ADSs of TCO, TLE or TSD, respectively, in the merger. TCO, TLE, TSD and Celular CRT will all combine with TCP pursuant to separate mergers. This combined entity, which will be renamed Vivo Participações S.A. will be a significantly larger company than any of TCP, TCO, TLE, TSD or Celular CRT, will operate in 19 states throughout Brazil and the Federal District, and will have a different financial condition, results of operations and business prospects than any of TCP, TCO, TLE, TSD or Celular CRT individually.

*Because we are a larger company than any of TCO, TLE, TSD and Celular CRT, and the combined Vivo Participações S.A. will be even larger, your ownership percentage in our company will, as a result of the merger, be less than from your ownership percentage in TCO, TLE, TSD or Celular CRT.*

You should be aware that because we are a larger company than any of TCO, TLE, TSD and Celular CRT and the combined Vivo Participações S.A. will be even larger, your ownership percentage of our company will be different from the one you have as a shareholder of TCO, TLE, TSD or Celular CRT. Assuming that none of the common shareholders of TCP, TCO, TLE, TSD and Celular CRT, and none of the preferred shareholders of TCP and TSD exercises appraisal rights, former minority shareholders of TCO, TLE, TSD and Celular CRT will hold approximately 13.40%, 1.30%, 1.91% and 5.04%, respectively, of the total capital stock of our company in the aggregate following the merger. Similarly, the percentage of the outstanding capital stock of TCP held by existing minority shareholders of TCP will decrease from 33.91% to 15.79%.

In addition, TCP is obligated to issue shares to its controlling shareholder for the amount of a tax benefit realized as a result of a corporate restructuring completed in 2000. TCP expects to issue new shares in respect of this tax benefit in each year until 2010. This issuance of shares may further dilute your holdings of TCP in the future if you do not exercise your preemptive rights (*direitos de preferência*) in the capital increase. See note 34 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus. Also, if you hold TCP ADSs after the merger, you may not be able to exercise preemptive rights in these capital increases. See Specific Risks Relating to Our ADSs. Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares underlying the ADSs.

*The merger may not result in the benefits that TCP seeks to achieve, including increased share liquidity.*

TCP is undertaking the merger because it believes that the merger will provide the VIVO companies and their shareholders with a number of advantages, including providing shareholders of TCP, TCO, TLE, TSD and Celular CRT with securities that TCP expects will enjoy greater market liquidity than the securities they currently hold. However, the merger may not accomplish these objectives. TCP cannot predict whether a liquid market for the securities of the New TCP will be maintained. If the merger does not result in increased liquidity for the securities held by shareholders of TCP and the Targets, you may experience a decrease in your ability to sell your shares or ADSs compared to your ability to sell the shares or ADSs you currently hold.

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### **PART THREE RISK FACTORS**

*As a result of the merger, TCP will assume the liabilities of TLE, TSD and Celular CRT and will assume all the risks relating to those liabilities.*

You should be aware that because TCP will assume the liabilities of TLE, TSD and Celular CRT as a result of the merger of these Targets with TCP, any existing known or unknown financial obligation, legal liability or other contingent liability or risk of each of TLE, TSD and Celular CRT will become the responsibility of TCP. These liabilities could cause TCP to be required to make payments, incur charges or take other actions that could adversely affect TCP's financial position and results of operations and the price of TCP's securities. As a result, you should carefully consider the information about each of TLE, TSD and Celular CRT that is included in this prospectus, including, without limitation, the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of each company included in this prospectus and the information set forth in Item 3.D. Risk Factors in the Annual Reports on Form 20-F for the Fiscal Year Ended December 31, 2004 of TLE and TSD that are incorporated by reference in this prospectus.

*We will be more leveraged than any of TCO, TSD or Celular CRT, and a significant portion of our cash flow will have to be used to service our obligations.*

As of September 30, 2005, TCP, TCO, TSD and Celular CRT had R\$5,369.5 million of consolidated total debt on a pro forma basis, only R\$140.7 million of which was attributable to TCO, R\$263.3 million to TLE, R\$15.6 million to TSD and R\$140.7 million to Celular CRT. We are subject to the risks normally associated with significant amounts of debt, which could have important consequences to you. Our indebtedness could, among other things:

require us to use a substantial portion of our cash flow from operations to pay our obligations, thereby reducing the availability of our cash flow to fund working capital, operations, capital expenditures, dividend payments, strategic acquisitions, expansion of our operations and other business activities;

increase our vulnerability to general adverse economic and industry conditions;

limit, along with financial and other restrictive covenants in our debt instruments, our ability to borrow additional funds or dispose of assets; and

place us at a competitive disadvantage compared to our competitors that have less debt.

We may also need to refinance all or a portion of our debt on or before maturity, and we may not be able to do this on commercially reasonable terms or at all.

*The exercise of appraisal rights by shareholders of TCP and the Targets could decrease cash balances of the companies and otherwise adversely affect their financial condition.*

As described in Part Five: The Merger Appraisal or Dissenters Rights, holders of record of common shares of TCP, TCO, TLE, TSD and Celular CRT, and holders of record of preferred shares of TCP and TSD, at the close of business on December 2, 2005 are entitled to appraisal rights in connection with the merger and have the right to receive the amounts per share set forth in that section. If holders of a significant number of these shares exercise their appraisal rights, the requirement to make large cash payments could decrease the cash balances of the companies, limit their ability to borrow funds or fund capital expenditures or prevent the companies from complying with existing contractual obligations. In addition, under the Brazilian corporation law, if management believes that the total value of the appraisal rights exercised by shareholders of TCP, TCO, TLE, TSD and Celular CRT may put at risk the financial stability of New TCP, management may, within 10 days after the end of the appraisal rights period, call a general meeting of shareholders to unwind the merger. Because it holds, directly or indirectly, a majority of the voting shares of TCP, TCO, TLE, TSD and Celular CRT, Brasilcel would be able to cause the unwinding of the merger at the applicable general shareholders meetings.

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**PART THREE RISK FACTORS**

*We do not anticipate being able to pay dividends in 2005 and possibly in subsequent years.*

TCP did not pay dividends in 2001, 2002, 2003 or 2004 because of losses incurred from our equity investment in Global Telecom in those years. We recorded a net loss of R\$591.6 million in the nine months ended September 2005, and we expect that we will record a net loss for the year ended December 31, 2005. If we record a net loss in 2005, we will not pay dividends for that year. We may also record net losses in subsequent years and be unable to pay dividends in those years. See Part Five: The Merger Unaudited Pro Forma Combined Financial Information.

*You are being offered a fixed number of shares or ADSs, which involves the risk of market fluctuations.*

You will receive a fixed number of shares or ADSs in the merger, rather than a number of shares or ADSs with a fixed market value. Consequently, the market values of our shares and ADSs, of the shares and ADSs of TCO, TLE and TSD, and of the shares of Celular CRT may fluctuate significantly from the date of this prospectus to the date of completion of the mergers.

On December 2, 2005, the last trading day before announcement of the merger:

the last reported closing price on the São Paulo Stock Exchange for TCP common shares was R\$8.50, and the market value of 3.0830 TCP common shares (the number of common shares to be received for each TCO common share in the merger) was R\$26.21, the market value of 3.8998 TCP common shares (the number of common shares to be received for each TLE common share in the merger) was R\$33.15, the market value of 3.2879 TCP common shares (the number of common shares to be received for each TSD common share in the merger) was R\$27.95 and the market value of 7.0294 TCP common shares (the number of common shares to be received for each Celular CRT common share in the merger) was R\$59.75;

the last reported closing price on the São Paulo Stock Exchange for TCP preferred shares was R\$9.20, the market value of 3.0830 TCP preferred shares (the number of preferred shares to be received for each TCO preferred share in the merger) was R\$28.36, the market value of 3.8998 TCP preferred shares (the number of preferred shares to be received for each TLE preferred share in the merger) was R\$35.88, the market value of 3.2879 TCP preferred shares (the number of preferred shares to be received for each TSD preferred share in the merger) was R\$30.25 and the market value of 7.0294 TCP preferred shares (the number of preferred shares to be received for each Celular CRT preferred share in the merger) was R\$64.67; and

the last reported closing price on the New York Stock Exchange for TCP ADSs was U.S.\$4.14, and the market value of 3.0830 TCP ADSs (the number of ADSs to be received for each TCO ADS in the merger) was U.S.\$12.76, the market value of 3.8998 TCP ADSs (the number of ADSs to be received for each TLE ADSs in the merger) was U.S.\$13.61 and the market value of 3.2879 TCP ADSs (the number of ADSs to be received for each TSD ADS in the merger) was U.S.\$16.15.

*The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders' meetings scheduled to approve the merger.*



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The CVM may suspend for up to 15 days the shareholders' meetings scheduled to approve the merger in order to analyze the transaction and verify that it does not breach applicable laws or regulations.

In 2003, a proposed merger that would have resulted in TCO becoming a wholly owned subsidiary of TCP was enjoined by the CVM on grounds that the transaction was not fair in relation to the preferred shareholders of TCO.

Although we believe that the proposed merger described in this prospectus is legal and provides equitable treatment to TCP, TCO, TLE, TSD and Celular CRT, we cannot predict the outcome of any such analysis of the transaction by the CVM.

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### **PART THREE RISK FACTORS**

*There is no clear guidance under Brazilian law regarding the income tax consequences to investors resulting from a merger.*

There is no specific legislation, nor administrative or judicial precedent regarding the income tax consequences to investors resulting from a merger. Based on the opinion of its external tax advisors, TCP believes that there are reasonable legal grounds to sustain that the receipt (resulting from the merger) by a non-Brazilian holder of ADSs or by a U.S. person of common or preferred shares that are registered as a foreign portfolio investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law No. 4,131/62 would not be subject to income tax pursuant to Brazilian tax law. However, this position may not prevail, in which case TCP would be liable to the Brazilian tax authorities for withholding and collecting the taxable capital gains of shareholders resident abroad. While such shareholders would not be directly liable to Brazilian tax authorities, TCP would be entitled to reimbursements from them. For more details on the taxation of capital gains in Brazil, see Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

*The capital gain arising from a disposition of TCP shares registered as a direct foreign investment in Brazil could be calculated based on the historical amount in Brazilian currency of the investment, rather than the amount in foreign currency registered with the Central Bank of Brazil.*

There is uncertainty concerning the currency to be used for the purposes of calculating the cost of acquisition of shares registered with the Central Bank of Brazil as a direct investment. Even though a recent precedent of a Brazilian administrative court supports the view that capital gains should be based on the positive difference between the cost of acquisition of the shares in the applicable foreign currency and the value of disposition of those shares in the same foreign currency, tax authorities are not bound by such precedents. For more details on the taxation of capital gains in Brazil, see Part Five: The Merger Material Tax Considerations.

#### **Risks Relating to the Brazilian Telecommunications Industry and Our Business**

*Extensive government regulation of the telecommunications industry may limit our flexibility in responding to market conditions, competition and changes in our cost structure.*

Our business is subject to extensive government regulation, including any changes that may occur during the period of our authorization to provide telecommunications services. Anatel, which is the main telecommunications industry regulator in Brazil, regulates, among other things:

industry policies and regulations;

licensing;

prices;

competition;

telecommunications resource allocation;

service standards;

technical standards;

interconnection and settlement arrangements; and

universal service obligations.

This extensive regulation and the conditions imposed by our authorizations to provide telecommunications services may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

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### **PART THREE RISK FACTORS**

*Our results have been affected, and may continue to be affected in the medium and long term, as a result of the new SMP rules.*

In 2002, Anatel changed the Personal Mobile Service (*Serviço Móvel Pessoal*), or SMP, regime (first enacted in December 2000), encouraging companies operating under the Mobile Cellular Service (*Serviço Móvel Celular*), or SMC, regime to migrate to the SMP regime.

Under the SMP regime, we no longer receive payment from our customers for outbound long distance traffic but receive payment for the use of our network in accordance with a network usage remuneration plan. However, the interconnection fees that we receive from long distance operators may not compensate us for the revenues that we would have received from our customers for outbound long distance traffic. See Part Four: Information on the VIVO Companies Management Overview Industry Factors Recent Regulatory Changes. Until June 30, 2004, SMP service providers were able to opt to establish a price cap or freely negotiate their interconnection charges. Now, free negotiation is the rule, subject to Anatel regulations relating to the traffic capacity and interconnection infrastructure that must be made available to requesting parties.

In addition, under the SMP regime, an SMP operator used to pay for the use of another SMP operator's network in the same registration area only if the traffic carried from the first operator to the second exceeded 55% of the total traffic exchanged between them. In that case, only those calls that surpassed the 55% level were subject to payment for network usage. As a result, if the traffic we terminate for other SMP operators exceeds the traffic they terminate for our company, our revenues and results of operations may be affected. In the nine months ended September, 30, 2005, for example, this regulatory change contributed to a decrease in our revenues from interconnection fees charged to other companies. See Part Four: Information on the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations of TCP.

At various times, there have been discussions about reversing the billing system described in the previous paragraph or, alternatively, taking it further by eliminating all payments for network usage between SMP networks. We cannot predict whether the current regulatory regime will remain in place or whether any future regulatory change could have an adverse effect on our results of operations.

*If the inflation adjustment index now applied to our prices is changed, the new index may not be adequate.*

The Brazilian government currently uses the General Price Index, or the IGP-DI (the *Índice Geral de Preços Disponibilidade Interna*), an inflation index developed by the *Fundação Getúlio Vargas*, a private Brazilian economic organization, in connection with the prices charged in the telecommunications industry. Beginning in 2007, we expect the Brazilian government to begin to regulate the telecommunications industry based on a model that would analyze companies' costs based on a hypothetical company's costs and other factors. In connection with the introduction of this model, the Brazilian government may use a different inflation adjustment mechanism, the IST index (*Índice de Serviços de Telecomunicações*), beginning in 2008. If this new inflation adjustment mechanism, or any other mechanism chosen by the Brazilian government in the future, does not adequately reflect the true effect of inflation on our prices, our results of operations could be adversely affected.

*Anatel's proposal regarding the consolidation of prices could have an adverse effect on our results.*

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Anatel has proposed new regulations on interconnection rules, some of which could have an adverse effect on our results. The public consultation period on Anatel's proposal ended on October 18, 2004, but final regulations have not been promulgated. The proposals that may adversely affect our results are (1) a proposal that two SMP providers controlled by the same economic group receive only one interconnection charge (VU-M) for calls originated and terminated in their networks rather than the current two VU-Ms, (2) a proposal for new negotiation rules for VU-M prices in which Anatel would have a role in determining prices rather than the

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**PART THREE RISK FACTORS**

current free negotiation of prices and (3) a proposal for VU-M price unification among SMP providers of the same economic group having significant market power according to a criteria still to be defined. If these regulations take effect, they would have an adverse effect on our results of operations because (1) our interconnection charges would drop significantly, thereby reducing our revenues, (2) Anatel may allow more favorable prices for economic groups without significant market power and (3) the prices we charge in some regions in which we operate are higher than those in some other regions, and consolidation of those prices, competitive pressures and other factors would reduce our average prices and thereby reduce our revenues.

*We face substantial competition that has reduced our market share and has negatively affected our results of operations.*

There is substantial competition in the telecommunications industry. We not only compete with companies that provide SMP service and trunking but also with companies that provide fixed-line telecommunications and Internet access services, due to the trend towards the convergence and substitution of SMP services for these other services.

We expect competition to intensify as a result of the entrance of new competitors and the rapid development of new technologies, products and services. Our ability to compete successfully will depend on our marketing techniques and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by our competitors. If we do not keep pace with technological advances, or if we fail to respond timely to changes in competitive factors in our industry, we could continue to lose market share and could suffer a decline in our revenue. Competition from other SMP communications service providers in the regions in which we operate has also affected, and may continue to affect, our financial results by causing, among other things, a decrease in our customer growth rate, decreases in prices and increases in selling expenses.

These factors have already contributed to a negative effect on our market share and our results of operations and could have a material adverse effect on our business and results of operations in the future. As a result of competitive pressures, for example, our market share decreased from 54.0% as of September 30, 2004 to 46.5% as of September 30, 2005, and our market share of net additions to our customer base decreased from 43.7% for the nine months ended September 30, 2004 to 23.6% for the nine months ended September 30, 2005. In addition, our net additions of customers decreased 43.2% from the nine months ended September 30, 2004 to the nine months ended September 30, 2005. See Part Four: Information on the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations of TCP's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005 Operating Data. Similarly, the market share of TCO, TLE, TSD and Celular CRT in their authorized areas declined in the same period, and the market share of net additions to the customer base of these companies declined significantly. Net additions of customers of each of these companies also declined significantly from the nine months ended September 30, 2004 to the nine months ended September 30, 2005. In addition, our selling expenses for the nine months ended September 30, 2005 grew at a significantly higher rate than our net operating revenue compared to the nine months ended September 30, 2004, and similar trends existed at each of TCO, TLE, TSD and Celular CRT.

Recently, there has been consolidation in the Brazilian telecommunications market, and we believe this trend may continue. Consolidation may result in increased competitive pressures within our market. We may be unable to respond adequately to pricing pressures resulting from consolidation, which would adversely affect our business, financial condition and results of operations.

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In September 2004, Brasil Telecom, the fixed-line incumbent in nine states in Brazil and the Federal District (Anatel's Region II), launched GSM operations in those states. Brasil Telecom's authorization area overlaps with

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### **PART THREE RISK FACTORS**

TCO's in the Brazilian Federal District and in the states of Acre, Goias, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins, overlaps with all of Global Telecom's authorization area (the states of Paraná and Santa Catarina) and overlaps with Celular CRT's authorization area. The entrance of Brasil Telecom into these markets will increase the competition that Global Telecom, Celular CRT and TCO face in some states. Brasil Telecom has announced that its marketing strategy will be the convergence between its fixed and mobile services, and it is the only company in those states that offers both fixed and cellular services. The entrance of Brasil Telecom into the cellular markets in these states will increase competition for Global Telecom, Celular CRT and TCO and could have a material adverse effect on our results of operations.

*Our results of operations have been negatively affected by a decrease in our customer growth and could also be affected if our rate of customer turnover increases.*

Our rate of acquisition of new customers has declined significantly, primarily due to competition and increased market penetration. For example, our net additions of customers decreased 43.2% from the nine months ended September 30, 2004 to the nine months ended September 30, 2005 due to a decrease in the rate of addition of new prepaid customers to 1,530,000 new prepaid customers in the nine months ended September 30, 2005, compared to 2,982,000 new prepaid customers in the comparable period of the prior year. This decrease in the rate of new additions of customers has negatively affected our results of operations and could continue to do so in the future. In addition, if our rate of customer turnover were to increase significantly, our results of operations and our competitive position could be adversely affected. Several factors in addition to competitive pressures could influence our rate of acquisition of new customers and our rate of customer turnover, including limited network coverage, lack of sufficient reliability of our services and economic conditions in Brazil.

*The industry in which we conduct our business is subject to rapid technological changes, and these changes could have a material adverse effect on our ability to provide competitive services.*

The telecommunications industry is subject to rapid and significant technological changes. Our success depends, in part, on our ability to anticipate and adapt in a timely manner to technological changes. We expect that new products and technologies will emerge and that existing products and technologies will be further developed.

The advent of new products and technologies could have a variety of consequences for us. These new products and technologies may reduce the price of our services by providing lower-cost alternatives, or they may be superior to, and render obsolete, the products and services we offer and the technologies we use, requiring investment in new technology. The cost of upgrading our products and technology in order to continue to compete effectively could be significant, and our ability to fund this upgrading may depend on our ability to obtain additional financing.

*Certain debt agreements of our subsidiaries, including TCO, and of TLE, TSD and Celular CRT and their subsidiaries contain financial covenants, and any default under such debt agreements may have a material adverse effect on our financial condition and cash flows.*

Certain existing debt agreements contain restrictions and covenants and require the maintenance or satisfaction of specified financial ratios and tests. After the merger, the ability of our subsidiaries to meet these financial ratios and tests can be affected by events beyond our and their control, and we cannot assure you that they will meet those tests. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these agreements. The existing debt agreements also contain cross-default provisions, so that in



certain circumstances, if an event of default occurs under any subsidiary's agreement, the lenders could elect to declare all amounts outstanding under all of such subsidiary's agreements to be immediately due and payable, enforce their interests against collateral pledged under the agreements and, in certain circumstances, restrict their ability to make additional borrowings.

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**PART THREE RISK FACTORS**

In addition, the debt instruments of some of our subsidiaries and of operating subsidiaries of TLE and Celular CRT contain restrictions on the incurrence of further indebtedness. As a result of these covenants and the covenants described above, the ability of our subsidiaries to obtain additional financing after the merger, if needed, may be significantly restricted, and we and they may be prevented from engaging in transactions that might otherwise be beneficial to us.

*Our controlling shareholders have a great deal of influence over our business.*

As of September 30, 2005, PT Móveis S.G.P.S., S.A. and Telefónica Móviles, S.A., our principal shareholders, own through Brasilcel, directly and indirectly, approximately 92.51% of our common shares and 66.09% of our total capital stock. PT Móveis is a wholly owned subsidiary of Portugal Telecom. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders in our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference into this prospectus. Our principal shareholders have the power to control us and our subsidiaries, including the power to elect the majority of our directors and officers and determine the outcome of any action requiring shareholder approval, including in certain circumstances transactions with related parties, corporate reorganizations and the timing and payment of our dividends.

In addition, Portugal Telecom and Telefónica Móviles share their participation in us equally. Any disagreement or dispute between them may have an impact on the decision-making capabilities of our management.

Brasilcel and its subsidiaries will hold no less than 89.03% of our common shares after the merger, assuming that none of the common shareholders of TCP, TCO, TLE and Celular CRT, and none of the common and preferred shareholders of TSD, exercises appraisal rights in connection with the merger.

*Improper use of our network can adversely affect our costs and results of operations.*

We incur costs associated with the unauthorized use of our wireless networks, including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs and payments to other carriers for unbillable fraudulent roaming. See Item 4.B. Business Overview Fraud Detection and Prevention of our Annual Report on Form 20-F for the fiscal year ended December 31, 2004, which is incorporated by reference in this prospectus, for more information regarding the improper use of our network and our efforts to prevent it.

Improper use of our network can also increase our selling expenses if we have to increase our provision for doubtful accounts to reflect amounts we do not believe we can collect for improperly made calls. Our subsidiary TCO, for example, recently increased its provision for doubtful accounts more than TLE, TSD and Celular CRT because of previously undetected improper use of TCO's network. See Part Four: Information on the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations of TCO. Any unexpected increase in the improper use of our network in the future could materially adversely affect our costs and results of operations.

*The cellular industry, including our company, may be harmed by reports suggesting that radio frequency emissions cause health problems and interfere with medical devices.*

Media and other reports have suggested that radio frequency emissions from cellular handsets and base stations may cause health problems. If consumers harbor health-related concerns, they may be discouraged from using cellular handsets. These concerns could have an adverse effect on the cellular communications industry and, possibly, expose cellular providers, including our company, to litigation. We cannot predict whether further medical research and studies will refute a link between the radio frequency emissions of cellular handsets and

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**PART THREE RISK FACTORS**

base stations and these health concerns. Government authorities could increase regulation of cellular handsets and base stations as a result of these health concerns or cellular companies, including our company, could be held liable for costs or damages associated with these concerns, which could have an adverse effect on our business. The expansion of our network may be affected by these perceived risks if we experience problems in finding new sites to expand our network, which in turn may delay the expansion and may affect the quality of our services.

*Our investment in Global Telecom S.A. has adversely affected, and is expected to continue to adversely affect, our financial performance.*

Our investment in Global Telecom presents operational and financial risks. Global Telecom started operations in 1999, and its principal competitor in its authorization area has been in operation for a longer period of time and has a larger market share in that area. Global Telecom has had substantial net losses (R\$176.7 million in the nine months ended September 30, 2005, R\$180.3 million in 2004, R\$436.0 million in 2003 and R\$771.1 million in 2002) resulting in significant part from capital expenditures, indebtedness and increased expenses in connection with the rapid expansion of its network infrastructure and upgrading of its marketing and commercial capabilities.

Since we acquired Global Telecom, Global Telecom's net losses have negatively affected our financial results. The net losses of Global Telecom described above, as well as the expenses arising from indebtedness we incurred to finance our acquisition of that company, contributed to net losses for our company of R\$591.5 million in the nine months ended September 30, 2005, R\$490.1 million in 2004, R\$640.2 million in 2003 and R\$1,140.7 million in 2002. On December 27, 2002, we acquired the remaining shares of Global Telecom and now fully consolidate it in our consolidated financial statements.

We expect our investment in Global Telecom to continue to have a material effect on our financial condition and results of operations, in part due to the indebtedness we incurred to make that investment.

*We face risks associated with litigation.*

We and our subsidiaries are party to a number of lawsuits and other proceedings. An adverse outcome in, or any settlement of, these or other lawsuits could result in significant costs to us. In addition, our senior management may be required to devote substantial time to these lawsuits, which they could otherwise devote to our business.

These lawsuits include actions seeking payment by TCO's subsidiary Telegoiás in the amount of R\$24.1 million and by TCO's former subsidiary Telebrasília Celular S.A., or Telebrasília, (since merged into TCO) in the amount of R\$41.3 million, plus adjustment for exchange variations in each case and contractual penalties, on Telecomunicações Brasileiras S.A. TELEBRAS, or Telebrás, loans assigned to those companies in connection with the privatization of the Telebrás system. The Court of Appeals of the Federal District rendered decisions unfavorable to TCO in these actions, and TCO filed an appeal to the Superior Court of Justice and has been awaiting trial since May 2004. On December 17, 2004, the plaintiff in these actions initiated an enforcement proceeding, claiming the amounts owed to be R\$91.5 million from TCO and R\$59.3 million from Telegoiás. On August 31, 2005, TCO and Telegoiás filed a motion to stay the enforcement, in which they challenge the amounts claimed by the plaintiff. The motion has not yet been examined by the Judge.

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Several other lawsuits involving regulatory, intellectual property, tax and other matters are described in Item 8.A. Consolidated Statements and Other Financial Information Legal Matters of our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference into this prospectus.

In addition, after the effectiveness of the merger, we will assume the liabilities of TLE, TSD and Celular CRT, including the risks they face from litigation. See Risks Relating to the Merger As a result of the merger, TCP will assume the liabilities of TLE, TSD and Celular CRT and will assume all the risks relating to those liabilities.

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*We may be required to record impairment charges relating to goodwill and long-lived assets in the future for purposes of U.S. GAAP.*

For U.S. GAAP purposes, we are required to test our goodwill for impairment at least annually. The difference between the book value of a company and its market value may indicate that an impairment exists. This impairment test is described in note 21.k to our unaudited condensed consolidated interim financial statements included in this prospectus. TCP, in particular, has substantial goodwill, including goodwill relating to TCO with a carrying value of R\$735.0 million as of September 30, 2005. We expect that we may be required to record impairment charges relating to our goodwill in future periods, and this would have an adverse effect on our results of operations.

In addition, we are required to record impairment charges on long-lived assets, including property, plant and equipment and finite-lived intangible assets (including concessions) if the carrying value of those assets exceeds their fair market value for purposes of U.S. GAAP. This annual impairment test is also described in note 21.k to our unaudited condensed consolidated interim financial statements included in this prospectus. When we performed our last impairment test, our evaluation of our ability to recover the carrying value of our long-lived assets was based upon projections of future operations that assumed a higher level of revenues and gross margin percentages than we have historically achieved. We may not be successful in achieving these improvements in our revenues and gross margin percentages due to the competitive environment, changes in technology or other factors. If we are unable to achieve these improvements, we may be required to record impairment charges relating to our long-lived assets in future periods, and this could have an adverse effect on our operations.

**Risks Relating to Our Securities**

*Holders of our common shares, preferred shares or ADSs may not receive any dividends.*

According to the Brazilian corporation law and our bylaws, we must generally pay dividends to all shareholders of at least 25% of our annual net income, as determined and adjusted under the Brazilian corporation law. These adjustments to net income for purposes of calculating the basis for dividends include allocations to various reserves that effectively reduce the amount available for the payment of dividends. However, we were unable to pay minimum dividends in for the fiscal years ended December 31, 2001, 2002, 2003 and 2004 because we had net losses, and we expect to have net losses in the fiscal year ended December 31, 2005. In addition, the Brazilian corporation law permits us to elect not to pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in light of our financial condition. See Part Six: Shareholder Rights Description of TCP Capital Stock Allocations of Profits.

Since we are a holding company, our income consists of distributions from our subsidiaries in the form of dividends or other advances and payments. We do not generate our own operating revenues, and we are dependent on dividends and other advances and payments for our cash flow, including to make any dividend payments or to make payments on our indebtedness.

*Our preferred shares and our ADSs representing preferred shares generally do not have voting rights.*

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In accordance with the Brazilian corporation law and our bylaws, holders of our preferred shares, and therefore of our ADSs representing preferred shares, are not entitled to vote at meetings of our shareholders, except in limited circumstances.

Our bylaws state that holders of preferred shares will have full voting rights in the event that we do not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until we again pay minimum dividends. Because we did not pay minimum dividends for the

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### **PART THREE RISK FACTORS**

years ended December 31, 2001, 2002 and 2003, the holders of preferred shares have been able to exercise voting rights since the general shareholders meeting held in March 2004. We did not pay minimum dividends in 2004. However, once we again pay minimum dividends, those voting rights will cease.

*Exchange controls and restrictions on remittances abroad may adversely affect holders of our common shares, preferred shares or ADSs.*

Brazilian law provides that whenever there is a significant imbalance in Brazil's balance of payments or a significant possibility that such imbalance will exist, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil (as it did for approximately six months in 1989 and early 1990) and on the conversion of Brazilian currency into foreign currencies. These restrictions could hinder or prevent the Brazilian custodian of the preferred shares underlying the ADSs, or direct holders of preferred shares or common shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for our preferred shares underlying ADSs will hold the *reais* that it cannot convert for the account of holders of the ADSs who have not been paid. Neither the custodian nor the depository will be required to invest the *reais* or be liable for any interest.

*Holders of our common shares, preferred shares or ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.*

We are organized under the laws of Brazil, and most of our directors and executive officers and our independent public accountants reside or are based in Brazil or other countries outside United States jurisdiction. Substantially all of our assets and those of these other persons are located in Brazil or such other countries. As a result, it may not be possible for holders of the common shares, the preferred shares or the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders of our common shares, preferred shares or ADSs may face greater difficulties in protecting their interests with respect to actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

*Actual or anticipated sales of a substantial number of our common shares or preferred shares could decrease the market prices of our common shares or preferred shares and ADSs, respectively.*

Sales of a substantial number of our common shares or preferred shares could negatively affect the market prices of our common shares or preferred shares and ADSs, respectively. If, in the future, existing or future holders of common shares or preferred shares make substantial sales of shares, the market price of our common shares or preferred shares and ADSs, respectively, may decrease significantly. As a result, holders of the common shares, preferred shares or ADSs may not be able to sell them at a price equal or higher than the price they paid for them.

*The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our common shares, preferred shares or ADSs.*



Investments in securities, such as our common shares, our preferred shares and our ADSs, of issuers from emerging market countries, including Brazil, involve a higher degree of risk than investments in securities of issuers from more developed countries.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. These features may substantially limit the ability to sell the common shares or the preferred shares at a price and time at which holders wish to do so. The São Paulo Stock

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### **PART THREE RISK FACTORS**

Exchange had a market capitalization of U.S.\$472.9 billion as of September 30, 2005, and an average monthly trading volume of approximately U.S.\$12.3 billion for the first nine months of 2005. In comparison, the NYSE had a domestic market capitalization of U.S.\$13.2 trillion (excluding funds and non-U.S. companies) as of September 30, 2005, and an average monthly trading volume of approximately U.S.\$54.9 billion for the first nine months of 2005.

There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 52.9% of the aggregate market capitalization of the São Paulo Stock Exchange as of September 30, 2005. The top ten stocks in terms of trading volume accounted for approximately 51.3% of all shares traded on the São Paulo Stock Exchange. A liquid and active market may never develop for our common shares, preferred shares or the ADSs, and as result the ability of holders to sell at the desired price or time may be significantly hindered.

*Holders of our common shares, preferred shares or ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.*

Our corporate affairs are governed by our bylaws and the Brazilian corporation law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, or elsewhere outside Brazil. The rights under Brazilian corporation law of a holder of our common shares or preferred shares to protect its interests with respect to actions by us or our directors or executive officers may be fewer and less well-defined than under the laws of those other jurisdictions. In addition, holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our bylaws and the Brazilian corporation law.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our common shares, preferred shares or ADSs at a potential disadvantage. In addition, the disclosure required of public companies in Brazil may be less complete or informative than that required of public companies in the United States or in certain other countries.

#### **Specific Risks Relating to our ADSs**

**Important Note: Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADSs.**

*Holders of the ADSs may find it difficult to exercise their voting rights at our shareholders meetings.*

Holders of our ADSs may exercise the limited voting rights with respect to our preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations upon the ability of ADS holders to exercise their voting rights

due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders meetings in certain newspapers in Brazil. To the extent that holders of our preferred shares are entitled to vote at a shareholders meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of the ADSs will receive notice of a shareholders meeting by mail from the depositary following our notice to the depositary requesting the depositary to do so, and they may not receive voting materials in time to instruct the depositary to vote the preferred shares underlying their ADSs. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. If voting instructions for all or

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### **PART THREE RISK FACTORS**

part of the ADSs are not received timely by the depository, the depository will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances. In addition, the depository and its agents are not responsible for failing to carry out voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise voting rights, and will have no recourse if the preferred shares underlying their ADSs are not voted as requested.

#### ***An exchange of ADSs for preferred shares risks loss of certain foreign currency remittance and Brazilian tax advantages.***

The ADSs benefit from the certificate of foreign capital registration, which permits The Bank of New York, as depository, to convert dividends and other distributions with respect to preferred shares into foreign currency, and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for preferred shares will then be entitled to rely on the depository's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain the appropriate registration, either under Resolution 2,689/00 of the Brazilian National Monetary Council (*Conselho Monetário Nacional*), known as Resolution 2,689, and CVM Instruction 325/00 or under Law No. 4,131/62, as described in Part Six: Shareholder Rights Description of TCP Capital Stock Exchange Controls and Central Bank Registration.

If a former holder of ADSs is not registered under Resolution 2,689, it may be subject to less favorable tax treatment on distributions in relation to our preferred shares. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

#### ***Holders of ADSs may be subject to Brazilian income tax on gains from dispositions of ADSs.***

Brazilian Law No. 10,833, dated December 29, 2003, provides that gains on the disposition of assets located in Brazil by non-residents of Brazil, whether to other non-residents or to Brazilian residents, will be subject to Brazilian taxation. The common shares and preferred shares are expected to be treated as assets located in Brazil for purposes of the law, and gains on the disposition of common shares and preferred shares, even by non-residents of Brazil, are expected to be subject to Brazilian taxation. In addition, the ADSs may be treated as assets located in Brazil for purposes of the law, and therefore gains on the disposition of ADSs by non-residents of Brazil may also be subject to Brazilian taxation. Although the holders of ADSs outside Brazil may have grounds to assert that Law No. 10,833 does not apply to sales or other dispositions of ADSs, it is not possible to predict whether that understanding will ultimately prevail in the courts of Brazil, given the general and unclear scope of Law No. 10,833 and the absence of judicial court rulings in respect thereto. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

#### ***Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares underlying the ADSs.***

Holders of ADSs will be unable to exercise the preemptive rights relating to our preferred shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We may not be obligated to file a registration statement with respect to the shares relating to those preemptive rights or to take any other action to make preemptive rights available to holders of ADSs, and we may not file any such registration statement. If we do not file a registration statement or if we and the depository decide not to make preemptive rights available to holders of ADSs, those holders may receive

only the net proceeds from the sale of their preemptive rights by the depositary, or if they are not sold, their preemptive rights will lapse.

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**PART THREE RISK FACTORS**

**Risks Relating to Brazil**

*The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business, operations and the market price of our common shares, preferred shares and ADSs.*

In the past, the Brazilian economy has experienced unstable economic cycles, and the Brazilian government has intervened in the Brazilian economy and occasionally made drastic changes in policy. To influence the course of Brazil's economy, control inflation and effect other policies, the Brazilian government has taken various actions, including using wage and price controls, currency devaluations, capital and exchange controls, limits on imports and blocking access to bank accounts. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in the future. Our business, financial condition, results of operations and the market price of our common shares, preferred shares and ADSs may be adversely affected by changes in government policies, as well as general economic factors, including, without limitation:

fluctuations in exchange rates;

inflation;

exchange control policies;

gross domestic product growth;

social and political instability;

liquidity of domestic capital and lending markets;

price instability;

energy shortages;

interest rates;

tax policies; and

other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty as to future government policies may contribute to an increase in the volatility of the Brazilian securities markets and securities issued abroad by Brazilian companies. The Brazilian economy grew 5.2% in 2004 and 0.5% and 1.9% in 2003 and 2002, respectively. Due to the limited economic growth in recent years, it is not certain whether the current economic policy will prevail. We can not predict Brazil's monetary, tax, social security and other policies, neither if such policies will cause an adverse impact to the economy and to our business and results of operations or the market price of our common shares, preferred shares and ADSs.

***Tax reforms may affect our prices.***

The Brazilian government has proposed tax reforms that are currently being considered by the Brazilian Congress. If TCP, TCO, TLE, TSD or Celular CRT experience a higher tax burden as a result of the tax reform, they may have to pass the cost of that tax increase to their customers. This increase may have a material negative impact on the dividends paid by our subsidiaries to our company and on our revenues and operating results.

***Political instability may have an adverse impact on the Brazilian economy.***

Political crises in Brazil in the past have affected the trust of investors and the public in general, as well as the development of the economy. Political crises may have an adverse impact on the Brazilian economy, our business, financial condition and results of operations and the market price of our common shares, preferred shares and ADSs.

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### **PART THREE RISK FACTORS**

***Inflation and certain government measures to curb inflation may have adverse effects on the Brazilian economy, the Brazilian securities market and/or our business and operations.***

Brazil has historically experienced extremely high rates of inflation. Inflation and some of the Brazilian government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since 1994, Brazil's inflation rate has been substantially lower than in previous periods. However, inflationary pressures persist, and actions taken in an effort to curb inflation, coupled with public speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. The inflation rate, as measured by the IGP-DI index, was 12.1% in 2004, 7.7% in 2003 and 26.4% in 2002. Inflation in the nine months ended September 30, 2005 was 0.2%.

Future measures taken by the Brazilian government may have an adverse impact on the Brazilian economy, our business, financial condition and results of operation, or on the market price of common shares, preferred shares and ADSs. If Brazil experiences significant inflation, we may be unable to increase service rates to our customers in amounts that are sufficient to cover our increasing operating costs, and our business may be adversely affected. In addition, high inflation generally leads to higher domestic interest rates and, as a result, the cost of servicing our *real*-denominated debt may increase. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets.

***Fluctuations in the value of the real against the value of the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated or U.S. dollar-linked obligations and could lower the market value of our common shares, preferred shares and ADSs.***

The Brazilian currency has been devalued frequently over the past four decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* depreciated by 15.7% and 34.3% against the U.S. dollar in 2001 and 2002, respectively. In 2003 and 2004, the *real* appreciated against the U.S. dollar by 22.3% and 8.8%, respectively.

Devaluation of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. The sharp depreciation of the *real* in relation to the U.S. dollar may generate inflation and governmental measures to fight possible inflationary outbreaks, including the increase in interest rates. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments, as well as dampen export-driven growth. Devaluations of the *real* would reduce the U.S. dollar value of distributions and dividends on common shares, preferred shares and ADSs and may also reduce the market value of such securities. Any such macroeconomic effects could adversely affect our net operating revenues and our overall financial performance.

Devaluation of the *real* relative to the U.S. dollar may increase the cost of our indebtedness in foreign currency. It would also reduce the U.S. dollar value of our revenues and distribution of dividends. As of September 30, 2005, TCP had R\$4,949.9 million in consolidated total debt, of which approximately 60% was denominated in foreign currencies, such as the U.S. dollar and the yen. Also, significant costs relating to our network infrastructure and handset costs are payable or linked to payment by us in U.S. dollars. At the same time, while our foreign currency debt obligations were covered by derivative contracts as of September 30, 2005 and we may derive income from these and other derivative



transactions, all of our operating revenues are generated in

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**PART THREE RISK FACTORS**

*reais*. To the extent that the value of the *real* decreases relative to the U.S. dollar, our debt becomes more expensive to service and it becomes more costly for us to acquire the technology and the goods that are necessary to operate our business. Although we currently hedge our foreign currency debt, we may decide to change our hedging policy in the future. In addition, when the value of the *real* increases relative to the U.S. dollar, the decrease in the cost of servicing our debt is offset by our losses on the derivatives associated with it.

***Fluctuations in interest rates may have an adverse effect on our business and on the market price of our common shares, preferred shares and ADSs.***

Between February and July 2002, the Central Bank reduced the basic interest rate from 19% to 18%. Between October 2002 and February 2003, the Central Bank increased the basic interest rate by 8.5 percentage points, to 26.5%. In June 2003 the Central Bank started again reducing the basic interest rate. In 2004 and in the first months of 2005 the Central Bank increased the basic interest rate. As of the date of this prospectus, the basic interest rate is 17.25%.

As of September 30, 2005, TCP's total indebtedness was R\$4,949.9 million. Approximately 40% of such indebtedness is denominated in *reais* and mostly pegged to the CDI (*Certificado Depositário Interbancário*) rate, a Brazilian interbank rate. All other debt was denominated in foreign currencies and fully covered by derivative contracts so that the final cost of the debt and the associated derivative is the CDI rate. As a consequence, an increase in the CDI interest rates and inflation indexes would increase the costs of our debt.

***Brazilian government exchange control policies could adversely affect our ability to make payments on foreign currency-denominated debt.***

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Central Bank has centralized certain payments of principal on external obligations.

Many factors could cause the Brazilian government to institute a more restrictive exchange control policy, including, without limitation, the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund, or IMF, and political constraints to which Brazil may be subject. A more restrictive policy could affect the ability of Brazilian debtors (including us) to make payments outside of Brazil to meet foreign currency-denominated obligations.

***Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and our business.***

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in

other emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil. Any return to economic turmoil in Argentina or adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, including our common shares, preferred shares and ADSs representing our preferred shares, causing the market price and liquidity of those securities to suffer.

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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

**Management Overview**

TCP, TCO, TLE, TSD and Celular CRT, or the VIVO companies, are leading providers of cellular telecommunications in 19 states in Brazil and the Federal District. According to data published by Anatel, the VIVO companies have 36.1% of the total market in Brazil and 45.9% of the total market in their authorized areas, with 28.8 million users as of September 30, 2005. Their operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population. On a pro forma basis reflecting the mergers, the VIVO companies had net operating revenues of R\$10,929.3 million for the year ended December 31, 2004 and R\$8,308.1 million for the nine months ended September 30, 2005.

The VIVO companies are controlled by Brasilcel N.V., a joint venture of Portugal Telecom and Telefónica Móviles. The corporate structure of the VIVO companies before and after the mergers is set forth in Part Two: Summary of this prospectus. The VIVO companies provide services in their regions through the following operating subsidiaries:

TCP provides services:

in the state of São Paulo through Telesp Celular S.A.;

in the states of Paraná and Santa Catarina through Global Telecom S.A.; and

through the operating subsidiaries of its subsidiary TCO;

TCO provides services in the states of Acre, Amapá, Amazonas, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondonia, Roraima and Tocantins through several operating subsidiaries and directly in the Federal District;

TLE provides services in the states of Bahia and Sergipe through two operating subsidiaries;

TSD provides services in the states of Espírito Santo and Rio de Janeiro through two operating subsidiaries; and

Celular CRT provides services in the state of Rio Grande do Sul through an operating subsidiary.

The VIVO companies pursue a common commercial strategy and are guided by a common management team. All the VIVO companies generate operating revenues in the same way, and they incur the same types of costs of services and goods sold. In addition, although their markets vary, all of the VIVO companies are subject to common trends and government regulations affecting the Brazilian cellular telecommunications industry. At the same time, the VIVO companies closely monitor various other operational and other factors described below.

*Revenues and Costs*

The gross operating revenues of the VIVO companies consist of the following:

usage charges, which include charges for outgoing calls, roaming and similar service;

revenues from the sale of handsets and accessories;

monthly subscription charges paid by their contract customers;

interconnection charges (or network usage charges), which are amounts they charge other cellular and fixed-line or long distance service providers for the use of their networks; and

other charges, including charges for the text messaging services (SMS), call forwarding, call waiting, voicemail and call blocking.

These gross operating revenues are subject to several value-added and indirect taxes imposed in Brazil at the federal and state levels. These taxes are described in Item 4.B., "Business Overview Taxes on Telecommunications Services and Handset Sales" in TCP's Annual Report on Form 20-F for the year ended

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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

December 31, 2004, which is incorporated by reference in this prospectus. In addition, the VIVO companies record their net operating revenues after deduction of sales and services discounts and returns of goods sold. Discounts on handsets and accessories and on services provided are key competitive factors in the Brazilian cellular telecommunications market, and the VIVO companies adjust these discounts frequently in accordance with their competitive strategy.

The costs of services and goods of the VIVO companies consist of the following:

depreciation and amortization of the transmission network infrastructure and equipment;

material and services, which are the costs of third-party services (such as network maintenance services), the costs of rented circuits and transmission lines and other costs;

interconnection charges, which are charges the VIVO companies pay to other companies for the use of their networks to complete calls;

personnel expenses relating to sales personnel and other non-administrative personnel, which expenses are generally subject to collective bargaining agreements;

rental, insurance and condominium fees, which include the costs of rented stores and facilities, insurance for their networks and other costs;

cost of handsets and accessories that they sell; and

Fistel and certain other taxes that are not assessed on gross operating revenues. For an explanation of the Fistel tax, see Item 4.B., Business Overview Taxes on Telecommunications Services and Handset Sales in TCP's Annual Report on Form 20-F for the year ended December 31, 2004.

***Industry Factors***

The business of the VIVO companies is influenced by several important factors, including the following:

***Shift to Prepaid Services.*** The Brazilian cellular telecommunications market has been influenced recently by a shift toward prepaid services. Prepaid services generate usage charges and interconnection charges but do not generate monthly subscription charges. Prepaid services have also attracted lower income customers to VIVO's services. In addition, prepaid customers tend to make fewer outgoing calls than contract customers, and VIVO's contract customers therefore have a disproportionate impact on usage charges. Because of the importance of contract customers to VIVO's business, the VIVO companies have undertaken initiatives to maintain and develop the contract customer base, including through the recently launched Right Planning loyalty program for contract customers.

In 2003, Telesp Celular changed its revenue recognition policy for prepaid services. Before January 1, 2003, revenues from prepaid services were recognized at the time of sale of the prepaid minutes. Thereafter, these revenues have been deferred and recognized as the prepaid minutes are used.

**Competition.** The VIVO companies face aggressive competition throughout their regions, both from existing competitors and new entrants into the market. In November 2002, for example, a new competitor, TIM, entered the market of Celular CRT and TCO, and in September 2004, Brasil Telecom, the fixed-line incumbent in nine states and the Federal District, began cellular services in its region, which overlaps with that of TCO, Celular CRT and Global Telecom. In the face of this competition, the VIVO companies have generally pursued a strategic focus on profitability and selective customer growth, rather than a specific focus on gaining market share. Within their strategic focus, the VIVO companies pursue a number of strategies to address these competitive pressures, often including discounts on handsets and accessories; loyalty programs, such as the Right Planning loyalty program for contract customers, which has generally contributed to a reduction in monthly subscription charges in the short term; and marketing and promotional expenses, which tend to increase selling expenses. Sales and services discounts as a percentage of gross operating revenues vary with the competitive features and demographics of each of the VIVO markets and are currently highest for TSD and TLE.

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### **PART FOUR INFORMATION ON THE VIVO COMPANIES**

**Recent Regulatory Changes.** In recent years, Anatel, the Brazilian telecommunications regulator, has introduced a number of changes that affect the composition of VIVO's operating revenues:

**Carrier Selection Codes.** As of July 6, 2003, cellular telecommunications operators in Brazil were required by the Personal Mobile Service (*Serviço Móvel Pessoal*), or SMP, rules to implement long distance carrier selection codes (*códigos de seleção de prestadora*) used by customers to choose their carrier for domestic long distance services (for both VC2 and VC3 calls) and international cellular calls. VC2 calls are calls made to parties outside a caller's area code but inside the same state, and VC3 calls are calls made to parties outside the caller's state. As a result, VIVO no longer receives revenues from the outgoing calls or incurs costs in connection with VC2 or VC3 or international calls, but instead it receives interconnection charges. This change has tended to decrease both the outgoing calls revenues of the VIVO companies and the interconnection charges they pay to other companies.

**Partial Bill & Keep.** Also in July 2003, Anatel adopted new partial Bill & Keep rules for interconnection charges. The rules provide that companies under the SMP regime are not required to pay tariffs for the use of the local network of other SMP providers as long as customers use local service (*i.e.*, make calls in the same registration area) and as long as there is a traffic balance between them. However, if traffic from the SMP provider that originates the call to the SMP provider that terminates the call represents more than 55% of the total local traffic between the two providers, the SMP provider who originates the higher traffic through the other provider's network must pay to such other provider the local usage tariff for the portion of the traffic that exceeds 55%. This change has tended to decrease the revenues received by the VIVO companies from interconnection fees charged to other companies.

**Tariff and Interconnection Rates.** Anatel authorizes cellular operators to increase tariffs based upon cumulative inflation over a twelve-month period, measured by the IGP-DI index from February to January of each year. Beginning in 2007, we expect the Brazilian government to begin to regulate the telecommunications industry based on a model that would analyze companies' costs based on a hypothetical company's costs and other factors. In connection with the introduction of this model, the Brazilian government may use a different inflation adjustment mechanism, the IST index (*Índice de Serviços de Telecomunicações*), beginning in 2008.

In addition, Anatel established that from July 2004, interconnection rates for wireless networks (the VU-M) would be freely negotiated. Nevertheless, the Brazilian network operators have not been fully successful in negotiating and reaching acceptable interconnection agreements; if telecommunications companies cannot agree on interconnection rates and conditions, Anatel may, by mediation, arbitration or intervention, establish the terms of such interconnection agreements.

You should read Part Three: Risk Factors - Risks Relating to the Brazilian Telecommunications Industry and our Business for more information about these and other industry factors that the VIVO companies face.

#### ***Operational and Other Factors***

The VIVO companies also pay close attention to a number of other operational and other factors that significantly affect their business:



*Customers.* VIVO closely monitors changes in both its prepaid and contract customers from period to period. VIVO also tracks its market share for each VIVO company, and it monitors net additions of customers from period to period. As of September 30, 2005 compared to September 30, 2004, the number of prepaid customers increased at a higher rate than the number of contract customers at TCP, TCO and TLE, and the number of contract customers increased at a higher rate at TSD and Celular CRT. The positive impact on revenues from monthly subscription charges was generally more than offset in the nine months ended September 30, 2005 by the cost of the Rights Planning loyalty

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program VIVO implemented to maintain and increase the number of contract customers. In addition, market share generally decreased from September 30, 2004 to September 30, 2005 due to competitive pressures, and the rate of net additions of prepaid customers in the third quarter of 2005 was lower than the rate in the third quarter of 2004 for the same reason. See below in this Part Four: Information on the VIVO Companies for operational data for each of the VIVO companies as of September 30, 2005 and for the fiscal quarter then ended.

**Average Revenue Per User (ARPU) and Minutes of Use (MOU).** VIVO also tracks the average revenue per user for both contract and prepaid customers for each of the VIVO companies, as well as changes in minutes of use by type of customer. ARPU and MOU generally increased for contract customers in the third quarter of 2005 (except for TSD, where they decreased), but ARPU and MOU generally decreased for prepaid customers. See below in this Part Four: Information on the VIVO Companies for operational data for each of the VIVO companies as of September 30, 2005 and for the fiscal quarter then ended.

**Changes in Technology.** VIVO's costs are affected by changes in technology, which often require additional investments in network infrastructure and other costs in order to provide quality, competitive service. For example, both TCO and Celular CRT incurred additional depreciation and amortization expenses and materials and services costs in the nine months ended September 30, 2005 in connection with the overlay of more sophisticated Code Division Multiple Access, or CDMA, networks on top of their existing Time Division Multiple Access, or TDMA, networks. Other VIVO companies, such as TSD and TLE, have largely completed their conversions to CDMA technology and currently less affected by these transition costs.

**Improper Use of Network.** VIVO closely monitors the improper use of its network to minimize lost revenues. The VIVO companies frequently adjust their provisions for doubtful accounts based both on increases in the customer base and on the improper use of the network. TCO, for example, recently increased its provision for doubtful accounts more than TLE, TSD and Celular CRT because of previously undetected improper use of TCO's network.

**Recent Developments*****Issuance of TCP Debentures***

On May 1, 2005, TCP issued R\$1.0 billion in aggregate principal amount of debentures in two series, both maturing in May 2015. The first series, in the aggregate amount of R\$200.0 million, bears interest at 103.3% of the average daily interbank deposit rate for deposits of one day (*DI Depósitos Interfinanceiros de um dia, extragrupo*), payable semiannually, and is subject to renegotiation of terms (*repactuação*) in May 2009. The second series, in the aggregate amount of R\$800.0 million, bears interest at 104.2% of the average daily interbank deposit rate, payable semiannually, and is subject to renegotiation of terms in May 2010. The proceeds of the issuance of these debentures were used for the repayment of short-term debt.

***Reverse Stock Split and Change of ADR Ratio***

On May 4, 2005, TCP completed a reverse stock split, combining each 2,500 common and preferred shares into one common or preferred share, respectively. TCP also changed the ratio of its ADSs to preferred shares such that one ADS now represents one preferred share.

Each of TCO, TLE, TSD and Celular CRT completed a similar reverse stock split. TCO combined each 3,000 common and preferred shares into one common or preferred share, respectively. TLE combined each 50,000 common and preferred shares into one common or preferred share, respectively. TSD combined each 5,000 common and preferred shares into one common or preferred share, respectively. Celular CRT combined each 100 common and preferred shares into one common or preferred share, respectively. Each of TCO, TLE and TSD also changed the ratio of its ADSs to preferred shares such that one ADS now represents one preferred share.

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Since such reverse stock splits, TCP, TCO, TLE, TSD and Celular CRT shares are traded on the São Paulo Stock Exchange based on a price per share, rather than based on a price per thousand shares.

***Capital Increase and Cancellation of Treasury Shares***

On July 29, 2005, the Board of Directors of each of TCP, TCO, TLE, TSD and Celular CRT approved an increase in the capital stock and issued, with due regard to preemptive rights, the amount of new common shares at the issue price set forth in the table below:

	<u>Number of shares</u>	<u>Issue price</u>
TCP	29,298,932	R\$ 8.28
TCO	3,107,645	R\$ 20.56
TLE	31,915	R\$ 15.35
TSD	2,029,225	R\$ 17.98
Celular CRT	929,892	R\$ 35.80

The issue price corresponded to 90% of the weighted average of the closing price recorded on the São Paulo Stock Exchange in the 30 trading days from May 16, 2005 (May 13 for TLE) to June 27, 2005 (June 24 for TLE). Preemptive rights could be exercised in the period from June 29, 2005 to July 28, 2005.

Each of these capital increases allowed Brasilcel, as controlling shareholder of TCP, TSD, TLE and Celular CRT, and TCP, as controlling shareholder of TCO, to capitalize a portion of the tax benefit related to the goodwill generated in the acquisition process of those companies. CVM regulations permit the acquiror of a publicly held company to capitalize the tax benefits arising from the amortization of goodwill generated in the acquisition of that company, so long as preemptive rights are extended to the other shareholders of the publicly held company in connection with the capital increase. The tax benefits capitalized by Brasilcel in July 2005 with respect to TCP included tax benefits of R\$120,850,877 relating to the year ended December 31, 2004 and tax benefits of R\$121,744,279 relating to the years 2002 and 2003. The tax benefits capitalized by Brasilcel in July 2005 with respect to TLE, TSD and Celular CRT totaled R\$489,733, R\$36,485,465 and R\$33,290,159, respectively, and related to the year ended December 31, 2004. The tax benefits capitalized by TCP in July 2005 with respect to TCO totaled R\$63,893,190 and related to the year ended December 31, 2004. For further information on the earlier corporate restructurings through which the applicable tax benefits were transferred to the VIVO companies, see note 34 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus, and notes 30, 26, 27 and 27 to the audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 of TCO, TLE, TSD and Celular CRT, respectively, included or incorporated by reference in this prospectus.

In addition, at the same meeting, the Board of Directors of TCO approved the cancellation of 1,927,812 common shares held in treasury. At a meeting held on March 28, 2005, the Board of Directors of TLE approved the cancellation of 252,498 common shares and 51,102,580 preferred shares held in treasury.

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As of December 31, 2005, the capital stock of each of the VIVO companies consisted of the following:

	<b>Total shares outstanding</b>	<b>Common shares</b>	<b>Preferred shares</b>
TCP	662,324,342	250,457,704	411,866,638
TCO	130,068,158	44,332,722	85,735,436
TLE	9,644,278	3,376,560	6,267,718
TSD	91,831,224	39,916,217	51,915,007
Celular CRT	33,280,844	14,439,063	18,841,781(1)

(1) Includes 639,444 preferred shares held in treasury that will be transferred to TCP in the merger.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES****Management's Discussion and Analysis of Financial Condition and Results of Operations of TCP*****TCP's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005***

The following table sets forth certain components of TCP's income for the periods indicated.

	<b>Nine months ended September 30,</b>		<b>% Change</b>
	<b>2005</b>	<b>2004</b>	
	<b>(R\$ millions, unaudited)</b>		
Net operating revenue	5,491.7	5,387.8	1.9%
Cost of services and goods	(2,479.6)	(2,353.4)	5.4%
<b>Gross profit</b>	<b>3,012.1</b>	<b>3,034.4</b>	-0.7%
Operating expenses:			
Selling expenses	(1,790.9)	(1,318.6)	35.8%
General and administrative expenses	(455.1)	(506.1)	-10.1%
Other net operating expenses	(287.0)	(151.9)	88.9%
<b>Operating income net financial expense</b>	<b>479.1</b>	<b>1,057.8</b>	-54.7%
Net financial expense	(683.9)	(751.3)	-9.0%
<b>Operating income (loss)</b>	<b>(204.8)</b>	<b>306.5</b>	-166.8%
Net non-operating (expenses) income	12.0	1.4	757.1%
<b>Income (loss) before minority interests and taxes</b>	<b>(192.8)</b>	<b>307.9</b>	-162.6%
Income taxes	(265.8)	(294.0)	-9.6%
Minority interest	(133.0)	(269.4)	-50.6%
<b>Net loss</b>	<b>(591.6)</b>	<b>(255.5)</b>	131.5%

*Operating Data*

The following table sets forth certain operating data of TCP.

	Nine months ended September 30,		% Change
	2005	2004	
Total number of customers (in thousands)	19,370	16,363	18.4%
Contract	3,055	2,787	9.6%
Prepaid	16,315	13,576	20.2%
Market share(1)	46.5%	54.0%	-7.5 p.p.
Net additions (in thousands)	1,740	3,064	-43.2%
Contract	210	82	163.6%
Prepaid	1,530	2,982	-48.7%
Market share of net additions to customer base(1)	23.6%	43.7%	20.1 p.p.
Market penetration(1)	46.2%	34.1%	12.1 p.p.
Customer acquisition cost, per customer(2) (R\$)	151	137	10.7%
Monthly churn(3)	1.6%	1.6%	
Average revenue per user (R\$ per month)	28.2	34.1	-17.3%
Contract	88.3	90.4	-2.3%
Prepaid	15.7	20.2	-22.0%
Total minutes used per customer(4)	77	90	-14.6%
Contract	224	218	2.7%
Prepaid	47	59	-20.7%
Employees	4,135	4,131	0.1%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

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- (3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

*Net Operating Revenue*

The composition of operating revenues by category of service is presented in TCP's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TCP's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Nine months ended September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>% Change</b>
	<b>(R\$ millions, unaudited)</b>		
<b>Gross operating revenue:</b>			
Usage charges	3,246.9	2,824.0	15.0%
Sales of handsets and accessories	1,389.9	1,346.0	3.3%
Monthly subscription charges	134.1	192.3	-30.3%
Interconnection fees	2,221.4	2,331.9	-4.7%
Other	495.7	425.3	16.6%
<b>Total gross operating revenue</b>	<b>7,488.0</b>	<b>7,119.5</b>	<b>5.2%</b>
Value-added and other indirect taxes	(1,423.2)	(1,296.6)	9.8%
Sales and services discounts and return of goods sold	(573.1)	(435.1)	31.7%
<b>Net operating revenue</b>	<b>5,491.7</b>	<b>5,387.8</b>	<b>1.9%</b>

The net operating revenue of TCP increased 1.9% to R\$5,491.7 million for the nine months ended September 30, 2005 from R\$5,387.8 million for the nine months ended September 30, 2004, principally due to an increase in revenues from usage charges and, to a lesser degree, increases in other revenues and in revenues from sales of handsets and accessories. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

*Usage charges.* Revenues from usage charges increased 15.0% to R\$3,246.9 million for the nine months ended September 30, 2005 from R\$2,824.0 million for the nine months ended September 30, 2004, primarily due to an 18.4% increase in the customer base to 19.370 million lines in service as of September 30, 2005 from 16.363 million lines in service as of September 30, 2004. In addition, outgoing traffic grew 8.8%, primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 3.1 million lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 2.8 million lines as of September 30, 2004.



*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 3.3% to R\$1,389.9 million for the nine months ended September 30, 2005 from R\$1,346.0 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic (and not necessarily to generate profits). Accordingly, we subsidize part of the costs of handsets. Although profit margins vary from one handset model to another, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross

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loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TCP of R\$367.4 million for the nine months ended September 30, 2005, compared to R\$362.5 for the nine months ended September 30, 2004.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 30.3% to R\$134.1 million for the nine months ended September 30, 2005 from R\$192.3 million for the nine months ended September 30, 2004. The decrease was principally due to the impact of our Right Planning loyalty program, which was introduced in July 2004, and the effects of strong competition. Under that program, we tailor our contracts to the usage needs of our contract customers, seeking to provide competitive prices based on their individual profiles. This program is designed to maintain and increase our contract customer base described above.

*Interconnection fees.* Revenues from interconnection fees decreased 4.7% to R\$2,221.4 million for the nine months ended September 30, 2005 from R\$2,331.9 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime, as described in Management Overview above. The migration of callers away from fixed line services decreases our interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

*Other.* Revenues from other services increased 16.6% to R\$495.7 million for the nine months ended September 30, 2005 from R\$425.3 million for the nine months ended September 30, 2004. This increase was principally due to the increase in our customer base and an increase in the use of data-related services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, the launch of new services and an increase in the number of data transmission-enabled handsets. New services launched in the nine months ended September 30, 2005 include: SmartMail, a wireless e-mail service; Corporate VIVO Play 3G, a third generation service providing cellular access to multimedia content; and games.

*Value-added and other indirect taxes.* Value-added taxes and other indirect taxes increased 9.8% to R\$1,423.2 million for the nine months ended September 30, 2005 from R\$1,296.6 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are described in Item 4.B., Business Overview Taxes on Telecommunications Services and Handset Sales in our Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference in this prospectus. Value-added taxes and other indirect taxes were 19% of TCP's gross operating revenue in the nine months ended September 30, 2005, compared to 18% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of our revenues. Interconnection fees, for example, are not subject to these taxes.

*Sales and services discounts and returns of goods sold.* These deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 31.7% to R\$573.1 million for the nine months ended September 30, 2005 from R\$435.1 million for nine months ended September 30, 2004. This increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 6.1% and 7.7%, respectively, of our gross operating revenues for the nine months ended September 30, 2004 and 2005.



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The following table sets forth the components of TCP's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	<b>(R\$ millions, unaudited)</b>		
Depreciation and amortization	(570.9)	(538.2)	6.1%
Material and services	(256.3)	(225.3)	13.8%
Interconnection charges	(121.4)	(155.9)	-22.1%
Personnel	(47.1)	(42.8)	10.0%
Rental, insurance and other related expenses	(70.3)	(69.8)	0.7%
Cost of handsets and accessories	(1,163.6)	(1,181.6)	-1.5%
Fistel and other taxes	(250.0)	(139.8)	78.8%
<b>Cost of services and goods</b>	<b>(2,479.6)</b>	<b>(2,353.4)</b>	<b>5.4%</b>

Cost of services and goods increased 5.4% to R\$2,479.6 million for the nine months ended September 30, 2005 from R\$2,353.4 million for the nine months ended September 30, 2004, principally due to increases in tax payments and, to a lesser degree, increases in depreciation and amortization and the cost of third-party services. This increase was partially offset by a decrease in interconnection charges paid to other providers. Our gross profit margin (gross profit as a percentage of net operating revenues) was 54.8% for the nine months ended September 30, 2005, compared to 56.3% for nine months ended September 30, 2004.

*Depreciation and amortization.* Depreciation and amortization expenses increased 6.1% to R\$570.9 million for the nine months ended September 30, 2005 from R\$538.2 million for the nine months ended September 30, 2004, mainly due to expansion of our transmission network and other assets driven by the expansion in our customer base.

*Material and services.* Cost of material and services increased 13.8% to R\$256.3 million for the nine months ended September 30, 2005 from R\$225.3 million for the nine months ended September 30, 2004, mainly due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines. In addition, we incurred greater costs in the nine months ended September 30, 2005 in connection with the ongoing process of overlaying TCO's older Time Division Multiple Access, or TDMA, network with a more advanced Code Division Multiple Access, or CDMA, network.

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*Interconnection charges.* Interconnection charges are charges paid to other companies for the use of their networks to complete calls that originate in our network. Interconnection charges decreased 22.1% to R\$121.4 million for the nine months ended September 30, 2005 from R\$155.9 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

*Personnel.* Personnel expenses increased 10.0% to R\$47.1 million for the nine months ended September 30, 2005 from R\$42.8 million for the nine months ended September 30, 2004, primarily due to an approximate 6% increase in salaries under the terms of our collective bargaining agreement, which we renegotiate annually to take effect on November 1, and due to training program costs.

*Rental, insurance and other related expenses.* Rental, insurance and condominium fees remained relatively constant at R\$70.3 million for the nine months ended September 30, 2005, compared to R\$69.8 million for the nine months ended September 30, 2004.

*Cost of handsets and accessories.* Cost of handsets and accessories decreased 1.5% to R\$1,163.6 million for the nine months ended September 30, 2005 from R\$1,181.6 million for the nine months ended September 30,

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2004, primarily due to better terms negotiated with suppliers and because TCP added fewer new customers in the nine months ended September 30, 2005 than in the nine months ended September 30, 2004.

*Fistel and other taxes.* Fistel and other tax expenses increased 78.8% to R\$250.0 million for the nine months ended September 30, 2005 from R\$139.8 million for the nine months ended September 30, 2004. This increase was primarily due to a change in accounting policy at TCO to bring TCO's accounting for Fistel and other taxes in line with that of TCP. Beginning in January of 2005, TCO began to accrue amounts monthly for these taxes, as is TCP's policy, rather than recognize the entire amount of the taxes in December of a given fiscal year. TCP's results of operations for the nine months ended September 30, 2005, which consolidate the results of TCO, reflect the effect of this change in policy.

*Operating Expenses*

The following table sets forth the components of TCP's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	<b>(R\$ millions, unaudited)</b>		
Selling expenses	(1,790.9)	(1,318.6)	35.8%
General and administrative expenses	(455.1)	(506.1)	-10.1%
Other net operating expenses	(287.0)	(151.9)	88.9%
<b>Operating expenses</b>	<b>(2,533.0)</b>	<b>(1,976.6)</b>	<b>28.1%</b>

TCP's operating expenses increased 28.1% to R\$2,533.0 million in the nine months ended September 30, 2005 from R\$1,976.6 million in the nine months ended September 30, 2004. The increase resulted primarily from an increase in selling expenses and other net operating expenses driven by the highly competitive environment and an increase in goodwill amortization, respectively.

*Selling expenses.* Selling expenses increased 35.8% to R\$1,790.9 million for the nine months ended September 30, 2005 from R\$1,318.6 million for the nine months ended September 30, 2004. This increase was principally due to increases in marketing expenses and expenses for third-party services (such as marketing, client care and call center services); increases in the provision for doubtful accounts; and expenses for depreciation of stores, equipment and other assets. Provisions for doubtful accounts increased 104.1% to R\$265.5 million for the nine months ended September 30, 2005 from R\$130.1 million for the nine months ended September 30, 2004, mainly due to an increase in our customer base and to the improper use of our network. As a result of this increase, provisions for doubtful accounts were 3.5% of gross revenues for the nine months ended September 30, 2005, compared to 1.8% of gross revenues for the nine months ended September 30, 2004.

*General and administrative expenses.* General and administrative expenses decreased 10.1% to R\$455.1 million for the nine months ended September 30, 2005 from R\$506.1 million for the nine months ended September 30, 2004, primarily due to savings on third-party services after renegotiations of contracts.

*Other net operating expense (income).* TCP recorded other net operating expense of R\$287.0 million for the nine months ended September 30, 2005, compared to other net operating expense of R\$151.9 million in the nine months ended September 30, 2004, principally due to the amortization of goodwill generated in the acquisition of TCO and Global Telecom. The amortization period for goodwill generated by the Global Telecom acquisition began in January 2005, and TCP acquired additional shares of TCO in October 2004, increasing amortizable goodwill relating to TCO.

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The following table sets forth the components of TCP's net financial expense for the periods indicated, as well as percentage change of each component from period to period.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Financial income	208.2	163.4	27.4%
Foreign currency exchange gains, net.	537.9	64.8	730.1%
Net losses on foreign currency derivative contracts	(978.9)	(476.4)	105.5%
Financial expenses	(451.1)	(503.1)	-10.3%
<b>Financial expense, net</b>	<b>(683.9)</b>	<b>(751.3)</b>	<b>-9.0%</b>

Net financial expense decreased 9.0% to R\$683.9 million in the nine months ended September 30, 2005 from R\$751.3 million in the nine months ended September 30, 2004. This change occurred in part because an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004 and higher average cash balances at TCO during the period led to higher financial income at TCO, which had a positive effect on TCP's consolidated financial income. In addition, financial expenses decreased primarily due to more favorable rates obtained upon the renegotiation of financing transactions.

*Income Taxes*

Income taxes decreased 9.6% to R\$265.8 million for the nine months ended September 30, 2005 from R\$294.0 million for the nine months ended September 30, 2004. The decrease was principally due to the decrease in taxable income at the level of Telesp Celular. In spite of the loss before minority interests and taxes of R\$192.8 million that we recorded for the nine months ended September 30, 2005, we recorded income taxes in the period because of the taxable income of Telesp Celular and TCO. According to Brazilian tax law, losses from consolidated entities cannot be used to offset income of other consolidated entities.

*Net Loss*

As a result of the foregoing, TCP recorded a net loss of R\$591.6 million for the nine months ended September 30, 2005, compared with a net loss of R\$255.5 million for the nine months ended September 30, 2004.



*TCP s Segments*

The following tables set forth certain information on TCP s reportable segments for the periods indicated.

Company reportable segments as of September 30, 2005

	Telesp Celular	Global Telecom	TCO	Other	Eliminations	Consolidated
	(R\$ millions, unaudited)					
Net operating revenue	3,187.0	602.5	1,702.2			5,491.7
Operating income (loss)	228.5	(219.3)	216.4	(339.0)	(91.4)	(204.8)
Net income (loss)	125.4	(219.4)	58.4	(423.1)	(132.9)	(591.6)
Total assets	5,937.3	2,632.3	4,787.2	443.6	(269.3)	13,531.1

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## Company reportable segments as of September 30, 2004

	Telesp Celular	Global Telecom	TCO	Other	Eliminations	Consolidated
	(R\$ millions, unaudited)					
Net operating revenue	3,195.9	590.4	1,601.5			5,387.8
Operating income (loss)	534.2	(153.5)	369.4	(43.2)	(400.4)	306.5
Net income (loss)	440.0	(150.8)	161.7	(440.2)	(266.2)	(255.5)
Total assets	6,107.4	3,563.1	4,223.0	980.8	(743.1)	14,131.2

*Global Telecom*

The following table sets forth certain components of Global Telecom's income for the periods indicated.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Net operating revenue	602.5	590.4	2.0%
Cost of services and goods	(386.1)	(404.4)	-4.5%
<b>Gross profit</b>	<b>216.4</b>	<b>186.0</b>	<b>16.3%</b>
Operating expenses:			
Selling expenses	(231.3)	(186.7)	23.9%
General and administrative expense	(39.7)	(45.5)	-12.7%
Other net operating (expense) income	(48.4)	(22.0)	120.0%
<b>Operating income before losses of unconsolidated affiliates and net financial expense</b>	<b>(103.0)</b>	<b>(68.2)</b>	<b>51.0%</b>
Net financial expense	(73.7)	(85.3)	-13.6%
<b>Operating loss</b>	<b>(176.7)</b>	<b>(153.5)</b>	<b>15.1%</b>
Net non-operating (expense) income		0.4	n.a.
<b>Loss before minority interests and taxes</b>	<b>(176.7)</b>	<b>(153.1)</b>	<b>15.4%</b>

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Income taxes		2.3	n.a.
<b>Net loss</b>	<b>(176.7)</b>	<b>(150.8)</b>	17.2%

*Net operating revenue.* The net operating revenue of Global Telecom increased 2.0% to R\$602.5 million for the nine months ended September 30, 2005, from R\$590.4 million for the nine months ended September 30, 2004. This increase reflects an increase of 9.1% in revenues from services, mainly from usage charges (25%) and data-related services (93%), partially offset by a 9.9% reduction in interconnection fees and by a 24.6% reduction in revenue from sales of handsets and accessories.

*Cost of services and goods.* Cost of services and goods decreased 4.5% to R\$386.1 million for the nine months ended September 30, 2005 from R\$404.4 million for the nine months ended September 30, 2004, principally due to a 27.7% reduction in the cost of handsets and accessories, partially offset by a 47.7% increase in Fistel and other tax expenses (due primarily to the 22.9% growth in the client base) and by a 10.1% increase in depreciation and amortization expenses. The gross profit margin (gross profit as a percentage of net revenues) was 35.9% for the nine months ended September 30, 2005, compared to 31.5% for nine months ended September 30, 2004.

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*Operating expenses.* Global Telecom's operating expenses increased 25.6% to R\$319.4 million in the nine months ended September 30, 2005 from R\$254.2 million in the nine months ended September 30, 2004. The increase resulted mainly from a 23.9% increase in selling expenses, which reached R\$231.3 million in the first nine months of 2005, compared to the R\$186.7 million in the first nine months of 2004. This increase in selling expenses was principally due to an increase in expenses related to outsourced services (such as marketing) and in the provision for doubtful accounts. This increase was partially offset by a 12.7% decrease in general and administrative expenses to R\$39.7 million in the nine months ended September 30, 2005 from R\$45.5 million in the same period of 2004, principally due to a reduction in depreciation and amortization expenses.

*Operating loss.* Global Telecom recorded an operating loss of R\$176.7 million for the nine months ended September 30, 2005, compared to an operating loss of R\$153.5 million for the nine months ended September 30, 2004, principally due to the increase of the operating expenses described above.

*Net loss.* As a result of the foregoing, Global Telecom recorded a net loss of R\$176.7 for the nine months ended September 30, 2005, compared with a net loss of R\$150.8 million for the nine months ended September 30, 2004.

*Telesp Celular*

The following table sets forth certain components of Telesp Celular's income for the periods indicated.

	Nine months ended		% Change
	September 30,		
	2005	2004	
	(R\$ millions, unaudited)		
Net operating revenue	3,187.0	3,195.9	-0.3%
Cost of services and goods	(1,364.2)	(1,329.7)	2.6%
<b>Gross profit</b>	<b>1,822.8</b>	<b>1,866.2</b>	<b>-2.3%</b>
Operating expenses:			
Selling expenses	(1,059.8)	(791.8)	33.8%
General and administrative expense	(274.4)	(340.5)	-19.4%
Other net operating (expense) income	13.3	7.6	75.0%
<b>Operating income before losses of unconsolidated affiliates and net financial expense</b>	<b>501.9</b>	<b>741.5</b>	<b>-32.3%</b>
Net financial expense	(273.4)	(207.3)	31.9%

<b>Operating income</b>	<b>228.5</b>	<b>534.2</b>	<b>-57.2%</b>
Net non-operating (expense) income	1.7	(0.4)	n.a.
<b>Loss before minority interests and taxes</b>	<b>230.2</b>	<b>533.8</b>	<b>-56.9%</b>
Income taxes	(104.8)	(93.8)	11.7%
<b>Net gain</b>	<b>125.4</b>	<b>440.0</b>	<b>-71.5%</b>

*Net operating revenue.* The net operating revenue of Telesp Celular decreased 0.3% to R\$3,187.0 million for the nine months ended September 30, 2005 from R\$3,195.9 million for the nine months ended September 30, 2004, principally due to a 46.8% decrease in revenue from monthly subscription charges due to the particularly intense competition in Telesp Celular's region. This decrease was offset by a 9.3% increase in revenue from usage charges and a 7.6% increase in revenue from sales of handsets and accessories.

*Cost of services and goods.* Cost of services and goods increased 2.6% to R\$1,364.2 million for the nine months ended September 30, 2005 from R\$1,329.7 million for the nine months ended September 30, 2004,

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principally due to a 8.2% increase in the cost of third-party services (such as call center services, customer service and maintenance), and a 22.3% increase in Fistel and other tax expenses caused by the 14.0% increase in the customer base. These increases were partially offset by a 23.5% reduction in interconnection expenses. The gross profit margin (gross profit as a percentage of net revenues) was 57.2% for the nine months ended September 30, 2005, compared to 58.4% for nine months ended September 30, 2004.

*Operating expenses.* Telesp Celular's operating expenses increased 17.4% to R\$1,320.9 million for the nine months ended September 30, 2005 from R\$1,124.7 million for the nine months ended September 30, 2004. The increase resulted mainly from a 33.8% increase in selling expenses to R\$1,059.8 million for the nine months ended September 30, 2005 from R\$791.8 million for the nine months ended September 30, 2004. This increase in selling expenses was mainly due to an increase in expenses related to outsourced services (such as marketing), depreciation expenses and the provision for doubtful accounts. These increases were partially offset by a 19.4% decrease in general and administrative expenses to R\$274.4 million for the nine months ended September 30, 2005 from R\$340.5 million for the nine months ended September 30, 2004. The reduction in general and administrative expenses was principally due to a reduction in consultancy and technical services rendered by third parties; a decrease in rental expenses resulting from an increase in the ownership of property; a decrease in insurance and condominium expenses resulting from favorable renegotiations of contracts; and a decrease in income taxes paid by Telesp Celular in accordance with Brazilian tax law on the value of international roaming charges paid to non-Brazilian telecommunications companies.

*Operating income.* Telesp Celular recorded operating income of R\$228.5 million for the nine months ended September 30, 2005, compared with operating income of R\$534.2 million for the nine months ended September 30, 2004, principally due to the increase in selling expenses described above and an increase in financial expenses in connection with derivative transactions, partially offset by the decrease in general and administrative expenses described above and by foreign exchange gains resulting from the appreciation of the *real* in relation to the U.S. dollar during the period.

*Net income.* As a result of the foregoing, Telesp Celular recorded operating income of R\$125.4 million for the nine months ended September 30, 2005, compared with operating income of R\$440.0 million for the nine months ended September 30, 2004.

*TCO*

For a discussion of TCP's TCO segment, see below under Management's Discussion and Analysis of Financial Condition and Results of Operations of TCO.

*TCP's Liquidity and Capital Resources*

*Sources of Funds*

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TCP generated cash flow from operations of R\$871.6 million and R\$872.4 million in the nine months ended September 30, 2005 and 2004, respectively.

TCP had net cash from financing activities of R\$95.8 million for the nine months ended September 30, 2005. Although TCP obtained new loans in the aggregate amount of R\$2,708.4 million in that period, these were partially offset by loan repayments of R\$2,225.8 million and net settlements on derivatives contracts of R\$450.1 million.

TCP had R\$3,309.9 million in long-term loans and financing as of September 30, 2005. TCP's R\$1,640.0 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. As of September 30, 2005, TCP had working capital (current assets minus current liabilities) of R\$442.7 million compared to a working capital deficit of R\$1,281.5 million as of December 31, 2004.

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TCP's principal assets are the shares of its subsidiaries. TCP relies exclusively on dividends from TCO, Telesp Celular and Global Telecom to meet its cash needs, including the payment of dividends to its shareholders. TCP controls the payment of dividends by TCO, Telesp Celular and Global Telecom, subject to limitations under Brazilian law. There are no contractual restrictions on the payment of dividends by TCP's subsidiaries to it.

TCP believes that its available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue its business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

*Uses of Funds*

TCP's principal uses of funds are for capital expenditures and servicing of its debt.

Capital expenditures (including capitalized interest) consumed cash flows of R\$944.8 million in the nine months ended September 30, 2005, compared to R\$899.8 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$2,225.8 million and R\$1,199.0 million in the nine months ended September 30, 2005 and 2004, respectively.

	<b>Nine months ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(R\$ millions)</b>	
Switching equipment	213.9	286.5
Transmission equipment	377.2	273.5
Information Technology	180.9	167.2
Others	172.8	172.6
<b>Total capital expenditures</b>	<b>944.8</b>	<b>899.8</b>

TCP did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004. The holders of preferred shares have been entitled to exercise voting rights since the 2004 general shareholders' meeting and will continue to be so entitled until TCP pays minimum dividends.

*Debt*



As of September 30, 2005, TCP's total debt position was as follows:

<b>Debt</b>	<b>Amount outstanding as of September 30, 2005</b>
	<b>(R\$ millions)</b>
Financing from financial institutions	4,741.8
Financing from suppliers	3.0
Fixcel (acquisition of TCO)	10.7
Related parties	
Interest	194.4
Total long-term debt, excluding the short-term portion	3,309.9
Short-term debt	1,640.0
Total debt	4,949.9

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TCP's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

<u>Year Ending December 31,</u>	<u>Principal amount</u>
	<u>(R\$ millions)</u>
2006 (from September 30 to December 31)	90.3
2007	1,617.2
2008	547.3
after 2009	1,055.1

As of September 30, 2005, TCP's total debt was R\$4,949.9 million, of which R\$2,970.7 million, or 60%, was denominated in foreign currencies and therefore exposed to currency fluctuations. Of that amount, R\$2,757.5 million was denominated in U.S. dollars (U.S.\$1,240.9 million), R\$162.5 million was denominated in yen (¥8,301.2 million) and R\$50.7 million was denominated in UMBNDES. The UMBNDES is a rate of BNDES, the Brazilian national development bank, that reflects the daily exchange fluctuations in the UMBNDES basket of currencies, which are the currencies in which BNDES borrows. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, we have entered into over-the-counter derivative transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, our derivatives positions produced a loss of R\$555.8 million, which was partially offset by R\$544.3 million of exchange gains on our foreign currency-denominated debt. As of September 30, 2005, we had derivative contracts that covered amounts in excess of our foreign currency-denominated debt.

TCP is exposed to interest rate risk as a consequence of its floating rate debt. As of September 30, 2005, approximately 47% of TCP's interest-bearing liabilities bore interest at floating rates, primarily LIBOR for U.S. dollar-denominated debt and CDI, SELIC, TJLP and UMBNDES for *real*-denominated debt. Accordingly, TCP's financing expenses increase if market interest rates increase. As of September 30, 2005, all of TCP's foreign currency derivatives contracts bore interest payments linked to the CDI rate. The CDI rates as of September 30, 2005 and 2004 were 14.09% and 11.72%, respectively.

On May 1, 2005, TCP issued R\$1.0 billion in aggregate principal amount of new debentures. See [Recent Developments Issuance of TCP Debentures](#) above.

In addition, TCP's debt as of September 30, 2005 included U.S. dollar-denominated debt issued by several lenders pursuant to Central Bank Resolution No. 2,770, which allows Brazilian banks to make certain U.S. dollar-denominated loans. TCP had U.S.\$973.0 million outstanding under such loans as of September 30, 2005. The loans had an average maturity date of September 2006 and an average interest rate of 4.79%.

Some of the debt agreements TCP's subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios apply to some indebtedness of Global Telecom and TCO and involve (1) current ratios, (2) capitalization ratios, (3) EBITDA margins, (4) interest coverage ratios and (5) debt to capital ratios. As of September 30, 2005, TCP and its subsidiaries were in compliance with their restrictive covenants. See note 14 to TCP's unaudited consolidated financial statements included in this prospectus.

*Off-Balance Sheet Arrangements*

As of September 30, 2005, there were no off-balance sheet arrangements. All of TCP's majority-owned subsidiaries are included in its consolidated financial statements. TCP does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***U.S. GAAP Reconciliation*

TCP prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net losses for the nine months ended September 30, 2004 and 2005 were R\$244.3 million and R\$385.6 million, respectively, under U.S. GAAP, compared to net losses of R\$255.5 million and R\$591.6 million, respectively, under Brazilian GAAP. Shareholders' equity as of December 31, 2004 and September 30, 2005 was R\$2,735.6 million and R\$4,350.0 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$2,907.4 million and R\$4,315.8 million, respectively, under Brazilian GAAP. See note 21 to TCP's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TCP, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

**Management's Discussion and Analysis of Financial Condition and Results of Operations of TCO***TCO's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005*

The following table sets forth certain components of TCO's income for the periods indicated.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Net operating revenue	1,702.2	1,601.5	6.3%
Cost of services and goods	(729.3)	(619.3)	17.8%
<b>Gross profit</b>	<b>972.9</b>	<b>982.2</b>	-0.9%
Operating expenses:			
Selling expenses	(499.7)	(340.1)	46.9%
General and administrative expense	(133.8)	(114.1)	17.3%
Other net operating income	1.3	6.3	-79.4%
<b>Operating income before net financial expense</b>	<b>340.7</b>	<b>534.3</b>	-36.2%
Net financial expense	93.2	50.9	83.1%
<b>Operating income</b>	<b>433.9</b>	<b>585.2</b>	-25.9%
Net non-operating (expenses) income	3.0	(2.1)	-242.9%

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<b>Income before income taxes and minority interest</b>	<b>436.9</b>	<b>583.1</b>	-25.1%
	<hr/>	<hr/>	
Income taxes	(161.0)	(202.4)	-20.5%
Minority interest		(3.2)	n.a.
	<hr/>	<hr/>	
<b>Net income</b>	<b>275.9</b>	<b>377.5</b>	-26.9%
	<hr/>	<hr/>	

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Operating Data*

The following table sets forth certain operating data of TCO.

	Nine months ended September 30,		% Change
	2005	2004	
Total number of customers (in thousands)	6,561	5,307	23.6%
Contract	978	940	4.0%
Prepaid	5,583	4,367	27.8%
Market share(1)	47.0%	53.9%	-6.8 p.p.
Net additions (in thousands)	740	1,195	-38.1%
Contract	32	-9	n.a.
Prepaid	708	1,204	-41.2%
Market share of net additions to customer base(1)	28.4%	48.9%	-20.5 p.p.
Market penetration(1)	41.2%	29.7%	11.5 p.p.
Customer acquisition cost, per customer(2) (R\$)	138	103	34.2%
Monthly churn(3)	1.6%	1.8%	-0.2 p.p.
Average revenue per user (R\$ per month)	26.4	32.6	-19.1%
Contract	82.7	84.8	-2.5%
Prepaid	13.9	17.1	-18.9%
Total minutes used per customer(4)	75	88	-13.9%
Contract	220	206	6.7%
Prepaid	45	505	-17.4%
Employees	1,263	1,380	-8.5%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

(3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.

(4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

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The composition of operating revenues by category of service is presented in TCO's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TCO's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Gross operating revenue:			
Usage charges	1,116.9	916.3	21.9%
Sales of handsets and accessories	344.3	330.5	4.2%
Monthly subscription charges	81.7	117.5	-30.5%
Interconnection fees	612.1	643.1	-4.8%
Other	167.4	122.3	36.9%
<b>Total gross operating revenue</b>	<b>2,322.4</b>	<b>2,129.7</b>	<b>9.0%</b>
Value-added and other indirect taxes	(497.6)	(438.8)	13.4%
Sales and services discount and return of goods sold	(122.6)	(89.4)	37.1%
<b>Net operating revenue</b>	<b>1,702.2</b>	<b>1,601.5</b>	<b>6.3%</b>

Net operating revenue increased 6.3% to R\$1,702.2 million for the nine months ended September 30, 2005 from R\$1,601.5 million for the nine months ended September 30, 2004. The increase in net revenues was principally due to an increase in revenues from usage charges and, to a lesser degree, increases in other revenues and in revenues from sales of handsets and accessories. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

*Usage charges.* Revenues from usage charges increased 21.9% to R\$1,116.9 million for the nine months ended September 30, 2005 from R\$916.3 million for the nine months ended September 30, 2004. This increase was principally due to a 23.6% increase in the customer base to 6.561 million lines in service as of September 30, 2005 from 5.307 million lines in service as of September 30, 2004. In addition, outgoing traffic grew by 9.4%, primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 978.0 thousand lines in service subject to contract (included in total lines of service above) as of September 30, 2005 from 940.0 thousand lines as of September 30, 2004.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 4.2% to R\$344.3 million for the nine months ended September 30, 2005 from R\$330.5 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to

encourage growth in customers and traffic. Accordingly, TCO, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TCO of R\$154.0 million for the nine months ended September 30, 2005, compared to R\$133.0 for the nine months ended September 30, 2004.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 30.5% to R\$81.7 million for the nine months ended September 30, 2005 from R\$117.5 million for the nine months ended



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September 30, 2004. This decrease was principally due to a decrease in customers subject to monthly subscription charges in a highly competitive environment. The decrease also was affected by the introduction of Right Planning loyalty program in May 2004, a program similar to the TCP program of the same name.

*Interconnection fees.* Revenues from interconnection fees decreased 4.8% to R\$612.1 million for the nine months ended September 30, 2005 from R\$643.1 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under the SMP regime. The migration of calls away from fixed line services decreases TCO's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

*Others.* Revenues from other services increased 36.9% to R\$167.4 million for the nine months ended September 30, 2005 from R\$122.3 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TCO's customer base and an increase in the use of data-related services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 13.4% to R\$497.6 million for the nine months ended September 30, 2005 from R\$438.8 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 21.4% of TCO's gross operating revenue in the nine months ended September 30, 2005, compared to 20.6% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TCO's revenues.

*Sales and services discount and returns of goods sold.* Discounts and returns increased 37.1% to R\$122.6 million for the nine months ended September 30, 2005 from R\$89.4 million for the nine months ended September 30, 2004. This increase was principally due to an increase in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 4.2% and 5.3%, respectively, of TCO's gross operating revenues for the nine months ended September 30, 2004 and 2005.

*Cost of Services and Goods*

The following table sets forth the components of TCO's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

**Nine months ended**

**September 30,**

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
	<b>(R\$ millions, unaudited)</b>		
Depreciation and amortization	(139.5)	(114.9)	21.4%
Material and services	(64.9)	(49.3)	31.6%
Interconnection charges	(42.8)	(59.2)	-27.7%
Personnel	(17.9)	(15.9)	12.6%
Rental, insurance and other related expenses	(10.7)	(12.7)	-15.7%
Cost of handsets and accessories	(372.6)	(360.1)	3.5%
Fistel and other taxes	(80.9)	(7.2)	n.a.
	<u>          </u>	<u>          </u>	
<b>Cost of services and goods</b>	<b>(729.3)</b>	<b>(619.3)</b>	<b>17.8%</b>

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TCO's cost of services and goods increased 17.8% to R\$729.3 million for the nine months ended September 30, 2005 from R\$619.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in taxes and, to a lesser degree, increases in depreciation and amortization, the cost of third-party services and the cost of handsets and accessories. The gross profit margin (gross profit as a percentage of net revenues) was 57.2% for the nine months ended September 30, 2005, compared to 61.3% for the nine months ended September 30, 2004.

*Depreciation and amortization.* Depreciation and amortization expenses increased 21.4% to R\$139.5 million for the nine months ended September 30, 2005 from R\$114.9 million for the nine months ended September 30, 2004. The increase was principally due to investments to overlay TCO's older TDMA network with a more advanced CDMA network and to improve technical support systems, such as electronic billing and tracking systems. These investments increased TCO's depreciable assets and hence its depreciation costs.

*Materials and services.* Cost of materials and services increased 31.6% to R\$64.9 million for the nine months ended September 30, 2005 from R\$49.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines. The cost of rented transmission lines increases as TCO expands its network, particularly as TCO operates in a large region in which signals must be transmitted over long distances. In addition, TCO incurred costs in the nine months ended September 30, 2005 in connection with overlaying its TDMA network with a CDMA network.

*Interconnection charges.* Interconnection charges are the charges that TCO pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TCO's network. Interconnection charges decreased 27.7% to R\$42.8 million for the nine months ended September 30, 2005 from R\$59.2 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

*Personnel.* Personnel expenses increased 12.6% to R\$17.9 million for the nine months ended September 30, 2005 from R\$15.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of TCO's collective bargaining agreement, which it renegotiates annually to take effect on November 1, and due to training program costs.

*Rentals, insurance and other related expenses.* Rentals, insurance and condominium fees decreased 15.7% to R\$10.7 million for the nine months ended September 30, 2005 from R\$12.7 million for the nine months ended September 30, 2004. The decrease was principally due to the termination of leases on certain infrastructure in the nine months ended September 30, 2005.

*Cost of handsets and accessories.* The cost of handsets and accessories increased 3.5% to R\$372.6 million for the nine months ended September 30, 2005 from R\$360.1 million for the nine months ended September 30, 2004. The increase was principally due to increases in the average prices of handsets sold relating to the improved quality and features of the handsets.

*Fistel and other taxes.* Fistel and other tax expenses increased to R\$80.9 million for the nine months ended September 30, 2005 from R\$7.2 million for the nine months ended September 30, 2004. The increase was principally due to a change in accounting policy at TCO to bring TCO's accounting for Fistel and other taxes in line with that of TCP. Beginning in January of 2005, TCO began to accrue amounts monthly for these

taxes, as is TCP's policy, rather than recognize the entire amount of the taxes in December of a given fiscal year.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Operating Expenses*

The following table sets forth the components of TCO's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		% Change
	September 30,		
	2005	2004	
	(R\$ millions, unaudited)		
Selling expenses	(499.7)	(340.1)	46.9%
General and administrative expenses	(133.8)	(114.1)	17.3%
Other net operating income, net	1.3	6.3	-79.4%
<b>Operating expenses</b>	<b>(632.2)</b>	<b>(447.9)</b>	<b>41.1%</b>

Operating expenses increased 41.1% to R\$632.2 million for the nine months ended September 30, 2005 from R\$447.9 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition and, to a lesser degree, an increase in general and administrative expenses.

*Selling expenses.* Selling expenses increased 46.9% to R\$499.7 million for the nine months ended September 30, 2005 from R\$340.1 million for the nine months ended September 30, 2004. The increase was principally due to an increase in TCO's provision for doubtful accounts, an increase in third-party marketing and promotional services in a highly competitive environment and an increase in commissions paid to independent distributors, which increase with the number of handsets sold. In addition, the migration of customers toward CDMA service led to higher depreciation costs on returned handsets. TCO's provision for doubtful accounts increased 126.8% to R\$111.6 million for the nine months ended September 30, 2005 from R\$49.2 million for the nine months ended September 30, 2004, mainly due to an increase in the customer base and the improper use of TCO's network. As a result of this increase, provisions for doubtful accounts were 4.8% of gross revenues for the nine months ended September 30, 2005, compared to 2.3% of gross revenues for the nine months ended September 30, 2004.

*General and administrative expenses.* General and administrative expenses increased 17.3% to R\$133.8 million for the nine months ended September 30, 2005 from R\$114.1 million for the nine months ended September 30, 2004. The increase was principally due to a 50.1% increase in third-party services and rental, insurance and condominium fees relating to infrastructure. These increases were partially offset by a reduction in depreciation and amortization expenses; a decrease in administrative personnel expenses; and a decrease in income taxes paid by TCO in accordance with Brazilian tax law on the value of international roaming charges paid to non-Brazilian telecommunications companies.

*Other net operating (expense) income.* For the nine months ended September 30, 2005, TCO had other net operating income of R\$1.3 million, compared to other net operating income of R\$6.3 million for the nine months ended September 30, 2004. The other net operating income in the

nine months ended September 30, 2005 was mainly due to handset manufacturers' incentives, amounts recovered in litigation and rental income from the sites of our radio-base stations, where TCO sometimes rents space to other providers, partially offset by an increase in ICMS taxes on other income and an increase in reserves for civil litigation.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Net Financial Income (Expense)*

The following table sets forth the components of TCO's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		% Change
	September 30,		
	2005	2004	
	(R\$ millions, unaudited)		
Financial income	145.9	119.1	22.5%
Exchange gain and losses	7.5	(22.3)	n.a.
Net losses on foreign currency derivative contracts	(19.9)	(6.8)	192.6%
Financial expenses	(40.3)	(39.1)	3.1%
<b>Financial income, net</b>	<b>93.2</b>	<b>50.9</b>	<b>83.1%</b>

TCO had net financial income of R\$93.2 million for the nine months ended September 30, 2005, compared to net financial income of R\$50.9 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period.

*Income and Social Contribution Taxes*

Income and social contribution expenses decreased 20.5% to R\$161.0 million for the nine months ended September 30, 2005 from R\$202.4 million for the nine months ended September 30, 2004. The decrease was principally due to the reduction in income before taxes and minority interest. TCO's effective tax rate was 36.9% and 34.7% for the nine months ended September 30, 2005 and 2004, respectively.

*Net Income*

As a result of the foregoing, TCO recorded net income of R\$275.9 million for the nine months ended September 30, 2005, compared to R\$377.5 million for the nine months ended September 30, 2004.

*TCO's Liquidity and Capital Resources*

*Sources of Funds*

TCO generated cash flow from operations of R\$373.8 million and R\$459.4 million in the nine months ended September 30, 2005 and 2004, respectively.

TCO had net cash used in financing activities of R\$41.9 million in the nine months ended September 30, 2005, compared to net cash used in financing activities of R\$104.0 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$70.2 million, partially offset by a credit in the amount of R\$41.8 million relating to cash received from fractional shares which were sold in an auction in connection with TCO's reverse stock split and which cash was not claimed by shareholders at such time but which is payable to shareholders upon demand.

TCO had R\$62.5 million in long-term loans and financing as of September 30, 2005. TCO's R\$78.2 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. As of September 30, 2005 and December 31, 2004, TCO had working capital (current assets minus current liabilities) of R\$1,417.9 million and R\$1,078.2 million respectively.



**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES**

We believe that TCO's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TCO's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

*Uses of Funds*

TCO's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

Capital expenditures (including capitalized interest) consumed cash flows of R\$216.9 million in the nine months ended September 30, 2005, compared to R\$286.4 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$70.2 million and R\$137.2 million in the nine months ended September 30, 2005 and 2004, respectively.

	<b>Nine months ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(R\$ millions, unaudited)</b>	
Switching equipment	55.5	110.0
Transmission equipment	89.1	112.1
Information Technology	7.7	7.0
Others	64.6	57.3
<b>Total capital expenditures</b>	<b>216.9</b>	<b>286.4</b>

TCO did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004.

*Debt*

As of September 30, 2005, TCO's total debt position was as follows:

<b>Debt</b>	<b>Amount</b>
<b>_____</b>	<b>outstanding</b>

	as of
	<b>September 30, 2005</b>
	<u>(R\$ millions)</u>
Financing from banks	139.0
Interest	1.7
Related parties	
Total long-term debt, excluding the short-term portion	62.5
Short-term debt	78.2
Total debt	140.7

TCO's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

<u>Year Ending December 31,</u>	<u>Principal amount</u>
	<u>(R\$ millions)</u>
2006 (from September 30 to December 31)	20.8
2007	38.2
2008	3.5

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### **PART FOUR INFORMATION ON THE VIVO COMPANIES**

As of September 30, 2005, TCO's total debt was R\$140.7 million, of which R\$49.3 million, or 35%, was denominated in foreign currencies and therefore exposed to currency fluctuations. Of that amount, R\$42.3 million was denominated in U.S. dollars (U.S.\$19.0 million) and R\$7.0 million was denominated in UMBNDES. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TCO has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TCO's derivatives positions produced a loss of R\$28.2 million, which was partially offset by the R\$11.4 million of exchange gains on TCO's foreign currency-denominated debt. As of September 30, 2005, TCO had derivative contracts that covered amounts in excess of TCO's foreign currency-denominated debt.

TCO is exposed to interest rate risk as a consequence of its floating rate debt. As of September 30, 2005, approximately 98% of TCO's interest-bearing liabilities bore interest at floating rates, primarily LIBOR for U.S. dollar-denominated debt, and TJLP and UMBNDES for *real*-denominated debt. Accordingly, TCO's financing expenses increase if market interest rates increase. As of September 30, 2005, 100% of TCO's foreign currency derivatives contracts bore interest payments linked to the CDI rate.

Some of the debt agreements of TCO and its subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios include (1) current ratios, (2) capitalization ratios, (3) EBITDA margins, (4) interest coverage ratios and (5) debt to capital ratios. As of September 30, 2005, TCO and its subsidiaries were in compliance with their restrictive covenants. See note 14 to TCO's unaudited consolidated financial statements included in this prospectus.

#### *Off-Balance Sheet Arrangements*

As of September 30, 2005, there were no off-balance sheet arrangements. All of TCO's majority-owned subsidiaries are included in its consolidated financial statements. TCO does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

#### *U.S. GAAP Reconciliation*

TCO prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$349.8 million and R\$283.7 million, respectively, under U.S. GAAP, compared to net income of R\$377.5 million and R\$275.8 million, respectively, under Brazilian GAAP. Shareholders' equity as of December 31, 2004 and September 30, 2005 was R\$2,493.3 million and R\$2,859.3 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$2,441.5 million and R\$2,835.3 million, respectively, under Brazilian GAAP. See note 21 to TCO's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TCO, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES****Management's Discussion and Analysis of Financial Condition and Results of Operations of TLE*****TLE's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005***

The following table sets forth certain components of TLE's income for the periods indicated.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Net operating revenue	418.7	351.6	19.1%
Cost of services and goods	(233.4)	(204.5)	14.1%
<b>Gross profit</b>	<b>185.3</b>	<b>147.1</b>	<b>26.0%</b>
Operating expenses:			
Selling expenses	(141.8)	(103.7)	36.7%
General and administrative expenses	(42.8)	(41.8)	2.4%
Other net operating expenses	(4.7)	(4.2)	11.9%
<b>Operating income before net financial expense</b>	<b>(4.0)</b>	<b>(2.6)</b>	<b>53.8%</b>
Net financial expense	(44.7)	(14.5)	208.3%
<b>Operating loss</b>	<b>(48.7)</b>	<b>(17.1)</b>	<b>184.8%</b>
Net non-operating (expenses) income	0.2	(0.5)	-140.0%
<b>Loss before income taxes</b>	<b>(48.5)</b>	<b>(17.6)</b>	<b>175.6%</b>
Income taxes	(6.0)	(4.7)	27.7%
<b>Net loss</b>	<b>(54.5)</b>	<b>(22.3)</b>	<b>144.4%</b>

*Operating Data*

The following table sets forth certain operating data of TLE.

	Nine months ended September 30,		
	2005	2004	% Change
Total number of customers (in thousands)	1,437	1,264	13.7%
Contract	319	283	12.6%
Prepaid	1,118	981	14.0%
Market share(1)	34.4%	45.6%	-11.2 p.p.
Net additions (in thousands)	116	138	-15.8%
Contract	26	(7)	n.a.
Prepaid	90	145	-38.0%
Market share of net additions to customer base(1)	11.0%	18.8%	-7.8 p.p.
Market penetration(1)	26.4%	17.7%	8.7 p.p.
Customer acquisition cost, per customer(2) (R\$)	137	121	13.5%
Monthly churn(3)	2.8%	2.8%	
Average revenue per user (R\$ per month)	28.7	28.6	-0.3%
Contract	77.3	72.4	6.7%
Prepaid	13.6	13.3	2.4%
Total minutes used per customer(4)	89	87	2.3%
Contract	228	185	22.8%
Prepaid	47	53	-10.4%
Employees	355	377	-5.8%

(1) Source: Anatel

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- (2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.
- (3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

*Net Operating Revenue*

The composition of operating revenues by category of service is presented in TLE's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TLE's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Nine months ended September 30,</b>		<b>% Change</b>
	<b>2005</b>	<b>2004</b>	
	<b>(R\$ millions, unaudited)</b>		
<b>Gross operating revenue:</b>			
Usage charges	255.6	200.6	27.4%
Sales of handsets and accessories	145.9	103.3	41.2%
Monthly subscription charges	24.4	29.5	-17.3%
Interconnection fees	156.3	148.1	5.5%
Other	36.1	22.6	59.7%
<b>Total gross operating revenue</b>	<b>618.3</b>	<b>504.1</b>	<b>22.7%</b>
Value-added and other indirect taxes	(117.1)	(99.1)	18.2%
Sales and services discount and return of goods sold	(82.5)	(53.4)	54.5%
<b>Net operating revenue</b>	<b>418.7</b>	<b>351.6</b>	<b>19.1%</b>

Net operating revenue increased 19.1% to R\$418.7 million for the nine months ended September 30, 2005 from R\$351.6 million for the nine months ended September 30, 2004. The increase in net revenues was principally due to an increase in revenues from usage charges, sales of handsets and accessories and, to a lesser degree, interconnection fees and other revenues.

*Usage charges.* Revenues from usage charges increased 27.4% to R\$255.6 million for the nine months ended September 30, 2005 from R\$200.6 million for the nine months ended September 30, 2004, primarily due to a 13.7% increase in the customer base to 1.437 million lines in service as of September 30, 2005 from 1.264 million lines in service as of September 30, 2004. In addition, outgoing traffic grew by 18.3% mainly due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 319 thousand lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 283 thousand lines as of September 30, 2004.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 41.2% to R\$145.9 million for the nine months ended September 30, 2005 from R\$103.3 million for the nine months ended September 30, 2004. This increase was mainly due to an increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, TLE, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average

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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TLE of R\$40.9 million for the nine months ended September 30, 2005, compared to R\$40.8 for the nine months ended September 30, 2004.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 17.3% to R\$24.4 million for the nine months ended September 30, 2005 from R\$29.5 million for the nine months ended September 30, 2004. This decrease was principally due to increased competition and the impact of TLE's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name. Under this program, TLE tailors its contracts to the usage needs of its contract customers, seeking to provide competitive prices based on their individual profiles. This program intends to increase the loyalty of TLE's customers.

*Interconnection fees.* Revenues from network usage charges increased 5.5% to R\$156.3 million for the nine months ended September 30, 2005 from R\$148.1 million for the nine months ended September 30, 2004. This increase was principally due to increases in the inbound traffic entering the network, primarily from long-distance calls.

*Others.* Revenues from other services increased 59.7% to R\$36.1 million for the nine months ended September 30, 2005 from R\$22.6 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TLE's customer base and an increase in the use of data services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 18.2% to R\$117.1 million for the nine months ended September 30, 2005 from R\$99.1 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 18.9% of TLE's gross operating revenue in the nine months ended September 30, 2005, compared to 19.7% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TLE's revenues.

*Sales and services discount and returns of goods sold.* Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 54.5% to R\$82.5 million for the nine months ended September 30, 2005 from R\$53.4 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories targeted at lower income customers in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 10.6% and 13.3%, respectively, of TLE's gross operating revenues for the nine months ended September 30, 2004 and 2005.



**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Cost of Services and Goods*

The following table sets forth the components of TLE's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Depreciation and amortization	(53.2)	(56.2)	-5.3%
Materials and services	(34.0)	(26.7)	27.3%
Interconnection charges	(11.5)	(12.6)	-8.7%
Personnel	(4.0)	(2.9)	37.9%
Rental, insurance and other related expenses	(10.4)	(8.9)	16.9%
Cost of handsets and accessories	(102.5)	(81.9)	25.2%
Fistel and other taxes	(17.8)	(15.3)	16.3%
<b>Cost of services and goods</b>	<b>(233.4)</b>	<b>(204.5)</b>	<b>14.1%</b>

TLE's cost of services and goods increased 14.1% to R\$233.4 million for the nine months ended September 30, 2005 from R\$204.5 million for the nine months ended September 30, 2004. The increase was principally due to an increase in the cost of handsets and accessories and materials and services. The gross profit margin (gross profit as a percentage of net operating revenues) was 44.3% for the nine months ended September 30, 2005, compared to 41.8% for the nine months ended September 30, 2004.

*Depreciation and amortization.* Depreciation and amortization expenses decreased 5.3% to R\$53.2 million for the nine months ended September 30, 2005 from R\$56.2 million for the nine months ended September 30, 2004. The decrease was principally due to the end of the period of depreciation for certain assets.

*Materials and services.* Cost of materials and services increased 27.3% to R\$34.0 million for the nine months ended September 30, 2005 from R\$26.7 million for the nine months ended September 30, 2004. The increase was due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines, resulting mainly from the increase in the customer base, greater penetration of TLE's network in its region and efforts to increase the quality of the services provided (such as improved coverage).

*Interconnection charges.* Interconnection charges include the charges that TLE pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TLE's network. Interconnection charges decreased 8.7% to R\$11.5 million for the nine months ended September 30, 2005 from R\$12.6 million for the nine months ended September 30, 2004, primarily due to the effects

of the SMP regime and the partial Bill & Keep billing system.

*Personnel.* Personnel expenses increased 37.9% to R\$4.0 million for the nine months ended September 30, 2005 from R\$2.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of TLE s collective bargaining agreement, which is renegotiated annually to take effect on November 1, and due to training program costs.

*Rentals, insurance and other related expenses.* Rentals, insurance and condominium fees increased 16.9% to R\$10.4 million for the nine months ended September 30, 2005 from R\$8.9 million for the nine months ended September 30, 2004. This increase was principally due to the expansion of TLE s network and the renegotiation of contracts.

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*Cost of handsets and accessories.* The cost of handsets and accessories increased 25.2% to R\$102.5 million for the nine months ended September 30, 2005 from R\$81.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base, as well as an increase in the average prices of handsets sold related to marketing efforts targeting customers in higher income brackets.

*Fistel and other taxes.* Fistel and other tax expenses increased 16.3% to R\$17.8 million for the nine months ended September 30, 2005 from R\$15.3 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.

*Operating Expenses*

The following table sets forth the components of TLE's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Nine months ended September 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>% Change</b>
	<b>(R\$ millions, unaudited)</b>		
Selling expenses	(141.8)	(103.7)	36.7%
General and administrative expenses	(42.8)	(41.8)	2.4%
Other net operating expenses	(4.7)	(4.2)	11.9%
<b>Operating expenses</b>	<b>(189.3)</b>	<b>(149.7)</b>	<b>26.5%</b>

Operating expenses increased 26.5% to R\$189.3 million for the nine months ended September 30, 2005 from R\$149.7 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses to face aggressive competition in the market.

*Selling expenses.* Selling expenses increased 36.7% to R\$141.8 million for the nine months ended September 30, 2005 from R\$103.7 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing and promotional services) in a highly competitive environment, an increase in provisions for doubtful accounts, an increase in the customer base and an increase in commissions to independent distributors in order to attract higher quality customers. TLE's provision for doubtful accounts increased 63.3% to R\$14.7 million for the nine months ended September 30, 2005 from R\$9.0 million for the nine months ended September 30, 2004, principally due to an increase in the customer base and the improper use of our network. As a result of this increase, provisions for doubtful accounts were 2.4% of gross revenues for the nine months ended September 30, 2005, compared to 1.8% of gross revenues for the nine months ended September 30, 2004.

*General and administrative expenses.* General and administrative expenses increased 2.4% to R\$42.8 million for the nine months ended September 30, 2005 from R\$41.8 million for the nine months ended September 30, 2004. The increase was principally due to increases in expenses for outsourced services and in rental, insurance and condominium fees relating to the expansion of our network, partially offset by a decrease in administrative personnel costs and taxes and contributions.

*Other net operating expense.* Other net operating expenses increased 11.9% to R\$4.7 million for the nine months ended September 30, 2005 from R\$4.2 million for the nine months ended September 30, 2004, due in part to a tax fine imposed, a one-time adjustment to inventory and an increase in reserves for litigation contingencies, partially offset by an increase in income from handset manufacturers' incentives and from fines.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Net Financial Expense*

The following table sets forth the components of TLE's net financial expense for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Nine months ended September 30,</b>		<b>% Change</b>
	<b>2005</b>	<b>2004</b>	
	<b>(R\$ millions, unaudited)</b>		
Financial income	5.7	2.1	171.4%
Foreign currency exchange gain and losses	53.9	6.8	692.6%
Net losses on foreign currency derivative contracts	(89.4)	(12.2)	632.8%
Financial expenses	(14.9)	(11.2)	33.0%
<b>Financial expense, net</b>	<b>(44.7)</b>	<b>(14.5)</b>	<b>208.3%</b>

TLE had net financial expense of R\$44.7 million for the nine months ended September 30, 2005, compared to net financial expense of R\$14.5 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial expense on higher net debt during the period. TLE also recorded non-recurring interest expense for a fine relating to ICMS tax (state value-added tax) paid in September 2005. TLE recorded a R\$47.1 million increase in exchange gains, which was more than offset by a R\$77.3 million increase in losses on foreign currency derivative contracts from period to period.

*Income and Social Contribution Taxes*

Income and social contribution tax expenses increased 27.7% to R\$6.0 million for the nine months ended September 30, 2005 from R\$4.7 million for the nine months ended September 30, 2004, respectively. This increase was principally due to an increase in income before income and social contribution taxes at Telergipe, one of TLE's operating subsidiaries. In spite of the loss before income and social contribution taxes of R\$48.5 million that we recorded for the nine months ended September 30, 2005, we recorded income taxes in the period because of the taxable income of Telergipe. According to Brazilian tax law, losses from consolidated entities cannot be used to offset income of other consolidated entities.

*Net Loss*

As a result of the foregoing, TLE recorded a net loss of R\$54.5 million for the nine months ended September 30, 2005, compared to R\$22.3 million for the nine months ended September 30, 2004.

*TLE's Liquidity and Capital Resources*

*Sources of Funds*

TLE generated cash flow from operations of R\$33.6 million and R\$5.8 million in the nine months ended September 30, 2005 and 2004, respectively.

TLE had net cash used in financing activities of R\$28.7 million in the nine months ended September 30, 2005, compared to net cash provided by financing activities of R\$21.2 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$40.7 million and net settlements on derivative contracts of R\$29.6 million, partially offset by new loans obtained of R\$36.0 million.

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TLE had R\$116.6 million in long-term loans and financing as of September 30, 2005. TLE's R\$146.7 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. As of September 30, 2005, TLE had a working capital deficit (current assets minus current liabilities) of R\$109.7 million, compared to working capital of R\$46.7 million as of December 31, 2004.

We believe that TLE's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TLE's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

*Uses of Funds*

TLE's principal uses of funds are for capital expenditures and servicing of its debt.

Capital expenditures (including capitalized interest) consumed cash flows of R\$63.0 million in the nine months ended September 30, 2005, compared to R\$63.3 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$40.7 million and R\$66.6 million in the nine months ended September 30, 2005 and 2004, respectively. TLE did not pay dividends or interest on shareholders equity in the nine months ended September 30, 2005 and 2004, respectively.

	Nine months ended September 30,	
	2005	2004
	(R\$ millions, unaudited)	
Switching equipment	15.3	31.8
Transmission equipment	20.9	15.0
Information Technology	1.9	1.1
Others	24.9	15.4
<b>Total capital expenditures</b>	<b>63.0</b>	<b>63.3</b>

*Debt*

As of September 30, 2005, TLE's total debt position was as follows:

<b>Debt</b>	<b>Amount outstanding as of September 30, 2005</b>
	<b>(R\$ millions, unaudited)</b>
Financing from banks	257.9
Financing from suppliers	0.8
Interest	4.6
Related parties	
Total long-term debt, excluding the short-term portion	116.6
Short-term debt	146.7
Total debt	263.3



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TLE's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

<u>Year Ending December 31,</u>	<u>Principal amount</u>
	<u>(R\$ millions, unaudited)</u>
2008	116.6

As of September 30, 2005, TLE's total debt was R\$263.3 million, of which R\$263.3 million, or 100%, was denominated in U.S. dollars (US\$118.5 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TLE has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TLE's derivatives positions produced a loss of R\$89.5 million, which was partially offset by the R\$49.5 million of exchange gains on TLE's foreign currency-denominated debt. As of September 30, 2005, TLE had derivative contracts that covered amounts in excess of TLE's foreign currency-denominated debt.

TLE is exposed to interest rate risk as a consequence of TLE's floating rate debt. As of September 30, 2005, approximately 44.3% of TLE's interest-bearing liabilities bore interest at floating rates, primarily LIBOR.

In addition, TLE's debt as of September 30, 2005 included U.S. dollar-denominated debt issued by several lenders pursuant to Central Bank Resolution No. 2,770, which allows Brazilian banks to make certain U.S. dollar-denominated loans. TLE had US\$63.6 million outstanding under such loans as of September 30, 2005. The loans had an average maturity date of September 2006 and an average interest rate of 3.32%.

Some of the debt agreements of TLE and its subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios involve, (1) interest coverage ratios and (2) debt to capital ratios. As of September 30, 2005, Telebahia, one of TLE's subsidiaries, was not in compliance with a financial covenant under one of its debt agreements with the European Investment Bank, representing US\$38 million in outstanding debt. TLE is in discussions with the European Investment Bank regarding a waiver to this covenant.

*Off-Balance Sheet Arrangements*

As of September 30, 2005, there were no off-balance sheet arrangements. All of TLE's majority-owned subsidiaries are included in its consolidated financial statements. TLE does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

*Contractual Obligations and Commercial Commitments*

Total contractual obligations as of September 30, 2005 were R\$741.5 million, compared to R\$689.3 million as of December 31, 2004, mainly due to an increase in operating leases.

*U.S. GAAP Reconciliation*

TLE prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net losses for the nine months ended September 30, 2004 and 2005 were R\$33.0 million and R\$59.9 million, respectively, under U.S. GAAP, compared to net losses of R\$22.3 million and R\$54.5 million, respectively, under Brazilian GAAP. Shareholders' equity as of December 31, 2004 and September 30, 2005 was R\$385.7 million and R\$325.8 million, respectively, under U.S. GAAP, compared to

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shareholders' equity of R\$374.5 million and R\$320.0 million, respectively, under Brazilian GAAP. See note 20 to TLE's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TLE, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

**Management's Discussion and Analysis of Financial Condition and Results of Operations of TSD*****TSD's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005***

The following table sets forth certain components of TSD's income for the periods indicated.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Net operating revenue	1,505.3	1,408.1	6.9%
Cost of services and goods	(777.4)	(761.8)	2.0%
<b>Gross profit</b>	<b>727.9</b>	<b>646.3</b>	12.6%
Operating expenses:			
Selling expenses	(462.2)	(360.0)	28.4%
General and administrative expenses	(148.4)	(150.1)	-1.1%
Other net operating expenses	(6.3)	(6.0)	5.0%
<b>Operating income before gains of unconsolidated affiliates and net financial expense</b>	<b>111.0</b>	<b>130.2</b>	-14.7%
Net financial expenses	14.6	7.0	108.6%
<b>Operating income</b>	<b>125.6</b>	<b>137.2</b>	-8.5%
Net non-operating (expenses) income	0.8	(0.1)	-900.0%
<b>Income before minority interests and taxes</b>	<b>126.4</b>	<b>137.1</b>	-7.8%
Income taxes	(48.4)	(52.5)	-7.8%
Minority interests			
<b>Net income</b>	<b>78.0</b>	<b>84.6</b>	-7.8%



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The following table sets forth certain operating data of TSD.

	Nine months ended September 30,		% Change
	2005	2004	
Total number of customers (in thousands)	4,642	4,065	14.2%
Contract	1,421	1,181	20.3%
Prepaid	3,221	2,884	11.7%
Market share(1)	44.2%	48.4%	-4.2 p.p.
Net additions (in thousands)	265	357	-25.8%
Contract	162	25	556.5%
Prepaid	103	332	-68.9%
Market share of net additions to customer base(1)	19.8%	38.7%	-18.9 p.p.
Market penetration(1)	55.7%	45.1%	10.6 p.p.
Customer acquisition cost, per customer(2) (R\$)	181	159	-13.5%
Monthly churn(3)	2.4%	2.6%	-0.2 p.p.
Average revenue per user (R\$ per month)	31.2	34.4	-9.2%
Contract	68.5	74.1	-7.6%
Prepaid	14.9	16.6	-9.8%
Total minutes used per customer(4)	93	98	-5.8%
Contract	194	192	-1.1%
Prepaid	48	55	-12.6%
Employees	1,113	1,236	-10.0%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

(3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.

(4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

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The composition of operating revenues by category of service is presented in TSD's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TSD's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Gross operating revenue:			
Usage charges	1,016.0	813.6	24.9%
Sales of handsets and accessories	470.0	395.7	18.8%
Monthly subscription charges	70.2	108.5	-35.3%
Interconnection fees	556.4	592.6	-6.1%
Other	96.9	46.5	108.4%
<b>Total gross operating revenue</b>	<b>2,209.5</b>	<b>1,956.9</b>	<b>12.9%</b>
Value-added and other indirect taxes	(474.3)	(397.5)	19.3%
Sales and services discount and return of goods sold	(229.9)	(151.3)	51.9%
<b>Net operating revenue</b>	<b>1,505.3</b>	<b>1,408.1</b>	<b>6.9%</b>

Net operating revenue increased 6.9% to R\$1,505.3 million for the nine months ended September 30, 2005 from R\$1,408.1 million for the nine months ended September 30, 2004, principally due to an increase in revenues from usage charges and, to a lesser degree, increases in revenues from sales of handsets and accessories and other revenues. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

*Usage charges.* Revenues from usage charges increased 24.9% to R\$1,016.0 million for the nine months ended September 30, 2005 from R\$813.6 million for the nine months ended September 30, 2004. This increase was principally due to a 14.2% increase in the customer base to 4.642 million lines in service as of September 30, 2005 from 4.065 million lines in service as of September 30, 2004. In addition, outgoing traffic also grew by 20.8% primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 1.4 million lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 1.2 million lines as of September 30, 2004.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 18.8% to R\$470.0 million for the nine months ended September 30, 2005 from R\$395.7 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in

the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, TSD, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TSD of R\$131.4 million for the nine months ended September 30, 2005, compared to R\$125.2 for the nine months ended September 30, 2004.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 35.3% to R\$70.2 million for the nine months ended September 30, 2005 from R\$108.5 million for the nine months ended September 30, 2004. This decrease was principally due to competition and the impact of TSD's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name.

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*Interconnection fees.* Revenues from interconnection fees decreased 6.1% to R\$556.4 million for the nine months ended September 30, 2005 from R\$592.6 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime. The migration of calls away from fixed line services decreases TSD's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

*Others.* Revenues from other services increased 108.4% to R\$96.9 million for the nine months ended September 30, 2005 from R\$46.5 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TSD's customer base and an increase in the use of data services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, the launch of new services and an increase in the number of data transmission-enabled handsets. New services launched in the nine months ended September 30, 2005 include SmartMail, a wireless e-mail service; Corporate VIVO Play 3G, a third generation service providing cellular access to multimedia content; and games.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 19.3% to R\$474.3 million for the nine months ended September 30, 2005 from R\$397.5 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). Value-added taxes and other indirect taxes were 21.5% of TSD's gross operating revenues in the nine months ended September 30, 2005, compared to 20.3% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TSD's revenues.

*Sales and services discount and returns of goods sold.* Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 51.9% to R\$229.9 million for the nine months ended September 30, 2005 from R\$151.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 7.7% and 10.4%, respectively, of TSD's gross operating revenues for the nine months ended September 30, 2004 and 2005.

*Cost of Services and Goods*

The following table sets forth the components of TSD's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

Nine months ended		
September 30,		
2005	2004	% Change



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	(R\$ millions, unaudited)		
Depreciation and amortization	(175.4)	(206.8)	-15.2%
Materials and services	(96.1)	(77.2)	24.5%
Interconnection charges	(34.4)	(41.2)	-16.5%
Personnel	(14.7)	(12.9)	14.0%
Rental, insurance and other related expenses	(36.7)	(34.8)	5.5%
Cost of handsets and accessories	(362.5)	(343.0)	5.7%
Fistel and other taxes	(57.6)	(45.9)	25.5%
	<u>          </u>	<u>          </u>	
<b>Cost of services and goods</b>	<b>(777.4)</b>	<b>(761.8)</b>	<b>2.0%</b>
	<u>          </u>	<u>          </u>	

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TSD's cost of services and goods increased 2.0% to R\$777.4 million for the nine months ended September 30, 2005 from R\$761.8 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of handsets and accessories, materials and services and taxes, partially offset by decreases in depreciation and amortization expenses and, to a lesser degree, interconnection charges. The gross profit margin (gross profit as a percentage of net operating revenues) was 48.4% for the nine months ended September 30, 2005, compared to 45.9% for the nine months ended September 30, 2004.

*Depreciation and amortization.* Depreciation and amortization expenses decreased 15.2% to R\$175.4 million for the nine months ended September 30, 2005 from R\$206.8 million for the nine months ended September 30, 2004. The decrease was principally due to our analog assets becoming fully depreciated.

*Materials and services.* Cost of materials and services increased 24.5% to R\$96.1 million for the nine months ended September 30, 2005 from R\$77.2 million for the nine months ended September 30, 2004. The increase was principally due to an increase in the cost of rental payments, such as the costs of rented circuits and transmission lines, resulting mainly from the increase in the customer base, greater penetration of TSD's network in its region and efforts to increase the quality of the services provided (such as to provide third generation technology and increased capacity and coverage).

*Interconnection charges.* Interconnection charges are the charges that TSD pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TSD's network. Interconnection charges decreased 16.5% to R\$34.4 million for the nine months ended September 30, 2005 from R\$41.2 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

*Personnel.* Personnel expenses increased 14.0% to R\$14.7 million for the nine months ended September 30, 2005 from R\$12.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of TSD's collective bargaining agreement, which it renegotiates annually to take effect on November 1, and due to training program costs.

*Rentals, insurance and other related expenses.* Rentals, insurance and other related expenses increased 5.5% to R\$36.7 million for the nine months ended September 30, 2005 from R\$34.8 million for the nine months ended September 30, 2004. The increase was principally due to expansion of TSD's network.

*Cost of handsets and accessories.* The cost of handsets and accessories increased 5.7% to R\$362.5 million for the nine months ended September 30, 2005 from R\$343.0 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base and in average prices of handsets sold relating to marketing efforts targeting customers in higher income brackets.

*Fistel and other taxes.* Fistel and other tax expenses increased 25.5% to R\$57.6 million for the nine months ended September 30, 2005 from R\$45.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.



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The following table sets forth the components of TSD's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		% Change
	September 30,		
	2005	2004	
	(R\$ millions, unaudited)		
Selling expenses	(462.2)	(360.0)	28.4%
General and administrative expenses	(148.4)	(150.1)	-1.1%
Other net operating income (expense), net	(6.3)	(6.0)	5.0%
<b>Operating expenses</b>	<b>(616.9)</b>	<b>(516.1)</b>	<b>19.5%</b>

Operating expenses increased 19.5% to R\$616.9 million for the nine months ended September 30, 2005 from R\$516.1 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition.

*Selling expenses.* Selling expenses increased 28.4% to R\$462.2 million for the nine months ended September 30, 2005 from R\$360.0 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing, client care and call center services), marketing and promotional services in a highly competitive environment and an increase in commissions paid to independent distributors (which increased due to the number of handsets sold). TSD's provision for doubtful accounts increased 3.0% to R\$30.5 million for the nine months ended September 30, 2005 from R\$29.6 million for the nine months ended September 30, 2004, principally due an increase in the customer base and the improper use of TSD's network. Provisions for doubtful accounts were 1.4% of gross operating revenues for the nine months ended September 30, 2005, compared to 1.5% of gross operating revenues for the nine months ended September 30, 2004.

*General and administrative expenses.* General and administrative expenses decreased 1.1% to R\$148.4 million for the nine months ended September 30, 2005 from R\$150.1 million for the nine months ended September 30, 2004. The slight decrease was principally due to favorable renegotiations of contracts.

*Other net operating (expense) income.* Other net operating expense increased 5.0% to R\$6.3 million for the nine months ended September 30, 2005 from R\$6.0 million for the nine months ended September 30, 2004, principally due to an increase in reserves for litigation contingencies and taxes, partially offset by recovery of expenses due to favorable results in certain litigation and by income from handset manufacturers incentives.

*Net Financial Income (Expense)*

The following table sets forth the components of TSD's net financial income for the periods indicated, as well as the percentage change from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Financial income	62.6	53.5	17.0%
Exchange gain and losses	10.0	(4.7)	-312.8%
Gain (losses) on foreign currency derivative contracts	(31.1)	(13.9)	123.7%
Financial expenses	(26.9)	(27.9)	-3.6%
<b>Financial income, net</b>	<b>14.6</b>	<b>7.0</b>	<b>108.6%</b>

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TSD had net financial income of R\$14.6 million for the nine months ended September 30, 2005, compared to net financial income of R\$7.0 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period.

*Income and Social Contribution Taxes*

Income and social contribution tax expenses decreased 7.8% to R\$48.4 million for the nine months ended September 30, 2005 from R\$52.5 million for the nine months ended September 30, 2004. This decrease was principally due to the reduction in income before income and social contribution taxes from period to period. TSD's effective tax rate was 38.3% in both the nine months ended September 30, 2005 and 2004.

*Net Income*

As a result of the foregoing, TSD recorded net income of R\$78.0 million for the nine months ended September 30, 2005, compared to R\$84.6 million for the nine months ended September 30, 2004.

*TSD's Liquidity and Capital Resources*

*Sources of Funds*

TSD generated cash flow from operations of R\$214.4 million and R\$277.7 million in the nine months ended September 30, 2005 and 2004, respectively.

TSD had net cash used in financing activities of R\$25.0 million in the nine months ended September 30, 2005, compared to net cash used in financing activities of R\$163.2 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$28.0 million and net settlements on derivatives contracts of R\$33.5 million, partially offset by a credit in the amount of R\$37.1 million relating to cash received from fractional shares which were sold in an auction in connection with TSD's reverse stock split and which cash was not claimed by shareholders at such time but which is payable to shareholders upon demand.

TSD had no long-term loans or financing as of September 30, 2005. TSD's R\$15.6 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. As of September 30, 2005, TSD had working capital (current assets minus current liabilities) of R\$653.6 million, compared to working capital of R\$466.7 million as of December 31, 2004.

We believe that TSD's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TSD's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

*Uses of Funds*

TSD's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

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Capital expenditures (including capitalized interest) consumed cash flows of R\$171.9 million in the nine months ended September 30, 2005 compared to R\$126.4 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$28.0 million and R\$144.3 million in the nine months ended September 30, 2005 and 2004, respectively. Capital expenditures were as set forth in the table below.

	Nine months ended September 30,	
	2005	2004
	(R\$ millions, unaudited)	
Switching equipment	51.4	49.4
Transmission equipment	58.9	29.5
Information Technology	6.1	4.0
Others	55.5	43.5
<b>Total capital expenditures</b>	<b>171.9</b>	<b>126.4</b>

TSD did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004.

*Debt*

As of September 30, 2005, TSD's total debt was R\$15.6 million, of which R\$15.6 million, or 100%, was denominated in U.S. dollars (U.S.\$7.0 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TSD has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TSD's derivatives positions produced a loss of R\$10.7 million, which was partially offset by the R\$5.6 million of exchange gains on TSD's foreign currency-denominated debt. As of September 30, 2005, TSD had derivative contracts that covered amounts in excess of TSD's foreign currency-denominated debt.

TSD is exposed to interest rate risk as a consequence of TSD's floating rate debt. As of September 30, 2005, approximately 53.6% of TSD's interest-bearing liabilities bore interest at floating rates, primarily LIBOR.

*Off-Balance Sheet Arrangements*

As of September 30, 2005, there were no off-balance sheet arrangements. All of TSD's majority-owned subsidiaries are included in its consolidated financial statements. TSD does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.



*Contractual Obligations and Commercial Commitments*

Total contractual obligations as of September, 30, 2005 were R\$1,212.7 million, compared to R\$1,058.1 million as of December 31, 2004, mainly due to an increase in operating leases.

*U.S. GAAP Reconciliation*

TSD prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$26.1 million and R\$59.6 million, respectively, under U.S. GAAP, compared to net income of R\$84.6 million and R\$78.0 million, respectively, under Brazilian GAAP. Shareholders' equity as of December 31, 2004 and September 30, 2005 was R\$1,991.3 million and R\$2,048.4 million, respectively, under U.S. GAAP, compared to

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shareholders' equity of R\$1,970.7 million and R\$2,048.7 million, respectively, under Brazilian GAAP. See note 21 to TSD's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TSD, and a reconciliation to U.S. GAAP of net income and total shareholders' equity.

**Description of Celular CRT's Business****Business Overview**

Celular CRT Participações S.A., or Celular CRT, provides cellular telecommunications services in the state of Rio Grande do Sul through its wholly owned subsidiary Celular CRT S.A. Celular CRT uses a frequency range known as A Band that covers 69.7% of the municipalities in the state of Rio Grande do Sul and 95.9% of the population of that state. As of September 30, 2005, Celular CRT had 3.4 million cellular lines in service and a market share of approximately 50.3% in its authorization area, estimated based on the total number of cellular lines in service in that area as published by Anatel.

The following table sets forth information of Celular CRT's cellular telecommunications base, coverage and related matters at the dates and for the periods indicated.

	Nine months ended September 30,	Year ended December 31,		
	2005	2004	2003	2002
Cellular lines in service at period end (in thousands)	3,391	3,215	2,523	2,078
Contract customers	854	788	687	611
Prepaid customers	2,537	2,427	1,836	1,467
Growth in cellular lines in service during period	176	692	445	293
Churn(1)	1.6%	1.6%	1.8%	1.4%
Estimated population in concession areas (in millions)(2)	10.5	10.4	10.3	10.2
Estimated covered population (in millions)(3)	10.0	9.9	9.7	9.6
Percentage of population covered(4)	95.9%	95.7%	95.5	95.4
Penetration at period-end(5)	62.0%	54.0%	39.0%	31.0%
Percentage of municipalities covered	69.7%	67.8%	67.8%	67.6%
Average monthly minutes of use per customer(6)	70.0	79.5	82.3	91.6
Market share(7)	50.3%	54.8%	60.0%	65.2%

- (1) Churn is the number of customers that leave Celular CRT during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (2) Projections based on estimates of the IBGE.
- (3) Number of people in Celular CRT's region that can access its cellular telecommunications signal.
- (4) Percentage of the population in Celular CRT's region that can access its cellular telecommunications signal.
- (5) Number of cellular lines in service in Rio Grande do Sul, including those of its competitors, divided by the population of its region.

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- (6) Average monthly minutes of use per lines in service is the total minutes of calls received and made by Celular CRT's customers divided by the average lines in service during the relevant year (includes roaming in and excludes roaming out).
- (7) Estimate based on all lines in service in Rio Grande do Sul at period end.

*Services*

Celular CRT provides cellular telecommunications services using both digital and analog technologies. Celular CRT's network provides both CDMA and TDMA digital services and AMPS, or analog services. All of Celular CRT's services are provided in the frequency of 850 MHz.

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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

Celular CRT provides voice and ancillary services, including voicemail and voicemail notification, call forwarding, three-way calling, caller identification, short messaging, limitations on the number of used minutes, cellular chat rooms and data services such as wireless application protocol services through which clients can access WAP sites and portals. Celular CRT offers direct access to the Internet through either PCMCIA cards (Personal Computer Memory Card International Association, an organization consisting of some 500 companies that has developed standardized small, credit card-sized devices, called PC Cards) designed to connect compatible PDA's (Personal Digital Assistant, a handheld device that combines computing, telephone/fax, Internet and networking features) and laptops or cellular phones by cable connection that offers to corporate subscribers secure access to their intranet and office resources. Celular CRT also offers services like Multimedia Message Service, MExE (Mobile Execution Environment) that enables the handset to download applications and execute them using a user interface with icons to identify the main services, such as voicemail, downloads and text messaging (SMS).

Celular CRT offers roaming services through agreements with local cellular service providers throughout Brazil and other countries that allow its subscribers to make and receive calls while out of Celular CRT's authorization area. Celular CRT also provides reciprocal roaming services to subscribers of those cellular service providers while they are in its authorization area.

Celular CRT operated 30 points of sale as of December 31, 2004, in addition to an independent authorized service network comprised of both exclusive and nonexclusive dealers, with 965 service points capable of selling services and cell phones. As of December 31, 2004, credit recharges were available for customers at nearly 20,000 sites.

***Network***

As of December 31, 2004, Celular CRT's network, which provides CDMA and TDMA digital and AMPS analog services, covered 67.1% of the municipalities in the state of Rio Grande do Sul, or 95.7% of the population of its region. Celular CRT's network is connected primarily through a fiber-optic transmission system partially leased from Brasil Telecom. As of December 31, 2004, Celular CRT's network included 15 cellular switches and 1,563 radio base stations.

***Competition***

Celular CRT faces intense competition in all the areas in which it operates, principally from other cellular service providers and also from fixed line operators. Many of these competitors are part of large, national or multinational groups and therefore have access to financing, new technologies and other benefits that derive from being owned by such a group. Fixed line operators generally charge much lower tariffs than cellular service providers.

Celular CRT's principal cellular competitor is Claro (Telet S.A.), which operates in several regions in Brazil, including Celular CRT's region. Other cellular competitors are Brasil Telecom S.A. and TIM. The main fixed line competitor in its area is Brasil Telecom.

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Celular CRT also competes with certain other wireless telecommunications services, such as mobile radio (including digital trunking technology, offered by Nextel), paging and beeper services, which are used by some in its area as a substitute for cellular telecommunications services. These competing wireless telecommunications services are generally less expensive than cellular telecommunication services.

Satellite-operated services, which provide nationwide coverage, are also available in Brazil. Although these services have the advantage of covering much larger areas than those covered by the cellular telecommunications services, they are considerably more expensive than the cellular telecommunications services Celular CRT offers and do not provide competitive coverage inside buildings.

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### **PART FOUR INFORMATION ON THE VIVO COMPANIES**

#### ***Other Information***

Celular CRT's business is influenced by a number of factors that are common to the VIVO companies. For information on certain of these factors, see the captions Taxes on Telecommunications Services and Handset Sales, Billing and Collection, Fraud Detection and Prevention and Regulation of the Brazilian Telecommunications Industry in TCP's Annual Report on Form 20-F for the year ended December 31, 2004 incorporated by reference in this prospectus.

#### ***Litigation***

The following is a description of certain litigation to which Celular CRT is a party. See note 14 to Celular CRT's unaudited condensed consolidated interim financial statements and note 21 to Celular CRT's audited consolidated financial statements included in this prospectus for the amounts of reserves established for certain claims in which an unfavorable outcome is considered probable, as well as certain information about amounts involved in claims in which an unfavorable outcome is considered possible.

Lune Projetos Especiais Telecomunicação Comércio e Ind. Ltda., or Lune, a Brazilian company, filed lawsuits against 23 wireless telecommunications operators, including Celular CRT. The lawsuits allege that the defendants violated Patent No. 9202624-9, related to a Caller ID system (*Equipamento Controlador de Chamadas Entrantes e do Terminal do Usuário*), granted to Lune by the Brazilian Intellectual Property Agency INPI on September 30, 1997. Lune has requested that the defendants cease to provide Caller ID services and seeks payment from them for the alleged unauthorized use of the Caller ID system in an amount equivalent to the payment of fees received by the defendants for use of the Caller ID system. Lune's right to use the patent was suspended by a federal judge in the State of São Paulo in a proceeding initiated against Lune and INPI by Ericsson Telecomunicações S.A. Telesp Celular and Telerj Celular filed identical lawsuits against Lune and INPI, and those lawsuits are still pending before the courts. We believe based on the opinion of outside counsel that the likelihood of an unfavorable outcome with respect to Lune's claim against Celular CRT is possible. We are unable to determine at this time the extent of any potential liabilities with respect to this claim.

Celular CRT, together with other Brazilian wireless telecommunications operators, are defendants in certain lawsuits brought by the federal public prosecutor's office and consumer protection associations challenging the deadline for the use of purchased prepaid minutes. Plaintiffs claim that purchased prepaid minutes should not expire after any specified deadline. Conflicting decisions have been issued by the federal courts reviewing this matter. Although we believe that Celular CRT's criteria for imposing the deadline are in compliance with Anatel's rules, we believe based on the opinion of outside counsel that an unfavorable outcome with respect to this claim is possible.

On November 27, 1998, Law No. 9,718 changed the method of calculation and effectively increased the amounts of certain taxes (the Contribution for the Financing of Social Security (*Contribuição para Financiamento da Seguridade Social*, or COFINS) and the Social Integration Program (*Programa de Integração Social*, or PIS)) owed by Celular CRT's subsidiary. Although we claim that this increase is unconstitutional, based on the opinion of outside counsel we believe that an unfavorable outcome with respect to this claim is possible. However, we do not believe an unfavorable outcome would have a material adverse effect on Celular CRT's financial condition and results of operations.

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Several telecommunications operators, including Celular CRT, are defendants in a lawsuit brought by the federal public prosecutor's office challenging the policy of passing the COFINS and PIS expenses to customers by incorporating them into their charges. Celular CRT is defending on the grounds that COFINS and PIS are cost components of the services provided to customers and, as such, should be incorporated into the price of such services, as is the practice throughout the telecommunications industry. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is remote.

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The state of Rio Grande do Sul filed administrative proceedings against Celular CRT in order to collect amounts allegedly due as a result of taxes levied on international calls originated in Brazil during a specified period. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is possible.

The municipality of Porto Alegre, in the state of Rio Grande do Sul, filed administrative proceedings against Celular CRT in order to collect amounts allegedly due as a services tax (*Imposto Sobre Serviços*, or ISS). The municipality claims that the payments received in consideration of the use of Celular CRT's network could be considered remuneration under a lease of a movable asset and that therefore these payments should be subject to the application of ISS. Based on the opinion of counsel, we believe that Celular CRT will be successful in these proceedings, and, accordingly, Celular CRT has not established any reserves for this lawsuit.

Celular CRT filed a lawsuit challenging the application of the CIDE tax (*Contribuição de Intervenção no Domínio Econômico*) on the remittances of payments owed to suppliers headquartered outside of Brazil in accordance with technology transfer and technological assistance contracts or trademark and software licenses, in accordance with the terms of Law No. 10,168/2002. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is possible. Celular CRT has established reserves in respect of CIDE amounts not paid.

**Management's Discussion and Analysis of Financial Condition and Results of Operations of Celular CRT*****Celular CRT's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005***

The following table sets forth certain components of Celular CRT's income for the periods indicated.

	Nine months ended September 30,		% Change
	2005	2004	
	(R\$ millions, unaudited)		
Net operating revenue	892.4	852.4	4.7%
Cost of services and goods	(420.3)	(438.7)	-4.2%
<b>Gross profit</b>	<b>472.1</b>	<b>413.7</b>	<b>14.1%</b>
Operating expenses:			
Selling expenses	(270.5)	(183.0)	47.8%
General and administrative expense	(76.5)	(71.6)	6.8%
Other net operating income	7.8	18.7	-58.3%



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<b>Operating income before net financial expense</b>	<b>132.9</b>	<b>177.8</b>	<b>-25.3%</b>
Equity in losses of unconsolidated affiliates			
Net financial expense	33.2	28.0	18.6%
<b>Operating income</b>	<b>166.1</b>	<b>205.8</b>	<b>-19.3%</b>
Net non-operating expenses	(2.3)	(3.2)	-28.1%
<b>Income before taxes</b>	<b>163.8</b>	<b>202.6</b>	<b>-19.2%</b>
Income taxes	(59.4)	(70.7)	-16.0%
<b>Net income</b>	<b>104.4</b>	<b>131.9</b>	<b>-20.8%</b>

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Operating data*

The following table sets forth certain operating data of Celular CRT.

	Nine months ended September 30,		% Change
	2005	2004	
Total number of customers (in thousands)	3,391	2,953	14.8%
Contract	854	735	16.2%
Prepaid	2,537	2,218	14.4%
Market share(1)	50.3%	57.5%	-7.2 p.p.
Net additions (in thousands)	176	429	-58.9%
Contract	66	48	38.3%
Prepaid	110	381	-71.2%
Market share of net additions to customer base(1)	20.3%	47.4%	-27.1 p.p.
Market penetration(1)	63.3%	48.7%	14.6 p.p.
Customer acquisition cost, per customer(2) (R\$)	185	134	37.6%
Monthly churn(3)	1.6%	1.7%	-0.1 p.p.
Average revenue per user (R\$ per month)	26.7	29.3	-8.6%
Contract	66.7	67.4	-1.0%
Prepaid	12.6	14.9	-15.7%
Total minutes used per customer(4)	70	80	-12.8%
Contract	160	156	2.3%
Prepaid	39	53	-25.2%
Employees	444	563	-21.1%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

(3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.

(4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Net Operating Revenue*

The composition of operating revenues by category of service is presented in Celular CRT's consolidated financial statements and discussed below before deduction of valued-added and other taxes. The following table sets forth the components of Celular CRT's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Usage charges	573.9	422.4	35.9%
Sales of handsets and accessories	183.2	197.2	-7.1%
Monthly subscription charges	78.5	67.7	16.0%
Interconnection fees	312.2	340.0	-8.2%
Other	108.2	85.6	26.4%
<b>Total gross operating revenue</b>	<b>1,256.0</b>	<b>1,112.9</b>	<b>12.9%</b>
Value-added and other indirect taxes	(282.0)	(200.2)	40.9%
Sales and services discount and return of goods sold	(81.6)	(60.3)	35.3%
<b>Net operating revenue</b>	<b>892.4</b>	<b>852.4</b>	<b>4.7%</b>

Net operating revenue increased 4.7% to R\$892.4 million for the nine months ended September 30, 2005 from R\$852.4 million for the nine months ended September 30, 2004. The increase in net operating revenue was principally due to an increase in revenues from usage charges and, to a lesser degree, other revenues. These increases were partially offset by decreases in revenues from interconnection fees and sales of handsets and accessories.

*Usage charges.* Revenues from usage charges increased 35.9% to R\$573.9 million for the nine months ended September 30, 2005 from R\$422.4 million for the nine months ended September 30, 2004. This increase was principally due to the 14.8% increase in the customer base to 3.391 million lines in service as of September 30, 2005 from 2.953 million lines in service as of September 30, 2004. In addition, outgoing traffic grew by 10.7% mainly due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 3.1 million lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 2.8 million lines as of September 30, 2004.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories decreased 7.1% to R\$183.2 million for the nine months ended September 30, 2005 from R\$197.2 million for the nine months ended September 30, 2004. This decrease was principally due to Celular CRT's strategy in 2005 of seeking to acquire new customers through loyalty programs that provide improved technology at competitive prices,

while in 2004 Celular CRT placed greater emphasis on phasing out TDMA service and encouraging customers to use the new CDMA service. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, Celular CRT, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for Celular CRT of R\$73.1 million for the nine months ended September 30, 2005, compared to R\$67.2 million for the nine months ended September 30, 2004.

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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

*Monthly subscription charges.* Revenues from monthly subscription charges increased 16.0% to R\$78.5 million for the nine months ended September 30, 2005 from R\$67.7 million for the nine months ended September 30, 2004. This increase was principally due to the increase in the customer base subject to contract including, most significantly, corporate customers.

*Interconnection fees.* Revenues from interconnection fees decreased 8.2% to R\$312.2 million for the nine months ended September 30, 2005 from R\$340.0 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime. The migration of callers away from fixed line services decreases Celular CRT's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

*Others.* Revenues from other services increased 26.4% to R\$108.2 million for the nine months ended September 30, 2005 from R\$85.6 million for the nine months ended September 30, 2004. The increase was principally due to the increase in Celular CRT's customer base and an increase in the use of data services by Celular CRT's customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 40.9% to R\$282.0 million for the nine months ended September 30, 2005 from R\$200.2 million for the nine months ended September 30, 2004 primarily resulting from an increase in tax rates relating to telecommunications services and also from the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 22.5% of Celular CRT's gross operating revenue in the nine months ended September 30, 2005, compared to 18.0% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of Celular CRT's revenues.

*Sales and services discount and returns of goods sold.* Discounts and returns increased 35.3% to R\$81.6 million for the nine months ended September 30, 2005 from R\$60.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 5.4% and 6.5%, respectively, of Celular CRT's gross operating revenues for the nine months ended September 30, 2004 and 2005.

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The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Depreciation and amortization	(115.3)	(119.5)	-3.5%
Materials and services	(46.9)	(42.2)	11.1%
Interconnection charges	(21.7)	(21.2)	2.4%
Personnel	(7.1)	(6.1)	16.4%
Rental, insurance and other related expenses	(14.9)	(12.6)	18.3%
Cost of handsets and accessories	(169.9)	(202.2)	-16.0%
Fistel and other taxes	(44.5)	(34.9)	27.5%
<b>Cost of services and goods</b>	<b>(420.3)</b>	<b>(438.7)</b>	<b>-4.2%</b>

Celular CRT's cost of services and goods decreased 4.2% to R\$420.3 million for the nine months ended September 30, 2005 from R\$438.7 million for the nine months ended September 30, 2004. The decrease was principally due to a decrease in the cost of handsets and accessories and, to a lesser degree, to a decrease in depreciation and amortization expenses. The gross profit margin (gross profit as a percentage of net operating revenues) was 52.9% for the nine months ended September 30, 2005, compared to 48.5% for the nine months ended September 30, 2004.

*Depreciation and amortization.* Depreciation and amortization expenses decreased 3.5% to R\$115.3 million for the nine months ended September 30, 2005 from R\$119.5 million for the nine months ended September 30, 2004. The decrease was principally due to certain analog and TDMA assets becoming fully depreciated, and this effect was partially offset by depreciation charges from newly added CDMA infrastructure and equipment.

*Materials and services.* Cost of materials and services increased 11.1% to R\$46.9 million for the nine months ended September 30, 2005 from R\$42.2 million for the nine months ended September 30, 2004. The increase was due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines, resulting mainly from the implementation of the new CDMA network. In addition, Celular CRT incurred greater maintenance costs in the nine months ended September 30, 2005 in connection with the installation of a new CDMA network.

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*Interconnection charges.* Interconnection charges include the charges that Celular CRT pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from Celular CRT's network. These interconnection charges increased 2.4% to R\$21.7 million for the nine months ended September 30, 2005 from \$21.2 million for the nine months ended September 30, 2004, principally due to the 14.1% increase in outgoing traffic, primarily from corporate clients who more frequently call outside Celular CRT's region and use roaming services.

*Personnel.* Personnel expenses increased 16.4% to R\$7.1 million for the nine months ended September 30, 2005 from R\$6.1 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of Celular CRT's collective bargaining agreement, which it renegotiates annually to take effect on November 1, and due to training programs.

*Rentals, insurance and other related expenses.* Rentals, insurance and other related expenses increased 18.3% to R\$14.9 million for the nine months ended September 30, 2005 from R\$12.6 million for the nine months

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ended September 30, 2004. This increase was principally due to the expansion of Celular CRT's network, which increased the number of rented sites in connection with an increase in the number of Celular CRT's radio base stations.

*Cost of handsets and accessories.* The cost of handsets and accessories decreased 16.0% to R\$169.9 million for the nine months ended September 30, 2005 from R\$202.2 million for the nine months ended September 30, 2004. This decrease was principally due to a decrease in the number of handsets sold because there were fewer new customers added than in the prior period, as well as favorable renegotiations of contracts with our suppliers.

*Fistel and other taxes.* Fistel and other tax expenses increased 27.5% to R\$44.5 million for the nine months ended September 30, 2005 from R\$34.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.

*Operating Expenses*

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		% Change
	September 30,		
	2005	2004	
	(R\$ millions, unaudited)		
Selling expenses	(270.5)	(183.0)	47.8%
General and administrative expenses	(76.5)	(71.6)	6.8%
Other net operating income	7.8	18.7	-58.3%
<b>Operating expenses</b>	<b>(339.2)</b>	<b>(235.9)</b>	<b>43.8%</b>

Operating expenses increased 43.8% to R\$339.2 million for the nine months ended September 30, 2005 from R\$235.9 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition and to a lesser degree, from a decrease in other net operating income.

*Selling expenses.* Selling expenses increased 47.8% to R\$270.5 million for the nine months ended September 30, 2005 from R\$183.0 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing, client care and call center services) necessary in a highly competitive environment, an increase in depreciation expenses related to stores, equipment and other assets, and an increase in provisions for doubtful accounts mainly due to the increase in the customer base described above and to the



improper use of the network. Celular CRT's provision for doubtful accounts increased 84.1% to R\$31.1 million for the nine months ended September 30, 2005 from R\$16.9 million for the nine months ended September 30, 2004. As a result of this increase, provisions for doubtful accounts were 2.5% of gross revenues for the nine months ended September 30, 2005, compared to 1.5% of gross revenues for the nine months ended September 30, 2004.

*General and administrative expenses.* General and administrative expenses increased 6.8% to R\$76.5 million for the nine months ended September 30, 2005 from R\$71.6 million for the nine months ended September 30, 2004. The increase was principally due to increases in rental, insurance and condominium fees and in outsourced services.

*Other net operating (expense) income.* Other net operating income decreased 58.3% to R\$7.8 million for the nine months ended September 30, 2005 from R\$18.7 million for the nine months ended September 30, 2004. This decrease was principally due to a decrease in recovered expenses.

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The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Nine months ended		
	September 30,		
	2005	2004	% Change
	(R\$ millions, unaudited)		
Financial income	69.6	57.4	21.3%
Foreign currency exchange gain and losses	40.9	1.3	3,046.2%
Net losses on foreign currency derivative contracts	(62.2)	(9.8)	534.7%
Financial expenses	(15.1)	(20.9)	-27.8%
<b>Financial income, net</b>	<b>33.2</b>	<b>28.0</b>	<b>18.6%</b>

Celular CRT's net financial income increased 18.6% to R\$33.2 million for the nine months ended September 30, 2005 from \$28.0 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period, as well as a decrease in financial expenses due to a decrease in the debt outstanding.

*Income and Social Contribution Taxes*

Income and social contribution tax expenses decreased 16.0% to R\$59.4 million for the nine months ended September 30, 2005 from R\$70.7 million for the nine months ended September 30, 2004. The decrease was principally due to the decrease in income before taxes. Celular CRT's effective tax rate was 36.2% and 34.9% for the nine months ended September 30, 2005 and 2004, respectively.

*Net Income*

As a result of the foregoing, Celular CRT recorded net income of R\$104.4 million for the nine months ended September 30, 2005, compared to R\$131.9 million for the nine months ended September 30, 2004.



**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Celular CRT s Consolidated Results of Operations for the Year Ended December 31, 2003 and 2004*

The following table sets forth certain components of Celular CRT s income for the periods indicated.

	<u>Year ended December 31,</u>		<u>% Change</u>
	<u>2004</u>	<u>2003</u>	
	(R\$ millions)		
Net operating revenue	1,174.3	1,032.7	13.7%
Cost of services and goods	(620.5)	(526.2)	17.9%
<b>Gross profit</b>	<b>553.8</b>	<b>506.5</b>	<b>9.3%</b>
Operating expenses:			
Selling expenses	(264.9)	(171.3)	54.6%
General and administrative expense	(95.6)	(89.3)	7.1%
Other net operating (expense) income	27.3	(3.9)	n.a.
<b>Operating income before net financial expense</b>	<b>220.6</b>	<b>242.0</b>	<b>-8.8%</b>
Net financial expense	25.8	17.7	45.8%
<b>Operating income</b>	<b>246.4</b>	<b>259.7</b>	<b>-5.1%</b>
Net non-operating expenses	(7.7)	(1.2)	541.7%
<b>Income before taxes</b>	<b>238.7</b>	<b>258.5</b>	<b>-7.7%</b>
Income taxes	(56.7)	(69.1)	-17.9%
<b>Net income</b>	<b>182.0</b>	<b>189.4</b>	<b>-3.9%</b>

*Net Operating Revenue*

The composition of operating revenues by category of service is presented in Celular CRT s consolidated financial statements and discussed below before deduction of valued-added and other taxes. The following table sets forth the components of Celular CRT s operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	<u>Year ended December 31,</u>		<u>% Change</u>
	<u>2004</u>	<u>2003</u>	
	(R\$ millions)		
Usage charges	601.7	601.6	
Sales of handsets and accessories	291.7	221.2	31.9%
Monthly subscription charges	89.9	104.1	-13.6%
Interconnection fees	453.9	406.0	11.8%
Other	115.0	65.8	74.8%
<b>Total gross operating revenue</b>	<b>1,552.2</b>	<b>1,398.7</b>	<b>11.0%</b>
Value-added and other indirect taxes	(287.7)	(241.7)	19.0%
Sales and services discount and return of goods sold	(90.2)	(124.3)	-27.4%
<b>Net operating revenue</b>	<b>1,174.3</b>	<b>1,032.7</b>	<b>13.7%</b>

Net operating revenue increased 13.7% to R\$1,174.3 million for 2004 from R\$1,032.7 million for 2003. The increase in net revenues was principally due to an increase in revenues from sales of handsets and accessories, interconnection fees and other revenues.

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*Usage charges.* Revenues from usage charges remained almost constant at R\$601.7 million for 2004, compared to R\$601.6 million for 2003. In 2004, the customer base increased 27.4% to 3.215 million lines in service as of December 31, 2004 from 2.523 million lines in service as of December 31, 2003, outgoing traffic increased and sales and services discounts decreased. However, these positive factors were offset by the impact of the long distance carrier selection codes implemented by Anatel in 2003, which allow customers to choose their carrier for domestic and long distance services (VC2 and VC3 calls) and international cellular calls.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 31.9% to R\$291.7 million for 2004 from R\$221.2 million for 2003. This increase was mainly due to the 27.4% increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Celular CRT's strategy of subsidizing a portion of handset costs to encourage growth in customers and traffic resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for Celular CRT of R\$107.8 million for 2004, compared to a gross gain of R\$37.1 million for 2003. The gross loss for 2004 occurred due to incentives to encourage customers to replace TDMA handsets with new CDMA handsets and due to retention campaigns to face competition from a new player in the market.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 13.6% to R\$89.9 million for 2004 from R\$104.1 million for 2003. This decrease was principally due to a change in the mix of customers, with customers subject to contract representing 24.5% of the customer base as of December 31, 2004, compared to 27.2% of the customer base as of December 31, 2003. The decrease was also due to the impact of Celular CRT's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name.

*Interconnection fees.* Revenues from interconnection fees increased 11.8% to R\$453.9 million for 2004 from R\$406.0 million for 2003. This increase was principally due to the increase in inbound calls from other start-up networks (primarily from long-distance calls) and due to the increase in Celular CRT's pre-paid client base.

*Others.* Revenues from other services increased 74.8% to R\$115.0 million for 2004 from R\$65.8 million for 2003. The increase was principally due to the increase in Celular CRT's customer base and an increase in the use of data services by Celular CRT's customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part due to increases in internet access, improvements in data service tools and an increase in the number of data transmission-enabled handsets.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 19.0% to R\$287.7 million for 2004 from R\$241.7 million for 2003. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). Value-added taxes and other indirect taxes were 18.5% of Celular CRT's gross operating revenue in 2004, compared to 17.3% in 2003.

*Sales and services discount and returns of goods sold.* Discounts and returns decreased 27.4% to R\$90.2 million for 2004 from R\$124.3 million for 2003. The decrease was principally due to a decrease in discounts on services, partially offset by an increase in discounts on handsets and accessories, which vary according to Celular CRT's response to competitive pressures.



**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Cost of Services and Goods*

The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Year ended December 31,		% Change
	2004	2003	
	(R\$ millions)		
Depreciation and amortization	(162.1)	(158.7)	2.1%
Materials and services	(55.0)	(46.9)	17.3%
Interconnection charges	(27.6)	(59.2)	-53.4%
Personnel	(8.6)	(7.5)	14.7%
Rental, insurance and other related expenses	(15.8)	(17.9)	-11.7%
Cost of handsets and accessories	(304.3)	(198.5)	53.3%
Fistel and other taxes	(47.1)	(37.5)	25.6%
<b>Cost of services and goods</b>	<b>(620.5)</b>	<b>(526.2)</b>	<b>17.9%</b>

Celular CRT's cost of services and goods increased 17.9% to R\$620.5 million for 2004 from R\$526.2 million for 2003. The increase was principally due to an increase in the cost of handsets and accessories and, to a lesser degree, materials and services and Fistel and other taxes. The gross profit margin (gross profit as a percentage of net operating revenues) was 47.2% for 2004, compared to 49.0% for 2003.

*Depreciation and amortization.* Depreciation and amortization expenses increased 2.1% to R\$162.1 million for 2004 from R\$158.7 million for 2003. The increase was principally due to depreciation charges from newly added infrastructure and equipment (relating to the overlay of the new CDMA network), which more than offset reductions in depreciation charges resulting from the full depreciation of certain older analog equipment.

*Materials and services.* Cost of materials and services increased 17.3% to R\$55.0 million for 2004 from R\$46.9 million for 2003. The increase was principally due to increases in the cost of third-party services such as network maintenance services as a consequence of the CDMA network overlay.

*Interconnection charges.* Interconnection charges decreased 53.4% to R\$27.6 million for 2004 from R\$59.2 million for 2003, principally because with the introduction of long-distance carrier selection codes in 2003, the costs of VC2 and VC3 long-distance calls are borne by long-distance telecommunications companies rather than cellular telecommunications companies.



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*Personnel.* Personnel expenses increased 14.7% to R\$8.6 million for 2004 from R\$7.5 million for 2003. This increase was principally due to an approximate 7.5% increase in salaries consistent with inflation under the terms of a collective bargaining agreement signed in December 2003, retroactive to November 1, 2003, and due to training programs.

*Rentals, insurance and other related expenses.* Rentals, insurance and other related expenses decreased 11.7% to R\$15.8 million for 2004 from R\$17.9 million for 2003. This decrease was principally due to the favorable renegotiation of certain rental contracts and a decrease in the number of rented circuits due to the installment of Celular CRT's own backbone network.

*Cost of handsets and accessories.* The cost of handsets and accessories increased 53.3% to R\$304.3 million for 2004 from R\$198.5 million for 2003. The increase was principally due to the increase in the volume of handsets and accessories sold, as well as incentives given to encourage customers to replace their TDMA handsets with newer CDMA handsets.

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*Fistel and other taxes.* Fistel and other tax expenses increased 25.6% to R\$47.1 million for 2004 from R\$37.5 million for 2003. The increase was principally due to a 25.9% increase in the average customer base from period to period.

*Operating Expenses*

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Year ended December 31,		% Change
	2004	2003	
	(R\$ millions)		
Selling expenses	(264.9)	(171.3)	54.6%
General and administrative expenses	(95.6)	(89.3)	7.1%
Other net operating (expenses) income	27.3	(3.9)	n.a.
<b>Operating expenses</b>	<b>(333.2)</b>	<b>(264.5)</b>	<b>26.0%</b>

Operating expenses increased 26.0% to R\$333.2 million for 2004 from R\$264.5 million for 2003. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition.

*Selling expenses.* Selling expenses increased 54.6% to R\$264.9 million for 2004 from R\$171.3 million for 2003. The increase was principally due to an increase in third-party services (such as marketing, client care and call centers) necessary in a highly competitive environment and provisions for doubtful accounts. Celular CRT's provision for doubtful accounts increased 108.6% to R\$21.9 million for 2004 from R\$10.5 million for 2003, principally due to the increase in the customer base in 2004. As a result of this increase, provisions for doubtful accounts were 1.4% of gross revenues for 2004, compared to 0.8% of gross revenues for 2003.

*General and administrative expenses.* General and administrative expenses increased 7.1% to R\$95.6 million for 2004 from R\$89.3 million for 2003. The increase was principally due to a R\$3.4 million increase in third-party services, a R\$1.9 million increase in administrative personnel costs and a R\$0.9 million increase in costs of supplies.

*Other net operating (expense) income.* Celular CRT had other net operating income of R\$27.3 million for 2004, compared to other net operating expense of R\$3.9 million for 2003. The other net operating income recorded in 2004 was principally due to the recovery of expenses in the amount of R\$30.9 million resulting from increased efforts to collect monies owed from dealers, as well as income from handset manufacturers incentives, partially offset by an increase in taxes.

*Net Financial (Expense) Income*

The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2004</b>	<b>2003</b>	
	<b>(R\$ millions)</b>		
Financial income	74.3	83.2	-10.7%
Foreign currency exchange gain and losses	23.3	111.1	-79.0%
Net losses on foreign currency derivative contracts	(43.5)	(144.9)	-70.0%
Financial expenses	(28.3)	(31.7)	-10.7%
<b>Financial income, net</b>	<b>25.8</b>	<b>17.7</b>	<b>45.8%</b>

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Celular CRT's net financial income increased 45.8% to R\$25.8 million for 2004 from R\$17.7 million for 2003. This change occurred principally because net losses on foreign currency derivative contracts decreased more than foreign currency exchange gains.

*Income and Social Contribution Taxes*

Income and social contribution tax expenses decreased 17.9% to R\$56.7 million for 2004 from R\$69.1 million for 2003, principally due to the decrease in income before taxes. Celular CRT's effective tax rate was 23.7% for 2004, compared to 26.7% for 2003. These effective tax rates include the impact of the payment of interest on shareholders' equity, which is deductible for tax purposes and therefore lowers the effective tax rate.

*Net Income*

As a result of the foregoing, Celular CRT recorded net income of R\$182.0 million for 2004, compared to R\$189.4 million for 2003.

*Celular CRT's Consolidated Results of Operations for the Year Ended December 31, 2002 and 2003*

The following table sets forth certain components of Celular CRT's income for the periods indicated.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2003</b>	<b>2002</b>	
	<b>(R\$ millions)</b>		
Net operating revenue	1,032.7	896.3	15.2%
Cost of services and goods	(526.2)	(456.6)	15.2%
<b>Gross profit</b>	<b>506.5</b>	<b>439.7</b>	<b>15.2%</b>
Operating expenses:			
Selling expenses	(171.3)	(168.3)	1.8%
General and administrative expense	(89.3)	(83.1)	7.5%
Other net operating (expense) income	(3.9)	18.3	-121.3%
<b>Operating income before net financial expense</b>	<b>242.0</b>	<b>206.6</b>	<b>17.1%</b>

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Net financial expense	17.7	7.5	136.0%
<b>Operating income</b>	<b>259.7</b>	<b>214.1</b>	21.3%
Net non-operating expenses	(1.2)	(3.7)	-64.9%
<b>Income before taxes</b>	<b>258.5</b>	<b>210.4</b>	22.8%
Income taxes	(69.1)	(62.8)	9.9%
<b>Net income</b>	<b>189.4</b>	<b>147.6</b>	28.3%

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Net Operating Revenue*

The composition of operating revenues by category of service is presented in Celular CRT's consolidated financial statements and discussed below before deduction of valued-added and other taxes. The following table sets forth the components of Celular CRT's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Year ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>% Change</b>
	<b>(R\$ millions)</b>		
<b>Gross operating revenue:</b>			
Usage charges	601.6	477.2	26.1%
Sales of handsets and accessories	221.2	135.2	63.6%
Monthly subscription charges	104.1	148.1	-29.7%
Interconnection fees	406.0	362.4	12.0%
Other	65.8	39.4	67.0%
<b>Total gross operating revenue</b>	<b>1,398.7</b>	<b>1,162.3</b>	<b>20.3%</b>
Value-added and other indirect taxes	(241.7)	(216.8)	11.5%
Sales and services discount and return of goods sold	(124.3)	(49.2)	152.6%
<b>Net operating revenue</b>	<b>1,032.7</b>	<b>896.3</b>	<b>15.2%</b>

Net operating revenue increased 15.2% to R\$1,032.7 million for 2003 from R\$896.3 million for 2002. The increase in net revenues was principally due to an increase in revenues from usage charges, sales of handsets and accessories, interconnection fees and other revenues.

*Usage charges.* Revenues from usage charges increased 26.1% to R\$601.6 million for 2003 from R\$477.2 million for 2002. This increase was principally due to the 21.4% increase in the customer base to 2.523 million lines in service as of December 31, 2003 from 2.078 million lines in service as of December 30, 2002. The increase was partially offset by the impact of the long distance carrier selection codes implemented by Anatel on July 1, 2003, which allow customers to choose their carrier for domestic and long distance services (VC2 and VC3 calls) and international cellular calls.

*Sales of handsets and accessories.* Revenues from sales of handsets and accessories increased 63.6% to R\$221.2 million for 2003 from R\$135.2 million for 2002. This increase was mainly due an increase in selling prices with the objective of minimizing the financial impact of increases in the cost of handsets and accessories, as well as increases in volumes of medium and high-bracket handsets sold compared to the previous year. Celular CRT recorded a net gain from handset and accessory sales (calculated as the difference between net operating revenues from sales of handsets and accessories and the cost of handsets and accessories) of R\$37.1 million for 2003 and R\$29.7 million for 2002. Generally, however, Celular CRT pursues a strategy of subsidizing a portion of handset costs to encourage growth in customers and traffic, which often results in a

net loss from such sales.

*Monthly subscription charges.* Revenues from monthly subscription charges decreased 29.7% to R\$104.1 million for 2004 from R\$148.1 million for 2003. This decrease was principally due to the migration of customers subject to contract toward contracts with lower monthly subscription charges and also from migration of customers to prepaid service, which effect was partially offset by an increase in Celular CRT s monthly subscription rates.

*Interconnection fees.* Revenues from interconnection fees increased 12.0% to R\$406.0 million for 2003 from R\$362.4 million for 2002. This increase was principally due to an increase in average interconnection fee rates, partially offset by a decrease in calls received by the network (due to the entry of a new competitor in the end of 2002) in spite of the increase in the customer base.

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*Others.* Revenues from other services increased 67.0% to R\$65.8 million for 2003 from R\$39.4 million for 2002. The increase was principally due to the increase in the use of additional services, such as caller ID, data transmission services, text message services, or SMS, and services designed for corporate customers, such as voice mail and SMS services.

*Value-added and other indirect taxes.* Value-added and other indirect taxes increased 11.5% to R\$241.7 million for 2003 from R\$216.8 million for 2002. This increase was principally due to the 20.3% increase in Celular CRT's gross operating revenues. However, value-added and other indirect taxes increased less than gross operating revenues because of a change in the composition of Celular CRT's gross operating revenues, not all of which were subject to ICMS and other indirect taxes during the entire period. Interconnection fees, for example, are not subject to ICMS tax, and increases in our revenues from interconnection fees tend to decrease our effective indirect tax rates. Value-added taxes and other indirect taxes were 17.3% of Celular CRT's gross operating revenue in 2003, compared to 18.7% in 2002.

*Sales and services discount and returns of goods sold.* Discounts and returns increased 152.6% to R\$124.3 million for 2003 from R\$49.2 million for 2002. The increase was principally due to an increase in discounts on services and on handsets and accessories to gain new customers in the aftermath of the start-up of operations of a new competitor in November 2002. These discounts vary according to Celular CRT's desired response to competitive pressures. Sales and services discounts and returns of good sold represented 8.9% and 4.2%, respectively, of Celular CRT's gross operating revenues for 2003 and 2002.

*Cost of Services and Goods*

The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Year ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>% Change</b>
	<b>(R\$ millions)</b>		
Depreciation and amortization	(158.7)	(154.8)	2.5%
Materials and services	(46.9)	(44.7)	4.9%
Interconnection charges	(59.2)	(69.6)	-14.9%
Personnel	(7.5)	(8.7)	-13.8%
Rental, insurance and other related expenses	(17.9)	(14.9)	20.1%
Cost of handsets and accessories	(198.5)	(127.0)	56.3%
Fistel and other taxes	(37.5)	(36.9)	1.6%
<b>Cost of services and goods</b>	<b>(526.2)</b>	<b>(456.6)</b>	<b>15.2%</b>

Celular CRT's cost of services and goods increased 15.2% to R\$526.2 million for 2003 from R\$456.6 million 2002. The increase was principally due to an increase in the cost of handsets and accessories, partially offset by a decrease in interconnection charges. The gross profit margin



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(gross profit as a percentage of net operating revenues) remained almost constant at 49.0% for 2003, compared to 49.1% for 2002.

*Depreciation and amortization.* Depreciation and amortization expenses increased 2.5% to R\$158.7 million for 2003 from R\$154.8 million for 2002. The increase was principally due to the expansion of Celular CRT's network and support systems, which increased depreciable assets.

*Materials and services.* Cost of materials and services increased 4.9% to R\$46.9 million for 2003 from R\$44.7 million for 2002. The increase was principally due to an increase in the customer base and penetration of the network, which result in greater third-party maintenance costs, costs for rented circuits and transmission lines and other costs.

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*Interconnection charges.* Interconnection charges decreased 14.9% to R\$59.2 million for 2003 from R\$69.6 million for 2002, principally because with the introduction of long-distance carrier selection codes in 2003, the costs of VC2 and VC3 long-distance calls are borne by long-distance telecommunications companies rather than cellular telecommunications companies.

*Personnel.* Personnel expenses decreased 13.8% to R\$7.5 million for 2003 from R\$8.7 million for 2002. This decrease was principally due to reductions in personnel due to synergies obtained in offering certain uniform services among all the VIVO companies.

*Rentals, insurance and other related expenses.* Rentals, insurance and other related expenses increased 20.1% to R\$17.9 million for 2003 from R\$14.9 million for 2002. This increase was principally due to the increase in Celular CRT's customer base, which required expansion of Celular CRT's network infrastructure, including rented sites where Celular CRT's radio base stations are located.

*Cost of handsets and accessories.* The cost of handsets and accessories increased 56.3% to R\$198.5 million for 2003 from R\$127.0 million for 2002. The increase was principally due to the increase in handsets and accessories sold, particularly of more sophisticated handsets that increased the average price per handset.

*Fistel and other taxes.* Fistel and other tax expenses increased 1.6% to R\$37.5 million for 2003 from R\$36.9 million for 2002. The increase was principally due to the increase in the customer base, partially offset by a favorable change in the method of calculating the Fistel tax. Until mid-2003, the Fistel tax was based on monthly gross additions of clients but was changed in mid-2003 to be based on monthly net additions of clients.

*Operating Expenses*

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	<b>Year ended December 31,</b>		
	<b>2003</b>	<b>2002</b>	<b>% Change</b>
	<b>(R\$ millions)</b>		
Selling expenses	(171.3)	(168.3)	1.8%
General and administrative expenses	(89.3)	(83.1)	7.5%
Other net operating (expenses) income	(3.9)	18.3	-121.3
<b>Operating expenses</b>	<b>(264.5)</b>	<b>(233.1)</b>	<b>13.5%</b>

Operating expenses increased 13.5% to R\$264.5 million for 2003 from R\$233.1 million for 2002. The increase occurred primarily because Celular CRT recorded other net operating expenses in 2003, compared to other net operating income in 2002, and because of an increase in general and administrative expenses.

*Selling expenses.* Selling expenses increased 1.8% to R\$171.3 million for 2003 from R\$168.3 million for 2002. The increase was principally due to an increase in third-party services (such as marketing, client care and call center services) necessary in a highly competitive environment and in depreciation expenses related to stores, equipment and other assets, partially offset by a reduction in provisions for doubtful accounts. Celular CRT's provision for doubtful accounts decreased 41.0% to R\$10.5 million for 2003 from R\$17.8 million for 2002, principally due to more effective methods of assessing the creditworthiness of customers and due to the increase in the prepaid customer base of Celular CRT. Provisions for doubtful accounts were 0.8% of gross revenues for 2003, compared to 1.5% of gross revenues for 2002.

*General and administrative expenses.* General and administrative expenses increased 7.5% to R\$89.3 million for 2003 from R\$83.1 million for 2002. The increase was principally due to a R\$6.7 million increase in

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administrative personnel expenses and a R\$4.3 increase in depreciation expenses, partially offset by a R\$6.8 million decrease in the cost of third-party services (such as consultant and transportation services) due to the renegotiation of contracts.

*Other net operating (expense) income.* Other net operating expense of R\$3.9 million for 2003, compared to other net operating income of R\$18.3 million for 2002. The expense recorded in 2003 was partly due to a R\$7.3 million decrease in recovered expenses and an increase in taxes of R\$1.9 million. In addition, Celular CRT's net reversals of provisions were R\$8.0 million lower in 2003 than in 2002.

*Net Financial (Expense) Income*

The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Year ended December 31,		% Change
	2003	2002	
	(R\$ millions)		
Financial income	83.2	24.3	242.8%
Foreign currency exchange gain and losses	111.1	(223.3)	-149.8%
Gain (losses) on foreign currency derivative contracts	(144.9)	239.9	-160.4%
Financial expenses	(31.7)	(33.4)	-4.8%
<b>Financial income, net</b>	<b>17.7</b>	<b>7.5</b>	<b>136.0%</b>

Celular CRT's net financial income increased 136.0% to R\$17.7 million for 2003 from R\$7.5 million for 2002. This change was due in part to the operating cash flow generated by the company, which increased average cash balances, as well as an increase in the CDI rate to 23.25% in 2003 from 19.11% in 2002, leading to higher financial income.

*Income and Social Contribution Taxes*

Income and social contribution tax expenses increased 10.0% to R\$69.1 million for 2003 from R\$62.8 million for 2002, principally due to the increase in income before taxes. Celular CRT's effective tax rate was 26.7% and 29.8% for 2003 and 2002, respectively. These effective tax rates include the impact of the payment of interest on shareholders' equity, which is deductible for tax purposes and therefore lowers the effective tax rate.

*Net Income*

As a result of the foregoing, Celular CRT recorded net income of R\$189.4 million for 2003, compared to R\$147.6 million for 2002.

***Celular CRT s Liquidity and Capital Resources***

*Sources of Funds*

Celular CRT generated cash flow from operations of R\$189.6 million and R\$257.6 million in the nine months ended September 30, 2005 and 2004, respectively.

Celular CRT generated cash flow from operations of R\$368.7 million and R\$464.7 million for the year ended December 31, 2004 and 2003, respectively.

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Celular CRT had net cash used in financing activities of R\$99.7 million in the nine months ended September 30, 2005, compared to net cash used in financing activities of R\$58.7 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$84.1 million and net settlements on derivative contracts of R\$20.2 million.

Celular CRT had R\$133.3 million in long-term loans and financing as of September 30, 2005, compared to R\$159.3 million of long-term loans and financing as of December 31, 2004. Celular CRT had R\$7.3 million in short-term loans and financing as of September 30, 2005, consisting primarily of funding from financial institutions, compared to R\$108.7 million in short-term loans financing as of December 31, 2004. As of September 30, 2005, Celular CRT had working capital (current assets minus current liabilities) of R\$547.5 million, compared to working capital of R\$415.1 million as of December 31, 2004.

We believe that Celular CRT's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue Celular CRT's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

*Uses of Funds*

Celular CRT's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

Capital expenditures (including capitalized interest) consumed cash flows of R\$162.9 million in the nine months ended September 30, 2005, compared to R\$107.0 million in the nine months ended September 30, 2004. Capital expenditures (including capitalized interest) consumed cash flows of R\$204.3 million in 2004, R\$142.7 million in 2003 and R\$112.0 million in 2002. Capital expenditures were as set forth in the table below.

	Nine months ended September 30,	
	2005	2004
	(R\$ millions, unaudited)	
Switching equipment	27.3	39.3
Transmission equipment	93.7	40.0
Information Technology	2.3	
Others	39.6	27.7
<b>Total capital expenditures</b>	<b>162.9</b>	<b>107.0</b>

Repayment of debt consumed cash flows of R\$84.1 million and R\$67.4 million in the nine months ended September 30, 2005 and 2004, respectively. Repayment of debt consumed cash flows of R\$101.6 million in 2004, R\$110.4 million in 2003 and R\$55.7 million in 2002. Net

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settlements of derivative contracts provided cash flows of R\$20.2 million in the nine months ended September 30, 2005 but represented a use of cash of R\$8.8 million in the nine months ended September 30, 2004.

Celular CRT paid only minimal dividends and interest on shareholders' equity in the nine months ended September 30, 2005 and 2004 because those payments are typically recorded in the fourth quarter. Celular CRT paid dividends and interest on shareholders' equity of R\$56.1 million in 2004, R\$30.5 million in 2003 and R\$35.7 million in 2002.

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As of September 30, 2005, Celular CRT's total debt position was as follows:

<u>Debt</u>	<u>Amount outstanding as of September 30, 2005</u>
	<u>(R\$ millions, unaudited)</u>
Financing from banks	140.2
Interest	0.5
Total long-term debt, excluding the short-term portion	133.3
Short-term debt	7.3
Total debt	140.6

Celular CRT's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

<u>Year Ending December 31,</u>	<u>Principal amount</u>
	<u>(R\$ millions, unaudited)</u>
2007	133.3

As of September 30, 2005, Celular CRT's total debt was R\$140.6 million, all of which was denominated in U.S. dollars (U.S.\$63.3 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, Celular CRT has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, Celular CRT's derivatives positions produced a loss of R\$24.9 million, which was offset by the R\$40.7 million of exchange gains on Celular CRT's foreign currency-denominated debt. As of September 30, 2005, Celular CRT had derivative contracts that covered amounts in excess of its foreign currency-denominated debt.

Celular CRT is exposed to interest rate risk as a consequence of its floating rate debt. As of September 30, 2005, approximately 100% of Celular CRT's interest-bearing liabilities bore interest at floating rates, namely LIBOR.

Some of the debt agreements of Celular CRT contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios involve (1) interest coverage ratios and (2) debt to capital ratios. As of September 30, 2005, Celular CRT was in compliance with its restrictive covenants. See note 12 to Celular CRT's unconsolidated financial statements included



in this prospectus.

*Off-Balance Sheet Arrangements*

As of September 30, 2005, there were no off-balance sheet arrangements. Celular CRT's majority-owned subsidiary is included in its consolidated financial statements. Celular CRT does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

**Table of Contents****PART FOUR INFORMATION ON THE VIVO COMPANIES***Contractual Obligations and Commercial Commitments*

The following table represents Celular CRT's consolidated contractual obligations and commercial commitments as of December 31, 2004:

	Payments due by period in millions of reais				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 years
Contractual obligations:					
Long-term debt(1)	268.0	107.1	160.9	0.0	0.0
Capital lease obligations					
Operating leases	480.9	48.6	95.7	94.0	242.6
Unconditional purchase obligations(2)	169.5	168.2	1.3	0.0	0.0
Other long-term obligations	32.0	14.1	17.9	0.0	0.0
<b>Total contractual cash obligations</b>	<b>950.4</b>	<b>338.0</b>	<b>275.8</b>	<b>94.0</b>	<b>242.6</b>

- (1) Not including future interest payments on debt or payments under foreign currency derivatives. We are unable to determine future interest payments because Celular CRT's debt bears interest at floating rates, and we cannot accurately predict future interest or foreign currency rates. See the discussion above regarding the nature of Celular CRT's debt and certain related derivative contracts.
- (2) These obligations relate to improvements to the network.

Total contractual obligations as of September 30, 2005 were R\$685.7 million. This reduction was mainly caused by a decrease in long-term debt and unconditional purchase obligations.

*U.S. GAAP Reconciliation*

Celular CRT prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$123.0 million and R\$105.6 million, respectively, under U.S. GAAP, compared to net income of R\$131.9 million and R\$104.4 million, respectively, under Brazilian GAAP. Under U.S. GAAP, net income was R\$52.8 million in 2002, R\$283.3 million in 2003 and R\$169.0 million in 2004, compared to net income of R\$147.6 million in 2002, R\$189.4 million in 2003 and R\$182.0 million in 2004 under Brazilian GAAP.

Shareholders' equity was R\$971.5 million as of December 31, 2003, R\$1,065.2 million at December 31, 2004 and R\$1,228.9 million as of September 30, 2005 under U.S. GAAP, compared to shareholders' equity of R\$954.9 million as of December 31, 2003, R\$1,061.6 million as of December 31, 2004 and R\$1,224.2 million as of September 30, 2005 under Brazilian GAAP.

See note 19 to Celular CRT's unaudited consolidated financial statements and note 31 to Celular CRT's audited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to Celular CRT and a reconciliation to U.S. GAAP of net income and total shareholders' equity.

*Celular CRT's Quantitative and Qualitative Disclosures About Market Risk*

Celular CRT is exposed to market risk from changes in both foreign currency exchange rates and interest rates. Celular CRT is exposed to foreign currency exchange risk because certain of its costs (mostly interest on debt, capital expenditures and the purchase of handsets) are all or partially denominated in currencies (primarily the U.S. dollar) other than those in which Celular CRT earns revenues (primarily the *real*). Similarly, Celular CRT is subject to market risk resulting from changes in interest rates that may affect the cost of its financing.

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### **PART FOUR INFORMATION ON THE VIVO COMPANIES**

Celular CRT has entered into derivative instruments, such as foreign currency swaps, to manage the exchange rate risk. Celular CRT does not hold or issue derivative or other financial instruments for trading purposes.

#### *Exchange Rate Risk*

The principal foreign exchange rate risk faced by Celular CRT arises from its U.S. dollar-denominated indebtedness. At September 30, 2005, Celular CRT had U.S.\$63.3 million of indebtedness denominated in U.S. dollars. Celular CRT's revenues are earned almost entirely in *reais*, and Celular CRT has no material U.S. dollar-denominated assets, except for its derivative contracts. As of September 30, 2005, all of Celular CRT's U.S. dollar-denominated indebtedness and other foreign exchange liabilities were covered by derivative agreements. Under those derivative agreements, Celular CRT's subsidiary's U.S. dollar-denominated obligations are swapped for *real*-denominated obligations bearing interest at rates linked to the CDI rate.

Celular CRT's foreign currency-denominated obligations produced a gain of R\$40.9 million in the nine months ended September 30, 2005, a gain of R\$23.3 million in 2004, a gain of R\$111.1 million in 2003 and a loss of R\$223.3 million in 2002. This was offset by Celular CRT's derivatives, which produced a loss of R\$62.1 million in the nine months ended September 30, 2005, a loss of R\$43.5 million in 2004, a loss of R\$144.9 million in 2003 and a gain of R\$239.9 million in 2002. The unrealized gain, net of unrealized costs on foreign exchange derivatives contracts was R\$12.5 million and R\$66.9 million at December 31, 2004 and 2003 respectively. At December 31, 2002, the unrealized gain, net of unrealized costs on foreign exchange derivatives contracts was R\$243.0 million.

The potential loss to Celular CRT over one year that would have resulted from a hypothetical, instantaneous and unfavorable change of 1,000 basis points in the foreign exchange applicable to financial assets and liabilities at September 30, 2005 would be approximately R\$14.1 million. On the other hand, Celular CRT's derivative instruments would have a gross gain of R\$14.1 million. Exchange rate sensitivity analysis was made by applying a 10% change to the Brazilian Central Bank exchange rate at September 30, 2005 of R\$2.2222 to U.S.\$1.00, which would represent a devaluation of the *real* of R\$0.2222. We then assumed that this unfavorable currency move would be sustained from September 30, 2005 through September 30, 2006. The foreign exchange loss that affects financial expenses was calculated by applying such devaluation to our indebtedness and foreign exchange purchase commitments, net of derivative instruments.

#### *Interest Rate Risk*

Celular CRT is exposed to interest rate risk as a result of investments of cash and cash equivalents, mainly in short-term *real*-denominated instruments. At September 30, 2005, this amount totaled R\$419.3 million.

Additionally, Celular CRT is exposed to interest rate risk as a consequence of its floating rate debt in U.S. dollars and due to the nature of its derivative agreements, whereby its U.S. dollar-denominated obligations are swapped into *real*-denominated obligations bearing interest linked to the CDI. At September 30, 2005, Celular CRT had R\$140.7 million in loans and financing outstanding, all of which bore interest at floating rates. Celular CRT has not entered into derivative contracts or made other arrangements to hedge against this risk. Thus, if interest rates rise, then its financing expenses will probably increase. Celular CRT continuously monitors interest rates to determine whether it should enter into derivative arrangements to protect against this risk.



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**PART FOUR INFORMATION ON THE VIVO COMPANIES**

The potential gain to Celular CRT over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate applicable to financial assets and liabilities at September 30, 2005 would be approximately R\$2.5 million. This sensitivity analysis is based on the assumption of an unfavorable 100 basis points increase in the interest rates applicable to each homogeneous category of financial assets and liabilities and sustained over a period of one year. A homogeneous category is defined according to the currency in which financial assets and liabilities are denominated and assumes the same interest rate movement within each homogeneous category, such as U.S. dollars. As a result, Celular CRT's interest rate risk sensitivity model may overstate the impact of interest rate fluctuations for such financial instruments, as consistently unfavorable movements of all interest rates are unlikely.

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**PART FIVE THE MERGER**

**Reasons for the Merger**

We believe that the merger will enable us to:

align the interests of the shareholders of TCP, of its subsidiary TCO, and of TLE, TSD and Celular CRT, which are all currently under common control;

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold;

simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base; and

take advantage of important synergies among the companies, which are already operating under a common brand name, VIVO.

See Part Two: Summary Terms of the Merger Purposes of and Reasons for the Merger for more information on the reasons for the merger and why we selected this transaction structure.

**Effects of the Merger**

See Part Two: Summary Terms of the Merger Effects of the Merger on TCP, the Targets and Their Affiliates and Effects of the Merger on Unaffiliated Shareholders for a discussion of the benefits and actual or potential adverse effects of the merger on TCP, the Targets, their affiliates and unaffiliated shareholders.

**Background for the Merger**

*Privatization of Telebrás*

Before its privatization in 1998, Telebrás and its operating subsidiaries, which we refer to collectively as the Telebrás system, held a near monopoly over the provision of public telecommunications services in Brazil. In 1995, the Brazilian federal government began a comprehensive reform of Brazil's telecommunications regulatory system.

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In July 1997, Brazil's national congress adopted the General Telecommunications Law, which provided for the establishment of a new regulatory framework, the introduction of competition and the privatization of the Telebrás system.

In January 1998, in preparation for the restructuring and privatization of the Telebrás system, the cellular telecommunications operations of the Telebrás system were spun off into separate companies. In May 1998, the Telebrás system was restructured to form, in addition to Telebrás, 12 new holding companies. Virtually all of the assets and liabilities of Telebrás's operating subsidiaries were allocated to the new holding companies, which we refer to as the New Holding Companies. The New Holding Companies, together with their respective subsidiaries, consisted of (1) eight cellular holding companies, each in one of eight cellular regions, holding one or more operating companies that provide cellular services; (2) three wireline holding companies, each in one of three wireline regions, holding one or more operating companies that provide local and intraregional long distance services; and (3) Embratel Participações S.A., a holding company of Empresa Brasileira de Telecomunicações S.A. Embratel.

TCP, TCO, TLE and TSD were New Holding Companies. In connection with the reorganization of the Telebrás system:

TCP was allocated all of the share capital held by Telebrás in Telesp Celular, one of the cellular operating companies that provided cellular telecommunications services in the state of São Paulo;

TCO was allocated all of the share capital held by Telebrás in the operating subsidiaries that provided cellular telecommunications service in the western concession region formerly known as Area 7;

TLE was allocated all of the share capital held by Telebrás in the operating subsidiaries that provided cellular telecommunications services in the states of Bahia and Sergipe; and

TSD was allocated all of the share capital held by Telebrás in one of the cellular operating companies that provided cellular telecommunications services in the states of Rio de Janeiro and Espírito Santo.



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### **PART FIVE THE MERGER**

In July 1998, as part of its restructuring and privatization plan, the Brazilian federal government sold substantially all of its common shares of the New Holding Companies to private sector buyers.

#### *Privatization of Companhia Riograndense de Telecomunicações*

In connection with the reorganization of Companhia Riograndense de Telecomunicações, the government of the state of Rio Grande do Sul sold to Telefónica S.A., or Telefónica, both the fixed line and cellular telecommunications operations, which were then split on June 25, 1998, resulting in the organization and spin off of Celular CRT, the operator that provided cellular telecommunications services in the state of Rio Grande do Sul.

#### *Ownership of TCP, TCO, TLE, TSD and Celular CRT After the Privatization*

##### *TCP and its Subsidiaries*

The federal government's shares of TCP were purchased by Portelcom Participações S.A., or Portelcom, a consortium comprised of Portugal Telecom S.A., or Portugal Telecom, which owned 64.2% of Portelcom, and Telefónica, which owned the remaining 35.8% of the shares in Portelcom. In July 1998, Portelcom acquired 51.8% of the common stock of TCP. In 2000, Portugal Telecom increased its participation in TCP to 85.1% of the common shares and 17.7% of the preferred shares through a public tender offer and a later capital increase of TCP.

In November 2000, after the approval of Anatel, Telefónica effected a stock swap transaction with Portugal Telecom involving their participations in Telesp Celular and Telecomunicações de São Paulo S.A.-TELESP, known as Telesp. In the stock swap transaction, Telefónica swapped 35.8% of its direct and indirect stake in Portelcom for Portugal Telecom's 23% indirect stake in SP Telecomunicações Holding. SP Telecomunicações Holding was a consortium of Portugal Telecom and Telefónica Móviles that invested in fixed telecommunications. As a consequence of such stock swap transaction, Telefónica Móviles exited from its investment in Portelcom and Portugal Telecom exited from its investment in SP Telecomunicações Holding. This transaction increased Portugal Telecom's participation in Telesp Celular from 36.2% to 41.2%.

In September 2002, TCP undertook a R\$2.5 billion capital increase. After this capital increase, Portugal Telecom's participation in TCP increased to 93.7% of the voting shares, 49.8% of the preferred shares and 65.1% of the total capital.

On January 23, 2001, Portugal Telecom and Telefónica Móviles entered into a strategic agreement to create a cellular services company in Brazil that would aggregate all of their investments in cellular telecommunications businesses to the extent permitted under Brazilian law. In December 2002, Anatel approved the joint venture between Portugal Telecom and Telefónica Móviles. This joint venture, named Brasilcel N.V., or Brasilcel, with headquarters in the Netherlands, is managed by Portugal Telecom and Telefónica Móviles on an equal basis.

In December 2002, Portugal Telecom and Telefónica Móviles transferred to Brasilcel all their direct and indirect interests in TCP, TCO, TLE, TSD and Celular CRT.

As of September 30, 2005, TCP was controlled by Brasilcel (57.23% of our total capital stock) and Portelcom (8.86% of our total capital stock). Portelcom is a direct and indirect wholly owned subsidiary of Brasilcel.

Telesp Celular has been a wholly owned subsidiary of TCP since a corporate restructuring in January 2000.

Global Telecom was formed to acquire a B Band cellular concession in the states of Paraná and Santa Catarina, known as Area 5. In April 1998, Global Telecom won the concession for Area 5 and, after building out its network, began commercial operations in December 1998. In February 2001, TCP acquired an 81.61% indirect economic interest in Global Telecom through the acquisition of 49% of the voting shares and 100% of the non-voting shares of each of three holding companies that collectively held 95% of the voting shares and

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100% of the non-voting shares of Global Telecom. The remaining 5% of Global Telecom's voting shares were held by another investor who, upon authorization from Anatel in July 2001, sold them to the three holding companies. On December 11, 2002, after all of the TCP operators had switched over to the SMP regime, Anatel approved TCP's acquisition of the remaining capital stock of the three holding companies, and TCP acquired the remaining portion of those three holding companies on December 27, 2002. On March 31, 2003, after a restructuring process, TCP became the direct holder of 100% of the capital stock of Global Telecom.

On April 25, 2003, TCP acquired 61.1% of the total common shares (including treasury shares) of TCO from Fixcel S.A., or Fixcel. On October 9, 2003, TCP launched a tender offer for the remaining common shares of TCO in compliance with Brazilian law, and TCP acquired 74.2% of the available outstanding common shares pursuant to that tender offer.

On October 8, 2004, TCP purchased preferred shares of TCO representing 32.8% of TCO's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, TCP acquired additional voting capital stock of TCO in a capital increase. See Part Four: Information on the VIVO Companies Recent Developments.

The following table provides a summary of TCP's purchases of TCO's shares in the past three years.

Period	Common shares			Preferred shares				
	Number of shares purchased(1)	Price			Number of shares purchased(1)	Price		
		High	Low	Average		High	Low	Average
	(reais)			(reais)				
2003								
First quarter								
Second quarter	25,752,136	58.46	58.46	58.46				
Third quarter								
Fourth quarter	10,735,274	50.20	50.20	50.20				
2004								
First quarter	704,586	25.47	25.47	25.47				
Second quarter	2,386	13.50	13.50	13.50				
Third quarter								
Fourth quarter					28,084,178	32.10	32.10	32.10
2005								
First quarter								
Second quarter								
Third quarter	2,966,415	20.56	20.56	20.56				
Fourth quarter								

(1) Amounts reflect retroactively the reverse stock split completed in May 2005. See Part Four: Information on the VIVO Companies Recent Developments.

As a result of these transactions, TCP now holds 90.6% of TCO's common shares, 32.8% of TCO's preferred shares and 52.5% of TCO's total capital stock.

*TCO and its Subsidiaries*

The federal government's shares of TCO were purchased by Splice do Brasil Telecomunicações e Electronica S.A., or Splice, through BID S.A., its subsidiary at the time.

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**PART FIVE THE MERGER**

Telebrasília, Telegoiás, Telemat, Telems, Teleron and Teleacre were formed on January 5, 1998 by spinning off the cellular telecommunications operations of various operating subsidiaries of Telebrás. Telebrasília merged into TCO on April 26, 2002.

On October 19, 1998, Tele Centro Oeste/Inepar, a consortium comprised of Inepar S.A. Indústria e Construções and TCO, was awarded a license to provide cellular telecommunications services in the northwestern concession area formerly known as Area 8. On May 21, 1999, TCO acquired 45% of Tele Centro Oeste/Inepar from Inepar, increasing its holding in the consortium to 95%. Upon acquiring control, TCO renamed Tele Centro Oeste/Inepar Norte Brasil Telecom S.A., or NBT, and registered it as a non-publicly held company.

On November 21, 2000, SPLICE IP S.A. was formed as a closed corporation. TCO held 100% of its preferred shares and Splice held 99.99% of its common shares. As of March 5, 2001, the control of SPLICE IP S.A. passed to TCO when TCO bought 99.99% of the common shares from Splice and renamed the entity TCO IP S.A.

In 2000 and 2001, TCO conducted tender offers for the remaining publicly held common and preferred shares of Telegoiás, Telemat, Telems, Teleron and Teleacre. Although these tender offers are complete, from time to time TCO voluntarily repurchases small numbers of publicly held shares.

On December 31, 2001, Splice transferred all of its shares of BID S.A. to Fixcel. Fixcel sold its interest in TCO to TCP in April 2003, as described in TCP and its Subsidiaries above.

*TLE and its Subsidiaries*

As noted above, when the cellular telecommunications businesses of the operating subsidiaries of Telebrás were spun off as individual companies, TLE received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the states of Bahia and Sergipe, namely, Telebahia Celular and Telergipe Celular.

In July 1998, the federal government sold almost all of its common shares in the holding companies resulting from the spin-off, including those of TLE, which were purchased by a consortium formed by Iberdrola Investimentos Sociedade Unipessoal Ltda., an investment company controlled by Iberdrola S.A. and Telefónica Internacional S.A., a subsidiary of Telefónica.

On May 17, 1999, Iberoleste Participações S.A. purchased 3.07% of Telebahia's capital stock and 6.54% of Telergipe's capital stock in a tender offer. In February 2000, Telefónica and Iberdrola transferred their shares to Iberoleste, maintaining their same percentage interest in the consortium.

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On April 5, 2001, Telefónica purchased all the capital stock directly and indirectly held by the Iberdrola Group in TLE.

In 2002 Telefónica transferred to Brasilcel all its interests in TLE.

On October 8, 2004, Avista Participações Ltda., a subsidiary of Brasilcel, purchased common shares of TLE representing 10.0% of TLE's total common shares and preferred shares of TLE representing 29.51% of TLE's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of TLE in a capital increase. See Part Four: Information on the VIVO Companies Recent Developments.

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### **PART FIVE THE MERGER**

As a result of these transactions, Brasilcel now holds 68.72% of TLE s common shares, 40.95% of TLE s preferred shares and 50.67% of TLE s total capital stock.

#### *TSD and its Subsidiaries*

As noted above, when the cellular telecommunications businesses of the operating subsidiaries of Telebrás were spun off as individual companies, TSD received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the States of Rio de Janeiro and Espírito Santo, namely, Telerj Celular and Telest Celular, respectively.

In July 1998, the federal government sold almost all of its common shares in the holding companies resulting from the spin-off, including those of TSD, which were purchased by a consortium formed by Telefónica Internacional S.A., Iberdrola Investimentos Sociedade Unipessoal Ltda., NTT Mobile Communications Network, Inc. and Itochu Corporation.

In May 2000, Telefónica acquired 67.51% of TSD s capital stock through an exchange offer. On April 5, 2001, Telefónica purchased from the Iberdrola group, with the authorization of Anatel, 7% of the capital stock of Sudestecel Participações S.A., a holding company that controlled TSD.

In 2002 Telefónica transferred to Brasilcel all its interests in TSD.

On October 8, 2004, Avista Participações Ltda. purchased common shares of TSD representing 3.27% of TSD s total common shares and preferred shares of TSD representing 4.89% of TSD s total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of TSD in a capital increase. See Part Four: Information on the VIVO Companies Recent Developments.

As a result of these transactions, Brasilcel now holds 92.01% of TSD s common shares, 90.27% of TSD s preferred shares and 91.03% of TSD s total capital stock.

#### *Celular CRT*

Cellular telecommunications services were first offered in the state of Rio Grande do Sul in December 1992 by a business unit of CRT Companhia Riograndense de Telecomunicações. The fixed and cellular operations of CRT were split on June 25, 1998, and the cellular operations were spun off as Celular CRT.

On May 4, 1999, Celular CRT obtained its registration as a publicly-held company with the CVM for the trading of its shares on the over-the-counter market organized by Sociedade Operadora do Mercado de Ativos SOMA, starting on May 17, 1999. On September 8, 1999, Celular CRT registered with the Extremo Sul Stock Exchange and Bovespa, pursuant to the applicable laws. The main shareholder of Celular CRT was the state of Rio Grande do Sul. In 1996, the state of Rio Grande do Sul sold part of its stake in Celular CRT to Telefónica. In 1998, the remaining stake of the state of Rio Grande do Sul was sold to Telefónica. In 1999, Portugal Telecom subscribed a share capital increase of Celular CRT.

In 2002, the shares owned by PT Móveis Serviços de Telecomunicações, SGPS and Telefónica were transferred to Brasilcel.

On October 8, 2004, Avista Participações Ltda. purchased common shares of Celular CRT representing 4.48% of Celular CRT's total common shares and preferred shares of Celular CRT representing 23.44% of Celular CRT's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock



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### **PART FIVE THE MERGER**

Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of Celular CRT in a capital increase. See Part Four: Information on the VIVO Companies Recent Developments.

As a result of these transactions, Brasilcel now holds 90.57% of Celular CRT's common shares, 51.47% of Celular CRT's preferred shares and 68.77% of Celular CRT's total capital stock (excluding treasury shares).

#### *VIVO*

TCP, TCO, TLE, TSD and Celular CRT are all controlled by Brasilcel and have been operating under the brand name VIVO since April 2003. The common commercial strategy of VIVO is to increase customer base as well as revenues, by acquiring new customers as well as maintaining distribution channels.

In particular, VIVO's current strategy focuses on improving its relationship with its best customers, as well as growing in order to benefit from the market potential. VIVO intends to pursue this strategy through technological diversification, the maintenance of a customer-driven strategy aimed at achieving a balance between competitive pricing and quality service, and market segmentation in order to better tailor its commercial efforts.

VIVO's strategy also focuses on managing its business prudently and achieving consistency in its results by adapting to the unique competitive environment of each individual region in which it operates. Ultimately, VIVO pursues a balance of growth and profitability, in order to maintain its margins within manageable levels and avoid loss of value.

According to data published by Anatel, VIVO has 36.1% of the total market in Brazil and 45.9% of the total market in its authorized areas, with 28.8 million users as of September 30, 2005. Its operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population.

Upon the completion of the merger of shares of TCO and the merger of companies of each of TLE, TSD and Celular CRT with TCP, TCP will be renamed Vivo Participações S.A. and will be the holding company of TCO and of the subsidiaries of TLE, TSD and Celular CRT.

#### *Merger*

On December 4, 2005, the board of executive officers (*diretorias*) of TCP, TCO, TLE, TSD and Celular CRT signed a Protocol of Merger of Shares and Merger of Companies and Instrument of Justification containing the terms and conditions of the merger and outlining the reasons for the merger of shares of TCO and the merger of companies of TLE, TSD and Celular CRT, with TCP. On the same date, the boards of directors

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(*conselhos de administração*), of TCP and of each of TCO, TLE, TSD and Celular CRT approved the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification.

On December 4, 2005, the board of auditors (*conselhos fiscais*) of TCP and of each of TCO, TLE, TSD and Celular CRT reviewed the terms and conditions of the merger in separate meetings and issued favorable opinions with respect to the merger.

On December 5, 2005, TCP, TCO, TLE, TSD and Celular CRT published notices of extraordinary meetings of their respective voting shareholders to approve the merger.

Extraordinary general shareholders meetings to approve the merger are scheduled for February 22, 2006.

Because the VIVO companies are under common control and are guided by a common management team, employees of TCP, TCO, TLE, TSD and Celular CRT have been involved in preparing for and implementing the

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### **PART FIVE THE MERGER**

merger in the ordinary course of their work, including personnel from the planning, investor relations, finance, accounting and legal departments. This work has included preparation of disclosure for this prospectus and preparation of materials relating to the mergers for disclosure in accordance with Brazilian law. Similarly, officers of the Targets may have been involved in the preparation and implementation of the merger to the extent they are also officers of TCP.

#### **Terms of the Merger**

##### ***General***

The merger must be approved at separate extraordinary general meetings of the shareholders of TCP and of each of TCO, TLE, TSD and Celular CRT scheduled to be held on February 22, 2006.

The completion of the merger of shares of TCO with TCP, and of the merger of companies of TLE, TSD and Celular CRT into TCP is contingent upon the approval at the shareholder meetings of holders of at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders meeting, and holders of at least 50% plus one of the aggregate common shares of TCO, TSD and Celular CRT, respectively. The completion of the merger of TLE with TCP is contingent upon the approval at the shareholder meetings of holders of at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general shareholders meeting, and holders of at least 50% plus one of the aggregate common shares and preferred shares of TLE. The holders of preferred shares of TCP and TLE will be entitled to vote on the transaction because those shares currently have voting rights due to the nonpayment of dividends. See Part Six: Shareholder Rights Information About Historical Dividend Payments TCP and TLE.

If the merger is approved:

TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company;

holders of common shares of TCO and direct holders of preferred shares of TCO will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TCO will receive 3.0830 ADSs of TCP for each ADS they hold in the manner described in Receipt of Shares and ADSs of TCP ;

holders of common shares of TLE and direct holders of preferred shares of TLE will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.8998 ADSs of TCP for each ADS they hold in the manner described in Receipt of Shares and ADSs of TCP ;

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holders of common shares of TSD and direct holders of preferred shares of TSD will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.2879 ADSs of TCP for each ADS they hold in the manner described in Receipt of Shares and ADSs of TCP ; and

holders of common shares or preferred shares of Celular CRT will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; Celular CRT does not have and ADS program.

Brasilcel holds, directly and indirectly, 92.51% of the common shares and 50.02% of the preferred shares of TCP, representing 66.09% of TCP s total voting shares, and has represented to TCP that it and its subsidiaries will vote the shares of TCP they hold in favor of the merger.

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### **PART FIVE THE MERGER**

TCP holds 90.59% of the voting common shares of TCO, and it intends to vote the shares of TCO it holds in favor of the merger.

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of the voting common shares of TSD and 90.57% of the voting common shares of Celular CRT, and has represented to TCP that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

Brasilcel and its subsidiaries will hold no less than 89.03% of TCP's common shares after the merger, assuming that none of the common shareholders of TCP, TCO, TLE and Celular CRT, and none of the common and preferred shareholders of TSD, exercises appraisal rights in connection with the merger.

Under the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, governing the merger, TCP will undergo a capital increase in the amount of R\$2,631,136,636.01 as a result of the merger, from R\$6,670,152,498.26 to R\$9,301,289,134.27, assuming that common shareholders of TCP, TCO, TLE and Celular CRT, and common and preferred shareholders of TSD do not exercise appraisal rights in connection with the merger. The agreements also provide that Celular CRT's preferred shares held in treasury will be transferred to TCP in connection with the merger. The Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, which is filed as exhibit to the registration statement of which this prospectus is a part, is incorporated by reference into this prospectus.

Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, regulations permit the acquiror of a publicly held company to capitalize the tax benefits arising from the amortization of goodwill generated in the acquisition of that company, so long as preemptive rights are extended to the other shareholders of the publicly held company in connection with the capital increase. At the time of the merger, any rights previously held by TCP, in connection with its existing investment in TCO, or by certain controlling shareholders, in the case of TLE and Celular CRT, to capitalize credits of such companies will remain in effect. As a result, upon the merger TCP will retain its prior rights to capitalize its credits in TCO and such controlling shareholders will acquire the right to use their credits in future capital increases of TCP. See the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, which is incorporated herein by reference. See Part Seven: Additional Information for Shareholders Where You Can Find More Information for instructions on how to obtain copies of this document.

There are no conditions to the completion of the merger of shares of TCO with TCP or the merger of companies of each of TLE, TSD and Celular CRT into TCP other than shareholder approval by both TCP, on the one side, and TCO, TLE, TSD and Celular CRT, respectively, on the other side.

The approval of the merger by the CVM is not a condition to the merger. However, the CVM has the authority to suspend the shareholders meetings for up to 15 days if it believes such a suspension is necessary to enable it to analyze the transaction and verify that it does not breach applicable laws and regulations. See Part Three: Risk Factors Risks Relating to the Merger The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders' meetings scheduled to approve the merger.

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**PART FIVE THE MERGER**

*Date, Time and Place of the Meeting*

The extraordinary general shareholders meeting of each of TCP, TCO, TLE, TSD and Celular CRT is scheduled to be held as follows:

February 22, 2006

2 p.m., local time

Telesp Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 - São Paulo, SP

Brazil

Tele Centro Oeste Celular Participações S.A.

SCS - Quadra 2, Bloco C, 226

Edifício Telebrasilíia Celular, 7º andar

70302-916 - Brasília, DF

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botafogo, 501

Torre Corcovado, 7º andar

22250-040 - Rio de Janeiro, RJ

Brazil

Tele Leste Celular Participações S.A.

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Av. Roque Petroni Júnior, 1464

04707-000 - São Paulo, SP

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245, Farroupilha

90040-130 - Porto Alegre, RS

Brazil

Under the Brazilian corporation law, you may be required to show documents proving your identity to gain admittance to the meeting, provided you are entitled to attend the meeting. If you grant a proxy to someone to act for you at the meeting, your proxy will be required to show original or certified copies of the documents that grant him or her powers of representation. The proxy must be deposited at the head office of TCP, TCO, TLE, TSD or Celular CRT, as the case may be, no later than 2 p.m., local time, two days before the applicable meeting and may be revoked in accordance with the Brazilian corporation law.

*TCP*

If you hold common shares, you may attend and vote at the TCP meeting.

If you hold preferred shares, you may attend and vote at the TCP meeting.

If you hold ADSs, you are not entitled to attend the TCP meeting, but you may communicate your voting instructions to the TCP depositary.

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**PART FIVE THE MERGER**

***TCO***

If you hold common shares, you may attend and vote at the TCO meeting.

If you hold preferred shares, you may attend the TCO meeting, but you may not vote.

If you hold ADSs, you are not entitled to attend or vote at the TCO meeting.

***TLE***

If you hold common shares, you may attend and vote at the TLE meeting.

If you hold preferred shares, you may attend and vote at the TLE meeting.

If you hold ADSs, you are not entitled to attend the TLE meeting, but you may communicate your voting instructions to the TLE depository.

***TSD***

If you hold common shares, you may attend and vote at the TSD meeting.

If you hold preferred shares, you may attend the TSD meeting, but you may not vote.

If you hold ADSs, you are not entitled to attend or vote at the TSD meeting.

***Celular CRT***

If you hold common shares, you may attend and vote at the Celular CRT meeting.

If you hold preferred shares, you may attend the Celular CRT meeting, but you may not vote.



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We have set a record date of December 19, 2005 for purposes of holders of TCP or TLE ADSs who wish to instruct the applicable depository how to vote the preferred shares underlying those ADSs. That is, holders of ADSs of TCP or TLE as of the close of business on December 19, 2005 may instruct the applicable depository how to vote the preferred shares underlying the ADSs they held on that date. A voting instruction form is available to holders of TCP or TLE ADSs from the applicable depository. If you are a TCP or TLE ADS holder and you do not receive a voting instruction form, you may call The Bank of New York toll-free at 1-888-BNY-ADRS or contact The Bank of New York at 101 Barclay Street, New York, NY 10286. Your voting instructions must be received by The Bank of New York prior to 3:00 p.m., New York City time, on February 16, 2006. Any revocation of your voting instructions must be in writing and must be received by the time indicated in the preceding sentence.

There is no record date for purposes of determining direct holders of common shares of TCP or the Targets or preferred shares of TCP or TLE entitled to vote. Abstentions are counted for purposes of establishing a quorum but are not counted as votes for or against any matter voted on at a meeting.

Neither TCP nor any of its affiliates is requesting that you send it a proxy. Because Brasilcel and TCP hold a majority of the voting shares of each of the companies involved in the merger, the vote of the unaffiliated shareholders is not needed in order to approve the transaction.

### **Receipt of Shares and ADSs of TCP**

If the merger is approved, each common share or preferred share:

of TCO will become 3.0830 common shares or preferred shares, respectively, of TCP;

of TLE will become 3.8998 common shares or preferred shares, respectively, of TCP;

of TSD will become 3.2879 common shares or preferred shares, respectively, of TCP; and

of Celular CRT will become 7.0294 common shares or preferred shares, respectively, of TCP,

in each case without any action by you. Because the common shares and preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares received in the merger. Neither you nor any other person will receive certificates evidencing common shares or preferred shares of TCP.

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**PART FIVE THE MERGER**