

TELESP HOLDING CO
Form 6-K
June 26, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

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

For the month of June, 2009

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

Rua Martiniano de Carvalho, 851 - 21 andar

São Paulo, S.P.

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Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

TELESP HOLDING COMPANY

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1. Press Release entitled "*Telecomunicações de São Paulo S.A. - Telesp - Quarterly Review*" dated on March 31, 2009.
-

Quarterly Review

Telecomunicações de São Paulo S.A. -

TELESP

Quarter ended March 31, 2009

with Review Report of Independent Auditors

(A free translation of the original issued in Portuguese)

Telecomunicações de São Paulo S.A. - TELESP

Quarterly information

March 31, 2009

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Special Review Report of Independent Auditors on Quarterly Information

Shareholders, Management and Board Members

Telecomunicações de São Paulo S.A. - TELESP

São Paulo - SP

1. We have reviewed the Quarterly Information (ITR) from parent Company and Consolidated of Telecomunicações de São Paulo S.A. □ TELESP, for the quarter ended March 31, 2009, including the balance sheets, the statements of income, shareholders□ equity and of cash flows, the performance report and related notes. This financial information was prepared by the Company□s management.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors - IBRACON, in conjunction with the Brazilian Association of State Boards of Accountancy - CFC, mainly comprising: (a) inquiries of and discussions with, the officials responsible for the accounting, financial and operational areas of the Company relating to the main criteria adopted for preparing the Quarterly

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Information; and (b) review of information and subsequent events that had or might have had relevant effects on the financial position and results of operations of Telecomunicações de São Paulo S.A. - TELESP.

3. Based on our review, we are not aware of any significant changes that should be made to the aforementioned Quarterly Information, for it to be in conformity with the accounting practices adopted in Brazil and with rules set forth by the Brazilian Securities and Exchange Commission - CVM applicable to the preparation of the Quarterly Information.

4. As mentioned in Note 3, as a result of the changes in the accounting practices adopted in Brazil in 2008, the statements of income for the first quarter of 2008, presented for comparison purposes, were adjusted and are being restated as required by Accounting Procedure NPC 12 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors, approved by CVM Rule No. 506. The statements of cash flows are presented by Telecomunicações de São Paulo S.A. – TELESP for the first time for Quarterly Information purposes, including the effects of changes in the accounting practices adopted in Brazil in 2008, being, thus, comparable between the quarters presented.

São Paulo, May 7, 2009.

ERNST & YOUNG

Auditores Independentes S.S. CRC-2SP015199/O-6

Luiz Carlos Marques

Accountant CRC-1SP147693/O-5

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Telecomunicações de São Paulo S.A. - TELESP

Balance sheets

March 31, 2009 and December 31, 2008

(In thousands of reais – R\$)

(A free translation of the original report issued in Portuguese)

	Note	Parent Company		Consolidated	
		03/31/09	12/31/08	03/31/09	12/31/08
Assets					
Current assets		5,801,006	5,902,763	6,550,076	6,491,595
Cash and cash equivalents	4	1,586,415	1,597,606	1,783,683	1,741,006
Trade accounts receivable, net	5	2,780,209	2,853,548	3,163,691	3,152,831
Deferred and recoverable taxes	6	973,839	957,642	1,088,398	1,064,281
Inventories	7	125,818	114,735	173,300	164,410
Derivatives	32	39,756	80,214	39,756	95,747
Other	8	294,969	299,018	301,248	273,320

Noncurrent assets		13,632,021	13,607,555	13,272,224	13,500,414
Trade accounts receivable, net		-	-	87,386	61,563
Deferred and recoverable taxes	6	787,742	803,687	796,540	813,477
Escrow deposits	9	704,556	678,583	737,883	711,300
Credit applications		125,000	-	-	-
Other		112,584	109,363	161,486	156,312
Investments	10	1,525,711	1,353,640	286,754	301,830
Property, plant and equipment, net	11	8,899,667	9,115,239	9,688,046	9,868,933
Intangible assets, net	12	1,476,761	1,547,043	1,514,129	1,586,999
Total assets		19,433,027	19,510,318	19,822,300	19,992,009

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	Note	Parent Company		Consolidated	
		03/31/09	12/31/08	03/31/09	12/31/08
Liabilities and shareholders' equity					
Current liabilities		4,858,891	5,399,517	5,201,068	5,846,874
Loans and financing	13	242,004	454,188	242,004	502,503
Debtentures	14	14,308	16,339	14,308	16,339
Trade accounts payable		1,726,792	2,030,787	1,997,948	2,314,698
Taxes payable	15	881,756	847,363	948,443	926,437
Dividends and interest on shareholders' equity	16	1,153,114	1,153,670	1,153,114	1,153,670
Reserve for contingencies	18	131,305	128,451	131,343	128,488
Payroll and related accruals	17	122,290	163,372	130,921	174,672
Derivative obligations	32	21,471	15,200	21,471	15,200
Other	19	565,851	590,147	561,516	614,867
Non-current liabilities		4,056,103	4,065,109	4,103,199	4,099,443
Loans and financing	13	1,714,355	1,717,352	1,714,355	1,717,352
Debtentures	14	1,500,000	1,500,000	1,500,000	1,500,000
Taxes payable	15	41,303	40,151	61,456	47,401

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Reserve for contingencies	18	566,238	567,220	569,771	570,778
Reserve for post-retirement benefit plans	30	152,412	148,770	152,412	148,770
Derivatives obligations	32	20,669	22,148	20,669	22,148
Other		61,126	69,468	84,536	92,994
Shareholders' equity	20	10,518,033	10,045,692	10,518,033	10,045,692
Capital		6,575,480	6,575,480	6,575,480	6,575,480
Special goodwill reserve		63,074	63,074	63,074	63,074
Capital reserves		2,670,488	2,670,488	2,670,488	2,670,488
Legal reserve		659,556	659,556	659,556	659,556
Adjustments for equity valuation		56,562	76,232	56,562	76,232
Cumulative translation adjustments		10,233	862	10,233	862
Retained earnings		482,640	-	482,640	-
Total liabilities and shareholders' equity		19,433,027	19,510,318	19,822,300	19,992,009

See accompanying notes.

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Telecomunicações de São Paulo S.A. - TELESP

Statements of income

Three-month periods ended March 31, 2009 and March 31, 2008

(In thousands of reais - R\$, except earnings per share)

(A free translation of the original report issued in Portuguese)

	Note	Parent Company		Consolidated	
		03/31/09	03/31/08	03/31/09	03/31/08
Gross operating revenue	22	5,389,427	5,312,917	5,823,983	5,570,496
Revenue deductions	22	(1,775,028)	(1,692,152)	(1,864,471)	(1,708,119)
Net operating revenue	22	3,614,399	3,620,765	3,959,512	3,862,377

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Cost of services provided	23	(2,034,042)	(1,975,001)	(2,321,658)	(2,142,195)
Gross profit		1,580,357	1,645,764	1,637,854	1,720,182
Operating expenses		(759,821)	(815,473)	(806,629)	(877,888)
Selling	24	(595,540)	(584,883)	(643,689)	(607,975)
General and administrative	25	(165,156)	(163,342)	(156,447)	(188,135)
Equity accounting in subsidiaries	10	(17,052)	6,321	5,656	5,532
Permanent asset disposal, net		(2,002)	2,017	(6,502)	652
Other operating income (expense), net	27	19,929	(75,586)	(5,647)	(87,962)
Income from operations before financial income (expense)		820,536	830,291	831,225	842,294
Financial income	26	110,684	87,801	121,492	90,337
Financial expense	26	(162,032)	(146,538)	(167,245)	(154,452)
Income before income tax and social contribution		769,188	771,554	785,472	778,179
Income and social contribution taxes	29	(286,548)	(282,823)	(302,832)	(289,448)
Net income		482,640	488,731	482,640	488,731
Outstanding number of shares at the balance sheet date □ in thousands	21	505,841	505,841		
Earnings per share - R\$		0,954133809	0,966175142		

See accompanying notes.

Notes to quarterly information

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

1. Operations and background

a) Controlling shareholders

Telecomunicações de São Paulo S.A. - Telesp (hereinafter Telesp or Company), is headquartered at Rua Martiniano de Carvalho, 851, in the capital of the State of São Paulo. Telesp belongs to the Telefónica Group, telecommunications industry leader in Spain and present in several European and Latin American countries. The Company is controlled by Telefónica S.A., which as of March 31, 2009, holds total indirect interest of 87.95% of which 85.57% are common shares and 89.13% are preferred shares.

b) Operations

The Company's basic business purpose is the rendering of fixed wire telephone services in the state of São Paulo, under Fixed Switch Telephone Service Concession Agreement - STFC granted by the National Communications Agency (ANATEL), which is in charge of regulating the telecommunications sector in Brazil (note 1.c hereafter). The Company has also authorizations from ANATEL, directly or through its subsidiaries, to provide other telecommunications services, such as data communication to the business market and broadband internet services under the *Speedy and Ajato* brand and pay TV services (i) by satellite all over the country (*Telefônica TV Digital*) and (ii) using MMDS technology in the cities of São Paulo, Rio de Janeiro, Curitiba and Porto Alegre.

The Company is registered with the Brazilian Securities Commission (CVM) as a public held company and its shares are traded on the São Paulo Stock Exchange (BOVESPA). The Company is also registered with the US Securities and Exchange Commission (SEC) and its American Depository Shares (ADSs - level II) are traded on the New York Stock Exchange (NYSE).

c) The STFC concession agreement

The Company is a concessionaire of the Fixed Switch Telephone Service (STFC) to render local and domestic long-distance calls originated in Region 3, which comprises the largest part of the State of São Paulo, in Sectors 31, 32 and 34, established in the General Concession Plan (PGO).

The current Concession Agreement's renewal, dated December 22, 2005, in force since January 1, 2006, awarded as an onerous title, will be valid until December 31, 2025.

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009 (In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

1. Operations and background (Continued)

c) The STFC concession agreement (Continued)

However, the agreement can be reviewed on December 31, 2010, 2015 and 2020. Such condition allows ANATEL to set up new requirements and goals for universalization and quality of telecommunication services, according to the conditions in force by that moment.

The Concession Agreement establishes that all assets owned by the Company and which are indispensable to the provision of the services described on such agreement are considered reversible assets and are deemed to be part of the concession assets. These assets will be automatically returned to ANATEL upon expiration of the concession agreement, according to the regulation in force by that moment. On March 31, 2009, the net book value of reversible assets is estimated at R\$6,702,586 (R\$6,929,532 on December 31, 2008), comprised mainly of switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

Every two years, during the agreement's new 20-year period, companies will have to pay a renewal fee which will correspond to 2% of its prior-year SFTC revenue, net of taxes and social contributions. The second payment of this biannual fee has occurred on April 30, 2009 by value of R\$203,333 based on the 2008 STFC net revenues.

d) Subsidiaries

The chart below sets out the list of direct and indirect subsidiaries of the Company as well as the percentage ownership shareholdings:

Subsidiaries	Mar/2009	Dec/2008	Mar/2008
A.Telecom S.A.	100%	100%	100%
Telefônica Data S.A.	100%	100%	100%
Telefônica Televisão Participações S.A.	-	-	100%
Telefônica Sistemas de Televisão S.A.	100%	100%	100%
Aliança Atlântica Holding B.V.	50%	50%	50%
Companhia AIX de Participações	50%	50%	50%
Companhia ACT de Participações	50%	50%	50%
TS Tecnologia da Informação Ltda.	100%	100%	100%
Ajato Telecomunicações Ltda.	100%	100%	-

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

2. Corporate events

a) Merger of Telefônica Data Brasil Participações Ltda. and Telefônica Televisão Participações S.A.

Pursuant to the Relevant Fact published on October 21, 2008, the Company's Board of Directors approved, on that date, the proposed corporate reorganization involving the Company, Telefônica Data do Brasil Participações Ltda.

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(DABR) and Telefônica Televisão Participações S.A. (TTP), as approved at the General Shareholders Meeting held by Telesp on November 11, 2008.

The transaction included the following steps:

1st Step: DABR was merged into Telesp and, as a result, the company and its shares ceased to exist. Telesp shares then owned by DABR were directly assigned to controlling shareholder SP Telecomunicações Participações Ltda. upon merger, with the rights applicable to outstanding shares issued by TELESP remaining unchanged. DABR's net equity included goodwill from Telesp shares, in the amount of R\$185,511, which was recorded at the acquisition date based on future profits. In accordance with Law No. 9532/1997, amortization of goodwill will provide Telesp a tax benefit of R\$63,074 to be capitalized by the controlling shareholder upon realization, pursuant to CVM Instruction No. 319/1999. Other shareholders have preemptive rights in the subscription of capital increases.

2nd Step: TTP was merged into Telesp, and, as a result, the company and its shares ceased to exist. Goodwill generated by the acquisition of this company in 2007 was recorded based on expected future profits, in the amount of R\$848,307, and will provide Telesp a tax benefit of R\$288,424.

For merger purposes, the net equities of TTP and DABR were measured at book value on September 30, 2008 and October 17, 2008, respectively, by an independent appraiser whose appointment was ratified at the General Shareholders Meeting held by Telesp on November 11, 2008. The merged companies had no unrecorded contingent liabilities that would have been assumed by Telesp as a result of this transaction. The transaction is not subject to approval by Brazilian or foreign regulatory entities or anti-trust agencies. No withdrawal rights were exercised since the subsidiaries had no minority interests.

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

2. Corporate events (Continued)

b) Capital increase in Telefonica Televisão Participações S.A. (TTP)

On February 29, 2008, the Company increased capital of Telefônica Televisão with shares held in A.Telecom. With this operation, A.Telecom became a wholly-owned subsidiary of TTP.

On July 25, 2008 the Company increased capital of Telefônica Televisão with shares held in Telefonica Data S/A (T.Data). With this operation, T.Data became a wholly-owned subsidiary of TTP.

3. Presentation of the quarterly information

The individual and consolidated quarterly information as of March 31, 2009 was prepared in accordance with accounting practices adopted in Brazil, with comprise, the provisions of corporate legislation set forth in Law N^o. 6.404/76, as amended by Law N^o. 11.638/07 and by Provisional Executive Order N^o. 449/08, and the standards established by the Brazilian Securities Commission (CVM). Quarterly information shall be analyzed together with financial statements for the last fiscal year.

As permitted by CVM Resolution N^o. 565, which approved Technical Pronouncement No. 13, issued by the Brazilian Accounting Pronouncements Committee (CPC), the Company opted for the first-time adoption of Law N^o. 11638

and of Provisional Executive Order Nº. 449/08 in its financial statements for the year ended December 31, 2008. Accordingly, there were changes in the accounting practices as compared to March 31, 2008, in which we demonstrate their effects below:

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

3. Presentation of the quarterly information (Continued)

	Net Income	
	Company	Consolidated
Balances per 3/31/2008 financial statements	488,731	488,731
Effects of Law Nº. 11638/07	(1,590)	(1,590)
Lease □ PDTI	-	4,250
Lease - T.Data (lessee)	-	166
Financial instruments	(3,516)	(3,516)
Discount to present value of long-term assets	914	(641)
Additions to property, plant and equipment	74	74
Deferred taxes	884	1,413
FX gains/losses on foreign investments	(3,336)	(3,336)
Equity pickup	3,390	-
Balances before adoption of Law Nº. 11638/07	490,321	490,321

Pursuant to accounting pronouncement CPC13, goodwill based on expected future profits has ceased to be amortized as of 2009, being subject to impairment testing as defined in accounting pronouncement CPC01 (notes 6.2 and 12).

Assets and liabilities are classified as □current□ when their realization or liquidation will probably occur in the next twelve months. Otherwise, they will be classified as non-current assets and liabilities.

Accounting estimates are considered for the quarterly financial information preparation process. Such estimates are based on objective and subjective factors according to management□s judgment for the appropriate amounts to be recorded in the quarterly financial information.

Transactions, which involve estimates mentioned above, may result in different amounts those recorded in the quarterly financial information when realized in subsequent periods due to inaccurate results regarding the estimate process. The Company revises its estimation and assumptions periodically.

The consolidated quarterly financial information includes the balance and transactions of direct and indirect subsidiaries according to the equity holdings described in the note 1.d.

In consolidation, all assets, liabilities, revenues and expenses resulting from intercompany transactions and equity holdings between the Company and your subsidiaries have been eliminated.

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

3. Presentation of the quarterly information (Continued)

Some items of the financial information for March 31, 2008 and for December 31, 2008 were reclassified to allow their comparability with the current quarter; these reclassifications were considered to be immaterial in relation to the overall financial statements.

4. Cash and cash equivalents

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/ 2009	Dec/ 2008
Bank accounts	6,482	12,885	7,905	31,993
Short-term investments	1,579,933	1,584,721	1,775,778	1,709,013
Total	1,586,415	1,597,606	1,783,683	1,741,006

Short-term investments are basically CDB (Bank Deposits Certificate) and indexed under CDI (Certificate for Inter-bank Deposits) rate variation, which are readily liquid and maintained with reputable financial institutions.

5. Trade accounts receivable, net

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Billed amounts	2,202,905	2,206,731	2,596,049	2,545,155
Accrued unbilled amounts	1,244,463	1,296,099	1,462,497	1,436,937

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Gross accounts receivable	3,447,368	3,502,830	4,058,546	3,982,092
Allowance for doubtful accounts	(667,159)	(649,282)	(807,469)	(767,698)
Total	2,780,209	2,853,548	3,251,077	3,214,394
Current	1,797,412	1,888,812	2,222,249	2,248,736
Past-due □ 1 to 30 days	506,240	508,523	556,003	530,238
Past-due □ 31 to 60 days	193,927	197,231	206,677	195,213
Past-due □ 61 to 90 days	115,116	111,791	126,223	113,101
Past-due □ 91 to 120 days	104,565	110,594	109,157	110,720
Past-due □ more than 120 days	730,108	685,879	838,237	784,084
Total	3,447,368	3,502,830	4,058,546	3,982,092
Current	2,780,209	2,853,548	3,163,691	3,152,831
Non-Current	-	-	87,386	61,563

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

6. Deferred and recoverable taxes

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Withholding taxes	80,213	63,171	98,972	77,371
Recoverable income tax and social contribution	4,902	10,538	28,712	36,754
Deferred taxes	1,267,379	1,288,222	1,270,708	1,293,314

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Tax loss carry-forwards □ Income tax	-	-	1,589	3,305
Tax loss carry-forwards □ Social contribution tax	-	-	1,098	1,787
Reserve for contingencies	347,599	340,850	347,599	340,850
Post-retirement benefit plans	51,820	50,581	51,820	50,581
Allowance for doubtful accounts	83,670	94,691	83,670	94,691
Allowance for reduction of inventory to recoverable value	23,996	28,909	23,996	28,909
Merged tax credit (6.2)	379,879	397,950	379,879	397,950
Income tax and social contribution tax on other temporary differences	380,415	375,241	381,057	375,241
ICMS (state VAT)	404,119	396,706	470,148	456,192
Other	4,968	2,692	16,398	14,127
Total	1,761,581	1,761,329	1,884,938	1,877,758
Current	973,839	957,642	1,088,398	1,064,281
Non-current	787,742	803,687	796,540	813,477

6.1 Deferred income and social contribution taxes

The Company recognized deferred income and social contribution tax assets considering the existence of taxable income in the last five fiscal years and the expected generation of future taxable profit discounted to present value based on a technical feasibility study, approved by the Board of Directors on December 19, 2008, as provided for in CVM Instruction No. 371/2002.

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

6. Deferred and recoverable taxes (Continued)

6.1 Deferred income and social contribution taxes (Continued)

Company estimates the realization of the deferred taxes as of March 31, 2009 as follows:

Year	Company	Consolidated
------	---------	--------------

2009	402,026	403,407
2010	323,070	325,018
2011	211,117	211,117
2012	170,762	170,762
Thereafter	160,404	160,404
	<hr/>	<hr/>
Total	1,267,379	1,270,708
	<hr/>	<hr/>

The recoverable amounts above are based on projections subject to changes in the future.

6.2 Merged tax credit

These refer to tax benefits arising from corporate restructuring processes involving goodwill based on expected future profits, to be appropriated pursuant to the limitations imposed by tax legislation.

	Mar/2009	Dec/2008
	<hr/>	<hr/>
TTP (a)	257,495	265,435
DABR (b)	56,766	59,920
Spanish/Figueira	65,618	72,595
	<hr/>	<hr/>
	379,879	397,950
	<hr/>	<hr/>
Current	74,366	71,416
Non-Current	305,513	326,534
	<hr/>	<hr/>

(a) At December 31, 2008, the amount of R\$265,435 refers to the recognition of tax credits generated from TTP corporate restructuring, as mentioned in Note 2.a., later reclassified to this group of accounts marched with a decrease in intangible assets (Note 12). This reclassification aims at a better presentation of the quarterly information, considering that goodwill amortization ceased to be accounted for beginning 2009.

(b) Tax credits generated from goodwill existing in DABR, merged by the Company in October 2008 as a result of the corporate restructuring process mentioned in Note 2.a.

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

March 31, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

7. Inventories

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Consumption materials	129,566	128,948	130,741	129,600
Resale items (*)	57,069	57,192	106,117	106,734
Public telephone prepaid cards	9,598	13,461	9,597	13,461
Scraps	161	161	161	161
Allowance for reduction to net recoverable value and obsolescence	(70,576)	(85,027)	(73,316)	(85,546)
Total current	125,818	114,735	173,300	164,410

(*) Includes the inventory of IT equipments.

The allowance for reduction to recoverable value and obsolescence takes into account timely analyses carried out by the Company.

8. Other assets

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Advances to employees	9,654	7,685	10,360	8,207
Advances to suppliers	25,210	16,814	41,296	33,567
Prepaid expenses	115,153	66,157	118,104	66,699
Receivables from Barramar S.A. (a)	-	-	64,252	62,526
Current Related Parties receivables (Note 29)	149,830	187,393	123,594	130,422
Amounts linked to National Treasury securities	11,467	11,289	11,467	11,289
Other assets	49,886	78,064	65,207	94,059
Total	361,200	367,402	434,280	406,769
Current	294,969	299,018	301,248	273,320
Non-current	66,231	68,384	133,032	133,449

(a) Refers to receivables from Barramar S.A. recorded by the Companhia AIX de Participações, net of allowance for losses.

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9. Escrow deposits

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Civil litigation	254,044	246,456	254,088	246,500
Tax litigation	219,594	223,465	251,290	254,571
Labor claims	176,135	165,221	176,221	165,306
Freeze of assets by court order	54,783	43,441	56,284	44,923
Total non-current	704,556	678,583	737,883	711,300

The amounts presented above refer to escrow deposits for those cases in which an unfavorable outcome is considered possible or remote.

Those deposits related to provisions are presented in Note 18.

10. Investments

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Investments carried under the equity method	1,291,992	1,109,513		-
Aliança Atlântica Holding B.V.	59,185	64,143	-	-
A.Telecom S.A.	614,890	610,769	-	-
Companhia AIX de Participações	62,568	58,895	-	-
Companhia ACT de Participações	16	16	-	-
Telefonica Data S.A.	256,093	206,445	-	-
Telefonica Sistemas de Televisão S.A.	299,240	169,245	-	-

Investments in associates	41,969	36,313	41,969	36,313
GTR Participações e Empreendimentos S.A.	1,694	1,476	1,694	1,476
Lemontree Participações S.A.	10,981	9,608	10,981	9,608
Comercial Cabo TV São Paulo S.A.	24,328	21,215	24,328	21,215
TVA Sul Paraná S.A.	4,966	4,014	4,966	4,014
Other Investments	191,750	207,814	244,785	265,517
Portugal Telecom	143,469	157,823	191,291	210,431
Zon Multimédia	14,768	14,436	19,981	19,531
Other investments	33,513	35,555	33,513	35,555
Total	1,525,711	1,353,640	286,754	301,830

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10. Investments (Continued)

Investments in affiliates accounted for under the equity method at March 31, 2009 and December 31, 2008:

Affiliates	Net equity	Number of shares (thousands)						Total
		Total number of shares			Interest			
		ON	PN	Total	ON	PN	Total	
GTR Participações e Empreendimentos S.A.	2.541	878	1.757	2.635	-	1.757	1.757	66
Lemontree Participações S.A.	16.471	124.839	249.682	374.521	-	249.682	249.682	66
Comercial Cabo TV São Paulo S.A.	40.580	12.282	12.282	24.564	2.444	12.282	14.726	59
TVA Sul Paraná S.A.	6.665	13.656	13.656	27.312	6.691	13.656	20.347	74

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At March 31, 2009, the Company advanced the amount of R\$125,000 for future capital increase (AFAC) in its wholly-owned subsidiary A.Telecom S.A. The capital increase was approved at the Extraordinary General Meeting held on April 23, 2009.

The Company and Consolidated equity method in subsidiaries and affiliates is as follows:

	Company		Consolidated	
	Mar/2009	Mar/2008	Mar/2009	Mar/2008
Aliança Atlântica	(145)	11	-	-
A. Telecom	4,121	17,346	-	-
Companhia AIX de Participações	3,673	912	-	-
Companhia ACT de Participações	-	(1)	-	-
Telefonica Data S.A.	(10,352)	(8,170)	-	-
Telefônica Sistemas de Televisão S.A.	(20,005)	(3,777)	-	16
GTR Participações e Empreendimentos S.A.	218	-	218	(175)
Lemontree Participações S.A.	1,373	-	1,373	2,003
Comercial Cabo TV São Paulo S.A.	3,113	-	3,113	4,501
TVA Sul Paraná S.A.	952	-	952	(813)
	(17,052)	6,321	5,656	5,532

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11. Property, Plant and Equipment, Net

	Company			
	Mar/2009			
Annual depreciation rate %	Cost	Accumulated depreciation	Net book value	Cost

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Property, plant and equipment in service		41,872,423	(33,526,112)	8,346,311	41,60
Switching and transmission equipment	12.50	17,618,542	(15,453,976)	2,164,566	17,49
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	10.00	12,489,984	(10,211,293)	2,278,691	12,45
Transmission equipment - modems	66.67	1,392,366	(1,006,050)	386,316	1,32
Underground and undersea cables, poles and towers	5.00 to 6.67	621,109	(413,320)	207,789	62
Subscriber, public and booth equipment	12.50	2,212,557	(1,781,263)	431,294	2,18
IT equipment	20.00	589,324	(513,719)	75,605	58
Buildings and underground cables	4.00	6,601,285	(4,065,733)	2,535,552	6,59
Vehicles	20.00	50,335	(36,588)	13,747	5
Land	-	227,751	-	227,751	22
Other	4.00 to 20.00	69,170	(44,170)	25,000	6
Property, plant and equipment in progress	-	553,356	-	553,356	54
Total		42,425,779	(33,526,112)	8,899,667	42,15
Average annual depreciation rates - %		10.33			
Assets fully depreciated		21,765,035			20,86

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11. Property, Plant and Equipment, Net (Continued)

	Consolidated		
	Mar/2009		
Annual depreciation rate%	Cost	Accumulated depreciation	Net book value

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Property, plant and equipment		43,196,753	(34,140,594)	9,056,159	42
Switching and transmission equipment	12.50	17,656,677	(15,465,951)	2,190,726	17
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	10.00	12,739,536	(10,260,378)	2,479,158	12
Transmission equipment □ modems	66.67	1,462,506	(1,029,985)	432,521	1
Underground and undersea cables, poles and towers	5.00 to 6.67	634,292	(417,396)	216,896	
Subscriber, public and booth equipment	12.50	2,274,750	(1,821,637)	453,113	2
IT equipment	20.00	651,829	(557,277)	94,552	
Buildings and underground cables	4.00	6,603,483	(4,067,485)	2,535,998	6
TV equipment	8.00 to 33.00	753,667	(385,483)	368,184	
Vehicles	20.00	51,757	(37,744)	14,013	
Land	-	227,751	-	227,751	
Other	4.00 to 20.00	154,271	(97,258)	57,013	
Provision for losses		(13,766)	-	(13,766)	
Property, plant and equipment in progress	-	631,887	-	631,887	
Total		43,828,640	(34,140,594)	9,688,046	43
Average annual depreciation rates - %		11.28			
Assets fully depreciated		22,126,824			21

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12. Intangible assets, net

	Company		Consolidated	
	Mar/2009	Dec/2008	Mar/2009	Dec/2008
Goodwill	728,052	728,052	728,201	728,201

Other intangibles