

TELESP PARTICIPACOES SA
Form 6-K
February 22, 2005

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 February, 2005

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

Rua Martiniano de Carvalho, 851 - 21andar

São Paulo, S.P.

Federative Republic of Brazil

(Address of principal executive office)

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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 Announces Consolidated Financial Results for the year 2004* dated on February 21, 2005.

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP**Announces Consolidated Financial Results for the year 2004**

Press Release, February 21, 2005 (18 pages)

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(São Paulo Brazil; February 21, 2005) TELECOMUNICAÇÕES DE SÃO PAULO S.A -TELESP (NYSE: TSP; BOVESPA: TLPP) today announced its consolidated financial results for the year ended December 31, 2004. These results are presented in accordance with the Brazilian Corporate Law Method, Law # 6404, of December 15, 1976 revised by Law # 9457 of May 05, 1997, and Law # 10303 of October 31, 2001 and stated in nominal reais.

HIGHLIGHTS OF RESULTS

| Unaudited figures in Reais MM | Consolidated - Accumulated | | |
|---|----------------------------|--------|-----------|
| | Dec/04 | Dec/03 | Variation |
| Net operating revenues | 13,309 | 11,805 | 12.7% |
| EBITDA ^{1/} | 6,038 | 5,302 | 13.9% |
| EBITDA margin | 45.4 | 44.9 | 0.5 p.p. |
| Operating income ^(%) | 1,977 | 717 | 175.5% |
| Income before income tax, social contribution, profit sharing & minority interest | 2,017 | 767 | 162.8% |
| Net income | 2,181 | 1,588 | 37.4% |
| Shares outstanding ^(bn) | 493.6 | 493.6 | 0.0% |
| EPS | 4.42 | 3.22 | 37.4% |
| Installed Lines (switching) (000) | 14,231 | 14,249 | -0.1% |
| Lines in service (000) | 12,463 | 12,297 | 1.3% |
| Telephone density ^(per 100 inhab.) | 31.7 | 31.6 | 0.1 p.p. |
| LIS/employee ^{2/} | 1,865 | 1,792 | 4.1% |
| Digitalization ^(%) | 98.7 | 96.9 | 1.7 p.p. |

1/ EBITDA = Earnings before interest taxes, depreciation and amortization

2/ For this calculation, the number of LIS considers both the fixed lines in service as well as the ADSL lines.

Highlights of the Period

ADSL - is offered under the brand name **SPEEDY** and reached 826,400 clients in December 2004, increasing 15.5% relative to the 3Q04, when there were 715,600 clients. Relative to the 484,393 clients registered in December 2003, the growth was 70.6%.

Alternative Plans - In July 2004, Telesp launched a promotion through the Alternative Plans for the local service **Economy Line** and **Super Economy Line** and for the Domestic Long Distance service **Economy Line Card** for fixed phones in its concession area. With the **Economy Line**, the client pays a monthly fee of R\$22.30 and is enabled to make local calls (fixed-to-fixed) to be charged in the monthly bill. In order to make long distance calls or calls to

cellular numbers, a pre-paid card that grants the credits is required. With the Super Economy Line, the client pays a monthly fee of R\$11.15 and the telephone only receives calls. In order to make any calls, a pre-paid card is required. From July 2004 until the end of the fourth quarter, approximately 1.1 million Economy and Super Economy Lines were sold.

The accumulated net operating revenues at the end of the 12M04 was R\$13,308.6 million and when compared to the revenues recorded in the 12M03, an increase of R\$1,503.9 million, or 12.7%, is shown. This is explained by the tariff increases in 2003 and 2004 besides the growth in the Speedy service. In the quarterly comparison, an increase of R\$250.4 million, or 7.8%, was registered due to the same reasons.

The accumulated EBITDA margin for the 12M04 was 45.4%, while it reached 46.3% for the quarter. When comparing the 12M04 with the 12M03 an improvement of 0.5 p.p. is noted, as a result of the tariff increases in 2003 and 2004 and a reduction in personnel expenses, partially offset by the increase in interconnection expenses and outsourcing. When comparing the 4Q04 with the 4Q03, an increase of 5.6 p.p. was recorded due to the same reasons.

The consolidated Capex accumulated until December 2004 was R\$1,339 million. This number is in line with the investment needs of the Company and confirms the long-term commitment of the Telefónica Group in Brazil.

The total indebtedness of the Company as of December 31, 2004 was R\$2,992.2 million including hedging operations. The net debt of the Company of R\$2,753.6 million results from subtracting R\$238.6 million of cash and cash equivalent. For comparison reasons, as of December 31, 2003, the indebtedness of the Company was R\$3,336.6 million including hedging operations. The R\$3,121.7 million of net debt results from subtracting R\$214.9 million of cash and cash equivalent.

Highlights about revenues

Gross Operating Revenues by the end of the 12M04 reached R\$18,425.7 million, a R\$2,203.7 million or 13.6% increase compared to the same period of the previous year. When comparing the 4Q04 with the 4Q03, the revenues grew R\$402.2 million, or 9.1%.

The changes are explained as follows:

Monthly Subscription Fee: totaled R\$4,970.4 million in the 12M04, representing an increase of R\$514.8 million, or 11.6% compared to the 12M03, mainly due to the tariff increases in 2003 and 2004. This increase was partially offset by a reduction in the average number of lines in service. When comparing the 4Q04 with the 4Q03, a R\$214.8 million or 16.0% growth was recorded mainly because of the tariff increases in 2004.

Installation Fee: amounted to R\$67.9 million in the 12M04, a decrease of R\$36.5 million or 34.9% when compared to the same period of the previous year. It is worth noting that in the campaigns of economy lines launched by the Company starting in July 2004, the installation fee was waived as part of the promotion. A decrease of R\$18.1 million or 79.5% was recorded when comparing the 4Q04 with the 4Q03.

Local Service: registered revenues of R\$3,057.2 million for the 12M04, showing an increase of R\$39.7 million or 1.3% compared to the 12M03, due to the tariff increases in 2003 and 2004, partially offset by a traffic decrease of about 7.4% (exceeding pulses). There was a fall of R\$26.4 million or 3.2% when comparing the 4Q04 with the 4Q03, due to a reduction in traffic (exceeding pulses) of about 14.0%, partially offset by the tariff increases in 2004. It is worth noting that the decreases in local traffic are mainly due to the decrease of dial-up internet traffic which migrated to broadband and the reconfiguration of the local areas in September 2004: calls that were previously classified as DC level and billed by pulses with different cadence are now billed as local calls.

Others: reached R\$639.8 million in the 12M04, representing a R\$53.8 million or a 9.2% increase when compared with the 12M03, mainly due to the growth in revenues coming from the Intelligent Line (additional services for fixed telephony). When comparing the 4Q04 with the 4Q03, a reduction of R\$71.0 million or 233.2% was shown, chiefly as a result of the reclassification of the monthly fees coming from the digital service 2MBPS during the 4Q04. It is worth noting that more than 55% of our clients are subscribed to at least one value added service.

DLD: reached R\$3,066.7 million in the 12M04, presenting an increase of R\$606.8 million, or 24.7%, compared to the 12M03. When comparing the 4Q04 with the 4Q03, there was an increase of R\$39.3 million or 5.5%. The increase in revenues is explained by the following reasons:

Long distance (intra-state): totaled R\$2,334.5 million in the 12M04, growing R\$513.2 million, or 28.2%, when compared to the 12M03. When comparing the 4Q04 with the 4Q03, there was an increase of R\$52.1 million or 9.8%. These increases were mainly the result of the revenues from the SMP (Personal Mobile Service) traffic, the tariff increases in 2003 and 2004 and an estimated increase in market share.

Long distance (inter-state): reached R\$732.3 million in the 12M04, showing an increase of R\$93.6 million, or 14.7%. This increase was mainly the result of the revenues from the SMP (Mobile Personal Service) traffic, the tariff increases in 2003 and 2004 and an estimated increase in market share. In the 4Q04, it reached R\$171.7 million, showing a negative variation of R\$12.7 million or 6.9% compared with the 4Q03, mostly as a result of the segregation of the revenues from TUP (Public Usage Tariff).

Fixed-to-mobile: amounted to R\$4,024.8 million in the 12M04, presenting an increase of R\$467.1 million or 13.1% compared to the same period of the previous year. When comparing the 4Q04 with the 4Q03, an increase of R\$70.7 million or 7.5% was recorded. This was due to the tariff increases and the growth in the cellular subscriber base.

ILD: reached R\$112.6 million in the 12M04, an increase of R\$11.7 million or 11.6% when compared to the 12M03. The increase amounted to R\$3.9 million, or 14.6%, when comparing the 4Q04 with the 4Q03, due to the increase in both fixed-to-fixed and SMP traffic and also an estimated increase in market share.

Interconnection Revenues: amounted to R\$1,103.6 million in the 12M04, showing an improvement of R\$7.1 million or 0.6% when compared with the 12M03, mainly due to the growth in revenues coming from fixed-to-mobile interconnection, partially offset by the increase in Long Distance traffic by means of the access code 15 and the start of operations of the SMP in July 2003. When comparing the 4Q04 with the 4Q03, there was an increase of R\$14.4 million or 5.4% due to the same aforementioned reasons.

Public Telephony: totaled R\$381.4 million in the 12M04, and when compared to the 12M03, it grew R\$134.5 million or 54.5%, due to the increase in the sale of public telephone cards, mainly those from the alternative plans Economy Line and Super Economy Line and the tariff increases in 2003 and 2004. When comparing the 4Q04 with the 4Q03, an increase of R\$61.5 million or 90.4% was recorded because of the same aforementioned reasons.

Data Transmission: revenues for the 12M04 reached R\$996.6 million, a R\$404.7 million or 68.4% increase regarding the 12M03. The increase was mainly caused by the growth in SPEEDY services and other non-switched data packaged services. During the quarter, the revenues grew R\$113.0 million or 65.2% compared to the 4Q03 due to the same reasons. The revenues for installation fee of these services are also included in this entry.

Operating Expenses Highlights

Operating Expenses in the 12M04 reached R\$7,270.5 million, an increase of R\$768.1 million or 11.8% compared to the 12M03. When comparing the 4Q04 with the 4Q03, there was a fall of R\$44.1 million or 2.3%.

The Operating Expenses variations are explained as follows:

Personnel expenses totaled R\$539.8 million in the 12M04, falling R\$123.8 million or 18.7% compared to the 12M03, mainly due to: the reduction of expenses with the early retirement programs for the reorganization of the headcount and the resulting decrease of 16.2% in the average headcount in March 2003, December 2003 and April 2004. These effects were partially offset by the salary increases of 8% (September 2003) and 6% (September 2004). When comparing the 4Q04 with the 4Q03, a decrease of R\$76.6 million, or 36.2%, was recorded due to the reduction in expenses with the early retirement programs.

General and administrative expenses for the 12M04 reached R\$6,102.2 million, representing an increase of R\$1,102.6 million, or 22.1% compared to the 12M03. The increase was R\$188.0 million or 13.6% in the 4Q04 when compared to the 4Q03.

Annual disclosure

Quarterly disclosure

The General and Administrative Expenses changes are explained as follows:

- a) *Materials* reached R\$129.9 million in the 12M04 showing a R\$12.0 million, or 10.2%, growth when compared to the 12M03, mainly due to the increase in the cost of materials related to public telephony and Economy Line cards. There was a decrease of R\$4.3 million or 11.1% when comparing the 4Q04 with the 4Q03 due to a reduction in the cost of merchandise sold, partially offset by the higher expenses related with productive plant maintenance and public telephony and Economy Line cards.
- b) *Outsourcing expenses* reached R\$2,264.0 million, an increase of R\$421.9 million or 22.9% when comparing the 12M04 with the 12M03, chiefly as the result of the increase in expenses of operating plant services, technical and administrative services, IP-network traffic and co-billing. When comparing the 4Q04 with the 4Q03, an increase of R\$110.6 million or 23.1% was recorded, due to the same reasons.

- c) *Inter-connection expenses* reached R\$3,511.7 million, growing R\$675.8 million or 23.8% when comparing the 12M04 with the 12M03 due to the increased inter-state traffic (both fixed-to-fixed as well as fixed-to-mobile) and the tariff increases. The increase in the expenses also reflects the start of operations of the SMP in July 2003, resulting in payments to cellular operators. There was an increase of R\$80.1 million or 9.8% due to the same reasons when comparing the 4Q04 with the 4Q03.
- d) *Other Expenses* reached R\$196.7 million in the 12M04, going down R\$7.1 million, or 3.5%, compared to the 12M03 mainly due to the reduction in rental expenses of ducts, partially offset by higher expenses with right of use and rental of infrastructure. When comparing the 4Q04 with the 4Q03, an increase of R\$1.7 million, or 3.4%, was recorded due to the higher expenses with poles and right of use, partially compensated by the reduction in rental expenses of ducts.

Taxes reached R\$247.6 million, showing an increase of R\$0.2 million, or 0.1%, when comparing the 12M04 and the 12M03, chiefly due to the increase in expenses with FUST and FUNTTEL, both charged on revenues. This was partially offset by the reduction of expenses with ICMS. In the 4Q04, there was a decrease of R\$27.3 million, or 33.7%, when compared to the 4Q03, due to lower expenses with ICMS.

Provisions for bad debt presented a contraction of R\$12.9 million, or 2.9%, comparing the 12M04 and the 12M03. It corresponds to 3.2% of the total net operating revenues compared to the 3.7% provision in the 12M03. During the 4Q04, this provision represented 3.0% of the net operating revenues. This positive result for the Company is a consequence of: the efforts in collection, debt recovery and products more suited to the different market segments. As of December 31, 2004, the Company did not register any client with an outstanding bill that surpassed 1% of the total accounts receivable.

Other operating revenues (expenses) registered a positive net result of R\$48.5 million in the 12M04 compared to the negative result of R\$148.9 million in the 12M03, which represents a positive variation of R\$197.4 million, or 132.5%. This behavior is mainly due to the reclassification of the expenses with Cofins (charged to the Taxes account in the 2004) and the increase in recovered taxes, partially offset by the increase of expenses with labor contingencies. When comparing the 4Q04 with the 4Q03, there was also a positive variation of R\$124.2 million, or 112.5%, due to the same aforementioned reasons.

Depreciation dropped R\$86.0 million, or 3.0%, in the 12M04 compared to the 12M03, mainly due to the realignment of Capex after achieving the universalization targets and the reductions of the provision for obsolescence. Likewise, a reduction of R\$22.0 million or 3.1% was shown in the 4Q04 compared to the 4Q03 due to the same reasons.

Net Financial Revenues / (Expenses): when comparing the 12M04 with the 12M03 and excluding the value of the interest on the Company's net worth, there was an improvement in the financial result of R\$226.0 million, mainly due to the reduction in the financial expenses and the foreign exchange variation. The indebtedness and result of the operations of the Company are significantly affected by the risk of the exchange rates. As of December 31, 2004, 44.6% of the financial debt was denominated in foreign currency (US dollar, Canadian dollar and yen), while 98.5% of the indebtedness was being covered by active positions in hedge operations (Swap to CDI). The gains and losses of those operations are recorded in the financial statements. As of December 31, 2004, those transactions showed a negative consolidated net result of R\$298.9 million, while a liability of R\$235.9 million was recorded to acknowledge the temporary loss.

| Net Financial Revenues Annual Comparison - R\$ MM | Variation | | | |
|---|-----------|-----------|--------|---------|
| | Dec/04 | Dec/03 | % | R\$ MM |
| Results of Financial Operations | 102.1 | 167.1 | (38.9) | (65.0) |
| Hedge results | (298.9) | (1,182.2) | (74.7) | 883.3 |
| CPMF (Tax on financial transactions) | (86.0) | (76.3) | 12.7 | (9.7) |
| Financial Revenues | 60.8 | 74.1 | (17.9) | (13.3) |
| Financial Expenses | (299.4) | (420.6) | (28.8) | 121.2 |
| Exchange Variation | 117.2 | 807.7 | (85.5) | (690.5) |
| Interest on the Company's net worth | (888.6) | (1,100.0) | (19.2) | 211.4 |
| Net Financial Result | (1,292.8) | (1,730.2) | (25.3) | 437.4 |

NON-OPERATING REVENUES (EXPENSES) in the 12M04 registered a negative variation of R\$9.9 million, or 19.8%, when compared to the 12M03, mainly due to the positive variation regarding assets write-off, partially offset by the equity variation of Cia AIX Participações, in the corporate restructuring of 2003. When comparing the 4Q04 with the 4Q03, a negative variation of R\$7.3 million is recorded, due to the same aforementioned reasons.

LOANS AND FINANCING: As of December 31, 2004, the Company had R\$1,228.6 million (R\$2,945.8 million as of December 31, 2003) in loans and financing denominated in foreign currency, from which R\$563.0 million (R\$1,950.6 million as of December 31, 2003) were obtained at fixed interest rates, and R\$665.6 million (R\$995.2 million as of December 31, 2003) were obtained at foreign variable interest rates (Libor). In order to be protected against the exchange risk of the loans denominated in foreign currency, the Company contracted hedge operations to tie the debt to the local currency, with floating interest rates indexed to the CDI, and as a consequence the financial results of the Company are affected by the fluctuations of this rate. On the other hand and to partially cover against this risk, the Company contracted Swap floating (CDI) x Fixed operations, which had a value of R\$665.5 million (balance of active position in CDI) as of December 31, 2004. Furthermore, the Company invests the balance of cash and cash equivalents (financial instruments) of R\$238.6 million (R\$214.9 million as of December 31, 2003) mainly in short-term instruments, based on the variation of the CDI, which also contributes to reduce this risk. Book value of those instruments is close to market value because of their short-term maturity.

CORPORATE EVENTS

Telesp acquires the IP Network from Telefônica Empresas S.A.: On December 10, 2002, the management of Telecomunicações de São Paulo - Telesp announced that its Board of Directors, on session held on December 10, 2002, decided to approve the proposal for the purchase, from Telefônica Empresas, of the business composed by the assets and contracts with customers related to the following services: (i) Switched IP (Internet Protocol): Services and infrastructure that allow the establishment of switched connections of remote users through the dial-up network; (ii) Speedy Link: Service rendered to Internet Service Providers (ISPs), that allows them to offer to their clients the use of the broad band access to internet named Speedy. Furthermore, the Company wants to clarify that: (a) The present transaction is interesting to the Company since it enables the optimization of its operations, increases of synergies, in network development and speed in the commercial response to the market, as well as the establishment of business strategies; (b) The value of the purchase of the aforementioned services, their respective assets and contracts with clients was determined to be R\$143,910,000.00 (one hundred forty three million, nine hundred ten thousand reais), according to the valuation made by an independent company, KMPG Corporate Finance S/C Ltda.; (c) Telesp requested the proper authorization from Anatel in order to deploy the Multimedia Communication Service (SCM), thus allowing the Company the direct exploitation of the services related to the assets/businesses to be acquired.

Modification of the Company's bylaws: the Extraordinary General Shareholders Meeting, held on December 30, 2002 approved the modification of the heading of the article 7 and the 1st paragraph of article 27, and the removal of article 26 of the Company's bylaws, in order to adapt them to Law # 10303/01. Such modification refers to the fact that the preferred shares will have a secured priority in the reimbursement of capital, without premium, and will receive a dividend, in an amount that is 10% (ten per cent) higher than the one granted to each common share. This dividend substitutes the minimum dividend, non accumulative, of 6% per year of the value resulting by dividing the subscribed capital by the total number of shares of the Company, previously stated in the heading of article 7.

Interim Dividends Fiscal year 2004: On April 08, 2004, the Company published a notice declaring interim dividends and interest on the Company's net worth for the fiscal year 2004, approved in the Board of Directors Meeting held on April 07, 2004, *ad referendum* of the General Shareholders Meeting and the payment of the interest on the Company's net worth for the fiscal year 2003 approved in the General Shareholders Meeting held on March 25, 2004. The Company declared interim dividends in the amount of R\$613.6 million based on the retained earnings of the last balance sheet, according to the article 28 of the Company's bylaws and articles 204 and 205 of the Law #6404/76.

| | Common | Preferred (*) |
|-------------------------------------|---------------|----------------|
| Amount per lot of 1,000 shares: R\$ | 1.16553357353 | 1.282108693088 |

(*) 10% higher than the dividend granted to each common share, in accordance with article 7 of the Company's bylaws

The interim dividends will be charged against the minimum mandatory dividends for the fiscal year 2004 in accordance with the established by the single paragraph of the article 28 of the Company's bylaws. The payment of this dividend started on April 23, 2004 to the common and preferred shareholders registered as such in the Company's registry book by the end of the day on April 07, 2004.

Declaration of interest on the Company's net worth Fiscal year 2004: The Company declared interest on the Company's net worth in the amount of R\$295.8 million, subjected to income tax withholding of 15%, resulting in a net payment of R\$251.4 million in accordance with the article 9 of the Law #9249/95 and the Instruction 207/96 of the CVM (Comissão de Valores Mobiliários).

| Amount per lot of 1,000 shares: R\$ | Immune or Exempt Legal Entities (gross value) | Income Tax Withhold (15%) | Taxed Legal Entities and Individuals (net value) |
|-------------------------------------|---|------------------------------|--|
| Common shares | 0.561909290065 | 0.084286393510 | 0.477622896555 |
| Preferred shares (*) | 0.618100219071 | 0.092715032861 | 0.525385186210 |

(*) 10% higher than the dividend granted to each common share, in accordance with article 7 of the Company's bylaws

The corresponding credit was made in the Company's accounting records on April 23, 2004, on an individual basis for each shareholder, based on the positions in the shareholder registry book by the end of the day, on April 07, 2004. In accordance with the single paragraph of the article 29 of the Company's bylaws, the interest on the Company's net worth may be charged against the minimum mandatory dividends for the fiscal year 2004. Immune or exempt entities for tax withholding will receive the payment for the gross value.

Payment of Interest on the Company's Net Worth - Fiscal Year 2003: In accordance with the resolutions taken in the Ordinary General Shareholders Meeting held on March 25, 2004,

the payment of Interest on the Company's Net Worth was approved. The payment started on April 23, 2004, granted to the common and preferred shareholders individually registered as such at the end of the day, on December 29, 2003, according to the Notice to the Shareholders published on December 11, 2003. The total amount is R\$1,100 million and after withholding the income tax of 15%, its net amount is R\$935 million, according to the table below:

| Amount per lot of 1,000 shares: R\$ | Immune or Exempt Legal Entities (gross value) | Withholding tax (15%) | Taxed Legal Entities and Individuals (net value) |
|-------------------------------------|--|--------------------------|--|
| Common Shares | 2.089588299767 | 0.313438244965 | 1.776150054802 |
| Preferred Shares (*) | 2.298547129744 | 0.344782069462 | 1.953765060282 |

(*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Company's bylaws

In accordance with the article 9 of the Law #9249/95 and item V of the Instruction #207/96 of the CVM (Comissão de Valores Mobiliários), the amount of Interest on the Company's Net Worth was charged, on its net value, to the amount of the mandatory dividends related to the fiscal year 2003.

Bonds: On September 03, 2004, the Company announced a Public Offering of Obligations (the Program) and the activation, within the Program's parameters, of the First Issuance of Telesp's Bonds (the Offer).

The Program has a total value of R\$3,000,000,000.00 (three billion reais), with maturity of two years, counted from the filing at CVM. It considers the issuance of simple bonds, not convertible to shares, unsecured type and/or Promissory Notes.

The Offer consists of the issuance of 150,000 simple bonds, not convertible to shares, unsecured type (Debêntures), with nominal value of R\$10,000.00 (ten thousand reais) per unit, totaling the amount of R\$1,500,000,000.00 (one billion and five hundred million reais), in a single series, maturing on September 01, 2010 (six years). The bonds will yield interests with quarterly payments corresponding to 103.5% of the accumulated average daily rates of the DI (overnight Inter-financial Deposits Extra-Group), calculated and published by CETIP (Custodian and Liquidation Chamber).

The conditions of the bonds may be reviewed on September 01, 2007, for the period starting on said date until the maturity of the bonds on September 01, 2010. Conservatively, the Company included in the consolidated schedule of long-term maturity, described above, the data for the review of the conditions in the year 2007.

Declaration of interest on the Company's net worth: On October 06, 2004, the Company published the declaration of interim dividends and interests on the Company's net worth of the fiscal year 2004, approved in the Board of Directors Meeting, held on October 05, 2004, *ad referendum* of the General Shareholders Meeting. The corresponding credit was made in the Company's accounting records on October 05, 2004, on an individual basis for each shareholder, based on the positions in the shareholder registry book by the end of the day, on October 05, 2004. The payment of said dividends started on October 29, 2004.

a) Interim Dividends - Fiscal Year 2004

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The Company declared interim dividends for a total amount of R\$1,596,120,000 (one billion, five hundred ninety six million, one hundred twenty thousand reais) based on the accumulated earnings as of the June 30, 2004 financial statements and according to article 28 of the Company's bylaws and article 204 of the Law #6404/76.

| Type of share | Common | Preferred (*) |
|--|-----------------|-----------------|
| Amount per lot of 1,000 shares: R\$ | 3.032030 | 3.335233 |

(*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Company's bylaws.

In accordance with the single paragraph of the article 28 of the Company's bylaws, said interim dividends will be charged to the mandatory minimum dividend for the fiscal year 2004, *ad referendum*, of the General Shareholders' Meeting.

b) Interest on the Company's Net Worth Fiscal Year 2004

The Company declared Interest on the Company's Net Worth, in accordance with the article 9 of the Law #9249/95 and Instruction #207/96 of the Comissão de Valores Mobiliários. The total amount is R\$592,800,000 (five hundred ninety two million, eight hundred thousand reais) and after withholding the income tax of 15%, its net amount is R\$503,880,000 (five hundred three million, eight hundred eighty thousand reais).

| Amount per lot of 1,000 shares: R\$ | Immune or Exempt Legal Entities (gross value) | Withholding tax (15%) | Taxed Legal Entities and Individuals (net value) |
|-------------------------------------|--|--------------------------|--|
| Common Shares | 1.126098 | 0.168914 | 0.957183 |
| Preferred Shares(*) | 1.238707 | 0.185806 | 1.052901 |

(*) 10% higher than the amount granted to each common share, in accordance with article 7 of the Company's bylaws

Acquisition of Atrium: On December 24, 2004, the Company acquired Santo Genovese Participações Ltda. (Santo Genovese), controller of Atrium Telecomunicações Ltda. (Atrium), company dedicated to the management of the rendering of telecommunication services. Santo Genovese is a holding company that had, as its only asset, the shares representative of 99.99% of the capital stock of Atrium. The value of the deal was set in R\$ 113.4 million of which R\$92.7 million were effectively paid, while the difference will be paid once the operation receives the final approval of the government and regulatory entities. The operation will allow the Company to increase its offer to the domestic market with services that have greater value added, through the management of the rendering of telecommunication services.

ADDITIONAL NOTES

CVM Edict # 371 Pension Plan Accounting Procedures: The Company chose to register the liabilities related to pension plans directly in the net equity as of December 31, 2001, net from the corresponding tax effects, according to the Edict CVM # 371 published on December 13, 2000. On December 31, 2002, the Company chose to immediately register all the actuary gains and losses in the financial statements. In the actuary valuation of those pension plans, the projected unitary credit method was adopted, being the assets of the plans accounted as of September 30, 2003 and November 30, 2002, respectively. For the cases of multi-sponsored plans (PAMA and PBS-A), the valuation of assets was done based on the Company's liabilities for pension plans relative to the total liabilities of the pension plan. The total value of the registered liability until December 31, 2004 was R\$44.7 million.

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On June 29, 2004, through Edicts #45011 and #45012, the Agência Nacional de Telecomunicações - ANATEL approved the percentages for the tariff adjustment for the Switched Fixed Telephony Service (STFC) according to the criteria established in the Local and Domestic Long Distance Concession Contracts, to be effective starting on July 02, 2004

and for sector 32 (former CETERP) since July 03, 2004. On July 02, the approved percentages were applied on top of the tariffs determined by the legal injunction.

The average variations of the tariff baskets were as follows:

Local: 6.89%

Long Distance: 3.20%

TU-RL: -10.47%

TU-RIU: 3.20%

After the final decision regarding the Legal Injunction by the STJ, with the reincorporation of the IGP-DI as the index, the approved percentages, in accordance with Anatel's published acts, were applied on top of the approved tariffs in June 2003, non-retroactively. The increase was divided in two installments, with the first one being effective on September 01, 2004. On September 01, 2004 on, the following readjustment indexes were applied to Telefónica's services:

Pulse: average of 3.22%

Domestic Long Distance: average of 5.22%

Non-residential and trunk monthly fee: 7.75%

Residential monthly fee: 3.14%

Installation: average of 14.14%

The second installment was effective from November 01, 2004 on. The following readjustment indexes were applied to Telefónica's services:

Pulse: average of 3.13%

Domestic Long Distance: average of 4.97%

Non-residential and trunk monthly fee: 7.20%

Residential monthly fee: 3.05%

Installation: average of 12.40%

On July 06, 2003, the mobile telephony operating companies started to implement the long distance carrier selection (CSP). It enables the client to determine the long distance carrier for each domestic long distance (VC2 and VC3) and international call, according to the SMP rules. Consequently, the Company started to acknowledge the revenues from said services and, at the same time, started to pay to the mobile telephony operators for the use of their networks.

Tables

Table 1 shows the shareholding structure for Telesp and the historical summary. Table 2 has Telesp Income Statement. Table 3 and the Table 4 show, respectively, the balance sheet and the operating highlights for TELESP. Table 5 shows tariffs rates. Finally, Table 6 shows loans and financing, Capex, depreciation, inflation and foreign exchange rate figures.

[GRAPHIC]

Note This press release contains forward-looking statements. Statements that are not statements of historical fact, including statements about the beliefs and expectations of the Company management are forward looking statements. Some words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, the actual results of operations of the Company may be different from the current Company expectations, and the reader should not place undue reliance on these forward looking statements. Forward-looking statements speak only as of the date they are made and the Company does not undertake any obligation to update them in light of new information or future developments.

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP*(Previously Telesp Participações S/A)***Table 1. Shareholding structure for Telesp****As of December 31, 2004**

| Telesp | Ordinary | Preferred | Total |
|-------------------------------|---------------------------|---------------------------|---------------------------|
| Controlling Company | 140,040,860,473 84.71% | 291,819,562,080 88.90% | 431,860,422,553 87.49% |
| Others | 25,279,346,129 15.29% | 36,452,510,659 11.10% | 61,731,856,788 12.51% |
| Total number of shares | 165,320,206,602 | 328,272,072,739 | 493,592,279,341 |

Note: Treasury shares were cancelled in the General Shareholders Meeting held on August 14, 2003.

| | |
|---|------------------|
| Capital stock - in thousands of R\$ (in 09/30/04): | 5,978,074 |
| Book Value per 1,000 shares (R\$): | 23.09 |
| Capital stock - in thousands of R\$ (in 12/31/04): | 5,978,074 |

Tagline

Telecomunicações de São Paulo S/A - TELESP since November 30, 1999 (due to a corporate restructuring) is the new name of Telesp Participações S/A., a corporation organized under the laws of the Federal Republic of Brazil, formed upon the reorganization of Telecomunicações Brasileiras S.A., on May 22, 1998. TELESP is the main supplier of fixed line public telecommunications services in the Brazilian state of São Paulo. The Brazilian Government sold its stake in TELESP PARTICIPAÇÕES thus privatizing the Company on July 29, 1998. TELESP's operating concession expires on December 31, 2005, at which point it can be extended for a period of 20 years.

Telecomunicações de São Paulo S/A - TELESP acquired, in December 1999, voting and non-voting shares of Centrais Telefônicas de Ribeirão Preto S/A - CETERP. The CETERP cellular operating division was sold afterwards.

The tender offer to exchange the shares of the Company by BDRs (Brazilian Depositary Receipts) representatives of the shares of Telefônica, S.A. was concluded on June 30, 2000.

On October 10, 2000, the Board of Directors approved the creation of an integral subsidiary to provide package network switched services and afterwards the Company promoted the partial spin-off of this subsidiary which is a listed company.

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TELESP's business, services and tariffs have been regulated by ANATEL (Agência Nacional de Telecomunicações) since June 16, 1997, according to various decrees, decisions, plans and regulatory measures.

TELESP became the first operator to file the corresponding information of the accomplishment of Anatel's targets. ANATEL has already granted the license to permit Telesp to offer domestic and international long distance services to its customers, and also to extend its business out of its concession area (São Paulo) to the whole country.

The international long distance services started to be deployed on May 7, 2002 while the domestic long distance services were not being rendered in that period due to a legal injunction. For the same reasons, the domestic long distance services started to be deployed on July 29, 2002.

The Board of Directors of ANATEL, on its 240th meeting held on January 29, 2003 granted Telecomunicações de São Paulo, S.A. - Telesp the authorization to exploit the Multimedia Communications Service (SCM) nationwide. The Company may offer voice and data services through points of presence, composed of networks and telecommunication circuits.

On July 06, 2003, the mobile telephone operating companies started to implement the long distance carrier selection. It enables the client to determine the long distance carrier for each domestic long distance call (VP2 and VP3) or international call, according to the SMP Mobile Personal Service rules. Consequently, the Company started to acknowledge the revenues from said services and, at the same time, started to pay to the mobile telephone operators for the use of their networks.

On September 04, 2004, the rules established in Resolution #373 of Anatel (National Telecommunications Agency), dated as of June 03, 2004, were implemented. This Resolution deals with the reconfiguration of the local areas for the Switched Fixed Telephony Service. As a consequence, all calls, previously billed as domestic long distance (DC - Áreas Conurbadas), will now be billed as local calls. In São Paulo, this modification comprised 53 municipalities, while 39 of them were in Grande São Paulo.

On December 24, 2004, the Company acquired Santo Genovese Participações Ltda. (Santo Genovese), controller of Atrium Telecomunicações Ltda. (Atrium), company dedicated to the management of the rendering of telecommunication services. The operation will allow the Company to increase its offer to the domestic market with services that have greater value added, through the management of the rendering of telecommunication services.

TELECOMUNICAÇÕES DE SÃO PAULO S/A TELESP

(Previously Telesp Participações S/A)

Table 2. Consolidated income statements

For the years ended December 31, 2004 and 2003

Corporate Law Method

(Unaudited)

(in thousands of Brazilian reais - R\$)

| | Consolidated - Accumulated | | | Consolidated | | |
|-------------------------------------|-------------------------------|--------------------|--------|--------------------|--------------------|---------|
| | Dec/04 | Dec/03 | var. | 4Q04 | 4Q03 | var. |
| Gross operating revenue | 18,425,674 | 16,221,967 | 13.6% | 4,805,762 | 4,403,517 | 9.1% |
| Monthly rental charge | 4,970,433 | 4,455,653 | 11.6% | 1,555,194 | 1,340,356 | 16.0% |
| Installation charge | 67,851 | 104,301 | -34.9% | 4,655 | 22,712 | -79.5% |
| Local Service | 3,057,231 | 3,017,552 | 1.3% | 787,689 | 814,078 | -3.2% |
| Others | 639,841 | 586,042 | 9.2% | (40,568) | 30,447 | -233.2% |
| DLD | 3,066,738 | 2,459,954 | 24.7% | 753,337 | 714,013 | 5.5% |
| Intra-state | 2,334,464 | 1,821,252 | 28.2% | 581,598 | 529,538 | 9.8% |
| Inter-state | 732,274 | 638,702 | 14.7% | 171,739 | 184,475 | -6.9% |
| Fixed-to-mobile revenues | 4,024,842 | 3,557,789 | 13.1% | 1,016,544 | 945,859 | 7.5% |
| ILD | 112,620 | 100,901 | 11.6% | 30,849 | 26,924 | 14.6% |
| Interconnection | 1,103,649 | 1,096,553 | 0.6% | 280,954 | 266,599 | 5.4% |
| Public telephony | 381,403 | 246,861 | 54.5% | 129,502 | 68,015 | 90.4% |
| Data transmission (ex-package) | 996,568 | 591,875 | 68.4% | 286,446 | 173,406 | 65.2% |
| Phone directory | 4,498 | 4,486 | 0.3% | 1,160 | 1,108 | 4.7% |
| Taxes + others | (5,117,044) | (4,417,208) | 15.8% | (1,359,217) | (1,207,384) | 12.6% |
| Net operating revenue | 13,308,630 | 11,804,759 | 12.7% | 3,446,545 | 3,196,133 | 7.8% |
| Operating expenses | (7,270,450) | (6,502,306) | 11.8% | (1,849,426) | (1,893,555) | -2.3% |
| Personnel expenses | (539,768) | (663,593) | -18.7% | (134,809) | (211,427) | -36.2% |
| General and administrative expenses | (6,102,162) | (4,999,570) | 22.1% | (1,571,550) | (1,383,509) | 13.6% |
| Materials | (129,853) | (117,805) | 10.2% | (34,566) | (38,893) | -11.1% |
| Outsourcing expenses | (2,263,955) | (1,842,104) | 22.9% | (589,129) | (478,575) | 23.1% |
| Interconnection expenses | (3,511,690) | (2,835,853) | 23.8% | (894,447) | (814,378) | 9.8% |
| Other expenses | (196,664) | (203,808) | -3.5% | (53,408) | (51,663) | 3.4% |
| Taxes | (247,623) | (247,399) | 0.1% | (53,585) | (80,856) | -33.7% |
| Provisions | (428,911) | (441,797) | -2.9% | (104,547) | (109,837) | -4.8% |

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| | | | | | | |
|---|------------------|------------------|---------------|------------------|------------------|----------------|
| Investment gains (losses) | (461) | (1,012) | -54.4% | 1,244 | 2,408 | -48.3% |
| Other operating revenues / (expenses) | 48,475 | (148,935) | -132.5% | 13,821 | (110,334) | -112.5% |
| Earnings before interest taxes, depreciation and amortization - EBITDA | 6,038,180 | 5,302,453 | 13.9% | 1,597,119 | 1,302,578 | 22.6% |
| Depreciation and amortization | (2,768,854) | (2,854,821) | -3.0% | (686,435) | (708,454) | -3.1% |
| Financial revenues | 457,895 | 1,387,006 | -67.0% | 109,060 | 37,411 | 191.5% |
| Financial expenses | (862,103) | (2,017,202) | -57.3% | (216,225) | (178,719) | 21.0% |
| Interest on the company's net worth | (888,600) | (1,100,000) | -19.2% | (592,800) | (1,100,000) | -46.1% |
| Operating income | 1,976,518 | 717,436 | 175.5% | 210,719 | (647,184) | -132.6% |
| Non-operating revenues (expenses) | 40,102 | 50,025 | -19.8% | 11,927 | 19,204 | -37.9% |
| Income before income tax and social contribution | 2,016,620 | 767,461 | 162.8% | 222,646 | (627,980) | -135.5% |
| Income tax | (535,918) | (210,672) | 154.4% | (80,248) | 136,841 | -158.6% |
| Social contribution | (188,153) | (68,787) | 173.5% | (29,067) | 51,178 | -156.8% |
| Income before employee profit sharing and minority interest | 1,292,549 | 488,002 | 164.9% | 113,331 | (439,961) | -125.8% |
| Interest on company's net worth reversion | 888,600 | 1,100,000 | -19.2% | 592,800 | 1,100,000 | -46.1% |
| Net income | 2,181,149 | 1,588,002 | 37.4% | 706,131 | 660,039 | 7.0% |

Note: The revenues from digital access previously recorded in the entry "Others" in the financial statements as of December 2003 were reclassified to the entry "Monthly Rental Charge" in the amount of R\$ 213.5 million, and R\$6.5 million to the entry "Business Communications".

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP*(Previously Telesp Participações S/A)***CNPJ Nº 02.558.157/0001-62****Table 3. Balance sheet****As of December 31, 2004 and 2003****Corporate Law - Unaudited***(In thousands of reais - R\$)*

| | Consolidated Dec/04 | Consolidated Dec/03 |
|---------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | |
| Current assets | 4,161,865 | 4,121,165 |
| Cash and cash equivalents | 238,577 | 214,932 |
| Cash and bank accounts | 25,323 | 41,524 |
| Financial investments | 213,254 | 173,408 |
| Accounts receivable from customers | 3,264,137 | 3,005,660 |
| Allowance for doubtful accounts | (568,137) | (574,686) |
| Loans and financial investments | 18,758 | 24,685 |
| Recoverable taxes | 907,819 | 1,130,367 |
| Maintenance inventories | 93,002 | 125,434 |
| Recoverable prepaid expenses | 92,830 | 71,516 |
| Receivables from associated companies | 70,283 | 64,394 |
| Other assets | 44,596 | 58,863 |
| Long-term assets | 805,119 | 919,480 |
| Recoverable taxes | 354,382 | 441,099 |
| Loans and financial investments | 10,355 | 10,102 |
| Bail of legal proceedings | 333,893 | 280,853 |
| Receivables from associated companies | 15,942 | 85,741 |
| Other assets | 90,547 | 101,685 |
| Permanent Assets | 13,784,783 | 15,082,174 |
| Investments | 284,574 | 165,363 |
| Property, plant and equipment - net | 13,369,391 | 14,735,494 |
| Differed results | 130,818 | 181,317 |
| Total Assets | 18,751,767 | 20,122,819 |

| | <u>Consolidated</u> | <u>Consolidated</u> |
|---|---------------------|---------------------|
| | <u>Dec/04</u> | <u>Dec/03</u> |
| LIABILITIES | | |
| Current liabilities | 4,163,806 | 5,957,980 |
| Loans and financing | 529,930 | 1,982,062 |
| Suppliers | 1,194,781 | 1,086,645 |
| Consignments | 168,638 | 212,615 |
| Taxes | 1,165,734 | 712,565 |
| Dividends and interest on capital | 506,116 | 1,276,663 |
| Accrual for contingencies | 52,847 | 49,408 |
| Payroll and related charges | 143,312 | 152,101 |
| Payables to associated companies | 36,710 | 21,950 |
| Unrealized Losses on Hedging Operations | 235,918 | 359,482 |
| Other liabilities | 129,820 | 104,489 |
| Long-term liabilities | 3,170,245 | 1,876,695 |
| Loans and financing | 2,226,313 | 995,087 |
| Taxes | 26,007 | 31,373 |
| Accrual for contingencies | 800,382 | 676,474 |
| Payables to associated companies | 50,482 | 55,550 |
| Other liabilities | 67,061 | 118,211 |
| Results of future fiscal years | 17,470 | 17,470 |
| Shareholders equity | 11,398,632 | 12,269,060 |
| Share capital | 5,978,074 | 5,978,074 |
| Capital reserves | 2,745,272 | 2,744,031 |
| Profit Reserves | 659,556 | 550,498 |
| Retained earnings | 2,015,730 | 2,996,457 |
| Capitalizable Funds | 1,614 | 1,614 |
| Total liabilities | 18,751,767 | 20,122,819 |

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP

(Previously Telesp Participações S/A)

Table 4. Operating Highlights

| | | Consolidated - Accumulated | | | Consolidated | | |
|--------------------------------------|----------------|-------------------------------|--------------------|----------|--------------|--------------------|----------|
| | | Dec/03 | Dec/04 | var. | 3Q04 | 4Q04 | var. |
| Capex | | | | | | | |
| Capital Expenditure (Economic) | R\$ MM | 1,344 | 1,339 | -0.4% | 332 | 554 | 67.0% |
| Network | | | | | | | |
| Access Lines - Installed (switching) | | 14,248,713 | 14,230,843 | -0.1% | 14,304,712 | 14,230,843 | -0.5% |
| Installed Lines - Gain | | (106,947) | (17,870) | n.a. | (14,991) | (73,869) | n.a. |
| Access Lines in Service | | 12,296,930 | 12,462,746 | 1.3% | 12,359,157 | 12,462,746 | 0.8% |
| Residential | | 9,149,659 | 9,320,825 | 1.9% | 9,216,524 | 9,320,825 | 1.1% |
| Non-residential | | 1,446,358 | 1,432,245 | -1.0% | 1,439,082 | 1,432,245 | -0.5% |
| Trunk Lines ^{1/} | | 1,125,444 | 1,076,176 | -4.4% | 1,076,811 | 1,076,176 | -0.1% |
| Public Lines | | 327,084 | 328,944 | 0.6% | 328,515 | 328,944 | 0.1% |
| Internally used and test lines | | 248,385 | 304,556 | 22.6% | 298,225 | 304,556 | 2.1% |
| Lines in Services - Gain | | (208,958) | 165,816 | n.a. | 138,370 | 103,589 | -25.1% |
| Average Lines in Service | (ALIS) | 12,387,763 | 12,295,057 | -0.7% | 12,273,083 | 12,422,628 | 1.2% |
| ADSL | | 484,393 | 826,400 | 70.6% | 715,600 | 826,400 | 15.5% |
| Digitalization | (%) | 96.9 | 98.7 | 1.7 p.p. | 98.0 | 98.7 | 0.7 p.p. |
| Traffic | | | | | | | |
| Local Pulses - Registered | (pul 000) | 35,884,806 | 33,511,307 | -6.6% | 8,385,059 | 8,121,756 | -3.1% |
| Local Pulses - Exceeding | (pul 000) | 25,435,496 | 23,548,589 | -7.4% | 5,932,070 | 5,611,110 | -5.4% |
| Domestic Long Distance ^{2/} | (min 000) | 16,377,807 | 15,869,295 | -3.1% | 4,001,210 | 3,819,901 | -4.5% |
| International Long Distance | (min 000) | 87,974 | 96,033 | 9.2% | 24,843 | 25,224 | 1.5% |
| Monthly traffic per ALIS | | | | | | | |
| Local | (pul) | 241 | 227 | -5.9% | 228 | 218 | -4.3% |
| DLD | (min) | 110 | 108 | -2.4% | 109 | 102 | -5.7% |
| ILD | (min) | 0.6 | 0.7 | 10.0% | 0.7 | 0.7 | 0.3% |
| Others | | | | | | | |
| Employees | | 7,134 | 7,125 | -0.1% | 7,008 | 7,125 | 1.7% |
| LIS per Employee ^{3/} | | 1,792 | 1,865 | 4.1% | 1,866 | 1,865 | -0.0% |
| Monthly Net Op. Revenue per ALIS | (R\$) | 79.4 | 90.2 | 13.6% | 93.0 | 92.5 | -0.6% |
| Telephone Density | (per 100 inh.) | 31.6 | 31.7 ^{4/} | 0.1 p.p. | 31.6 | 31.7 ^{4/} | 0.1 p.p. |

1/ Includes ISDN clients.

2/ Includes intra-state, inter-state (fixed-to-fixed and fixed-to-mobile).

3/ End of period. Includes ADSL clients.

4/ Population: 39,297,025 (source IBGE - December 2004).

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP

(Previously Telesp Participações S/A)

Table 5

Tariff rates (including taxes) - fixed line services

(in reais)

| Date of Enforcement | Installation Charge | Monthly Basic Rental Charge | | | Pay Phone Unit | | |
|-----------------------------------|---------------------|-----------------------------|--------------|--------------|----------------|--------------|--------------|
| | | Residential | Business | Trunk line | Local | Credit | Local Pulses |
| Jun 24, 2001 | 76.62 | 23.32 | 36.41 | 48.56 | 0.075 | 0.075 | 0.092 |
| Jun 28, 2002 | 76.62 | 26.57 | 40.04 | 40.04 | 0.081 | 0.081 | 0.103 |
| Jun 30, 2003 | 89.82 | 30.37 | 49.62 | 49.62 | 0.093 | 0.093 | 0.117 |
| Sep 12, 2003 ^{1/} | 69.71 | 31.14 | 46.93 | 46.93 | 0.095 | 0.095 | 0.120 |
| Jul 02, 2004 | 64.16 | 33.45 | 50.41 | 50.41 | 0.102 | 0.102 | 0.129 |
| Sep 01, 2004 | 73.10 | 34.5 | 54.35 | 54.35 | 0.105 | 0.105 | 0.133 |
| Nov 01, 2004 ^{2/} | 82.06 | 35.55 | 58.29 | 58.29 | 0.108 | 0.108 | 0.137 |

DLD (1 minute without discounts - normal rates)

| Date of Enforcement | D1 | D2 | D3 | D4 |
|---------------------|--------------|--------------------|---------------------|--------------|
| | (up to 50km) | (from 50 to 100km) | (from 100 to 300km) | (over 300km) |
| Jun 24, 2001 | 0.10 | 0.16 | 0.22 | 0.30 |
| Jun 28, 2002 | 0.108 | 0.173 | 0.237 | 0.347 |
| Jun 30, 2003 | 0.124 | 0.198 | 0.272 | 0.397 |
| Sep 12, 2003 | 0.127 | 0.203 | 0.278 | 0.382 |
| Jul 02, 2004 | 0.133 | 0.213 | 0.292 | 0.400 |
| Sep 01, 2004 | 0.144 | 0.230 | 0.316 | 0.397 |
| Nov 01, 2004 | 0.155 | 0.248 | 0.340 | 0.394 |

Interconnection (1 min. - without discounts) Fixed to Mobile (1 minute - without discounts)

| Date of Enforcement | Interconnection (1 min. - without discounts) | | Fixed to Mobile (1 minute - without discounts) | | |
|---------------------|--|--------|--|-------|-------|
| | TU-RL | TU-RIU | VC-1 | VC-2 | VC-3 |
| Feb 03, 2001 | | | 0.453 | 0.953 | 1.084 |
| Jun 24, 2001 | 0.050 | 0.086 | 0.453 | 0.953 | 1.084 |
| Feb 01, 2002 | 0.050 | 0.091 | 0.498 | 1.037 | 1.180 |

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| | | | | | |
|---------------------|-------|-------|-------------------------------------|-------|-------|
| Feb 08, 2003 | | | from 0.5687 to 0.6360 ^{3/} | 1.265 | 1.439 |
| Jun 30, 2003 | 0.058 | 0.114 | | | |
| Sep 12, 2003 | 0.052 | 0.102 | | | |
| Feb 11, 2004 | | | from 0.6085 to 0.6805 ^{3/} | 1.354 | 1.540 |
| Jul 02, 2004 | 0.047 | 0.106 | | | |
| Sep 01, 2004 | 0.049 | 0.112 | | | |
| Nov 01, 2004 | 0.052 | 0.118 | | | |

1/ Installation Charge was readjusted on October 04, 2003.

2/ Some services have differentiated tariff rates for the former CTBC concession area, such as: installation charge (R\$66.74), monthly fee for non-residential and trunk lines (R\$55.96), DLD (D1=R\$0.150, D2=R\$0.216, D3=R\$0.308 and D4=R\$0.439). There are different tariffs within CETERP's region.

3/ From February 8, 2003 on, there are different tariffs for the several concession sectors where the calls are originated and terminated, according to the table approved by Anatel.

Note a) On February 06, 2004, according to the Act 42422, ANATEL (Agência Nacional de Telecomunicações) approved the tariff adjustment of the Cellular Móvil Service - SMC and Personal Mobile Service - SMP, with an increase of 6.99% for the VC1, VC2 and VC3 throughout the entire concession area of Telesp, sectors 31, 32 and 34 of Region III. The new tariffs started to be charged on February 11, 2004.

Note b) On June 29, 2004, through Edicts #45011 and #45012, the Agência Nacional de Telecomunicações ANATEL approved the percentages for the tariff adjustment for the Switched Fixed Telephony Service (STFC) according to the criteria established in the Local and Domestic Long Distance Concession Contracts, to be effective starting on July 02, 2004 and for sector 32 (former CETERP) since July 03, 2004. On July 02, the approved percentages were applied on top of the tariffs determined by the legal injunction. The average variations of the tariff baskets were as follows:

Local: 6.89%

Long Distance: 3.20%

TU-RL: -10.47%

TU-RIU: 3.20%

Note c) After the final decision regarding the Legal Injunction by the STJ, with the reincorporation of the IGP-DI as the index, the approved percentages, in accordance with Anatel's published acts, were applied on top of the approved tariffs in June 2003, non-retroactively. The increase was divided in two installments, with the first one being effective on September 01, 2004. On September 01, 2004 on, the following readjustment indexes were applied to Telefónica's services:

Pulse: average of 3.22%

Domestic Long Distance: average of 5.22%

Non-residential and trunk monthly fee: average of 7.75%

Residential monthly fee: 3.14%

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Installation: average of 14.14%

Note d) The second installment was effective from November 01, 2004 on. The following readjustment indexes were applied to Telefónica s services:

Pulse: average of 3.13%

Domestic Long Distance: average of 4.97%

Non-residential and trunk monthly fee: average of 7.20%

Residential monthly fee: 3.05%

Installation: average of 12.40%

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP

(Previously Telesp Participações S/A)

Table 6

Loans and Financing

(in thousand of reais)

| | Currency | Interest Rate | Due Date | Balance as of Dec/04 | | |
|-------------------------------|----------|---|------------|----------------------|------------------|------------------|
| | | | | Short Term | Long Term | Total |
| Mediocrédito | US\$ | 1.75% | 2014 | 8,528 | 67,862 | 76,390 |
| CIDA | CAN\$ | 3.00% | 2005 | 1,565 | | 1,565 |
| Loans in local currency (a) | R\$ | 6% + 3.75% spread and CDI + 0.40% monthly | Until 2006 | 3,599 | 2,119 | 5,718 |
| Loans in foreign currency (a) | | | Until 2009 | 494,279 | 656,332 | 1,150,611 |
| Bonds | R\$ | 103.5% of CDI rate | Until 2007 | 21,959 | 1,500,000 | 1,521,959 |
| Total | | | | 529,930 | 2,226,313 | 2,756,243 |

(a) The loans denominated in local and foreign currency include loans from financial institutions related to the financing of working capital for Santo Genovese Participações Ltda. (Atrium Telecomunicações Ltda.)

| | Currency | Interest Rate | Balance as of Dec/04 |
|------------------------|----------|-----------------|----------------------|
| Res. 2770 | USD | 2.00% to 6.90% | 321,055 |
| Res. 2770 | YEN | 1.40% | 79,770 |
| Debt Assumption | USD | 8.62% to 27.50% | 84,200 |
| Untied Loan - JBIC | YEN | Libor + 1.25% | 646,955 |
| DEG - Deutsche Invest. | USD | Libor + 6% | 18,631 |
| Total | | | 1,150,611 |

Capex

In 2004, the Company invested R\$1.34 billion in the program of expansion and modernization of the telecommunication services, including the investments related to the expansion of the Broad Band plant and the offering of new value added services..

Depreciation Figures

(in million of reais)

December 2004

TELECOMUNICAÇÕES DE SÃO PAULO S/A - TELESP

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
|-------------------------------|-------------|-------------------------------------|-----------------------|
| Property, plant and equipment | 38,107 | (25,048) | 13,059 |
| Work in progress | 310 | 0 | 310 |
| Total | 38,417 | (25,048) | 13,369 |
| Fully depreciated assets | | | 12,223 |
| Average depreciation rate (%) | | | 10.57% |

Inflation Figures

| | <u>IGP-M</u> | <u>IGP-DI</u> |
|----------------|--------------|---------------|
| Jan - Dec 1999 | 20.10% | 19.98% |
| Jan - Dec 2000 | 9.95% | 9.80% |
| Jan - Dec 2001 | 10.37% | 10.40% |
| Jan - Dec 2002 | 25.30% | 26.41% |
| Jan - Dec 2003 | 8.69% | 7.66% |
| Jan - Mar 2004 | 2.72% | 2.84% |
| Jan - Jun 2004 | 6.78% | 6.90% |
| Jan - Sep 2004 | 10.26% | 10.06% |
| Jan - Dec 2004 | 12.41% | 12.14% |

Source: Investnews - Gazeta Mercantil

Note: The IPCA from May 2002 to May 2003 was 17.23%

Exchange Rate Figures

| | <u>R\$/US\$</u> | <u>var. % (YTD)</u> |
|-------------------|-----------------|---------------------|
| December 31, 1999 | 1.789 | -48.03% |
| December 31, 2000 | 1.9554 | -9.30% |
| December 31, 2001 | 2.3204 | -18.67% |
| December 31, 2002 | 3.5333 | -52.27% |
| December 31, 2003 | 2.8892 | 18.23% |

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| | | |
|--------------------|--------|--------|
| March 31, 2004 | 2.9086 | -0.67% |
| June 30, 2004 | 3.1075 | -7.56% |
| September 30, 2004 | 2.8586 | 1.06% |
| December 31, 2004 | 2.6544 | 8.13% |

Source: Bloomberg

Note: The IPCA from May 2002 to May 2003 was 17.23%

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELESP HOLDING COMPANY

Date: February 21, 2005.

By: /s/ Daniel de Andrade Gomes

Name: Daniel de Andrade Gomes

Title: Investor Relations Director