TELESP CELLULAR HOLDING CO /ADR/
Form 424B3
December 23, 2003

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-110080

Telesp Celular Participações S.A.

(Telesp Cellular Holding Company)

Telesp Celular Participações S.A., or TCP, has proposed a merger of shares under Brazilian law *(incorporação de ações)*, or a merger of shares, of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, with TCP. TCP and TCO provide cellular telecommunications services in their respective authorization areas in Brazil under the Vivo brand. If the merger of shares is approved:

TCO will become a wholly owned subsidiary of TCP;

holders of American Depositary Shares, or ADSs, of TCO will receive 1.524 ADSs of TCP for each ADS they hold upon surrender of the TCO ADSs and payment of the fees and expenses of the depositary; and

direct holders of preferred shares of TCO will automatically receive 1.27 preferred shares, no par value, of TCP for each preferred share they hold without any further action by those holders.

The merger must be approved by at least 50% of the holders of common shares of both TCP and TCO at separate extraordinary general meetings, which are scheduled to occur on January 7, 2004. We expect the merger of shares to be approved because:

TCP holds 90.7% of the outstanding voting common stock of TCO and intends to vote those shares in favor of the merger of shares; and

TCP s controlling shareholder, which directly and indirectly holds 93.66% of TCP s voting common shares, has represented to TCP that it and its subsidiaries will vote the common shares of TCP they hold in favor of the merger of shares.

Holders of preferred shares and ADSs of TCO do not have the right to vote on the merger of shares.

The TCP ADSs to be received by holders of TCO ADSs will be listed on the New York Stock Exchange under the symbol TCP.

This prospectus has been prepared for holders of preferred shares of TCO residing in the United States and for holders of TCO ADSs to provide information about the merger of shares. **No offer is being made to holders of common shares of TCO pursuant to this prospectus.**

You should read this prospectus carefully. In particular, please read the section entitled Risk Factors beginning on page 23 for a discussion of risks that you should consider in evaluating the transactions described in this prospectus.

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

This prospectus is dated December 22, 2003 and is expected first to be mailed to shareholders on or about that date.

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PRESENTATION OF FINANCIAL INFORMATION

The following financial statements are included in this prospectus:

the audited consolidated financial statements of TCP at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in Annex AA to this prospectus;

the unaudited consolidated interim financial statements of TCP at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in Annex B to this prospectus (Information Derived from TCO s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002);

the unaudited consolidated interim financial statements of TCO at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 included in Annex D to this prospectus (Information Derived from TCO s Report on Form 6-K Furnished November 19, 2003);

the unaudited consolidated interim financial statements of TCO at March 31, 2003 and for the three months ended March 31, 2003 and 2002 included in Annex C to this prospectus (Information Derived from TCO s Report on Form 6-K Furnished May 16, 2003);

the audited combined financial statements of Globaltelcom Telecomunicações S.A., Daini do Brasil S.A. and GTPS S.A. Participações em Investimentos de Telecomunicações as of December 31, 2001, for the periods from February 6, 2001 to December 31, 2001 and from January 1, 2002 to December 27, 2002 included in Annex AA to this prospectus;

the audited consolidated financial statements of Daini do Brasil S.A. as of December 31, 2001 and for the year ended December 31, 2001 and for the period from January 1 to December 27, 2002 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of DDI do Brasil Ltda. (whose name was subsequently changed to Daini do Brasil S.A.) as of and for the years ended December 31, 1999 and 2000 included in Annex E to this prospectus;

the audited consolidated financial statements of Global Telecom S.A. as of December 31, 2001 and for the year ended December 31, 2001 and for the period from January 1 to December 27, 2002 included in Part Nine: Financial Statements to this prospectus; and

the audited consolidated financial statements of Global Telecom S.A. as of December 31, 2000 and 2001 and for each of the three years in the period ended December 31, 2001 included in Annex F to this prospectus.

We prepare our financial statements using accounting practices in accordance with Brazilian corporate law, standards applicable to holders of authorizations for the provision of Brazilian public telecommunication services and accounting standards and procedures established by the Brazilian Securities Commission *(Comissão de Valores Mobiliários)*, or CVM. We refer to these accounting practices in this prospectus as Brazilian corporate law. Brazilian corporate law provided a simplified methodology for the effects of inflation until December 31, 1995. The audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus have been prepared using generally accepted accounting principles in Brazil, or Brazilian GAAP. Brazilian GAAP requires companies to recognize inflationary effects in their financial statements until December 31, 2000. These financial statements contain a reconciliation of shareholders equity and net income from Brazilian corporate law to Brazilian GAAP.

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Brazilian corporate law and Brazilian GAAP differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. For a discussion of these differences, please see note 37 to TCP s audited consolidated financial statements included in this prospectus and note 29 to TCO s audited consolidated financial statements included in this prospectus.

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

This prospectus contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the Brazilian currency amounts for the year ended December 31, 2002 using a rate of R$3.533 to U.S.$1.00, the Brazilian Central Bank s PTAX commercial selling rate at December 31, 2002, and we have translated the Brazilian currency amounts for the nine months ended September 30, 2003 using a rate of R$2.9234 to U.S.$1.00, the Brazilian Central Bank s PTAX commercial selling rate at September 30, 2003.

In this prospectus, TCP, we, us and our refer to Telesp Celular Participações S.A. and its consolidated subsidiaries.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

- management strategy;
- synergies;
- operating efficiencies;
- integration of new business units;
- market position;
- revenue growth;
- cost savings;
- capital expenditures;
- flexibility in responding to market conditions and the regulatory regime;
- influence of controlling shareholders;
- litigation; and
- the timetable for the merger of shares.

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

- Part One: Questions and Answers About the Merger of Shares ;
- Part Two: Summary ;
- Part Three: Risk Factors ;
- Part Five: The Merger of Shares Reasons for the Merger of Shares , Management and Unaudited Pro Forma Combined Financial Data ;
- Part Six Shareholder Rights ;
- Part Seven Additional Information for Shareholders Enforceability of Civil Liabilities Under U.S. Securities Laws ; and
- Part Eight Legal and Regulatory Matters General.

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

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER OF SHARES

Q: What is the merger of shares?

A: Telesp Celular Participações S.A., or TCP, has proposed a merger of shares (*incorporação de ações*) of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, with TCP. The merger of shares is a Brazilian law procedure under which TCO will become a wholly owned subsidiary of TCP and holders of preferred shares of TCO will receive preferred shares of TCP upon approval of the merger of shares by the requisite percentage of the common shares of both TCP and TCO.

Q: What are the reasons for the merger of shares?

A: We believe the merger of shares will enable us to:

align the interests of the shareholders of TCP and TCO;

take advantage of commercial and financial synergies because we will be a larger company;

simplify our shareholding structure and expand our shareholder base;

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

eliminate the costs of separate public reporting requirements for TCO and the separate listing of TCO securities.

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

A: If you are a holder of TCO ADSs, you will receive 1.524 ADSs, each representing 2,500 preferred shares of TCP, for each ADS of TCO that you hold upon surrender of the TCO ADSs and payment of the fees and expenses of the depositary.

If you are a direct holder of TCO preferred shares, you will automatically receive 1.27 preferred shares of TCP for each preferred share of TCO you hold. If you hold preferred shares directly, an entry or entries will be made in the share registry of TCP to evidence the preferred shares of TCP you will receive in the merger of shares.

Q: What shareholder approvals are needed?

A: The merger of shares of TCO with TCP will require the affirmative vote of holders representing at least 50% of the outstanding common shares of TCO and of TCP at separate extraordinary general meetings. You are not entitled to vote at the TCO shareholder meeting, but you may participate if you directly hold preferred shares.

We believe the merger of shares will be approved by both companies because we hold 90.7% of the outstanding common shares of TCO, and Brasilcel N.V., or Brasilcel, which directly and indirectly holds 93.66% of our common shares, has represented to us that it and its subsidiaries will vote the common shares of our company they hold in favor of the merger of shares.

Q: Do I have appraisal rights?

A: No. Holders of TCO preferred shares and ADSs are not entitled to appraisal rights in connection with the merger of shares.

Q: Why am I receiving this document?

A: This document is a prospectus of TCP relating to the preferred shares of TCP that the shareholders of TCO will receive in the merger of shares. You are receiving this prospectus because TCP may be deemed to be offering you its shares for purposes of the U.S. Securities Act of 1933, as amended.

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

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

Under U.S. generally accepted accounting principles, the exchange of shares between TCP and the holders of common and preferred shares of TCO other than TCP will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER OF SHARES

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

A: The receipt of TCP preferred shares or ADSs representing such shares and cash, if any, in exchange for TCO preferred shares or ADSs representing such shares pursuant to the merger of shares will be a taxable transaction for U.S. federal income tax purposes. You will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the sum of the fair market value of the TCP preferred shares (or TCP ADSs) received plus the amount of cash received (if any) and your tax basis in the TCO preferred shares (or TCO ADSs) exchanged. The tax consequences to you of the merger of shares will depend on your particular facts and circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of the merger of shares to you.

Q: When will the merger of shares be completed?

A: The extraordinary general shareholder meetings of TCO and TCP will be held on January 7, 2004, unless any of the meetings is postponed. The merger of shares of TCO with TCP will take place automatically upon approval of the merger of shares at the shareholder meetings.

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

A: No.

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

A: No. After the merger of shares, we will be a significantly larger company than TCO and will be significantly larger than we were before the merger of shares. You will have a lower percentage ownership in TCP than you currently have in TCO. Assuming that none of the common shareholders of TCP or TCO exercises appraisal rights, former TCO shareholders, other than TCP, will hold approximately 22.2% of the total capital stock of TCP following the merger of shares.

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

A: Your rights as a shareholder of TCP will generally be similar to your rights as a shareholder of TCO. See Part Six: Shareholder Rights.

Q: When will I receive my TCP ADSs and any cash attributable to any fractional TCP security?

A: Assuming the merger of shares is completed, we will make the ADSs representing preferred shares of TCP issued in the merger of shares available to U.S. shareholders within three business days after the related preferred shares are deposited with the depositary s custodian in Brazil. We will make available to you any cash to which you are entitled within three business days after the TCP ADSs are available.

Q: Will I have to pay brokerage commissions?

A: You will not have to pay brokerage commissions if your TCO shares are registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger of shares.

Q: What do I need to do now?

A: If you hold preferred shares directly, you may attend the extraordinary general shareholders meeting of TCO at which the merger of shares will be approved, but you may not vote. The TCO shareholders meeting is currently expected to be held on January 7, 2004, at 8 a.m., local time, at TCO s principal executive offices at SCS Quadra 2, Bloco C, 226, Edifício Telebrasília Celular 7° andar, 70319-900 Brasília, D.F., Brazil. If you hold TCO ADSs, you are not entitled to attend the shareholders meeting.

If you hold preferred shares directly, you do not need to do anything to receive TCP preferred shares in the merger of shares. The TCP preferred shares are book-entry shares, and an entry or entries will be made in the

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER OF SHARES

share registry of TCP to evidence the preferred shares you will receive.

If you hold TCO ADSs, the preferred shares underlying those ADSs will become TCP preferred shares by operation of law. However, to receive American Depositary Receipts, or ADRs, of TCP evidencing the ADSs that represent those TCP preferred shares, you will need to surrender your TCO ADRs to the depositary, pay the depositary s fees for the surrender of TCO ADSs under the TCO deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)) and for the issuance of TCP ADSs under the TCP deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)) and pay expenses of the depositary as provided in the deposit agreements.

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

A: If you have any questions about the merger of shares, you should contact:

Tele Centro Oeste Celular
Participações S.A.
SCS Quadra 2, Bloco C, 226,
Edifício Telebrasília Celular 7° andar
70319-900 Brasília, D.F.
Brazil
Attention: Luis André Carpintero Blanco
Telephone: 55-61-3962-7701
Facsimile: 55-61-321-3426

or

Telesp Celular Participações S.A.
Av. Roque Petroni Júnior, 1.464 Morumbi
04707-000 São Paulo, SP
Brazil
Attention: Fernando Abella Garcia
Telephone: 55-11-5105-1358
Facsimile: 55-11-5105-2988

If you are a holder of TCO ADSs, you may also contact:

The Bank of New York
101 Barclay Street
New York, NY 10286
Telephone: 1-888-BNY-ADRS

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PART TWO SUMMARY

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

Summary of the Merger of Shares

The Companies

TCP

We are a leading provider of cellular telecommunications services in Brazil through our subsidiaries Telesp Celular S.A., or Telesp Celular, Global Telecom S.A. or Global Telecom, and TCO. In the nine months ended September 30, 2003, we had net operating revenues of R$4,169.0 million and at September 30, 2003 had 11.7 million cellular lines in service. The following chart shows our corporate structure as of December 15, 2003, except that the percentages of common shares and preferred shares of TCO s subsidiaries that TCO holds are based on the most recent information available to us and may now be slightly higher.

Telesp Celular is the leading cellular operator, by number of customers, in the State of São Paulo, according to data published by the National Telecommunications Agency (*Agência Nacional de Telecomunicações*), or Anatel. Telesp Celular provides services on the A band frequency in two authorization areas in the State of São Paulo that together cover approximately 248,209 square kilometers, representing approximately 2.9% of Brazil s territory. These authorization areas are home to more than 38.3 million people, representing 21.9% of Brazil s population, including the city of São Paulo, Brazil s largest city, with more than 10 million people, estimated based on information published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, and Target 2002 Brasil em Foco. Telesp Celular s authorization areas include 63 municipalities with populations in excess of 100,000.

Telesp Celular had net operating revenues of R$2,766.7 million, R$2,946.2 million and R$3,390.6 million in 2000, 2001 and 2002, respectively. In the nine months ended September 30, 2003, Telesp Celular had net operating revenues of R$2,871.9 million. At September 30, 2003, Telesp Celular had 6.7 million cellular lines

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in service and a market share of approximately 63% in its authorization areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Global Telecom provides cellular telecommunications services on the B band frequency in the states of Paraná and Santa Catarina. These two states cover an area of approximately 294,661 square kilometers, representing approximately 3.5% of Brazil s territory. The states of Paraná and Santa Catarina are home to approximately 15.3 million people, representing 8.8% of Brazil s population, estimated based on information published by the IBGE and Target 2002 Brasil em Foco. These states include 22 municipalities with populations in excess of 100,000 people.

Global Telecom had net operating revenues of R$246.7 million, R$425.9 million and R$512.2 million in 2000, 2001 and 2002, respectively. In the nine months ended September 30, 2003, Global Telecom had net operating revenues of R$465.5 million. At September 30, 2003, Global Telecom had 1.4 million cellular lines in service and a market share of approximately 43% in its authorization areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Telesp Celular has been our wholly owned subsidiary since we completed a corporate restructuring in January 2000. We acquired an 81.61% indirect economic interest in Global Telecom in February 2001, and Global Telecom became our wholly owned subsidiary on December 27, 2002. We acquired 61.10% of the voting capital stock of TCO on April 25, 2003. We acquired additional shares of voting capital stock of TCO in a public tender offer, bringing the percentage of TCO s outstanding voting capital stock we own to 90.7%. Our net operating revenues for the nine months ended September 30, 2003 included R$836.1 million attributable to the consolidation of TCO for the months of May through September 2003 and R$461.0 million attributable to the consolidation of Global Telecom for the nine months ended September 30, 2003. After consolidation adjustments, our net operating revenues were R$4,169.0 million.

Our principal executive offices are located at Av. Roque Petroni Júnior, 1.464 Morumbi, 04707-000 São Paulo, SP, Brazil, and our telephone number is +55 11 5105-1207.

For more information about our company, please see Annex A to this prospectus (Information Derived from TCP s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002), including the following sections of Annex A:

Item 4. Information on the Company ;

Item 5. Operating and Financial Review and Prospects ;

Item 7. Major Shareholders and Related Party Transactions ;

Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters ; and

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

TCO

TCO is the leading cellular operator (A Band), by number of customers, in its authorization region, the former Area 7 under the Cellular Mobile Service *(Serviço Móvel Celular)*, or SMC, regime, which is now part of Region II of the Terms of Authorization of the Personal Communication Services *(Serviço Móvel Pessoal)*, or SMP, regime. TCO s A Band authorization region covers the states of Acre, Goiás, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins and the Federal District of Brazil. TCO s subsidiary Norte Brasil Telecom S.A., or NBT, is the second cellular operator (B Band), by number of customers, in its authorization region, the former Area 8 under the SMC regime, which is now part of Region I of the SMP regime, a region covering the states of Amapá, Amazonas, Maranhão, Pará and Roraima. TCO conducts business through the following companies:

TCO conducts business directly in the Federal District;

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TCO s subsidiary Telegoiás Celular S.A., or Telegoiás, operates in the states of Goiás and Tocantins;

TCO s subsidiary Telemat Celular S.A., or Telemat, operates in the State of Mato Grosso;

TCO s subsidiary Telems Celular S.A., or Telems, operates in the State of Mato Grosso do Sul;

TCO s subsidiary Teleron Celular S.A., or Teleron, operates in the State of Rondonia;

TCO s subsidiary Teleacre Celular S.A., or Teleacre, operates in the State of Acre; and

NBT operates in the northern Brazilian states of Amapá, Amazonas, Maranhão, Pará and Roraima.

Before the merger of Telebrasília Celular S.A., or Telebrasília, into TCO on April 26, 2002, TCO conducted business in the Federal District through Telebrasília.

TCO s authorization regions cover an aggregate area of approximately 5,803,501 square kilometers, representing approximately 68% of Brazil s territory. These authorization areas are home to approximately 31.2 million people, representing 18% of Brazil s population, estimated based on information published by the IBGE. These areas include 35 municipalities with populations in excess of 100,000.

TCO and its subsidiaries had aggregate net operating revenues of R$930.6 million, R$1,248.1 million and R$1,561.3 million in 2000, 2001 and 2002, respectively. In the nine months ended September 30, 2003, TCO had net operating revenues of R$1,406.4 million. At September 30, 2003, TCO and its subsidiaries had 3.6 million cellular lines in service and a market share of approximately 57% in its authorization areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

For more information about TCO, please see Annex B to this prospectus (Information Derived from TCO s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002), including the following sections of Annex B:

Item 4. Information on the Company ;

Item 5. Operating and Financial Review and Prospects ;

Item 7. Major Shareholders and Related Party Transactions ;

Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters ; and

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

TCO s principal executive offices are located at SCS Quadra 2, Bloco C, 226, Edifício Telebrasília Celular 7° andar, 70319-900 Brasília, DF, Brazil, and its telephone number is +55 61 3962-7001.

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Combined Region

The map below shows the regions in Brazil in which we and our subsidiaries, including TCO, operate.

Acquisition of TCO and Subsequent Tender Offer (Page 52)

On April 25, 2003, we acquired 61.10% of the voting capital stock of TCO from Fixcel S.A., representing 20.37% of TCO s total capital. The total consideration was R$1,529.0 million at April 25, 2003, including a payment of R$23.5 million to acquire a future obligation by TCO to issue capital stock to its previous owner. Of this amount, R$1,287.2 million had been paid though September 30, 2003 (including cash payments and debt and deferred payments that have been paid in full) and the remaining R$294.3 million consists of debt and deferred payments. The amounts paid and to be paid reflect interest and exchange variations from April 25, 2003 to the date of payment or to September 30, 2003, as applicable. We made an additional payment of R$145.5 million in November 2003.

Under Brazilian law, our acquisition of control of TCO triggered a requirement that we launch a tender offer for the remaining publicly held common shares of TCO for a price not less than 80% of the price paid per share in our acquisition of a controlling interest in TCO. We launched the tender offer for the remaining common shares of TCO on October 9, 2003. We completed the tender offer for the TCO common shares on November 18, 2003, paying R$16.73 per 1,000 outstanding common shares. We now hold 90.7% of the outstanding voting capital stock of TCO, representing 29.3% of TCO s total outstanding capital.

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The Merger of Shares (Page 54)

We are proposing the merger of shares of TCO with TCP under Brazilian law. If the merger of shares is approved:

- TCO will become a wholly owned subsidiary of TCP;
- holders of ADSs of TCO will receive 1.524 ADSs of TCP for each ADS they hold upon surrender of the TCO ADSs and payment of any fees and expenses of the depositary; and
- direct holders of preferred shares of TCO will automatically receive 1.27 preferred shares of TCP for each preferred share they hold without any further action by those holders.

The exchange ratios for the TCO preferred shares and ADSs are different because the ADS exchange ratio takes into account the difference in the ratio of ADSs to preferred shares under the TCO and TCP ADS programs.

Brasilcel holds, directly and indirectly, 93.66% of the common shares of our company, and we hold 90.7% of the common shares of TCO, excluding treasury shares. Brasilcel has represented to us that it and its subsidiaries will vote the common shares of our company they hold in favor of the merger of shares. We intend to vote the common shares of TCO we hold in favor of the merger of shares.

The merger of shares of TCO with TCP will require the affirmative vote of holders representing at least 50% of the outstanding common shares of TCP and of TCO at separate extraordinary general meetings. The extraordinary general meeting of TCO is scheduled to be held as follows:

January 7, 2004

8 a.m., local time
Tele Centro Oeste Celular Participações S.A.
SCS Quadra 2, Bloco C, 226,
Edifício Telebrasília Celular 7° andar
70319-900 Brasília, D.F.
Brazil

If you hold preferred shares directly, you may attend the meeting. Under the Brazilian corporation law, you may be required to show a document proving your identity to gain admittance to the meeting. If you hold TCO ADSs, you are not entitled to attend the shareholder s meeting. No holder of preferred shares or ADSs of TCO may vote at the meeting.

There are no conditions to the completion of the merger of shares other than shareholder approval by both TCP and TCO and the completion of the conversion of TCP preferred shares into common shares described in Part Five: The Merger of Shares Background for the Merger of Shares Conversion of TCP Preferred Shares Into Common Shares. The approval of the NYSE of the listing of the ADSs of TCP to be delivered in connection with the merger of shares, for which we will apply, must be obtained for these shares to be traded by their holders. However, this approval is not a condition to the completion of the merger of shares.

Although the approval of the merger of shares by the CVM is not a condition to the merger of shares, on December 11, 2003, the CVM sent us a letter requiring a postponement of the extraordinary general meetings to approve the merger of shares to permit the CVM additional time to analyze the legality of the proposals for the merger of shares being submitted to the shareholders of our company and TCO, and we and TCO have rescheduled the meetings from December 22, 2003 to January 7, 2004. Although we affirm that the proposed merger of shares is legal and provides equitable treatment to TCP and TCO, we cannot predict the outcome of the CVM s analysis of the transaction. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business Certain holders of TCO s preferred shares have presented complaints to the CVM, the Brazilian securities regulator, related to the terms of the merger of shares, and the CVM s review is ongoing.

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Receipt of Shares and ADSs of TCP (Page 55)

If the merger of shares is approved, each preferred share of TCO will automatically become 1.27 preferred shares of TCP without any action by you. Because the preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the preferred shares received in the merger of shares. Neither you nor any other person will receive certificates evidencing preferred shares of TCP. If you hold ADSs representing preferred shares of TCO, you will receive 1.524 ADSs representing preferred shares of TCP in the merger of shares for each TCO ADS you hold.

When the merger of shares becomes effective, TCP will deposit with a custodian for The Bank of New York, as depositary under TCO s ADS program, the TCP preferred shares issuable in respect of the TCO then held in that program. In accordance with an amendment to the TCO deposit agreement that has been entered into and will become effective at the time of the merger of shares, The Bank of New York, as depositary, will consider itself to have been directed by TCO and the holders of the TCO ADSs to deposit those TCP preferred shares with the custodian for The Bank of New York, as depositary under TCP s ADS program, and instruct that depositary to cause to be issued and to deliver, subject to payment of the fees and expenses of the depositary under the TCP deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)), ADSs representing those TCP preferred shares to the depositary for the TCO ADS program. When the TCP ADSs are received in the TCO ADS program, the TCO ADSs will be deemed to have been converted into a right only to receive TCP ADSs, and The Bank of New York, as depositary under TCO s ADS program, will call for the surrender of the ADRs evidencing those former TCO ADSs. Upon surrender of those ADRs and payment of the depositary s fees and expenses as provided in the TCO deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)), the depositary will deliver the TCP ADSs (and cash in lieu of any fractions as described in Part Five: The Merger of Shares Fractional Shares and ADSs) to the holders of the former TCO ADSs.

Management (Page 57)

TCP is managed by a board of directors of 11 members, each serving a three-year term expiring in March 2006, except that the term of António Gonçalves de Oliveira will expire in April 2004. The board of executive officers of TCP consists of seven members, led by Francisco José Azevedo Padinha as chief executive officer.

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

Accounting Treatment of the Merger of Shares (Page 64)

Under Brazilian corporate law, the body of accounting principles we use to prepare our consolidated financial statements, the merger of shares will be accounted for at book value. Under U.S. generally accepted accounting principles, the exchange of shares between TCP and the holders of common and preferred shares of TCO other than TCP will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations.*

Stock Exchange Matters (Page 80)

After the merger of shares is complete, TCP preferred shares will continue to be traded on the São Paulo Stock Exchange under the ticker symbol TSPP4, and ADSs representing preferred shares of TCP will continue to be traded on the New York Stock Exchange under the ticker symbol TCP.

After the merger of shares is complete, TCO s preferred shares will be delisted from the São Paulo Stock Exchange, and TCO s ADSs will be delisted from the New York Stock Exchange.

PART TWO SUMMARY

Absence of Appraisal or Dissenters Rights

Holders of TCO preferred shares or ADSs are not entitled to appraisal or dissenters rights in connection with the merger of shares under Brazilian law.

Material Tax Considerations (Page 64)

The merger of shares will be a taxable transaction for U.S. federal income tax purposes. As a result, you generally will recognize gain or loss on TCP preferred shares or TCP ADSs and cash, if any, received in exchange for your TCO preferred shares or TCO ADSs in an amount equal to the difference between the sum of (1) the fair market value of the TCP preferred shares or TCP ADSs received (determined as of the closing date of the merger of shares) plus (2) the amount of cash received, if any, including cash received in lieu of fractional TCP preferred shares and TCP ADSs and your tax basis in the TCO preferred shares or TCO ADSs exchanged. See Part Five: The Merger of Shares Material Tax Considerations United States Federal Income Tax Considerations.

There are reasonable Brazilian legal grounds to sustain that the exchange (resulting from the merger of shares) by a U.S. person of preferred shares that are registered as a foreign portfolio investment under Resolution 2,689 of the National Monetary Council or are registered as a foreign direct investment under Law 4,131/62 would not be subject to income tax pursuant to Brazilian law. See Part Five: The Merger of Shares Material Tax Considerations Brazilian Tax Considerations.

Valuation Reports (Page 73)

In connection with the merger of shares, our board of directors received valuation reports from each of Merrill Lynch & Co. and Citigroup Global Markets Inc. expressing the view of each such firm that, as of the dates of those reports and based on and subject to the assumptions and considerations described in those reports, the exchange ratio of 1.27 TCP shares for each TCO share proposed in the merger of shares provides equitable treatment to TCP and TCO, as required by Article 30 of our bylaws. **We urge you to read carefully the summaries of the valuation reports set forth in Part Five: The Merger of Shares Valuation Reports, which include information on how to obtain copies of the full reports.**

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PART TWO SUMMARY

Summary Historical and Pro Forma Financial Data

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

- the audited consolidated financial statements of TCP at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus;
- the unaudited consolidated interim financial statements of TCP at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 included in this prospectus;
- the audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus;
- the unaudited consolidated interim financial statements of TCO at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 included in this prospectus; and
- the audited consolidated financial statements of each of TCP and TCO at December 31, 1998, 1999 and 2000 and for the years in the period ended December 31, 1998 and 1999 that have not been included in this prospectus.

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

The results of operations of TCP and TCO for the nine months ended September 30, 2003 are not necessarily indicative of the operating results to be expected for the entire year ended December 31, 2003.

The financial statements of TCP and the unaudited consolidated interim financial statements of TCO at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 have been prepared using accounting practices in accordance with Brazilian corporate law, standards applicable to holders of authorizations for the provision of Brazilian public telecommunication services and accounting standards and procedures established by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. We refer to these accounting practices in this prospectus as Brazilian corporate law. Brazilian corporate law provided a simplified methodology for the effects of inflation until December 31, 1995. The audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 have been prepared using generally accepted accounting principles in Brazil, or Brazilian GAAP. Brazilian GAAP requires companies to recognize inflationary effects in their financial statements until December 31, 2000. The audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus contain a reconciliation of shareholders equity and net income from Brazilian corporate law to Brazilian GAAP.

Brazilian corporate law and Brazilian GAAP differ in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. For a discussion of these differences, please see note 37 to TCP s audited consolidated financial statements at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus and note 29 to TCO s audited consolidated financial statements at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus.

For convenience only, Brazilian currency amounts for the year ended December 31, 2002 have been translated into U.S. dollars at a rate of R$3.533 to U.S.$1.00, the Brazilian Central Bank s PTAX commercial selling rate at December 31, 2002, and Brazilian currency amounts for the nine months ended September 30, 2003 have been translated into U.S. dollars at a rate of R$2.9234 to U.S.$1.00, the Brazilian Central Bank s PTAX commercial selling rate at September 30, 2002.

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PART TWO SUMMARY

Summary of Selected Historical TCP Financial Data

	At or for the year ended December 31,						At or for the nine months ended September 30,		
	1998	1999	2000	2001	2002	2002	2002	2003	2003
						(U.S.$)(4)			(U.S.$)(4)
	(R$ million, except per share data)								
Income Statement Data(2):									
Brazilian corporate law									
Net operating revenue	1,682.5	2,211.6	2,766.7	2,946.2	3,390.6	959.6	2,481.2	4,169.0	1,426.1
Cost of services and goods sold	(641.3)	(1,353.2)	(1,689.2)	(1,656.4)	(1,648.4)	(466.5)	(1,188.1)	(2,070.9)	(708.4)
Gross profit	1,041.2	858.4	1,077.5	1,289.8	1,742.2	493.1	1,293.2	2,098.1	717.7
Operating expenses:									
Selling expenses	(181.1)	(387.0)	(554.2)	(605.0)	(617.9)	(174.9)	(454.3)	(938.9)	(321.2)
General and administrative expenses	(76.2)	(131.7)	(217.9)	(271.2)	(288.5)	(81.7)	(254.9)	(392.9)	(134.4)
Other net operating income (expenses)	(40.2)	61.4	33.9	(67.6)	(70.1)	(19.8)	(52.3)	2.2	0.8
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	743.7	401.1	339.3	346.0	765.7	216.7	531.7	768.5	262.9
Equity in losses of unconsolidated subsidiary				(653.6)	(890.7)	(252.1)	(540.6)		
Net financial expenses	(87.5)	(206.0)	(137.1)	(541.5)	(808.4)	(228.8)	(449.0)	(843.0)	(288.4)
Operating income (loss)	656.2	195.1	202.2	(849.1)	(933.4)	(264.2)	(457.9)	(74.5)	(25.5)
Net non-operating income (expenses)	0.2	1.3	(0.6)	(0.4)	10.0	2.8	10.6	(4.9)	(1.7)
Income (loss) before income taxes, minority interests and extraordinary item	656.4	196.4	201.6	(849.5)	(923.4)	(261.4)	(447.3)	(79.4)	(27.2)
Income taxes	(169.4)	(36.4)	(49.4)	14.7	(46.5)	(13.2)	(113.4)	(228.4)	(78.1)
Minority interests	(118.6)	(47.1)						(154.9)	(53.0)
Extraordinary item, net of taxes	(47.0)			(278.8)	(170.9)	(48.4)			
Net income (loss)	321.4	112.9	152.2	(1,113.6)	(1,140.8)	(323.0)	(560.7)	(462.8)	(158.3)
Net income (loss) per 1,000 shares	0.96	0.34	0.33	(2.43)	(0.97)	(0.28)	(0.48)	(0.34)	(0.1)
Dividends declared per thousand	0.269525	0.092498	0.112948						

common shares(3)									
Dividends declared per thousand preferred shares(3)	0.269525	0.092498	0.245220						
U.S. GAAP									
Net operating revenue	2,035.7	2,379.8	2,963.7	3,599.7	4,550.6	1,287.9	3,250.7	5,652.8	1,933.6
Operating income	587.0	310.6	220.2	198.0	328.8	93.0	537.3	747.5	255.7
Net financial expenses	(23.4)	(315.4)	(192.1)	(743.5)	(1,149.6)	(325.4)	(1,294.1)	(153.5)	(52.5)
Equity in losses of unconsolidated subsidiaries				(733.8)	(759.1)	(214.8)	(719.2)		

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	At or for the year ended December 31,						At or for the nine months ended September 30,		
	1998	1999	2000	2001	2002	2002	2002	2003	2003
						(U.S.$)(4)			(U.S.$)(4)
	(R$ million, except per share data)								
Net non-operating income (expenses)	0.2	1.3	(0.6)	(9.6)	9.8	2.8	10.4	(5.1)	(1.7)
Income (loss) before income taxes, minority interests and extraordinary item	563.8	(3.5)	27.5	(1,288.9)	(1,570.1)	(444.4)	(1,465.7)	588.9	201.5
Income taxes and minority interest	(265.4)	15.6	9.4	97.5	74.4	21.1	154.9	(577.7)	(197.6)
Extraordinary item, net of tax				(12.7)					
Net income (loss)	298.4	12.1	36.9	(1,204.1)	(1,495.7)	(423.3)	(1,310.7)	11.2	3.9
Basic and diluted net income (loss) per 1,000 shares common and preferred(1)	0.89	0.04	0.09	(2.63)	(2.18)	(0.62)	(2.5)	0.01	0.003
Cash Flow Data:									
Brazilian corporate law									
Cash flows from operating activities			597.4	779.7	984.4	278.6	824.2	871.0	297.9
Cash flows from investing activities			(868.2)	(1,767.7)	(3,820.5)	(1,081.3)	(2,870.2)	(572.5)	(195.8)
Cash flows from financing activities			(501.1)	683.4	2,772.3	784.6	1,970.9	791.3	270.7
U.S. GAAP									
Cash flows from operating activities			552.2	784.0	1,061.6	300.5	849.9	905.2	309.6
Cash flows from investing activities			(823.0)	(1,745.3)	(3,835.0)	(1,085.4)	(2,876.9)	(584.9)	(200.1)
Cash flows from financing activities			501.1	656.7	2,709.6	766.9	1,951.9	769.5	263.2
Balance Sheet Data(2):									
Brazilian corporate law									
Property, plant and equipment, net	2,420.6	3,219.8	3,454.0	3,695.8	4,778.1	1,352.3		5,106.8	1,746.9
Total assets	3,205.5	5,454.3	6,204.0	6,872.2	9,654.4	2,732.4		12,570.8	4,300.1

Loans and financing	719.7	1,690.0	1,399.4	2,580.1	4,460.8	1,262.5	5,767.5	1,972.9
Net assets	1,125.5	2,267.0	3,857.1	2,742.6	4,010.0	1,134.9	3,548.6	1,213.9
Capital stock	355.4	434.7	1,873.3	1,873.3	4,373.7	1,237.9	4,373.7	1,496.1
Number of thousands of shares as adjusted to reflect changes in capital	334,399,027	334,399,027	458,367,772	458,367,772	1,171,784,352		1,171,784,352	
U.S. GAAP								
Property, plant and equipment, net	3,692.4	3,490.2	3,555.7	3,783.5	4,855.5	1,374.2	5,100.2	1,744.6
Total assets	3,556.2	6,057.0	7,089.1	7,218.3	10,202.0	2,887.4	13,313.3	4,554.0
Total liabilities	1,907.2	3,415.6	3,414.7	4,787.4	6,894.7	1,951.3	8,771.2	3,000.3
Net assets	1,216.9	2,229.8	3,674.4	2,430.9	3,307.3	936.0	3,320.0	1,135.7
Capital stock	355.4	434.7	1,873.3	1,873.3	4,373.7	1,237.9	4,373.7	1,496.1
Number of thousands of shares as adjusted to reflect changes in capital	334,399,027	334,399,027	458,367,772	458,367,772	1,171,784,352		1,171,784,352	

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(1) Basic net income (loss) per share was equal to diluted net income (loss) per share for the years ended December 31, 1998 and 1999 because TCP did not have any potentially diluted shares outstanding. As result of a corporate restructuring completed on January 2000, TCP was obligated to issue shares to its controlling shareholder for the amount of the tax benefit realized on the amortization of the intangible related to a concession that was transferred in the corporate restructuring. The number of issuable shares, which are determined on the basis of estimates using TCP s share price at the date of the balance sheet, are considered dilutive and are included in the denominator for purposes of calculating dilutive earnings per share for the years ended December 31, 2001 and 2002. The potentially dilutive shares, consisting solely of the estimate of issuable shares mentioned above, have been excluded from the computation for 2001 and 2002 as their effect would have been anti-dilutive.

(2) Telesp Celular was established effective in January 1998 by means of a spin-off from Telecomunicações de São Paulo S.A. TELESP, and TCP was established effective May 22, 1998 in the privatization of Telebrás. Although the spin-off from Telecomunicações de São Paulo S.A. TELESP was approved at a shareholders meeting that occurred on February 28, 1998, the statements of income for the year ended December 31, 1998 reflect the operations of Telesp Celular for the full year of 1998.

(3) Interest on shareholders equity is included as part of dividends and is presented net of taxes. The right to receive 1998 s dividend has expired.

(4) U.S. dollars in millions, except per share data.

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PART TWO SUMMARY

Summary of Selected Historical TCO Financial Data

	At or for the year ended December 31,						At or for the nine months ended September 30,		
	1998	1999	2000	2001	2002	2002	2002	2003	
	(R$ million, except per share data)(1)					(U.S.$ million)			(U.S.$ million)
Income Statement Data:									
Brazilian accounting practices(2)									
Net operating revenue	637.4	666.7	930.6	1,248.1	1,561.3	441.9	1,124.7	1,406.4	481.1
Cost of services and goods sold	(260.3)	(326.5)	(532.2)	(663.2)	(779.5)	(220.6)	(500.7)	(642.4)	(219.7)
Gross profit	377.1	340.2	398.4	584.9	781.8	221.3	624.0	764.0	261.3
Operating expenses:									
Selling expenses	(99.1)	(118.6)	(126.2)	(195.0)	(218.3)	(61.8)	(149.0)	(206.2)	(70.5)
General and administrative expenses	(46.3)	(64.5)	(78.4)	(110.3)	(142.3)	(40.3)	(100.7)	(139.4)	(47.7)
Other net operating income (expenses)	(1.0)	(14.0)	(9.6)	(4.5)	(3.8)	(1.0)	(9.9)	1.5	0.5
Operating income before net financial income (expenses)	230.7	143.1	184.2	275.1	417.4	118.2	364.4	419.9	143.6
Net financial income (expenses)	(69.7)	(47.6)	(30.1)	(43.5)	(90.7)	(25.7)	(63.9)	94.5	32.3
Operating income	161.0	95.5	154.1	231.6	326.7	92.5	300.5	514.4	176.0
Net nonoperating expenses	(20.6)	(6.1)	(19.5)	(25.7)	(19.7)	(5.6)		(2.8)	(1.0)
Employees participation	(1.3)	(1.9)	(1.9)	(2.3)	(3.1)	(0.9)			175.0
Income before income taxes, minority interests and reversal of interest on own capital	139.1	87.5	132.7	203.6	303.9	86.0	300.5	511.6	
Income and social contribution taxes	(40.2)	(29.9)	(40.2)	(56.5)	(93.8)	(26.5)	(106.6)	(179.3)	(61.3)
Income before minority interests and reversal of interest on own capital	98.9	57.6	92.5	147.1	210.1	59.5	193.9	332.3	113.7
Minority interests	(24.1)	(11.5)	(20.0)	(13.9)	0.4	0.1	(4.5)	(6.0)	(2.1)
Reversal of interest on own capital	91.7	53.5	31.0	45.3	94.6	26.8	40.8		
Net income	166.5	99.6	103.5	178.5	305.1	86.4	230.2	326.3	111.6
Net income per 1,000 shares	0.50	0.27	0.28	0.49	0.80	0.23	0.87	0.62	0.2
Dividends declared per thousand common shares(3)	0.153	0.085	0.096	0.204	0.212	0.06			
Dividends declared per thousand preferred shares(3)	0.153	0.085	0.096	0.204	0.212	0.06			
U.S. GAAP(4)									
Net income	164.0	32.6	104.8	194.5	287.4	81.3			
Basic and diluted net income per 1,000 shares	0.49	0.09	0.29	0.53	0.78	0.2			

outstanding *(reais)*									
Cash Flow Data:									
Brazilian accounting practices									
Cash flows from operating activities			231.8	436.5	563.6	159.5			
Cash flows from investing activities			(199.7)	(391.5)	(505.8)	(143.1)			
Cash flows from financing activities			348.5	(168.5)	(225.9)	(63.9)			
Balance Sheet Data:									
Brazilian accounting practices									
Property, plant and equipment, net	874.3	994.5	1,083.7	1,078.9	1,035.5	293.1		857.3	293.3
Total assets	1,224.2	1,819.1	2,155.0	2,240.3	2,506.4	709.3		2,517.3	861.1
Loans and financing	56.3	143.8	509.1	517.0	627.8	177.7		404.6	138.4

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	At or for the year ended December 31,						At or for the nine months ended September 30,		
	1998	**1999**	**2000**	**2001**	**2002**	**2002**	**2002**	**2003**	
	(R$ million, except per share data)(1)					(U.S.$ million)			(U.S.$ million)
Net assets	799.1	1,230.6	1,042.2	1,126.4	1,310.7	371.0		1,547.1	529.2
Capital stock	230.7	386.9	386.9	588.9	617.9	174.9		570.1	195.0
Number of billions of shares as adjusted to reflect changes in capital	334.4	334.4	364.4	366.5	379.2			379.2	
U.S. GAAP(4)									
Property, plant and equipment, net	819.3	947.6	1,057.6	1,071.2	1,046.2	296.0			
Total assets	1,192.7	1,426.6	2,113.0	2,389.4	2,468.5	698.6			
Loans and financing	56.3	143.8	509.1	517.0	627.8	177.7			
Net assets	758.4	814.6	1,000.1	1,100.3	1,265.3	358.1			

(1) Information is presented in constant *reais* as of December 31, 2000 and nominal *reais* as of December 31, 2001 and 2002.

(2) The unaudited financial data as of September 30, 2003 and for the nine months ended September 30, 2002 and 2003 has been prepared in accordance with Brazilian corporate law, which provided a simplified methodology for accounting for the effects of inflation until December 31, 1995. The audited financial data at December 31, 1998, 1999, 2000, 2001 and 2002 and for the five years in the period ended December 31, 2002 have been prepared using Brazilian GAAP. Brazilian GAAP requires companies to recognize inflationary effects in their financial statements until December 31, 2000. The audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus contain a reconciliation of shareholders equity and net income from Brazilian corporate law to Brazilian GAAP.

(3) Interest on shareholders equity is included as part of dividends and is presented net of taxes. The right to receive 1998 s dividend has expired.

(4) Since TCO has been consolidated by TCP as from April 25, 2003, U.S. GAAP information for TCO has not been presented separately at September 30, 2003 or for the nine months ended September 30, 2002 and 2003.

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PART TWO SUMMARY

Summary of Selected Condensed Pro Forma Financial Data

The following unaudited pro forma combined financial data gives pro forma effect to our acquisition of control of Global Telecom in December 2002 and our acquisition of the control of TCO in April 2003. This financial data should be read in conjunction with Part Five: The Merger of Shares Unaudited Pro Forma Combined Financial Data. The unaudited pro forma combined financial data for the year ended December 31, 2002 and nine months ended September 30, 2003 give effect to the acquisitions described above as if they had occurred on January 1, 2002.

The unaudited pro forma combined financial data were prepared for illustrative purposes only. This information does not purport to represent what the actual results of operations or financial position of TCP would have been if the acquisitions had actually occurred on the dates assumed and does not necessarily indicate what TCP s future operating results or combined financial position will be.

	At and for the year ended December 31,		At and for the nine months ended September 30,	
	2002	2002	2003	2003
	(R$ million)	(U.S.$ million)	(R$ million)	(U.S.$ million)
		(Unaudited)		
Income Statement Data:				
Brazilian corporate law				
Net operating revenue	5,438.6	1,539.2	4,815.7	1,647.0
Cost of services and goods sold	(2,794.3)	(790.8)	(2,348.2)	(803.2)
Gross profit	2,644.3	748.4	2,467.5	844.1
Operating expenses:				
Selling expenses	(957.6)	(271.0)	(1,020.4)	349.0
General and administrative expenses	(476.0)	(134.7)	(454.5)	(155.5)
Other net operating expenses	(284.5)	(97.3)	(71.8)	(24.6)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	926.2	316.8	920.8	315.0
Equity in losses of unconsolidated subsidiary				
Net financial expenses	(1,952.5)	(667.9)	(979.1)	(334.9)
Operating loss	(1,026.3)	(351.1)	(58.3)	(19.9)
Net non-operating expenses	(8.0)	(2.3)	(20.5)	(7.0)
Loss before income taxes, minority interests and extraordinary item	(1,034.3)	(353.8)	(78.8)	(27.0)
Income taxes	(154.1)	(43.6)	(304.4)	(104.1)
Minority interests	(6.1)	(2.1)	(6.0)	(2.1)
Extraordinary item, net of taxes	(421.4)	(119.3)		
Net loss	(1,615.9)	(552.7)	(389.2)	(133.1)
Net loss per 1,000 shares	(1.07)	(0.3)	(0.26)	(0.09)
U.S. GAAP				
Net loss	(2,475.2)	(700.6)	(213.5)	(73.0)
Basic and diluted net loss per 1,000 shares outstanding (*reais*)	(2.42)	(0.68)	(0.14)	(0.06)
Balance Sheet Data:				
Brazilian corporate law				
Property, plant and equipment, net			5,106.8	1,746.9
Total assets			12,952.7	4,430.7
Loans and financing			6,306.3	2,157.2
Net assets			4,561.4	1,560.3

Capital stock	5,386.5	1,842.5
Number of billions of shares as adjusted to reflect changes in capital	1,507.0	
U.S. GAAP		
Shareholders equity	5,985.7	2,047.5

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Summary Comparative Per Share Data

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

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

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

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

Brazilian Corporate Law

	Year ended December 31, 2002			
	TCP (Historical)	**TCO (Historical)**	**TCP (Pro Forma)**	**TCO Per Share Equivalent(1)**
		(Reais)		
Book value per 1,000 shares	3.42	3.26		4.34
Cash dividends declared per 1,000 preferred shares(2)		0.21		
Income (loss) from continuing operations per 1,000 shares	(0.97)	0.88	(1.07)	(1.23)

(1) The TCO per share equivalent data are calculated by multiplying the TCP pro forma per share amounts by 1.27, the number of TCP preferred shares that will be received for each TCO preferred share in the merger of shares.

(2) After the pro forma adjustments described in Part Five: The Merger of Shares Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP under Brazilian corporate law was negative for the period, primarily due to the losses of Global Telecom and the financial cost related to the acquisitions of Global Telecom and TCO. Therefore, no dividends would have been payable on a pro forma basis for the period.

	Nine months ended September 30, 2003			
	TCP (Historical)	**TCO (Historical)**	**TCP (Pro Forma)**	**TCO Per Share Equivalent(1)**
		(Reais)		
Book value per 1,000 shares	3.03	4.14	3.03	3.85
Cash dividends declared per 1,000 preferred shares(2)				
Income (loss) from continuing operations per 1,000 shares	(0.39)	0.87	(0.26)	(0.50)

(1) The TCO per share equivalent data are calculated by multiplying the TCP pro forma per share amounts by 1.27, the number of TCP preferred shares that will be received for each TCO preferred share in the merger of shares.

(2) After the pro forma adjustments described in Part Five: The Merger of Shares Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP under Brazilian corporate law was negative for

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the period, primarily due to the losses of Global Telecom and the financial cost related to the acquisitions of Global Telecom and TCO. Therefore, no dividends would have been payable on a pro forma basis for the period.

U.S. GAAP

	Year ended December 31, 2002			
	TCP (Historical)	TCO (Historical)	TCP (Pro Forma)	TCO Per Share Equivalent(1)
	(Reais)			
Book value per 1,000 shares	2.82	3.39		3.58
Cash dividends declared per 1,000 preferred shares(2)		0.21		
Income (loss) from continuing operations per 1,000 shares	(2.18)	0.78	(2.42)	(2.77)

(1) The TCO per share equivalent data are calculated by multiplying the TCP pro forma per share amounts by 1.27, the number of TCP preferred shares that will be received for each TCO preferred share in the merger of shares.

(2) Historical cash dividends under U.S. GAAP for TCO are the same as presented above under Brazilian corporate law because TCO paid dividends only based on its Brazilian corporate law results. After the pro forma adjustments described in Part Five: The Merger of Shares Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP under Brazilian corporate law was negative for the period, primarily due to the losses of Global Telecom and the financial cost related to the acquisitions of Global Telecom and TCO. Therefore, no dividends would have been payable on a pro forma basis for the period.

	Nine months ended September 30, 2003			
	TCP (Historical)	TCO (Historical)	TCP (Pro Forma)	TCO Per Share Equivalent(1)
	(Reais)			
Book value per 1,000 shares	2.83	4.09	3.93	3.59
Cash dividends declared per 1,000 preferred shares(2)				
Income (loss) from continuing operations per 1,000 shares	0.01	0.92	(0.14)	0.01

(1) The TCO per share equivalent data are calculated by multiplying the TCP pro forma per share amounts by 1.27, the number of TCP preferred shares that will be received for each TCO preferred share in the merger of shares.

(2) Historical cash dividends under U.S. GAAP for TCO are the same as presented above under Brazilian corporate law because TCO paid dividends only based on its Brazilian corporate law results. After the pro forma adjustments described in Part Five: The Merger of Shares Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP under Brazilian corporate law was negative for the period, primarily due to the losses of Global Telecom and the financial cost related to the acquisitions of Global Telecom and TCO. Therefore, no dividends would have been payable on a pro forma basis for the period.

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Exchange Rates

Brazilian Central Bank Rates

There are two legal exchange rates in Brazil:

- the commercial rate exchange market and
- the floating rate exchange market.

Most trade and financial foreign-exchange transactions, including transactions relating to the purchase or sale of preferred shares or the payment of dividends, are carried out on the commercial market at the applicable commercial market rate. Purchase of foreign currencies in the commercial market may be carried out only through a Brazilian bank authorized to buy and sell currency in that market. In both markets, rates are freely negotiated but may be strongly influenced by Brazilian Central Bank intervention.

Between March 1995 and January 1999, the Central Bank permitted gradual devaluation of the *real* against the U.S. dollar pursuant to an exchange rate policy that established a band within which the *real*/ U.S. dollar exchange rate could fluctuate.

Responding to pressure on the *real,* on January 13, 1999, the Central Bank widened the foreign exchange band and, on January 15, 1999, allowed the *real* to float freely. Since then, the *real* reached a low of R$1.4659 on January 15, 1999 and a high of R$3.9552 on October 22, 2002. At December 15, 2003, the commercial market rate for purchasing U.S. dollars was R$2.9293 to U.S.$1.00.

The Brazilian government may impose temporary restrictions on the conversion of *reais* into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law permits the government to impose those restrictions whenever there is a serious imbalance in Brazil s balance of payments or reason to foresee a serious imbalance.

The following tables show, for the periods indicated, certain information regarding the *real*/ U.S. dollar commercial exchange rate.

	Exchange rate of R$ per U.S.$			
	Low	**High**	**Average(1)**	**Year End**
Year ended December 31, 1998	1.1165	1.2087	1.1644	1.2087
Year ended December 31, 1999	1.2078	2.1647	1.8514	1.7890
Year ended December 31, 2000	1.7234	1.9847	1.8348	1.9554
Year ended December 31, 2001	1.9357	2.8007	2.3532	2.3204
Year ended December 31, 2002	2.2709	3.9552	2.9983	3.5333
Nine months ended September 30, 2003	2.8219	3.6623	3.1139	2.9234

Source: Brazilian Central Bank, PTAX. PTAX is the average of the exchange rates negotiated in the commercial rate market on a given day.

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

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Month ended	Exchange rate of R$ per U.S.$	
	Low	**High**
June 2003	2.8491	2.9780
July 2003	2.8219	2.9655
August 2003	2.9531	3.0740
September 2003	2.8898	2.9840
October 2003	2.8268	2.9034
November 2003	2.8559	2.9546
December 2003 (through December 15, 2003)	2.9273	2.9439

Source: Brazilian Central Bank, PTAX. PTAX is the average of the exchange rates negotiated in the commercial rate market on a given day.

Federal Reserve Bank of New York Rates

The following tables show, for the periods indicated, certain information regarding the *real*/ U.S. dollar exchange rate, based on the noon buying rate of the Federal Reserve Bank of New York. At December 15, 2003, the noon buying rate was R$2.9220 to U.S.1.00.

Year ended December 31,	Period End	Average(1)	High	Low
1998	1.2085	1.1640	1.2090	1.1160
1999	1.8090	1.8640	2.2000	1.2074
2000	1.9510	1.8350	1.9840	1.7230
2001	2.3120	2.3530	2.7880	1.9380
2002	3.5400	2.9945	3.9450	2.2650
Nine months ended September 30, 2003	2.9280	3.1107	3.6640	2.8230

Source: Federal Reserve Bank of New York

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

Month ended	Exchange rate of R$ per U.S.$	
	Low	**High**
June 2003	2.8550	2.9770
July 2003	2.8230	2.9650
August 2003	2.9520	3.1130
September 2003	2.8860	2.9750
October 2003	2.8270	2.9060
November 2003	2.8550	2.9485
December 2003 (through December 15, 2003)	2.9220	2.9450

Source: Federal Reserve Bank of New York

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Historical and Pro Forma Share Information

The following table shows the closing prices of the preferred shares and ADSs of TCP and TCO, as well as the equivalent value of TCO s preferred shares and ADSs based on the merger ratio, as of January 15, 2003, which was the date preceding public announcement of the signing of the agreement by which TCP acquired TCO, and December 15, 2003.

	January 15, 2003			December 15, 2003		
	TCP (Actual)	TCO (Actual)	TCO (Per share equivalent)(1)(2)	TCP (Actual)	TCO (Actual)	TCO (Per share equivalent)(1)(2)
1,000 Preferred shares	R$4.42	R$5.12	R$5.61	R$8.11	R$10.15	R$10.30
ADSs	U.S.$3.37	U.S.$4.60	U.S.$5.14	U.S.$6.90	U.S.$10.44	U.S.$10.52

(1) The TCO preferred share per share equivalent data are calculated by multiplying the TCP actual amounts by 1.27, the number of TCP preferred shares that will be received for each TCO preferred share in the merger of shares.

(2) The TCO ADS per share equivalent data are calculated by multiplying the TCP actual amounts by 1.524, the number of TCP ADSs that will be received for each TCO ADS in the merger of shares.

We urge you to obtain current market quotations.

PART THREE RISK FACTORS

Risks Relating to the Merger of Shares

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

We may have actual or potential conflicts of interest because we exercise voting control over the board of directors of TCO. We have not negotiated the terms of this merger of shares with any person acting on behalf of the minority shareholders of TCO.

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

You will receive TCP preferred shares or ADSs for your TCO preferred shares or ADSs, respectively, in the merger of shares. TCP is a holding company that is significantly larger than TCO and has other operating subsidiaries, Telesp Celular and Global Telecom, besides TCO. TCP s other subsidiaries operate in the states of São Paulo, Paraná and Santa Catarina, where TCO does not conduct business. In addition, TCP s board of executive officers, including its chief executive officer, is different from TCO s. You should carefully consider the information about TCP that is included in this prospectus.

Because we are a larger company than TCO, your ownership percentage in our company will, as a result of the merger of shares, be less than from your ownership percentage in TCO.

You should be aware that because we are a larger company than TCO, your ownership percentage of our company will be different from those you have as a shareholder of TCO. Assuming that none of the common shareholders of TCP or TCO exercises appraisal rights, former TCO shareholders, other than our company, will hold approximately 22.2% of the total capital stock of our company in the aggregate following the merger of shares. In addition, TCP is obligated to issue shares to its controlling shareholder for the amount of a tax benefit realized as a result of a corporate restructuring completed in 2000. This issuance of shares will further dilute your holdings of TCP in the future. See note 34 to our consolidated financial statements as of December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus.

We are more leveraged than TCO, and a significant portion of our cash flow must be used to service our obligations.

At September 30, 2003, we had R$5,767.5 million of consolidated total debt, only R$404.6 million of which was attributable to TCO. We are subject to the risks normally associated with significant amounts of debt, which could have important consequences to you. Our indebtedness could, among other things:

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

- increase our vulnerability to general adverse economic and industry conditions;

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

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

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

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We do not anticipate being able to pay dividends in 2003 and possibly in subsequent years.

TCO has paid dividends to its shareholders in each of the last three fiscal years, but we did not pay dividends in 2001 or 2002 because of losses incurred from our equity investment in Global Telecom in those years and the financial cost related to the Global Telecom and TCO acquisitions. We recorded a net loss of R$462.8 million in the nine months ended September 2003, and we expect that we will record a net loss for the year ended December 31, 2003. If we record a net loss in 2003, we will not pay dividends for that year. We may also record net losses in subsequent years and be unable to pay dividends in those years.

The Brazilian antitrust authorities may not approve our acquisition of control of TCO in April 2003.

The acquisition of TCO is subject to the approval of Brazilian antitrust authorities. The Administrative Council for Economic Defense, or CADE is the antitrust authority ultimately responsible for reviewing and authorizing transactions that may lead to economic concentration.

We submitted the terms and conditions of our acquisition of control of TCO to the Brazilian antitrust authorities on February 5, 2003. These authorities will determine whether the acquisition of control of TCO adversely impact competitive conditions in the relevant markets or whether they would negatively affect consumers. Brazilian antitrust law does not prevent parties from closing a transaction on a provisional basis until the Brazilian antitrust authorities render a final decision. In other words, prior approval by the Brazilian antitrust authorities was not a condition to the closing of our acquisition of control of TCO and is not a condition to the completion of the merger of shares. Accordingly, we completed our acquisition of 61.10% of the common shares of TCO on April 25, 2003 and a tender offer for the remaining common shares of TCO on November 18, 2003, purchasing 32,205,823 common shares and bringing our ownership of the outstanding common shares of TCO to 90.7%. We do not intend to wait for approval of the Brazilian antitrust authorities before completing the merger of shares.

CADE is still reviewing our acquisition of control of TCO and may not approve the transaction unconditionally. CADE could impose retroactive conditions or performance commitments on our company or could seek to unwind the transaction. Any such action could result in a material adverse effect on our results of operations, financial condition and prospects.

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

You will receive fixed number of TCP ADSs in the merger of shares, rather than a number of TCP ADSs with a fixed market value. Consequently, the market values of our shares and ADSs and of the shares of TCO at the time of the completion of the merger of shares may fluctuate significantly from the date of this registration statement. On December 15, 2003, the last reported closing price on the New York Stock Exchange, or NYSE, for TCP ADSs was U.S.$6.90, and the market value of 1.524 TCP ADSs, the number of ADSs to be received for each TCO ADS in the merger of shares, was U.S.$10.52. On December 15, 2003, the last reported closing price on the NYSE for TCO ADSs was U.S.$10.44.

Risks Relating to the Brazilian Telecommunications Industry and the Business

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

Our business is subject to extensive government regulation. Anatel, which is the main telecommunications industry regulator in Brazil, regulates, among other things:

- industry policies and regulations;
- licensing;

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- tariffs;
- competition;
- telecommunications resource allocation;
- service standards;
- technical standards;
- interconnection and settlement arrangements; and
- universal service obligations.

This extensive regulation and the conditions imposed by the authorizations to provide telecommunication services held by us and our subsidiaries, including TCO, may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

Our results may be affected in the medium or long term as a result of the new SMP rules.

In 2002, Anatel changed the Personal Mobile Service *(Serviço Móvel Pessoal)*, or SMP, regime (first enacted in December 2000), encouraging companies operating under the Mobile Cellular Service *(Serviço Móvel Celular)*, or SMC, regime to migrate to the SMP regime. New rules will be applicable to the migrating companies, as contemplated by Anatel Resolutions nos. 316/02 through 321/02 and 326/02.

Under the SMP regime, we will no longer receive payment from our customers for outbound long distance traffic but will receive payment for the use of our network in accordance with a network usage remuneration plan. However, the interconnection fees that we will receive from long distance operators may not compensate us for the revenues that we would have received from our customers for outbound long distance traffic. Until June 30, 2004, SMP service providers may opt to establish a price cap or freely negotiate their interconnection charges. After that date, free negotiation will be the rule, subject to Anatel regulations relating to the traffic capacity and interconnection infrastructure that must be made available to requesting parties.

In addition, under the SMP regime, an SMP cellular operator will pay for the use of another SMP cellular operator s network in the same registration area only if the traffic carried from the first operator to the second exceeds 55% of the total traffic exchanged between them. In that case, only those calls that have surpassed the 55% level will be subject to payment for network usage. This rule is valid until June 30, 2005, after which no payments will be due for network usage between SMP networks, regardless of the amount of traffic. As a result, if the traffic we terminate for other SMP cellular operators exceeds the traffic they terminate for our company, our revenues and results of operations may be adversely affected.

The new rules may negatively affect our revenues and results of operations.

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

The Brazilian government is considering replacing the General Price Index, or the IGP-DI (the *Índice Geral de Preços Disponibilidade Interna*), an inflation index developed by the *Fundação Getúlio Vargas,* a private Brazilian economic organization, that is currently used in connection with the tariffs applied in the telecommunications industry, with another index, that has not yet been identified. A new index, if any, might not adequately reflect the true effect of inflation on our tariffs.

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

Anatel has proposed new regulations that would require cellular telecommunications providers that operate in more than one authorization area to consolidate tariffs charged to their customers so that the same

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tariffs are applied to all customers throughout the regions in which those providers operate. If these regulations take effect, they would have an adverse effect on our results of operations because the tariffs we charge in some regions in which we operate are higher than those in other regions. If we were to consolidate those tariffs, competitive pressures and other factors would cause our consolidated tariffs to be lower than our current average tariffs and would therefore reduce our revenues.

We face substantial competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications industry. We not only compete with cellular telecommunications companies but also with companies that provide fixed-line telecommunications and Internet access services.

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

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

Our results of operations would be affected by a high rate of customer turnover or a decrease in our customer growth.

A high rate of customer turnover or a decrease in our customer growth could adversely affect our results of operations and our competitive position. These effects can result from several factors, including limited network coverage and lack of sufficient reliability of our services, as well as increased competition in the regions in which we operate and economic conditions in Brazil.

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

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

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

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

PT Móveis S.G.P.S., S.A. and Telefónica Móviles, S.A., our principal shareholders, currently own through Brasilcel, directly and indirectly, approximately 93.66% of our common shares and 65.12% of our total capital. PT Móveis is a wholly owned subsidiary of Portugal Telecom S.G.P.S., S.A. Our principal shareholders have the power to control us and our subsidiaries, including the power to elect our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of our dividends. In addition, Portugal Telecom and Telefónica Móviles share their participation in us equally. Any disagreement or dispute between our controlling shareholders may have an impact on the decision-making capabilities of our management.

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

Media and other reports have suggested that radio frequency emissions from cellular handsets and base stations may cause health problems. If consumers harbor health-related concerns, they may be discouraged from using cellular handsets. These concerns could have an adverse effect on the cellular communications industry and, possibly, expose cellular providers, including our company, to litigation. We cannot predict whether further medical research and studies will refute a link between the radio frequency emissions of cellular handsets and base stations and these health concerns. Government authorities could increase regulation of cellular handsets and base stations as a result of these health concerns or cellular companies, including our company, could be held liable for costs or damages associated with these concerns, which could have an adverse effect on our business. The expansion of our network may be affected by these perceived risks if we experience problems in finding new sites to expand our network, which in turn may delay the expansion and may affect the quality of our services.

Our investment in Global Telecom has adversely affected, and could continue to adversely affect, our financial performance.

Our investment in Global Telecom presents operational and financial risks. Global Telecom started operations in 1999, and its principal competitor in its authorization area has been in operation for a longer period of time and has a larger market share in that area. Global Telecom has had substantial net losses (R$408.4 million in 2000, R$856.1 million in 2001, R$771.1 million in 2002 and R$370.2 million in the nine months ended September 30, 2003) resulting in significant part from capital expenditures, indebtedness and increased expenses in connection with the rapid expansion of its network infrastructure and upgrading its marketing and commercial capabilities.

Our financial results have been adversely affected by (1) our equity losses in the three former holding companies of Global Telecom of R$653.7 million in 2001 and R$890.7 million in 2002, (2) extraordinary adjustments in 2001 and 2002 from our investment in Global Telecom and (3) the interest expense arising from indebtedness we incurred to finance our acquisition of Global Telecom, which resulted in a net losses of R$1,113.6 million in 2001 and R$1,140.8 million in 2002, compared to net income of R$152.2 million in 2000. On December 27, 2002, we acquired control of Global Telecom and now consolidate it in our consolidated financial statements.

We face risks associated with litigation.

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

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These lawsuits include actions seeking payment by TCO s subsidiary Telegoiás in the amount of R$30.6 million and by TCO s former subsidiary Telebrasília (since merged into TCO) in the amount of R$51.8 million, plus adjustment for exchange variations in each case, on Telebrás loans assigned to those companies in connection with the privatization of the Telebrás system. The Court of Appeals of the Federal District rendered decisions unfavorable to TCO in these actions, and TCO is awaiting publication of the decisions before it considers possible appeals. Several other lawsuits involving regulatory, intellectual property, tax and other matters are described in Item 8.A. Consolidated Statements and Other Financial Information Legal Matters of Annex A to this prospectus (Information Derived from TCP s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002) and the corresponding section of Annex B to this prospectus (Information Derived from TCO s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002).

Certain holders of TCO s preferred shares have presented complaints to the CVM, the Brazilian securities regulator, related to the terms of the merger of shares, and the CVM s review is ongoing.

Certain holders of TCO s preferred shares have presented correspondence to the CVM seeking an investigation into the proposed merger of shares based on the allegation that the terms of the merger of shares are unfair to you as holders of preferred shares. This correspondence is based upon the difference in price paid by us for the common shares of TCO and the implied value for the preferred shares of TCO that you will receive based upon the exchange ratio for the merger of shares. We replied to an inquiry from the CVM denying any wrongdoing.

On November 19, 2003, we were notified of additional correspondence presented to the CVM on November 18, 2003 by a holder of TCO s preferred shares seeking an injunction or postponement of the shareholders meetings originally scheduled for December 22, 2003 pending an investigation of certain allegations related to the merger of shares. The correspondence alleges certain technical deficiencies in the valuation of the shareholders equity of our company at market prices produced in connection with the merger of shares, which we have corrected, and argues that the exchange ratio for the TCO shares is unfair and that the delay between the announcement of the ratio on January 16, 2003 and the proposed closing is too lengthy and unfairly disadvantages TCO s holders of preferred shares. On December 11, 2003, the CVM sent us a letter requiring a postponement of the extraordinary general meetings to approve the merger of shares to permit the CVM additional time to analyze the legality of the proposals for the merger of shares being submitted to the shareholders of our company and TCO, and we and TCO have rescheduled the meetings for January 7, 2004.

Although we affirm that the proposed merger of shares is legal and provides equitable treatment to TCP and TCO and deny the various allegations of unfairness or continuing deficiencies, we cannot predict the outcome of the CVM s analysis of the transaction. In addition, the CVM may initiate administrative proceedings against us and require us to file a defense.

Risks Relating to Our Preferred Shares and Our ADSs

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

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

Our bylaws state that holders of preferred shares will have full voting rights in the event that we do not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until the minimum dividends are paid. Because we did not pay minimum dividends for the years ended December 31, 2001 and 2002 and do not anticipate being able to pay dividends for the year ended December 31, 2003, we expect that holders of preferred shares will be able to exercise voting rights after

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the 2004 general shareholders meeting and until we pay the minimum dividends for 2003 or any subsequent year. However, once we pay the minimum dividends for 2003 or any subsequent year, those voting rights will cease.

If you hold our ADSs after the merger of shares, you will be unable to exercise preemptive rights with respect to our preferred shares unless there is a current registration statement in effect that covers those rights or unless an exemption from registration applies.

If you hold our ADSs after the merger of shares, you will not be able to exercise the preemptive rights relating to our preferred shares underlying ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights, or unless an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary, or, if the preemptive rights cannot be sold, they will lapse and you will not receive any value for them. For more information on the exercise of your rights, see Part Six: Shareholder Rights.

If you exchange ADSs for preferred shares and do not register your investment with the Central Bank, you will not be able to remit amounts abroad and may lose Brazilian tax advantages.

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

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

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of ADSs.

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

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. These features may substantially limit the ability to sell the preferred shares underlying the ADSs at a price and time at which holders wish to do so. BOVESPA had a market capitalization of U.S.$124 billion as of December 31, 2002, and an average monthly trading volume of approximately U.S.$4.1 billion for 2002. In comparison, the NYSE had a market capitalization of U.S.$9.7 trillion as of December 31, 2002, and an average monthly trading volume of approximately U.S.$859 billion for 2002.

There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented

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approximately 46.8% of the aggregate market capitalization of BOVESPA as of December 31, 2002. The top ten stocks in terms of trading volume accounted for approximately 56.5% of all shares traded on BOVESPA.

Risks Relating to Brazil

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

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

- fluctuations in exchange rates;
- inflation;
- exchange control policies;
- Gross Domestic Product growth;
- social instability;
- liquidity of domestic capital and lending markets;
- price instability;
- energy shortages;
- interest rates;
- tax policies; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Luiz Inácio Lula da Silva of the Labor Party took office as President of Brazil on January 1, 2003. While President da Silva s government has adopted economic measures that are more conservative than expected by some observers, there is no certainty that these policies will continue or that President da Silva will continue to pursue economic stabilization and liberalization policies. We cannot predict what future fiscal, monetary, social security and other policies will be adopted by Mr. da Silva s administration and whether these policies will result in adverse consequences to the economy and to our business, results of operations or financial condition.

Tax reforms may affect our tariff rates.

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

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

Brazil has historically experienced extremely high rates of inflation. Inflation and some of the Brazilian government s measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since 1994, Brazil s inflation rate has been substantially lower than in previous periods. However, inflationary pressures persist, and actions taken in an effort to curb inflation, coupled with public speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. In 2002, the IGP DI reflected inflation of 26.4%, compared to 10.4% in 2001 and 9.8% in 2000. Inflation in the first nine months of 2003 was 6.0%. If Brazil experiences significant inflation, we may be unable to increase service rates to our customers in amounts that are sufficient to cover our increasing operating costs, and our business may be adversely affected.

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

The Brazilian currency has been devalued frequently over the past four decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* devalued against the U.S. dollar by 9.3% in 2000, and by 18.7% in 2001 and 52.3% in 2002. In the first nine months of 2003, the *real* appreciated 17.3% against the U.S. dollar.

Devaluation of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country s current account and the balance of payments, as well as dampen export-driven growth.

As of September 30, 2003, we had R$5,767.5 million in consolidated total debt, of which 72.7% was denominated in foreign currencies, primarily the U.S. dollar and the euro. Also, significant costs relating to our network infrastructure are payable or linked to payment by us in U.S. dollars. At the same time, while our foreign currency debt obligations were covered by derivative contracts as of September 30, 2003 and we may derive income from these and other derivative transactions, all of our operating revenues are generated in *reais.* To the extent that the value of the *real* decreases relative to the U.S. dollar, our debt becomes more expensive to service and it becomes more costly for us to import the technology and the goods that are necessary to operate our business.

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

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

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

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

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil.

For example, in 2001, after a prolonged recession, followed by political instability, Argentina announced that it would no longer continue to service its public debt. In order to address the deteriorating economic and social crisis, the Argentine government abandoned its decade-old fixed dollar-*peso* exchange rate, allowing the *peso* to float to market rate levels. In 2002, the Argentine *peso* experienced a 237% devaluation against the U.S. dollar. The situation in Argentina has negatively affected investors perceptions towards Brazilian securities.

The recent political crisis in Venezuela may also influence investors perception of risk in Brazil. If market conditions in Argentina and Venezuela continue to deteriorate, they may adversely affect our ability to borrow funds at favorable interest rates or to raise equity capital when and if there is a need. Adverse developments in Argentina, in Venezuela or in other emerging market countries could lead to a reduction in the price for our preferred shares and ADSs.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

The unaudited consolidated interim financial statements of TCP at September 30, 2003 and for the nine months ended September 30, 2003 and 2002 are included in Part Nine of this prospectus. The unaudited consolidated interim financial statements of TCO at September 30, 2003 and for the nine months ended September 30, 2003 and 2002 are included in Annex D to this prospectus (Information Derived from TCO s Report on Form 6-K Furnished on November 19, 2003). These financial statements have been prepared in accordance with the Brazilian corporate law, standards applicable to holders of authorizations for the provision of Brazilian public telecommunication services and accounting standards and procedures established by the CVM. Brazilian corporate law provided for a simplified method for accounting for the effects of inflation until December 31, 1995.

The accounting provisions of Brazilian corporate law differ in significant respects from U.S. GAAP. For an explanation of these differences, see note 37 to TCP s audited consolidated financial statements at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus; note 29 to TCO s audited consolidated financial statements at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus; and note 17 to TCP s unaudited consolidated financial statements at September 30, 2003 and for the nine months ended September 30, 2002 and 2003 included in this prospectus.

The audited consolidated financial statements of TCO at December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 included in this prospectus were prepared using generally accepted accounting principles in Brazil, or Brazilian GAAP. Brazilian GAAP requires companies to recognize inflation effects in their financial statements until December 31, 2000. See note 2 to TCO s audited financial statements included in this prospectus containing a reconciliation of shareholders equity and net income from Brazilian corporate law to Brazilian GAAP.

Set forth below is management s discussion and analysis of financial condition and results of operations for the nine months ended September 30, 2003 for TCP and TCO.

TCP s Results of Operations for the Nine Months Ended September 30, 2002 and 2003

All TCP figures at and for the nine months ended September 30, 2003 were affected by the consolidation of the operating results of Global Telecom as from January 1, 2003 and the consolidation of the operating results of TCO as from April 25, 2003.

As of July 6, 2003, cellular telecommunications operators in Brazil were required by the SMP rules to implement long distance Carrier Selection Codes (*Códigos de Seleção de Prestadora*, or CSP) used by customers to choose their carrier for domestic long distance services (VC2 and VC3) and international cellular calls. VC2 is a designation given to long distance calls within a primary area, and VC3 is a designation given to long distance calls from one primary area to another. A primary area includes cities that have the same decimal range code. For example, calls between cities that have codes from 11 to 19, or from 21 to 29, are calls within a primary area. TCP no longer receives revenues from VC2 or VC3 calls and now receives interconnection revenues from the use of its network to complete those calls.

Additionally, in accordance with Anatel regulations, Bill & Keep rules were adopted for interconnection charges in July 2003. The rules provide that companies under the SMP regime are not required to pay tariffs for the use of the local network of another SMP provider as long as customers use local service (*i.e.*, make calls in the same registration area) and as long as there is a traffic balance between them. However, when traffic from the SMP provider that originates the call to the SMP provider that terminates the call

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represents more than 55% of the local traffic between the two providers, the SMP provider who originates the higher traffic must pay the other provider the local usage tariff for the portion of the traffic that exceeds 55%.

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

	Nine Months Ended September 30,	
	2002	**2003**
	(R$ millions)	
Net operating revenue	2,481.2	4,169.0
Cost of services and goods	(1,188.1)	(2,070.9)
Gross profit	1,293.2	2,098.1
Operating expenses:		
Selling expenses	(454.3)	(938.9)
General and administrative expenses	(254.9)	(392.9)
Other net operating (expenses) income	(52.3)	2.2
Operating income before losses of unconsolidated affiliates and net financial expense	531.7	768.5
Equity in losses of unconsolidated affiliates	(540.6)	
Net financial expense	(449.0)	(843.0)
Operating loss	(457.9)	(74.5)
Net non-operating (expenses) income	10.6	(4.9)
Loss before minority interests and taxes	(447.3)	(79.4)
Income taxes	(113.4)	(228.4)
Minority interest		(154.9)
Net loss	(560.7)	(462.8)

Net Operating Revenue

The composition of operating revenues by category of service is presented in TCP s consolidated financial statements and discussed below before deduction of value-added and other taxes. TCP does not determine operating revenues on a net basis (*i.e.*, after deduction of taxes) by category of service.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003	% Change
	(R$ millions)		
Gross operating revenue:			
Usage charges	935.9	1,478.8	58.0%
Sales of handsets and accessories	479.5	989.0	106.3%
Monthly subscription charges	719.0	1,017.5	41.5%
Interconnection fees	986.5	1,765.6	79.0%
Other	29.6	163.4	452.0%
Total gross operating revenue	3,150.5	5,414.3	71.9%
Value-added and other indirect taxes	(556.5)	(930.7)	67.2%
Sales and services discounts and return of goods sold	(112.8)	(314.5)	178.8%
Net operating revenue	2,481.2	4,169.0	68.0%

The net operating revenue of TCP increased 68.0% to R$4,169.0 million for the nine months ended September 30, 2003 from R$2,481.2 million for the nine months ended September 30, 2002, principally due to the consolidation of R$461.0 million of net operating revenues attributable to Global Telecom and the consolidation of R$836.1 million of net operating revenues attributable to TCO for the months of May through September 2003. Telesp Celular s net operating revenue increased 15.7% to R$2,871.9 million in the nine months ended September 30, 2003 from R$2,481.2 million in the nine months ended September 30, 2002, primarily due to an increase in revenues from sales of goods, interconnection revenues and monthly subscription revenues.

Usage charges. Revenues from usage charges increased 58.0% to R$1,478.8 million for the nine months ended September 30, 2003 from R$935.9 million for the nine months ended September 30, 2003, primarily due to the consolidation of R$145.0 million in revenues from usage charges attributable to Global Telecom and the consolidation of R$474.8 million in revenues from usage charges attributable to TCO for the months of May through September 2003. This increase was partially offset by an 8.2% decrease in the revenues from usage charges of Telesp Celular to R$859.0 million in the nine months of September 30, 2003 from R$935.9 million in nine months of September 30, 2002. This decrease was principally due to a change in accounting practices related to prepaid services. Before January 1, 2003, revenues from prepaid services were recognized on a cash basis, and the related costs were estimated and accrued based on past gross margins. As of January 1, 2003, Telesp Celular began to defer revenues from prepaid services and amortize that revenue based on subscriber airtime usage. Management believes this new accounting practice better reflects Telesp Celular s operating performance and industry practices. This change in accounting practices had a negative impact of R$108.5 million in the nine months of September 30, 2003. This decrease was partially offset by the increase of outgoing traffic caused by a 17.3% increase in the customer base to 6.37 million average lines in service for the nine months of September 30, 2003 from 5.43 million average lines in service for nine months of September 30, 2002. Beginning in July 2003, this increase was offset by the impact of the new rules relating to the long distance Carrier Selection Code described above.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 106.3% to R$989.0 million for the nine months ended September 30, 2003 from R$479.5 million for the nine months ended September 30, 2002. This increase was mainly due to a 50.9% increase in Telesp Celular s revenues from sales of handsets and accessories to R$723.7 million for the nine months ended September 30, 2003 from R$479.5 million for nine months ended September 30, 2002, revenues from sales of handsets and accessories

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of R$99.3 million attributable to the consolidation of Global Telecom and revenues from sales of handsets and accessories of R$166.0 million attributable to the consolidation of TCO for the months of May through September 2003. Telesp Celular s increase in the sales of handsets and accessories was principally due to the sale of more sophisticated and expensive models and an increase in the number of handsets sold.

Monthly subscription charges. Revenues from monthly subscription charges increased 41.5% to R$1,017.5 million for the nine months ended September 30, 2003 from R$719.0 million for the nine months ended September 30, 2002. The increase in the monthly subscription charges was principally due to the 20.0% increase in Telesp Celular s revenues from monthly subscription charges to R$862.9 million for the nine months ended September 30, 2003 from R$719.0 million for the nine months ended September 30, 2002. This increase was principally due to increases in tariffs and a 3.6% increase in the postpaid customer base to 1.44 million average lines in service for the nine months ended September 30, 2003 from 1.39 million lines in service for the nine months of September 30, 2002. In addition, the consolidation of revenues from monthly subscription charges attributable to Global Telecom had a positive impact of R$91.2 million and the consolidation of revenues from monthly subscription charges attributable to TCO for the months of May through September 2003 had a positive impact of R$63.4 million.

Interconnection fees. Revenues from interconnection fees increased 79.0% to R$1,765.6 million for the nine months ended September 30, 2003 from R$986.5 million for the nine months ended September 30, 2002. The consolidation of revenues from interconnection fees of Global Telecom had a positive impact of R$204.4 million, and the consolidation of revenues from interconnection fees of TCO for the months of May through September 2003 had a positive impact of R$335.9 million. Telesp Celular s revenues from interconnection fees increased 24.2% to R$1,225.4 million for the nine months ended September 30, 2003 from R$986.5 million for the nine months ended September 30, 2002, principally due to an increase in tariffs in February 2003 and an increase in incoming traffic. This increase was partially offset by discounts amounting to R$52.0 million for the nine months ended September 30, 2003 given to Telecomunicações de São Paulo S.A.   Telesp on certain tariffs for local calls during off-peak hours under an agreement with Anatel signed in February 2003. After July 2003, this figure was impacted by the new rules relating to the long distance Carrier Selection Code and the Bill & Keep rules described above.

Other. Revenues from other services increased 452.0% to R$163.4 million for the nine months ended September 30, 2003 from R$29.6 million for the nine months ended September 30, 2002. This increase was principally due to the increase of Telesp Celular s other revenues to R$125.1 million for the nine months ended September 30, 2003 from R$29.6 million for the nine months ended September 30, 2002. This increase was principally due to an increase in use of data services, including short message services, or SMS, and an increase in use of other value-added services. In addition, as a result in the change in accounting practices described under   Usage Charges   above, Telesp Celular began as of January 1, 2003 to record prepaid minutes that expired unused as other revenues. The consolidation of revenues from other services of Global Telecom also had a positive impact of R$21.7 million, and the consolidation of revenues from other services of TCO for the months of May through September 2003 had a positive impact of R$16.6 million.

Value-added and other indirect taxes. Value-added taxes and other indirect taxes were 17.2% of TCP s gross operating revenue in the nine months ended September 30, 2003 and 17.7% in the nine months ended September 30, 2002. The decrease was principally due to an increase in the proportion of gross operating revenues attributable to revenues from interconnection fees that are not subject to the Tax on the Circulation of Goods and Services *(Imposto sobre Circulação de Mercadorias e Serviços)*, or ICMS, and from goods sold, which are subject to a lower ICMS rate than the rate imposed on telecommunication services. This decrease was partially offset by the increase in the Social Integration Program Tax *(Programa de Integração Social)*, or PIS, rate imposed on goods sold in December 2002 from 0.65% to 1.65%.

Sales and services discounts and return of goods sold. Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 178.8% to R$314.5 million for the nine months ended September 30, 2003 from R$112.8 million for

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nine months ended September 30, 2002. The increase was principally due to a 173.0% increase in Telesp Celular s deductions from operating revenues resulting from an increase in the recognition of discounts granted on the sales of handsets and accessories and the change in accounting practices described under Usage Charges above, which change in accounting practices had an impact of R$83.4 million in the nine months ended September 30, 2003. In connection with this change in accounting practices, Telesp Celular began to record prepaid service revenues on a gross basis and to recognize free minutes offered to prepaid customers as service discounts. Before the change in accounting practices, Telesp Celular had recognized prepaid services net of service discounts offered to customers. The remaining 5.8% increase in sales and services discounts and return of goods sold was attributable to the consolidation of deductions from operating revenues of Global Telecom in the amount of R$6.5 million.

Cost of Services and Goods

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

	Nine Months Ended September 30,		
	2002	2003	% Change
	(R$ millions)		
Depreciation and amortization	409.8	641.3	56.5%
Material and services	314.8	463.0	47.1%
Personnel	19.9	33.0	65.8%
Rental, insurance and condominium fees	59.2	66.5	12.3%
Cost of goods sold	380.2	811.6	113.5%
Fistel and other taxes	4.2	55.5	1,221.4%
Cost of services and goods	1,188.1	2,070.9	74.3%

Cost of services and goods increased 74.3% to R$2,070.9 million for the nine months ended September 30, 2003 from R$1,188.1 million for the nine months ended September 30, 2002, principally due to the consolidation of costs of R$329.5 million attributable to Global Telecom and the consolidation of costs of R$381.1 million attributable to TCO for the months from May through September 2003. Telesp Celular s cost of services and goods increased 14.5% to R$1,360.3 million for the nine months ended September 30, 2003 from R$1,188.1 million for the nine months ended September 30, 2002, mainly due to the sale of more sophisticated and expensive models, an increase in the number of handsets sold and an increase in depreciation and amortization, partially offset by a decrease in costs of material and services. The gross profit margin (gross profit as a percentage of net revenues) of Telesp Celular was 52.6% for the nine months ended September 30, 2003, compared to 52.1% for nine months ended September 30, 2002.

Depreciation and amortization. Depreciation and amortization expenses increased 56.5% to R$641.3 million for the nine months ended September 30, 2003 from R$409.8 million for the nine months ended September 30, 2002. The consolidation of depreciation and amortization expenses of Global Telecom had a negative impact of R$121.3 million, and the consolidation of depreciation and amortization expenses of TCO for the months of May through September 2003 had a negative impact of R$71.1 million. Telesp Celular s depreciation and amortization expenses increased 9.5% to R$448.9 million for the nine months ended September 30, 2003 from R$409.8 million for the nine months ended September 30, 2002, principally due to an increase in capital expenditures related to the network and depreciation charges relating to investments that had been classified as construction projects in progress and are now operational.

Material and services. Cost of material and services increased 47.1% to R$463.0 million for the nine months ended September 30, 2003 from R$314.8 million for the nine months ended September 30, 2002. The consolidation of costs of material and services of Global Telecom had a negative impact of R$67.5 million, and

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the consolidation of costs of material and services of TCO for the months of May through September 2003 had a negative impact of R$97.0 million. Telesp Celular s cost of materials and services decreased 5.2% to R$298.5 million in the nine months ended September 30, 2003 from R$314.8 million in the nine months ended September 30, 2002, principally because (1) Telesp Celular s network usage charges decreased 11.5% to R$155.0 million in the nine months ended September 30, 2003 from R$172.8 million in the nine months ended September 30, 2002, mainly due to a decrease in the usage of other networks by Telesp Celular subscribers despite an overall increase in traffic on Telesp Celular s network and (2) Telesp Celular s leased line charges decreased 15.9% to R$46.4 million in the nine months ended September 30, 2003 from R$55.2 million in the nine months ended September 30, 2002, mainly due to favorable renegotiations of existing contracts. This decrease in Telesp Celular s cost of materials and services was partially offset by an increase in the cost of maintaining Telesp Celular s network.

Personnel. Personnel expenses increased 65.8% to R$33.0 million in the nine months ended September 30, 2003 from R$19.9 million in the nine months ended September 30, 2002. The consolidation of personnel expenses of Global Telecom had a negative impact of R$3.4 million, and the consolidation of personnel expenses of TCO for the months of May through September 2003 had a negative impact of R$8.2 million. Telesp Celular s personnel expenses increased 7.5% to R$21.4 million in the nine months ended September 30, 2003 from R$19.9 million in the nine months ended September 30, 2002, principally due to a 4.0% average increase in personnel salaries.

Rental, insurance and condominium fees. Rental, insurance and condominium fees increased 12.3% to R$66.5 million in the nine months ended September 30, 2003 from R$59.2 million in the nine months ended September 30, 2002. The consolidation of rental, insurance and condominium fees of Global Telecom had a negative impact of R$6.8 million, and the consolidation of rental, insurance and condominium fees of TCO for the months of May through September 2003 had a negative impact of R$6.1 million. Telesp Celular s rental, insurance and condominium fees decreased 9.5% to R$53.6 million in the nine months ended September 30, 2003 from R$59.2 million in nine months ended September 30, 2002, principally due to favorable renegotiations of existing contracts.

Cost of goods sold. Cost of goods sold increased 113.5% to R$811.6 million in the nine months ended September 30, 2003 from R$380.2 million in the nine months ended September 30, 2002. The consolidation of cost of goods sold of Global Telecom had a negative impact of R$111.5 million, and the consolidation of cost of goods sold of TCO for the months of May through September 2003 had a negative impact of R$165.6 million. Telesp Celular s cost of goods sold increased 40.6% to R$534.5 million in the nine months ended September 30, 2003 from R$380.2 million in the nine months ended September 30, 2002, principally due to the sale of more sophisticated and expensive handset models and an increase in the number of handsets sold.

Fistel and other taxes. TCP recorded Fistel and other taxes of R$55.5 million in the nine months ended September 30, 2003, compared to R$4.2 million in the nine months ended September 30, 2002. This increase was primarily attributable to the consolidation of Fistel and other taxes of Global Telecom in the amount of R$19.0 million and of TCO for the months of May through September 2003 in the amount of R$33.1 million.

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Operating Expenses

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003	% Change
	(R$ millions)		
Selling expenses	(454.3)	(938.9)	106.7%
General and administrative expenses	(254.9)	(392.9)	54.1%
Other net operating (expenses) income	(52.3)	2.2	NA
Operating expenses	(761.5)	(1,329.6)	74.6%

TCP s operating expenses increased 74.6% to R$1,329.6 million in the nine months ended September 30, 2003 from R$761.5 million in the nine months ended September 30, 2002. The increase resulted mainly from the consolidation of operating expenses of Global Telecom in the amount of R$197.7 million, and the consolidation of operating expenses of TCO for the months of May through September 2003 in the amount of R$200.2 million. The increase in Telesp Celular s operating expenses was led by the increase in selling expenses.

Selling expenses. Selling expenses increased 106.7% to R$938.9 million for the nine months ended September 30, 2003 from R$454.3 million for the nine months ended September 30, 2002. This increase was principally due to a 52.7% increase in Telesp Celular s selling expenses to R$693.6 million for the nine months ended September 30, 2003 from R$454.3 million for the nine months ended September 30, 2002, principally due to expenses related to the launch of the Vivo brand, an increase in dealers commissions, an exclusivity fee that Telesp Celular negotiated with its dealers, expenses related to Telesp Celular s call center and an increase in depreciation expenses. The increase in depreciation of selling expenses was principally due to a decrease as of January 1, 2003 in the estimated useful life of handsets loaned to customers from 36 months to 18 months to match the terms of the related subscription contracts, resulting in an increase in depreciation expense of R$21.9 million for the nine months ended September 30, 2003. The consolidation of selling expenses of Global Telecom had a negative impact of R$120.6 million, and the consolidation of selling expenses of TCO for the months of May through September 2003 had a negative impact of R$124.7 million.

Provisions for doubtful accounts increased 25.8% to R$57.4 million for the nine months ended September 30, 2003 from R$72.2 million for the nine months ended September 30, 2002, principally due to the consolidation of provisions for doubtful accounts of Global Telecom in the amount of R$7.9 million and the consolidation of provisions for doubtful accounts of TCO for the months of May through September 2003 in the amount of R$24.5 million. Provisions for doubtful accounts of Telesp Celular decreased 30.7% to R$39.8 million for the nine months ended September 30, 2003 from R$57.4 million for the nine months ended September 30, 2002. In spite of the increase in provisions for doubtful accounts, these provisions were 1.3% of gross revenues for the nine months ended September 30, 2003, compared to 1.8% of gross revenues for the nine months ended September 30, 2002. The decrease in the ratio of provisions for doubtful accounts to gross revenues was principally due to the adoption of more effective methods of evaluating customer credit and the growth of TCP s prepaid customer base.

General and administrative expenses. General and administrative expenses increased 54.1% to R$392.9 million for the nine months ended September 30, 2003 from R$254.9 million for the nine months ended September 30, 2002. The consolidation of general and administrative expenses of Global Telecom had a negative impact of R$50.6 million, and the consolidation of general and administrative expenses of TCO for the months of May through September 2003 had a negative impact of R$77.8 million. General and administrative expenses of Telesp Celular and TCP (on an unconsolidated basis) increased 3.8% to

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R$264.5 million for the nine months ended September 30, 2003 from R$254.9 million for the nine months ended September 30, 2002, principally due to an increase in outsourced services.

Other net operating expense (income). TCP recorded other net operating income of R$2.2 million for the nine months ended September 30, 2003, compared to other net operating expense of R$52.3 million in the nine months ended September 30, 2002. TCP (on an unconsolidated basis) and Telesp Celular recorded other net operating income of R$26.4 million in the nine months ended September 30, 2003, compared to other net operating expense of R$52.3 million in the nine months ended September 30, 2002. The other net operating income recorded by TCP (on an unconsolidated basis) and Telesp Celular in the nine months ended September 30, 2003 was principally due to the reversal of a R$68.5 million provision relating to litigation over the assessment of ICMS tax on activation fees. Telesp Celular had established the provision in connection with litigation in the Treasury Court of the State of São Paulo seeking a decision that the ICMS tax does not apply to cellular activation fees. Telesp Celular reversed the provision on March 31, 2003 when the Higher Justice Court *(Superior Tribunal de Justiça)* determined in an action filed by Teleamazon Celular, another wireless operating company, that the ICMS tax could not be assessed on activation fees. The other net operating income recorded by TCP and Telesp Celular in the nine months ended September 30, 2003 was partially offset by the consolidation of other net operating expense of Global Telecom of R$26.5 million. TCP s other net operating income also included R$2.3 million attributable to the consolidation of other net operating revenue of TCO for the months of May through September 2003.

Net Financial Expense

Net financial expense increased 87.8% to R$843.0 million in the nine months ended September 30, 2003 from R$449.0 million in the nine months ended September 30, 2002. This increase reflected (1) the consolidation of R$282.7 million in net financial expense of Global Telecom, (2) a 10.1% increase in the CDI rate, an interbank market interest rate to which a portion of the debt and derivatives of Telesp Celular, Global Telecom and TCO is subject and (3) an increase in the consolidated debt of TCP to R$5,767.5 million at September 30, 2003 compared to R$3,693.6 million at September 30, 2002, of which R$1,819.3 million represented an increase in the debt of Telesp Celular and TCP relating to the acquisition of the remaining 17% stake in Global Telecom in December 2002 and the acquisition of a controlling interest in TCO in April 2003. This increase in net financial expense was partially offset by the consolidation of net financial income of TCO for the months of May through September 2003 in the amount of R$50.7 million.

In the second quarter of 2003, TCP unwound an excess euro hedge position of Global Telecom. Because hedging transactions are not recorded at fair value under Brazilian corporate law, accounting losses recorded in the nine months ended September 30, 2003 due to this reversal amounted to R$166.6 million. From a cash flow perspective, the unwinding of the hedge resulted in R$247.1 million of additional cash, net of R$42.4 million of withholding tax TCP intends to use as a tax credit.

Income Taxes

Income taxes increased 101.4% to R$228.4 million for the nine months ended September 30, 2003 from R$113.4 million for the nine months ended September 30, 2002. The increase was principally due to the consolidation of income taxes of Global Telecom in the amount of R$21.2 million and the consolidation of income taxes of TCO in the amount of R$107.5 million for the months of May through September 2003, partially offset by a decrease of R$13.7 million in Telesp Celular s income taxes. Telesp Celular s income taxes decreased 12.1% to R$99.7 million for the nine months ended September 30, 2003 from R$113.4 million for the nine months ended September 30, 2002, primarily due to Telesp Celular s distribution of interest on shareholders equity in June 2003.

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Equity Losses in Unconsolidated Affiliates

TCP s equity losses in unconsolidated affiliates, all of which were attributable to Global Telecom, were R$540.6 million in the nine months ended September 30, 2002. Global Telecom s results were consolidated in TCP s results during the nine months ended September 30, 2003.

Net Loss

As a result of the foregoing, TCP recorded R$462.8 million of net losses for the nine months ended September 30, 2003, compared with R$560.7 million of net losses for the nine months ended September 30, 2002.

TCP s Liquidity and Capital Resources

Sources of Funds

TCP generated cash flow from operations of R$871.1 million and R$824.2 million in the nine months ended September 30, 2003 and 2002, respectively. In addition to the R$247.1 million in cash received from unwinding the excess euro hedge position of Global Telecom described under TCP s Results of Operations for the Nine Months Ended September 30, 2002 and 2003 Net Financial Expense, TCP had cash flow from investing activities in the amount of R$760.4 million related to the payment by Fixcel S.A., the former controlling shareholder of TCO, on debentures held by TCO, which payment date coincided with the terms of the scheduled payments for the acquisition of TCO from Fixcel S.A.

TCP had R$3,273.4 million in long-term loans and financing as of September 30, 2003. TCP s R$2,494.1 million in short-term indebtedness as of September 30, 2003 consisted primarily of funding from financial institutions and related parties. At September 30, 2003, TCP had a working capital deficit (current liabilities minus current assets) of R$710.8 million, attributable primarily to R$2,494.1 million in short-term debt. This working capital deficit represented an improvement of R$1,142.9 million compared to negative working capital of R$1,853.7 million recorded at December 31, 2002, primarily due to (1) an increase of R$1,089.8 million in cash and cash equivalents, due primarily to the consolidation of cash and cash equivalents of TCO in the amount of R$995.8 million and (2) an increase in net trade accounts receivable of R$502.4 million, due primarily to the consolidation of net trade accounts receivable of TCO in the amount of R$367.2 million.

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

Uses of Funds

TCP s principal uses of funds are for capital expenditures, servicing of its debt, payments of dividends to shareholders and, in the nine months ended September 30, 2003, the acquisition of a controlling interest in TCO.

During the nine months ended September 30, 2003, TCP paid R$1,310.7 million to Fixcel S.A. (including interest expenses) in connection with the acquisition of a controlling interest in TCO. Capital expenditures (including capitalized interest) consumed cash flows of R$256.3 million in the nine months ended September 30, 2003 (including capital expenditures of Global Telecom in the amount of R$48.1 million and capital expenditures of TCO in the months of May through September 2003 in the amount of R$70.5 million), compared to R$193.3 million in the nine months ended September 30, 2002. Repayment of debt consumed cash flows of R$3,308.0 million and R$2,470.7 million in the nine months ended September 30, 2003 and 2002,

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respectively. TCP did not pay dividends or interest on shareholders equity in the nine months ended September 30, 2003 and 2002, respectively. Capital expenditures were as set forth in the table below.

	Nine Months Ended September 30,	
	2002	**2003**
	(R$ millions)	
Switching equipment	76.3	59.2
Transmission equipment	34.4	70.1
Information Technology	46.5	58.7
Others(1)	36.1	68.3
Total capital expenditures	193.3	256.3

(1) Handsets to be loaned to customers, network construction, furniture and fixtures, office equipment and store layouts.

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

Contractual Obligations and Commercial Commitments

The following table represents our consolidated contractual obligations and commercial commitments as of September 30, 2003:

	Payments Due by Period in Millions of R*eais*				
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Contractual obligations:					
Long-term debt	3,774.7	501.3	2,371.8	900.0	1.6
Capital lease obligations(1)	24.2	22.3	1.9		
Operating leases	440.4	35.7	206.1	71.2	127.4
Unconditional purchase obligations	516.5	498.4	17.8	0.3	
Other long-term obligations(2)	715.4	697.3	12.0	4.9	1.2
Total contractual cash obligations	5,471.2	1,755.0	2,609.6	976.4	130.2

(1) This lease represents a network equipment lease that is accounted for as an operating lease under Brazilian corporate law. This lease has been presented above as a capital lease since it contains a bargain purchase option. Under U.S. GAAP, this lease is accounted for as a capital lease.

(2) Contracted long-term suppliers or contracted short-term suppliers with penalties for early termination and exclusivity fees paid to dealers.

Additionally, we have a rental commitment with Telecomunicações de São Paulo S.A. Telesp, a related party, in an annual amount of R$32.3 million that includes all costs related to the rental of certain facilities used in providing telecommunications services, including electrical and air conditioning equipment.

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Debt

As of September 30, 2003, TCP s total debt position was as follows:

Debt	Amount Outstanding as of September 30, 2003
	(R$ millions)
Loans	1,578.3
Financing from suppliers	11.9
Related parties	1,683.2
Total long-term debt, excluding the short-term portion	3,273.4
Short-term debt	2,494.1
Total debt	5,767.5

TCP s long-term debt as of September 30, 2003 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2003 and does not include the short-term portion of long-term debt in the amount of R$501.3 million outstanding as of September 30, 2003.

Year Ending December 31,	Principal Amount
	(R$ millions)
2004 (from September 30 to December 31)	1,943.1
2005	314.2
2006	153.4
2007	352.3
2008	510.4

As of September 30, 2003, TCP s total debt was R$5,767.5 million, of which R$4,194.6 million, or 72.7%, was denominated in foreign currencies and therefore exposed to currency fluctuations. Of that amount, R$2,514.6 million was denominated in U.S. dollars (U.S.$860.2 million), R$1,591.0 million was denominated in euros (466.1 million) and R$89.0 million was denominated in yen (¥3,391.6 million). Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, we have entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2003, our derivatives positions produced a loss of R$864.1 million, which was partially offset by the R$460.1 million of exchange gains on our foreign currency-denominated debt. At September 30, 2003, we had derivative contracts that covered amounts in excess of our foreign currency-denominated debt.

We are exposed to interest rate risk as a consequence of our floating rate debt. At September 30, 2003, approximately 59.0% of our interest-bearing liabilities bore interest at floating rates, primarily EURIBOR for euro-denominated debt, LIBOR for U.S. dollar-denominated debt and CDI, TJLP and UMBND, a local index, for *real*-denominated debt.

In February 2003, TCP issued promissory notes in the aggregate principal amount of R$700.0 million with maturity of six months. In August 2003, this debt was partially refinanced with an issue of debentures in the aggregate principal amount of R$506.7 million. (We issued R$700.0 million of debentures but sold only R$506.7 million.) The debentures bear interest at 104.6% of the CDI rate per annum. The stated maturity of the debentures is in August 2008, but the debentures provide for an annual renegotiation (*repactuação*) of their terms beginning in

2004. Holders of debentures that do not agree to the revised terms in any given year may require us to purchase the debentures they hold.

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In June 2003, TCP issued eurobonds in the aggregate principal amount of U.S.$150 million. The bonds bear interest at 6.75% and mature in December 2004.

As of September 30, 2003, TCP had R$767.6 million of outstanding indebtedness to Banco Nacional de Desenvolvimento Econômico e Social BNDES, the Brazilian national development bank, under a *real*-denominated loan secured by a pledge of accounts receivable. See note 10 to TCP s unaudited consolidated interim financial statements included in this prospectus.

Some of the debt agreements of TCP and its subsidiaries contain restrictive covenants. Financial ratios apply to some indebtedness of Global Telecom and TCO and involve (1) current ratios, (2) capitalization ratios, (3) EBITDA margins, (4) interest coverage ratios and (5) debt to capital ratios. At September 30, 2003, Global Telecom was not in compliance with certain of those covenants with respect to debt in the aggregate amount of R$278.9 million owed to BNDES, but it has obtained a waiver that expires in December 2003. Global Telecom is currently seeking to amend the terms and conditions of such contract. Other than as described above, at September 30, 2003, TCP and its subsidiaries were in compliance with their restrictive covenants in all material respects.

All majority-owned subsidiaries are included in our consolidated financial statements. We do not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

On November 18, 2003 as a result of the tender offer, TCP acquired 32,205,823 thousand shares of TCO, representing 74.2% of TCO s outstanding common shares not already owned by TCP. The total purchase amount was R$538.8 million and was funded by new loans.

TCO s Results of Operations for the Nine Months Ended September 30, 2002 and 2003

As of July 6, 2003, cellular telecommunications operators in Brazil were required by the SMP rules to implement long distance Carrier Selection Codes (*Códigos de Seleção de Prestadora*, or CSP) used by customers to choose their carrier for domestic long distance services (VC2 and VC3) and international cellular calls. VC2 is a designation given to long distance calls within a primary area, and VC3 is a designation given to long distance calls from one primary area to another. A primary area includes cities that have the same decimal range code. For example, calls between cities that have codes from 11 to 19, or from 21 to 29, are calls within a primary area. TCO no longer receives revenues from VC2 or VC3 calls and now receives interconnection revenues from the use of its network to complete those calls.

Additionally, in accordance with Anatel regulations, Bill & Keep rules were adopted for interconnection charges in July 2003. The rules provide that companies under the SMP regime are not required to pay tariffs for the use of the local network of another SMP provider as long as customers use local service (*i.e.*, make calls in the same registration area) and as long as there is a traffic balance between them. However, when traffic from the SMP provider that originates the call to the SMP provider that terminates the call represents more than 55% of the local traffic between the two providers, the SMP provider who originates the higher traffic must pay the other provider the local usage tariff for the portion of the traffic that exceeds 55%.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003
	(R$ millions)	
Net operating revenue	1,124.7	1,406.4
Cost of services and goods	(500.7)	(642.4)
Gross profit	624.0	764.0
Operating expenses:		
Selling expenses	(149.0)	(206.2)
General and administrative expenses	(100.7)	(139.4)
Other net operating (expenses) income	(9.9)	1.5
Operating income before net financial (expense) income	364.4	419.9
Net financial (expenses) income	(63.9)	94.5
Operating income	300.5	514.4
Net non-operating expense		(2.8)
Income before minority interests, income taxes and reversal of interest on own shareholders equity	300.5	511.6
Income and social contribution taxes	(106.6)	(179.3)
Minority interests	(4.5)	(6.0)
Reversal of interest on own shareholders equity	40.8	
Net income	230.2	326.3

Net Operating Revenue

The composition of operating revenues by category of service is presented in TCO s consolidated financial statements and discussed below before deduction of valued-added and other taxes. TCO does not determine operating revenues on a net basis (*i.e.*, after deductions of taxes) by category of service.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2003	% Change
	(R$ millions)		
Usage charges	490.2	577.5	17.8%
Monthly subscription charges	82.7	108.5	31.2%
Network usage charges	476.7	579.0	21.5%
Sales of handsets and accessories	352.1	490.6	39.3%

Others	10.8	24.1	123.1%
Gross operating revenue	1,412.5	1,779.7	26.0%
Value-added and other indirect taxes	(265.5)	(342.1)	28.9%
Sales and services discount and return of goods sold	(22.3)	(31.2)	39.9%
Net operating revenue	1,124.7	1,406.4	25.0%

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Net operating revenue increased 25.0% to R$1,406.4 million for the nine months ended September 30, 2003 from R$1,124.7 million for the nine months ended September 30, 2002. The increase in net revenues was principally due to tariff increases and an increase in demand for cellular service.

Usage charges. Revenues from usage charges increased 17.8% to R$577.5 million for the nine months ended September 30, 2003 from R$490.2 million for the nine months ended September 30, 2002. This increase was principally due to an increase of 26.6% in the total number of subscribers to 3.33 million average total lines in service for the nine months ended September 30, 2003 from 2.63 million average total lines in service for the nine months ended September 30, 2002. Beginning in July 2003, this increase was partially offset by the impact of the new rules relating to the long distance Carrier Selection Code described above.

Monthly subscription charges. Revenues from monthly subscription charges increased 31.2% to R$108.5 million for the nine months ended September 30, 2003 from R$82.7 million for the nine months ended September 30, 2002. This increase was principally due to an increase of 15.9% in the number of postpaid customers and the launch of new postpaid plans that are designed to fit a customer s profile.

Network usage charges. Revenues from network usage charges increased 21.5% to R$579.0 million for the nine months ended September 30, 2003 from R$476.7 million for the nine months ended September 30, 2002. This increase was principally due to an increase in the total number of subscribers to 3.59 million at September 30, 2003 from 2.85 million at September 30, 2002, which led to an increase of the traffic originating from outside TCO s network to TCO s subscribers and an increase in interconnection tariffs in February 2003. Beginning in July 2003, this figure was also impacted by the new rules relating to the long distance Carrier Selection Code and the Bill & Keep rules described above.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 39.3% to R$490.6 million for the nine months ended September 30, 2003 from R$352.1 million for the nine months ended September 30, 2002. This increase was principally due to an increase in sales volume, especially in sales of medium and higher value handsets. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic, as opposed to generating profits on the sales, and TCO therefore subsidizes varying portions of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, profit margins are generally negative after taxes and discounts.

Others. Revenues from other services increased 123.1% to R$24.1 million for the nine months ended September 30, 2003 from R$10.8 million for the nine months ended September 30, 2002. The increase was principally due to an increase in the revenues from data services caused by the growth in their use (especially short message services) and in number of subscribers.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 28.9% to R$342.1 million for the nine months ended September 30, 2003 from R$265.5 million for the nine months ended September 30, 2002. This increase was principally due to an increase of 26.0% in the gross operating revenue, an increase in the ICMS rate of the State of Rondonia from 25% to 35% in July 2002 and in the State of Mato Grosso do Sul from 25% to 27% in January 2003, and an increase in the PIS rate imposed on goods sold in December 2002 from 0.65% to 1.65%. This increase was partially offset by the effects of the decrease in the ICMS rate imposed by the State of Mato Grosso on prepaid cards from 30% to 25% in January 2003.

Sales and services discount and return of goods sold. Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 39.9% to R$31.2 million for the nine months ended September 30, 2003 from R$22.3 million for the nine months ended September 30, 2002. The increase was principally due to an increase in the recognition of discounts in connection with the sales of prepaid cards to retailers.

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Cost of Services and Goods

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

	Nine Months Ended September 30,		
	2002	2003	% Change
	(R$ millions)		
Depreciation and amortization	92.0	122.7	33.4%
Materials and services	123.9	158.1	27.6%
Personnel	11.3	13.8	22.1%
Rental, insurance and condominium fees	32.7	37.6	15.0%
Cost of goods sold	199.2	258.7	29.9%
Fistel and other taxes	41.6	51.5	23.8%
Cost of services and goods	500.7	642.4	28.3%

TCO s cost of services and goods increased 28.3% to R$642.4 million for the nine months ended September 30, 2003 from R$500.7 million for the nine months ended September 30, 2002. The increase was principally due to (1) an increase in the cost of goods sold; (2) an increase in materials and services and (3) an increase in depreciation and amortization costs.

Depreciation and Amortization. Depreciation and amortization expenses increased 33.4% to R$122.7 million for the nine months ended September 30, 2003 from R$92.0 million for the nine months ended September 30, 2002. The increase was principally due to an expansion of TCO s network and increased investments in technical support systems.

Materials and services. Materials and services include cost of materials and services received from third-parties, including network usage charges paid to other cellular telecommunications service providers, to fixed-line companies and carriers for the completion on their networks of calls originated by TCO s customers. Cost of materials and services increased 27.6% to R$158.1 million for the nine months ended September 30, 2003 from R$123.9 million for the nine months ended September 30, 2002. The increase was principally due to (1) an increase of R$21.2 million in the network usage chargers payable to other telecommunications service providers, due to increases in traffic and in tariffs and (2) an increase in the cost of maintaining TCO s network.

Personnel. Personnel expenses increased 22.1% to R$13.8 million for the nine months ended September 30, 2003 from R$11.3 million for the nine months ended September 30, 2002. This increase was principally due to severance costs relating to a former executive and to an overall increase in personnel salaries.

Rentals, insurance and condominium fees. Rentals, insurance and condominium fees increased 15.0% to R$37.6 million for the nine months ended September 30, 2003 from R$32.7 million for the nine months ended September 30, 2002. The increase was principally due to annual adjustments of fees under contracts, including inflation adjustments.

Cost of goods sold. The cost of goods sold increased 29.9% to R$258.7 million for the nine months ended September 30, 2003 from R$199.2 million for the nine months ended September 30, 2002. The increase was principally due to an increase in sales volume and an increase in the average cost of handsets and the sale of more sophisticated and expensive handset models.

Fistel and other taxes. The Fistel tax increased 23.8% to R$51.5 million for the nine months ended September 30, 2003 from R$41.6 million for the nine months ended September 30, 2002. The increase was principally due to the expansion of TCO s network.

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Operating Expenses

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

	Nine Months Ended September 30,		
	2002	**2003**	**% Change**
	(R$ millions)		
Selling expense	(149.0)	(206.2)	38.4%
General and administrative expense	(100.7)	(139.4)	38.4%
Other net operating income (expense), net	(9.9)	1.5	NA
Operating expense	(259.6)	(344.1)	32.6%

Operating expenses increased 32.6% to R$344.1 million for the nine months ended September 30, 2003 from R$259.6 million for the nine months ended September 30, 2002. The increase resulted mainly from an increase of 38.4% in selling expense, which included sales commissions to independent distributors, and an increase of 38.4% in general and administrative expense.

Selling expense. Selling expense increased 38.4% to R$206.2 million for the nine months ended September 30, 2003 from R$149.0 million for the nine months ended September 30, 2002. The increase was principally due to an increase of R$39.3 million in outside services, which included sales commissions to independent distributors reflecting net additions of subscribers, and a 54.4% increase in provisions for doubtful accounts to R$38.3 million for the nine months ended September 30, 2003 from R$24.8 million for the nine months ended September 30, 2002. These provisions were 2.0% and 2.5% of gross revenues in the nine months ended September 30, 2002 and 2003. During the nine months ended September 30, 2002, the provision for doubtful accounts was positively affected by agreements made with other operators, which resulted in the recovery of approximately R$7.5 million.

General and administrative expense. General and administrative expense increased 38.4% to R$139.4 million for the nine months ended September 30, 2003 from R$100.7 million for the nine months ended September 30, 2002. The increase was principally due to an increase of R$18.5 million in outside services, primarily related to corporate information technology services.

Other net operating (expense) income. For the nine months ended September 30, 2003, TCO had other net operating income in the amount of R$1.5 million, and in the nine months ended September 30, 2002, TCO had net operating expenses in the amount of R$9.9 million. The income in the nine months ended September 30, 2003 was mainly due to the reversal of a R$5.3 million provision relating to litigation over the assessment of ICMS tax on activation fees similar to that reversed by Telesp Celular, as described under TCP s Results of Operations for the Nine Months Ended September 30, 2002 and 2003 Operating Expense Other net operating expense (income).

Net Financial Income (Expenses)

TCO had net financial income of R$94.5 million for the nine months ended September 30, 2003, compared to net financial expenses of R$63.9 million for the nine months ended September 30, 2002. This change was principally due to the appreciation of the *real* in relation to the U.S. dollar, leading to gains on the TCO s unhedged debt positions.

Income and Social Contribution Taxes

TCO recorded income and social contribution expense of R$179.3 million and R$106.6 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in income and social contribution

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expense occurred primarily because TCO recorded interest on shareholders equity in each quarter of 2002, reducing income before minority interests and taxes, but did not record interest on shareholders equity in 2003. TCO s effective tax rate was 35.0% and 35.5% for the nine months ended September 30, 2003 and 2002, respectively.

Net Income

As a result of the foregoing, TCO recorded net income of R$326.3 million for the nine months ended September 30, 2003, compared to R$230.2 million for the nine months ended September 30, 2002.

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PART FIVE THE MERGER OF SHARES

Reasons for the Merger of Shares

We acquired 61.10% of the common shares of TCO on April 25, 2003. Our acquisition of a controlling interest required us under Brazilian law to launch a tender offer for the remaining publicly held common shares of TCO. We commenced that tender offer on October 9, 2003, and the tender offer expired on November 18, 2003. We now hold 90.7% of the common shares of TCO, excluding treasury shares.

We believe that the merger of shares will enable us to:

- align the interests of the shareholders of TCP and TCO;
- take advantage of commercial and financial synergies because we will be a larger company;
- simplify our shareholding structure and expand our shareholder base;
- provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold; and
- eliminate the costs of separate public reporting requirements for TCO and the separate listing of TCO securities.

Background for the Merger of Shares

Privatization of Telebrás

Before its privatization in the 1998, Telebrás and its operating subsidiaries, which we refer to collectively as the Telebrás system, held a near monopoly over the provision of public telecommunications services in Brazil. In 1995, the Brazilian federal government began a comprehensive reform of Brazil s telecommunications regulatory system.

In July 1997, Brazil s national congress adopted the General Telecommunications Law, which provided for the establishment of a new regulatory framework, the introduction of competition and the privatization of the Telebrás system.

In January 1998, in preparation for the restructuring and privatization of the Telebrás system, the cellular telecommunications operations of the Telebrás system were spun off into separate companies. In May 1998, the Telebrás system was restructured to form, in addition to Telebrás, 12 new holding companies. Virtually all of the assets and liabilities of Telebrás s operating subsidiaries were allocated to the new holding companies, which we refer to as the New Holding Companies. The New Holding Companies, together with their respective subsidiaries, consisted of (1) eight cellular holding companies, each in one of eight cellular regions, holding one or more operating companies that provide cellular services; (2) three wireline holding companies, each in one of three wireline regions, holding one or more operating companies that provide local and intraregional long distance services; and (3) Embratel Participações S.A., a holding company of Empresa Brasileira de Telecomunicações S.A. Embratel.

TCP and TCO were New Holding Companies. In connection with the reorganization of the Telebrás system:

- TCP was allocated all of the share capital held by Telebrás in Telesp Celular, one of the cellular operating companies that provided cellular telecommunications service in the State of São Paulo; and
- TCO was allocated all of the share capital held by Telebrás in the operating subsidiaries that provided cellular telecommunications service in the concession region formerly known as Area 7.

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In July 1998, as part of its restructuring and privatization plan, the Brazilian federal government sold substantially all of its common shares of the New Holding Companies, including TCP and TCO, to private sector buyers.

Ownership of TCP and TCO After Privatization

TCP and its Subsidiaries

The federal government s shares of TCP were purchased by Portelcom Participações S.A., or Portelcom, a consortium comprised of Portugal Telecom S.A., or Portugal Telecom, which owned 64.2% of Portelcom, and Telefónica, which owned the remaining 35.8% of the shares in Portelcom. In July 1998, Portelcom acquired 51.8% of the common stock of TCP. Through a subsequent reorganization, Telesp Celular became a wholly owned subsidiary of TCP in January 2000. In 2000, Portugal Telecom increased its participation in TCP to 85.1% of the common shares and 17.7% of the preferred shares through a public tender offer and a later capital increase of TCP.

In November 2000, after the approval of Anatel, Telefónica effected a stock swap transaction with Portugal Telecom involving their participations in Telesp Celular and Telecomunicações de São Paulo S.A.-TELESP, known as Telesp, respectively. In the stock swap transaction, Telefónica swapped 35.8% of its direct and indirect stake in Portelcom for Portugal Telecom s 23% indirect stake in SP Telecomunicações Holding. This transaction increased Portugal Telecom s participation in Telesp Celular from 36.2% to 41.2%.

In September 2002, TCP undertook a R$2.5 billion capital increase. After this capital increase, Portugal Telecom s participation in TCP increased to 93.7% of the voting shares, 49.8% of the preferred shares and 65.1% of the total capital.

On January 23, 2001, Portugal Telecom and Telefónica Móviles entered into a strategic agreement to create a cellular services company in Brazil that would aggregate all of their investments in cellular telecommunications businesses to the extent permitted under Brazilian law. In December 2002, Anatel approved the joint venture between Portugal Telecom and Telefónica Móviles. This joint venture, named Brasilcel N.V., or Brasilcel, with headquarters in the Netherlands, is managed by Portugal Telecom and Telefónica Móviles on an equal basis.

In December 2002, Portugal Telecom and Telefónica Móviles transferred to Brasilcel all their direct and indirect interests in TCP, Tele Leste Celular Participações S.A., Tele Sudeste Celular Participações S.A. and Celular CRT Participações S.A.

At September 30, 2003, we were controlled by Brasilcel (57.26% of our total capital stock) and Portelcom (7.86% of our total capital stock). Portelcom is an indirect wholly owned subsidiary of Brasilcel.

Global Telecom was formed to acquire a B Band cellular concession in the states of Paraná and Santa Catarina, known as Area 5. In April 1998, Global Telecom won the concession for Area 5 and, after building out its network, began commercial operations in December 1998. In February 2001, we acquired an 81.61% indirect economic interest in Global Telecom through the acquisition of 49% of the voting shares and 100% of the non-voting shares of each of three holding companies that collectively held 95% of the voting shares and 100% of the non-voting shares of Global Telecom. The remaining 5% of Global Telecom s voting shares were held by another investor who, upon authorization from Anatel in July 2001, sold them to the three holding companies. On December 11, 2002, after all of the TCP operators had switched over to the SMP system, Anatel approved our acquisition of the remaining capital stock of the three holding companies, and we acquired the remaining portion of those three holding companies on December 27, 2002. On March 31, 2003, after a restructuring process, TCP became the direct holder of 100% of the capital stock of Global Telecom.

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TCO and its Subsidiaries

The federal government s shares of TCO were purchased by Splice do Brasil Telecomunicações e Electrônica S.A., or Splice, through BID S.A., its subsidiary at the time.

Telebrasília, Telegoiás, Telemat, Telems, Teleron and Teleacre were formed on January 5, 1998 by spinning off the cellular telecommunications operations of operating subsidiaries of Telebrás. Telebrasília merged into TCO on April 26, 2002.

On October 19, 1998, Tele Centro Oeste/ Inepar, a consortium comprised of Inepar S.A. Indústria e Construções and TCO, was awarded a license to provide cellular telecommunications services in the concession area formerly known as Area 8. On May 21, 1999, TCO acquired 45% of Tele Centro Oeste/ Inepar from Inepar, increasing its holding in the consortium to 95%. Upon acquiring control, TCO renamed Tele Centro Oeste/ Inepar Norte Brasil Telecom S.A., or NBT, and registered it as a non-publicly held company.

On November 21, 2000, SPLICE IP S.A. was formed as a closed corporation. TCO held 100% of its preferred shares and Splice held 99.99% of its common shares. As of March 5, 2001, the control of SPLICE IP S.A. changed to TCO when TCO bought 99.99% of the common shares from Splice and renamed the entity TCO IP S.A.

On December 31, 2001, Splice transferred all of its shares of BID S.A. to Fixcel S.A., or Fixcel.

In 2000 and 2001, TCO conducted tender offers for the remaining publicly held common and preferred shares of Telegoiás, Telemat, Telems, Teleron and Teleacre. Although these tender offers are complete, from time to time TCO voluntarily repurchases small numbers of publicly held shares.

Acquisition of TCO and Subsequent Tender Offer

On April 25, 2003, we acquired 61.10% of the voting capital stock of TCO from Fixcel, representing 20.37% of TCO s total capital. The total consideration was R$1,529.0 million at April 25, 2003 (including a payment of R$23.5 million to acquire a future obligation by TCO to issue capital stock to its previous owner). Of this amount, R$1,287.2 million had been paid (including cash payments and debt and deferred payments that have been paid in full) and the remaining R$294.3 million consists of debt and deferred payments, as further detailed in the table below. The amounts paid and to be paid reflect interest and exchange variation from April 25, 2003 to the date of payment or to September 30, 2003, as applicable. We made an additional payment of R$145.5 million in November 2003.

The table below sets forth the debt and deferred payments outstanding at April 25, 2003, the date of the acquisition of TCO. Since April 25, 2003, we have paid an aggregate amount of R$1,456.2 in respect of these deferred payments and debt.

Item	Maturity Date	Amount in R$ million	Remuneration
Deferred payment	April 25, 2004	80.2	CDI plus 2% p.a.
Retained payment(1)	April 25, 2004	42.8	CDI plus 2% p.a.
Retained payment(1)	Up to April 25, 2008	10.7	CDI plus 2% p.a.
U.S. dollar-denominated debt	March 2004 - Sept. 2004	6.6	LIBOR 2.625% p.a., plus exchange variation and income tax applicable to interest payments (at a rate of 15%)
Real-denominated debt	January 2004 - April 2004	128.0	108% to 110% of CDI

(1) This payment has been retained by the buyer as a guarantee for contingent liabilities.

Under Brazilian law, our acquisition of control of TCO triggered a requirement that we launch a tender offer for the remaining publicly held common shares of TCO for a price not less than 80% of the price paid per

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share in our acquisition of a controlling interest in TCO. At the time we signed an agreement with Fixcel to purchase a controlling interest in TCO, we announced our intention to consummate the merger of shares after the completion of the acquisition of the controlling interest and the tender offer using an exchange ratio of 1.27 shares of TCP for each share of TCO, subject to adjustment based on our due diligence.

We launched the tender offer for the remaining common shares of TCO on October 9, 2003. We completed the tender offer for the TCO common shares on November 18, 2003, paying R$16.73 per 1,000 outstanding common shares. We now hold 90.7% of the voting capital stock of TCO, representing 29.3% of TCO s total capital, excluding treasury shares.

Merger of Shares

On October 27, 2003, the boards of executive officers *(diretorias)* of TCP and TCO signed separate documents *(protocolos)* containing the terms and conditions of the merger of shares. On the same date, the boards of directors *(conselhos de administração)*, of TCP and TCO approved the *protocolos* and approved separate documents *(justificações)* outlining the reasons for the merger of shares of TCO with TCP.

On October 27, 2003, the auditors councils *(conselhos fiscais)* of TCP and TCO reviewed the terms and conditions of the merger of shares in separate meetings and issued favorable opinions with respect to the merger of shares.

On October 29, 2003, TCP and TCO published notice of extraordinary meetings of their respective common shareholders to approve the merger of shares.

On November 21, 2003, TCP and TCO amended the *protocolos* and *justificações* to reflect revisions to the appraisal of shareholders equity of TCP at market value prepared in connection with the merger of shares and to provide updated information regarding the capital increase of TCP that will occur as a result of the merger of shares.

On December 11, 2003, the CVM sent us a letter requiring a postponement of the extraordinary general meetings to approve the merger of shares to permit the CVM additional time to analyze the legality of the proposals for the merger of shares being submitted to the shareholders of our company and TCO, and we rescheduled the meetings for January 7, 2004.

Conversion of TCP Preferred Shares Into Common Shares

On November 20, 2003, we extended to our preferred shareholders the opportunity to convert all or a portion of their preferred shares into common shares of TCP at a one-to-one ratio up to a limit of 78,752,717,772 preferred shares in the aggregate for all shareholders. The conversion is intended to ensure that, after the merger of shares, our preferred shares do not exceed two-thirds of our total capital stock in violation of Brazilian law. If the conversion option is exercised for more shares than this maximum number, shares will be converted pro rata among the shares for which the option is exercised. If the conversion option is exercised for fewer shares than this maximum number, Brasilcel, our controlling shareholder, has agreed to convert sufficient preferred shares so that the maximum number is converted, so long as there is no legal or other impediment at that time to the approval of the merger of shares of TCO with TCP immediately after the conversion. Our preferred shareholders must make this election by January 6, 2004. We expect the conversion to be approved by the holders of our common shares. If it is approved, the conversion will become effective immediately before the merger of shares. The conversion is not available to you as a future shareholder of TCP.

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Terms of the Merger of Shares

General

The merger of shares must be approved at extraordinary general meetings of the shareholders of TCP and TCO scheduled to be held on January 7, 2004. The completion of the merger of shares is contingent upon the approval of holders of at least 50% of the outstanding common shares of both TCP and TCO at the shareholder meetings. If the merger of shares is approved:

- TCO will become a wholly owned subsidiary of TCP;
- holders of ADSs of TCO will receive 1.524 ADSs of TCP for each ADS they hold upon surrender of the TCO ADSs and payment of the fees and expenses of the depositary; and
- holders of preferred shares of TCO, other than preferred shares underlying ADSs of TCO, will automatically receive 1.27 preferred shares of TCP for each preferred share they hold without any further action by those holders.

The exchange ratios for the TCO preferred shares and ADSs are different because the ADS exchange ratio takes into account the difference in the ratio of ADSs to preferred shares under the TCO and TCP ADS programs. Under the TCO ADS program, each ADS represents 3,000 shares, while under the TCP ADS program, each ADS represents 2,500 preferred shares.

Brasilcel holds, directly and indirectly, 93.66% of the common shares of our company, and we hold 90.7% of the common shares of TCO, excluding treasury shares. Brasilcel and its subsidiaries will hold no less than 76.33% of our common shares after the conversion described under Background for the Merger of Shares Conversion of TCP Preferred Shares Into Common Shares and the merger of shares, assuming that Brasilcel does not convert any shares in the conversion and that none of the common shareholders of our company or TCO exercises appraisal rights in connection with the merger of shares. Brasilcel has represented to us that it and its subsidiaries will vote the common shares of our company they hold in favor of the merger of shares. We intend to vote the common shares of TCO we hold in favor of the merger of shares.

Under the *protocolos,* or agreements, governing the merger of shares, we will undergo a capital increase in the amount of R$1,012,907,956.77 as a result of the merger of shares, from R$4,373,661,469.73 to R$5,386,569,426.50, assuming that common shareholders of TCP and TCO do not exercise appraisal rights in connection with the merger of shares. The agreements also provide that TCO shares held in treasury will be canceled and that our common shareholders must approve the conversion of certain preferred shares into common shares, as described under Background to the Merger of Shares Conversion of TCP Preferred Shares Into Common Shares. The following documents, which are filed as exhibits to the registration statement of which this prospectus is a part, are incorporated by reference into this prospectus:

- Protocol of the Merger of Shares of Tele Centro Oeste Celular Participações S.A. into Telesp Celular Participações S.A. for the purpose of the former s conversion into a Wholly Owned Subsidiary;
- Justification of the Merger of Shares of Tele Centro Oeste Celular Participações S.A. into Telesp Celular Participações S.A. for the purpose of the former s conversion into a Wholly Owned Subsidiary;
- First Amendment to the Protocol of the Merger of Shares of Tele Centro Oeste Celular Participações S.A. by Telesp Celular Participações S.A. for the Conversion of TCO into a Wholly Owned Subsidiary; and
- First Amendment to the Justification of the Merger of Shares of Tele Centro Oeste Celular Participações S.A. by Telesp Celular Participações S.A. for the Conversion of TCO into a Wholly Owned Subsidiary.

See Part Seven: Additional Information for Shareholders Where You Can Find More Information for instructions on how to obtain copies of these documents.

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There are no conditions to the completion of the merger of shares other than shareholder approval by both TCP and TCO and the completion of the conversion of TCP preferred shares into common shares described above.

Although the approval of the merger of shares by the CVM is not a condition to the merger of shares, on December 11, 2003, the CVM sent us a letter requiring a postponement of the extraordinary general meetings to approve the merger of shares to permit the CVM additional time to analyze the legality of the proposals for the merger of shares being submitted to the shareholders of our company and TCO, and we and TCO have rescheduled the meetings from December 22, 2003 to January 7, 2004. Although we affirm that the proposed merger of shares is legal and provides equitable treatment to TCP and TCO, we cannot predict the outcome of the CVM s analysis of the transaction. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business Certain holders of TCO s preferred shares have presented complaints to the CVM, the Brazilian securities regulator, related to the terms of the merger of shares, and the CVM s review is ongoing.

Date, Time and Place of the Meeting

The extraordinary general meeting of TCO is scheduled to be held as follows:

January 7, 2004

8 a.m., local time
Tele Centro Oeste Celular Participações S.A.
SCS Quadra 2, Bloco C, 226,
Edifício Telebrasília Celular 7° andar
70319-900 Brasília, D.F.
Brazil

If you hold preferred shares directly, you may attend the meeting. Under the Brazilian corporation law, you may be required to show a document proving your identity to gain admittance to the meeting. However, no holder of preferred shares or ADSs of TCO may vote at the meeting.

Receipt of Shares and ADSs of TCP

If the merger of shares is approved, each preferred share of TCO will automatically become 1.27 preferred shares of TCP without any action by you. Because the preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the preferred shares you receive in the merger of shares. Neither you nor any other person will receive certificates evidencing preferred shares of TCP.

For 30 days after the publication of the minutes of the shareholders meeting of TCO to approve the merger of shares, TCP preferred shares received by direct holders of TCO preferred shares will trade on the São Paulo Stock Exchange under the ticker symbol for TCO s preferred shares, TCOC4. After 30 days, those shares will trade under the ticker symbol for TCP s preferred shares, TSPP4. TCP intends to submit a request to the São Paulo Stock Exchange that this 30-day period be eliminated and that all TCP preferred shares be allowed to trade under the same ticker symbol as soon as possible after the merger of shares. However, TCP cannot predict whether the São Paulo Stock Exchange will grant this request.

Delivery of TCP ADRs

If you hold ADSs representing preferred shares of TCO, you will receive 1.524 ADSs representing preferred shares of TCP in the merger of shares for each TCO ADS you hold.

When the merger of shares becomes effective, TCP will deposit with a custodian for The Bank of New York, as depositary under TCO s ADS program, the TCP preferred shares issuable in respect of the

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TCO preferred shares then held in that program. In accordance with an amendment to the TCO preferred share deposit agreement that has been entered into and will become effective at the time of the merger of shares, The Bank of New York, as depositary, will consider itself to have been directed by TCO and the holders of the TCO ADSs to deposit those TCP preferred shares with the custodian for The Bank of New York, as depositary under TCP s ADS program, and instruct that depositary to cause to be issued and to deliver, subject to payment of the fees and expenses of the depositary under the TCP deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)), ADSs representing those TCP preferred shares to the depositary for the TCO ADS program. When the TCP ADSs are received in the TCO ADS program, the TCO ADSs will be deemed to have been converted into a right only to receive TCP ADSs, and The Bank of New York, as depositary under TCO s ADS program, will call for the surrender of the ADRs evidencing those former TCO ADSs. Upon surrender of those ADRs and payment of the depositary s fees and expenses as provided in the TCO deposit agreement (which will not be in excess of $5.00 or less per 100 ADSs (or portion thereof)), the depositary will deliver the TCP ADSs (and cash in lieu of any fractions as described below) to the holders of the former TCO ADSs.

Termination of TCO ADS Program

The Bank of New York, as depositary under TCO s ADS program, has, at the direction of TCO, mailed notice to the owners of all outstanding TCO ADRs in accordance with the deposit agreement of the termination of the deposit agreement and the ADS program at the time of effectiveness of the merger of shares. The notice mailed by the depositary also contained notice that the depositary and TCO would amend the deposit agreement, effective 30 days after notice of the amendment was given to authorize and provide for the procedures described under Delivery of TCP ADRs.

The terms of the ADSs of TCP that will be received upon the effectiveness of the merger of shares are described in Part Six: Shareholder Information Description of American Depositary Shares.

Fractional Shares and ADSs

If you hold TCO preferred shares directly and the product of 1.27 and the number of TCO preferred shares you hold is not a whole number, the number of preferred shares of TCP you will receive in the merger of shares will be rounded up to the largest whole number.

If you hold TCO ADSs and the product of 1.524 and the number of TCO ADSs you hold is not a whole number, the number of TCP ADSs you will receive in the merger of shares will be rounded down to the largest whole number. The depositary under TCP s ADS program will:

- sell into the open market the fractional TCP ADS to which you would otherwise be entitled; and
- remit to your broker or custodian or mail you a check for cash in lieu of any fractional TCP ADS you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including sales commissions) from the sale on the New York Stock Exchange of the aggregate number of fractional entitlements to TCP ADSs.

You will receive your cash payment, if applicable, at or about the time that you receive your new TCP ADRs. You do not have to pay in cash any fees or commissions to the depositary for the sale of your fractional ADS, since fees and expenses will have already been deducted from any amounts you receive.

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Management

A description of TCP s management is set forth below.

Board of Directors

Our administration consists of a board of directors and a board of executive officers. Our shareholders elect the members of the board of directors. The board of directors should maintain a number of members ranging from eight to 12, each serving a three-year term. The term of office of the current members of the board of directors will expire in March 2006, except for António Gonçalves de Oliveira, who was elected on April 10, 2001 (his term will expire in April 2004). The board of directors holds regular quarterly meetings, and the chairman or two board members may call special meetings.

The following are the current members of our board of directors and their respective positions.

Name	Position
Félix Pablo Ivorra Cano	President of the Board of Directors
Iriarte José Araújo Esteves	Director
Fernando Xavier Ferreira	Director
Antonio Viana Baptista	Director
Ernesto Lopez Mozo	Director
Ignacio Aller Malo	Director
Zeinal Abedin M. Bava	Director
Carlos Manuel L. Vasconcellos Cruz	Director
Eduardo Perestrelo Correia de Matos	Director
Pedro Manuel Brandão Rodrigues	Director
António Gonçalves de Oliveira	Director

Set forth below are brief biographical descriptions of the directors.

Félix Pablo Ivorra Cano, 56 years old, is the president of the board of directors. He is also the president of the boards of directors of Tele Leste Celular Participações, Celular CRT Telecomunicações S.A., Tele Sudeste Celular Telecomunicações S.A. and TCP and a member of the board of directors of Telecomunicações de São Paulo S.A. Telesp and TCO. He is a director of Atento Brasil S.A., 4A Telemarketing, Telefónica Peru and Portelcom Participações S.A. He is the main executive officer for Telefónica Móviles in Brazil and the vice president of Telefónica Móviles Latino-America. He is also the president of the board of directors of Brasilcel. After graduating, he joined the Telefónica Group, where he worked in the areas of technical specifications, network planning and commercial planning and developed new services. In 1993 he was the general director of the group that funded and developed Telefónica Móviles. In 1997 and a portion of 1998, Mr. Cano was the president of the board of directors of Mensatel S.A. and Radiored S.A., which are part of Telefónica Móviles. He has a degree in telecommunication engineering from Escola Técnica Superior de Engenharia ETSI in Madrid, and a post-graduate degree in Business Administration from the Instituto Católico de Administração de Empresas ICADE.

Iriarte José Araújo Esteves, 53 years old, is currently also the chairman of the board of directors of TMN-Telecomunicações Móveis Nacionais, S.A., the chief executive officer of TMN, the chief executive officer of PT Móveis, S.G.P.S., S.A., and a member of the board of directors of each of Portugal Telecom S.G.P.S., S.A., PT Prime S.G.P.S., S.A., Tele Leste Celular Participações S.A., Celular CRT Participações S.A., Tele Sudeste Celular Participações S.A., TCO and TCP. From 1981 until 1992, Mr. Esteves performed several functions at CTT, Correios e Telecomunicações de Portugal, including regional telecommunications general manager, manager of the telecommunications business planning department, deputy general manager of telecommunications, director-general of telecommunications and member of the board of directors. From

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1991 until 1997, Mr. Esteves was the chairman of the board of directors of Telepac, Serviços de Telecomunicações, S.A., and from 1991 until 1992 he was the vice chairman of the board of directors of TMN. Mr. Esteves was also a vice chairman of the board of directors of Portugal Telecom Internacional S.G.P.S., S.A. from 2000 until 2002. He holds a degree in electronic engineering from the Higher Education Technical Institute, Portugal.

Fernando Xavier Ferreira, 55 years old, is currently also the president of the Telefónica Group in Brazil, the chairman of the board of directors and chief executive officer of Sudestecel Participações S.A, TBS Celular Participações S.A., Iberoleste Participações S.A. and Telecomunicações de São Paulo S.A. Telesp, and vice chairman of the board of directors of Telefônica Data Brasil Holding S.A. He is also member of the board of directors of each of Telefónica Móviles, Brasilcel, Tele Sudeste Celular Participações S.A., TCP, Tele Leste Celular Participações S.A., Celular CRT Participações S.A. and TCO. He also currently serves as chief executive officer of SP Telecomunicações Holding S.A. and Telefônica Data Brasil Holding S.A. Participações S.A. Beginning in 1971, he held various positions at Telecomunicações do Paraná S.A. Telepar, including those of vice president, economic-financial and market relations officer and president. Since that time he has served on the board of directors of Telebrás, Telesp Participações S.A., Embratel Participações S.A., Embratel-Empresa Brasileira de Telecomunicações S.A., Empresa Brasileira de Corrêios e Telégrafos-ECT, Companhia Riograndense de Telecomunicações, Telebahia Celular, Telergipe Celular, Telesp Celular and Portugal Telecom S.A. Mr. Ferreira served as officer and chief executive officer of Telecomunicações Brasileiras S.A.-Telebrás, chairman of the board of directors of Telerj Celular, chairman of the board of directors of Telest Celular, chairman of the board of directors of Ceterp-Centrais Telefônicas de Ribeirão Preto S.A., and chief financial officer, chief executive officer, chairman and vice chairman of the board of directors of Tele Sudeste Celular Participações S.A. From December 2001 to April 2003, he was chief executive officer of Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. During 1998, he has also served as a member of a consulting committee of Anatel, and at present is a member of the Latin American Committee of the New York Stock Exchange and the Global Information Infrastructure Commission GIIC. He holds a degree in electrical engineering from the Catholic University of Rio de Janeiro, Brazil, and attended a business administration course at Western Ontario University, Canada, in 1982.

Antonio Viana Baptista, 45 years old, is an economist who graduated from the Catholic University of Lisbon in 1980. He has a post-graduate degree in European Economy (1981) and an MBA, obtained with a mention of distinction, from INSEAD (Fontainebleu). In August 2002, he was appointed as Executive President of Telefónica Móviles. He is member of the board of directors of the Delegate Committee and the Executive Committee of Telefónica S.A. He is also a member of the board of directors of Terra Network, S.G.P.S., S.A., Portugal Telecom S.G.P.S., S.A., Brasilcel, TCP, Tele Sudeste Celular Participações S.A., TCO and Celular CRT Participações S.A. Until July 2002, he served as President of Telefónica Internacional and Executive President of Telefónica LATAM. Before that he also served from 1991 until 1996, as Executive Director of BPI (Banco Português de Investimento). From 1985 until 1991 he was Principal Partner of McKinsey & Co. in Madrid and Lisbon.

Ernesto Lopez Mozo, 39 years old, serves as Chief Financial Officer General Manager for Finance and Management Control of Telefónica Móviles S.A. Mr. Lopez is a member of the board of directors of each of Telefónica Móviles de España, S.A., Terra Mobile, S.A., Telefónica Móviles México, S.A. de C.V., Brasilcel, TCP, Tele Sudeste Celular Participações S.A., TCO, Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. He was previously a senior manager in the financing department of Telefónica, S.A., where he was also responsible for relationships with credit rating agencies. Before joining Telefónica in March 1999, Mr. Lopez worked for five years at J.P. Morgan where he was a vice president in charge of the interest rate derivatives trading desk for Spain and Portugal for three years. At J.P. Morgan, he was also involved in sales to mutual and pension funds. Before joining J.P. Morgan, Mr. Lopez worked as an engineer, managing the construction of highways and other infrastructure. He holds a degree in civil engineering from ETSICCP in Madrid and a master s degree in business administration from the Wharton School.

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Ignacio Aller Malo, 58 years old, serves as Chief Operating Officer of Telefónica Móviles. Mr. Aller is a member of the board of directors of Terra Mobile, S.A., Mobipay España, S.A., Mobipay Internacional, S.A., Medi Telecom, Telefónica Móviles de España, S.A., Telefónia Móviles México, S.A. de C.V., Brasilcel, TCP, Tele Sudeste Celular Participações S.A., TCO, Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. Mr. Aller has held several positions at Telefónica de España since 1967, including Director of Operations and Information Services in 1986, General Director of Mensatel in 1995 and General Executive Director of Operations of Telefónica Servicios Móviles in 1999. Mr. Aller has also served as a member of the board of directors of Venturini España, S.A., Mensatel and is currently a board member of Telyco and PMT.

Zeinal Abedin Mahomed Bava, 37 years old, is currently also the chief financial officer of Portugal Telecom S.G.P.S., S.A., the vice chairman of the board of directors of PT Multimédia-Serviços Telecomunicações e Multimédia, S.G.P.S., S.A., a member of the board of directors of Brasilcel, the chairman of the board of directors of P T PRO-Serviços de Gestão S.A., and a member of the board of directors of each of BEST-Banco Electrónico de Serviço Total, S.A., Tele Sudeste Celular Participações S.A., TCP, TCO, Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. Mr. Bava was vice chairman of the board of directors of Portugal Telecom Internacional, S.G.P.S., S.A. from 2000 until 2002; the director and relationship manager for Portugal of Merrill Lynch International from 1998 until 1999; an executive director of Deutsche Morgan Grenfell from 1997 until 1998; and an executive director of Warburg Dillon Read from 1989 until 1996. He holds a degree in electronic and electrical engineering from the University of London B.S.C.

Carlos Manuel L. Vasconcellos Cruz, 45 years old, is currently also a member of the board of directors of Portugal Telecom S.G.P.S., S.A., the chairman and chief executive officer of PT Prime S.G.P.S., S.A., the chairman of the board of directors of PT Contact-Telemarketing e Serviços de Informação, S.A., chief executive officer of PT Comunicações, S.A. and a member of the board of directors of each of Brasilcel, Telecomunicações Móveis Nacionais S.A. TMN, Tele Leste Celular Participações S.A., Celular CRT Participações S.A., Tele Sudeste Celular Participações S.A., TCO and TCP. From 1978 to 1983, Mr. Cruz was an economist at the Ministry of Finance of Portugal, and from 1983 to 1985 he was a senior economist at LEASEINVEST. From 1985 until 1999, Mr. Cruz performed several functions worldwide at Dun & Bradstreet Corporation, including president and chief executive officer of Dun & Bradstreet for Portugal, Iberia and the Middle East, executive vice president of Dun & Bradstreet for Europe, president and chief executive officer of Dun & Bradstreet GMC and member of the worldwide board and executive vice president of Dun & Bradstreet Corporation. From 1990 to 1993, he was also vice president of Associação Portuguesa para a Qualidade. In 1996, he was vice president of A.P.E.I.N.-Associação Portuguesa de Empresas de Informação de Negócios. From 1999 to 2001, Mr. Cruz was the president and chief executive officer of Tradecom S.G.P.S., and from 2000 he also served as executive manager of PT Prime S.G.P.S., S.A. From 2000 to 2001 he was an invited professor at Portuguese Catholic University and ISCTE for postgraduate courses and MBA programs. He also served as president of Telesp Celular, from May 2001 until May 2002, and as vice president of TCP from September 2001 until May 2002. Mr. Cruz holds a degree in business from the I.S.C.T.E. (Instituto Superior de Ciências do Trabalho e da Empresa or Higher Education Institute for Labor and Corporate Sciences), Portugal, and a post-graduate degree in management from D.S.E. (the German Foundation for International Development), Germany.

Eduardo Perestrelo Correia de Matos, 54 years old, is currently also the president of Portugal Telecom Brasil S.A. and a member of the board of directors of each of PT Móveis, Serviços de Telecomunicações, S.G.P.S., S.A., Tele Sudeste Celular Participações S.A., TCP, TCO, Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. From 1976 to 1984, Mr. Matos held various operational positions in the planning and control areas of CTT Correios e Telecomunicações de Portugal S.A. and TLP Telefones de Lisboa e Porto S.A. From 1984 to 1987 he served as general post master of CTT and from 1987 to 1990 he was the secretary of state for external transportation and communications in Portugal. In addition, he served as president at Marconi S.G.P.S. Comunicações, S.A. from 1990 to 1991 and at Mobitel S.A. from 1991 to 1996.

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Mr. Matos was also a member of the board of Portugal Telecom, S.G.P.S., S.A. from 1996 until May 2002. He holds a degree in economics from the Technical University of Lisbon, Portugal.

Pedro Manuel Brandão Rodrigues, 52 years old, is currently a director and member of the executive committee of Telecomunicações Móveis Nacionais TMN and PT Móveis, S.G.P.S., S.A. Mr. Brandão was elected to the Portuguese Parliament *(Assembleia da República)* in March 2002 and has been a member of the Portuguese National Education Council *(Conselho Nacional de Educação)* since July 2000. He is a director of the Portuguese Business Directors Forum *(Forum de Administradores de Empresas)* and is President of Portuguese Permanent Offset Commission *(Comissão Permanente de Contrapartidas)*. From 1980 to 1987, Mr. Brandão performed various functions at Alusuisse-Lonza AG group in Zurich. At various times from 1987 to 1993, he was Managing Director of Promindústria, Sociedade Portuguesa de Capital de Risco, SA, a director of EVCA European Venture Capital Association and president of APCRI Associação Portuguesa de Capital de Risco. From 1987 to 2000, he was a Professor at the Instituto Superior Técnico in Lisbon in the Autonomous Section for Economics and Management and in the Department of Materials. From 1993 to 2000, Mr. Brandão was also a member of the Board and the Executive Committee of Banco Mello and Banco Mello de Investimentos, where he oversaw the Division of Investment Banking and performed other functions. Mr. Brandão has served as a member of the boards of directors and other supervisory bodies of numerous Portuguese companies. He holds a degree in chemical engineering from Instituto Superior Técnico and holds a Masters degree in Production Processes and Management and a Ph.D. in Engineering from the University of Birmingham, England. He has been honored with the Portuguese National Defense Medal, first class *(Medalha da Defesa Nacional, primeira classe)*.

Antonio Gonçalves de Oliveira, 58 years old, was nominated to serve on our board of directors by Previ, a board member of the Small and Medium Company Working Group sponsored by the Brazilian government, a coordinator of the international integration foreign trade committee of the Small Company Permanent Forum sponsored by the Brazilian government, a coordinator for the Small Company National Seminar, the vice president of the Brazilian Businessmen Association for Market Reintegration (ADEBIM), a member of the orientation and steering council of Banco do Povo do Estado de São Paulo and a member of the decision council of the National Employee Association of Banco do Brasil (ANABB). From 1991 to 1995 he served as director of the Latin American Sociology Association and from 1993 to 1994 he served as the executive coordinator of the Small and Medium Company National Movement (MONAMPE). He was also a member of the Group for Company/ University Technological Integration sponsored by the Development Forum of the State of São Paulo from 1992 to 1994, a member of the Science and Technology Group of the Competition Corporate Commission from 1991 to 1994; a consultant for the Inter-American Development Bank in 1995; a director of the Micro and Small Industry Union of the State of São Paulo SIMPI and the president of the ESP Sociology Association from 1990 to 1993. He holds a degree in social sciences from the University of São Paulo, Brazil, and a master s degree in communication sciences from the same university.

In accordance with Brasilcel s shareholders agreement, PT Movéis is responsible for the appointment of our Chief Executive Officer and Telefónica Móviles is responsible for the appointment of our Chief Financial Officer. PT Movéis and Telefónica Móviles appointed 10 (five each) of the 11 members of our Board of Directors.

Executive Officers

Our bylaws provide for a board of executive officers with eight positions, and each executive officer is elected by the board of directors for a term of three years. Our board of executive officers currently has seven members, one of whom holds two positions. The chief executive officer is the chairman and, in his absence or temporary inability to perform his duties, he will be replaced by the vice president for finance, planning and control. In the case of a vacancy in any position in the board of executive officers, the respective replacement will be appointed by the board of directors. In the case of any inability, the chief executive officer will choose a replacement for that officer from among the remaining officers. One officer may be elected for more than one

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position on the board of executive officers, but the members of the board of executive officers cannot be elected to the board of directors. The board of directors may remove executive officers from office at any time.

The following are the current executive officers, appointed on April 16, 2003, and their respective positions.

Name	Position
Francisco José Azevedo Padinha	Chief Executive Officer
Fernando Abella Garcia	Executive Vice President for Finance, Planning and Control and Investor Relations Officer
Paulo Cesar Pereira Teixeira	Executive Vice President for Operations
Javier Rodriguez Garcia	Vice President for Technology and Networks
Guilherme Silverio Portela Santos	Vice President for Customers
Luis Filipe Saraiva Castel-Branco de Avelar	Executive Vice President for Marketing and Innovation and Vice President for IT and Product and Service Engineering
José Carlos de la Rosa Guardiola	Vice President for Regulatory Matters and Institutional Relations

Set forth below are brief biographical descriptions of the executive officers.

Francisco José Azevedo Padinha, 56 years old, is currently also the chief executive officer of each of Brasilcel, Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom; the chairman of the board of directors of each of PT Prime Tradecom Soluções Empresariais de Comércio Electrónico, S.A., Megamedia Soluções Multimédia, S.A., PT Prime, S.G.P.S., S.A., the vice chairman of the board of directors of PT Ventures S.A.; a member of the board of directors of PT Comunicações S.A.; and a member of the scientific committee of Taguspark Sociedade de Promoção e Desenvolvimento do Parque da Ciência e Tecnologia da área de Lisboa, S.A. He was also the chairman of the board of directors of Prymesys   Soluções Empresariais S.A. From 1989 until 1992 Mr. Padinha was the manager of the central department for research and development of Companhia Portuguesa Rádio Marconi, S.A., and from 1992 until 1994 he was the chairman of the board of directors of Telecom Portugal, S.A. Mr. Padinha was also the chairman of the board of directors of each of Cabo TV Açoreana, S.A. (from 1993 until 1996) and INESCTEL Engenharia de Sistemas e Computadores nas Telecomunicações, Lda (from 1996 until 1999). From 1994 until 1998, he was a member of the board of directors of Taguspark Sociedade de Promoção e Desenvolvimento do Parque da Ciência e Tecnologia da Área de Lisboa, S.A., and from 1999 until 2000, he was the chairman of the board of directors of each of PT Inovação, S.A. and PT Sistemas de Informação, S.A. From 2000 until 2001, Mr. Padinha was the chief executive officer of PT Prime S.G.P.S., S.A., and from 1994 until 2002, he was a member of the board of directors of Portugal Telecom. He holds a telecommunications and electronic engineering degree from the Technical University of Lisbon, Portugal, a degree in corporate upper management from AESE/ University of Navarra, Spain, and a master s degree in innovation and technology management from the Sloan School of Management/ MIT, United States.

Fernando Abella Garcia, 39 years old, is currently also the executive vice president for finance, planning and control of each of Brasilcel, Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom; the investor relations officer of Tele Sudeste Celular Participações S.A., TCP, Celular CRT Participações S.A. and Tele Leste Celular Participações S.A.; and a member of the board of directors of Telefónica Factoring do Brasil Ltda. From 1994 until 1997, Mr. Garcia worked as an external consultant for the Telefónica Group in several different areas. He joined the Telefónica Group in 1997, where he served in different positions in the financial and strategic planning areas in Spain and Brazil. He was also a member of the board of directors of Telefónica Móviles S.A.C. in Peru, Telefónica

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Móvil S.A. in Chile, Telefónica Móviles El Salvador, S.A. de C.V. in El Salvador and Telefónica Centroamérica Guatemala, S.A. in Guatemala. Mr. Garcia holds a degree in business from the Faculty of Economic and Corporate Sciences at Valladolid, Spain, and master s degree in business administration from the Corporate Institute of Madrid, Spain.

Paulo Cesar Pereira Teixeira, 45 years old, is currently also the executive vice president for operations of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom. From 1980 until 1987, Mr. Teixeira performed several different managerial duties at Companhia Riograndense de Telecomunicações S.A. CRT and was also a member of the board of directors (1985-1986). In 1987 and 1988, he served at several different positions in Telebrás or in the companies of the Telebrás group, including vice president of Tele Celular Sul Participações S.A., Superintendent Officer of Telepar Celular S.A., Telesc Celular S.A. and CTMR Celular S.A., engineering officer of Telecomunicações do Mato Grosso do Sul S.A., manager of the investment management department of Telecomunicações Brasileiras S.A. Telebrás, assistant to the planning and engineering officer of Telecomunicações Brasileiras S.A. Telebrás and manager of the coordination and expansion division of Telecomunicações Brasileiras S.A. Telebrás. Mr. Teixeira holds an electrical engineering degree from the Catholic University of Pelotas, Brazil.

Javier Rodríguez García, 47 years old, is currently also the chief technology officer of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom. From 1986 until 1988, Mr. García worked at INDELEC Indústria Electrónica de Comunicaciones S.A., as the manager responsible for the implementation of an automatic mobile telecommunications project for Telefónica de España S.A. From 1988 until 1990, he worked at Red Electrica de España S.A., as the person responsible for the project, installation and maintenance of radio mobile systems in Spain. From 1990 until 1992, Mr. García served as an engineering manager at Telcel S.A., where he was responsible for the implementation of automatic mobile telecommunication system for Telefónica de España S.A. in Barcelona, Madrid and Palma de Mallorca. From 1992 until 1996, he was an engineering manager responsible for the installation and maintenance of systems at Compañia Europea de Radiobusqueda S.A., and from 1996 until 1998, he worked in cellular businesses for Telefónica Group in Spain and Peru, as a network quality manager and technical area sub-manager, respectively. From 1998 until 2000, Mr. García was the technology manager in the cellular business of Telefónica Group in Brazil and from 2000 until 2002 he was the network manager of Telerj Celular and Telest Celular. He holds a degree in technical telecommunications engineering from the Technical University of Madrid, Spain.

Guilherme Silvério Portela Santos, 37 years old, is also currently the vice president for customers of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom; and an executive manager at PT Móveis, S.G.P.S., S.A. From 1989 until 1993, Mr. Santos was a consultant at McKinsey & Co., and from 1994 until 1998 he worked as an officer for operations and an officer for special projects at Parque Expo 98, S.A. He was also a coordination officer at Companhia de Seguros Tranquilidade (1998 - 2000) and a member of our board of directors (April 2001-April 2003). Mr. Santos holds a civil engineering degree from the Higher Education Technical Institute, Portugal, and a master s degree from INSEAD, France.

Luis Filipe Saraiva Castel-Branco de Avelar, 49 years old, is also currently the vice president for IT and product and service engineering and Executive Vice President for Marketing and Innovation of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom. In 1989, 1991 and 1993, Mr. Avelar was respectively the corporate accounts director of Telefones de Lisboa e Porto, an expert in telecommunications services for the European Commission (DG XIII, Telecom

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Policy Unit) and a strategic planning director at Comunicações Nacionais. From 1993 to 1998 he was a consultant in privatization and regulation projects for the World Bank, the European Bank for Reconstruction and Development and the European Commission. From 1996 to 1998 he was a portfolio director of Portugal Telecom Group in the strategic marketing board of Portugal Telecom. From 1998 to 2000, Mr. Avelar was a special consultant to the president of TCP for the areas of marketing, sales, strategy, regulation and special projects, and, from 2000 to 2001, he was a director at the internet and e-commerce business unit at the same company. He holds an electrical-technical engineering degree (specialized in telecommunications and electronics) from the Lisbon Higher Education Technical Institute.

José Carlos de la Rosa Guardiola, 55 years old, is also currently the vice president for regulatory matters and institutional relations of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., TCP, Celular CRT Participações S.A., Telerj Celular, Telest Celular, Telebahia Celular, Telergipe Celular, Telesp Celular and Global Telecom. From November 1998 until February 2002, Mr. Guardiola was engaged in the Regulation and Operations Departments of these companies, and occupied the function of vice president of Operations responsible for the commercial, administrative and operations activities of each of Telebahia Celular and Telergipe Celular. During the last 25 years, he worked in American, European and Japanese multinational companies in the areas of commercialization to security instrumentation equipments to petrochemical, semiconductors, IT companies and communication equipment. He occupies the position of chairman in companies as Saint Gobain (France), National Semiconductors (USA) and NEC Electronics (Japan). He holds a degree in telecommunications engineering from Universidad Politecnica de Madrid, Spain.

Auditors Council (Conselho Fiscal)

We have a permanent auditors council that consists of a minimum of three and a maximum of five members. They are elected annually at a general shareholders meeting. The council currently consists of three members.

The auditors council is responsible for overseeing our management. Its main duties are:

- to review and provide an opinion on the annual report of our management;
- to review and approve the proposals of management to be submitted to shareholders meetings regarding changes in share capital, issuance of debentures and subscription rights, capital investment plans and budgets, distribution of dividends, changes in corporate form, consolidations, mergers or split-ups; and
- to review and approve the financial statements for the fiscal year.

The following are the current members of our auditors council and their alternates.

Name	Position
Sidney Alberto Latini(1)	Member
Norair Ferreira do Carmo	Member
José Alberto Bettencourt da Câmara Graça	Member
Nelson Jimenes(1)	Alternate
Wolney Quirino Schüler Carvalho	Alternate
João Luís Tenreiro Barroso	Alternate

(1) Appointed by our preferred shareholders.

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Compensation

For the year ended December 31, 2002, we paid to our directors and executive officers as compensation an aggregate amount of R$6.2 million, including bonuses and profit sharing plans. This amounts includes performance remuneration and profit sharing arrangements applicable to all employees. Furthermore, the members of our board of executive officers are eligible to participate in the same complementary retirement pension plan available to our employees, called TCP Prev. In 2002, we contributed R$71,556 to TCP Prev on behalf of our executive officers. The aggregate amount of compensation we paid to members of our board of auditors was approximately R$1,107.

Share Ownership

As of December 31, 2002, each of the members of the board of directors and the board of executive officers owned, directly or indirectly, less than 0.01% of any class of our shares.

Mailing of Prospectus

We will mail the prospectus to record holders of TCO preferred shares who are residents of the United States and whose names appear on our shareholder list. We will mail the prospectus to record holders of TCO ADSs whose names appear on the list of record holders of TCO ADSs maintained by the depository, and will also furnish the prospectus to brokers, banks and similar persons who are listed as participants in a clearing agency s security position listing for subsequent transmission to beneficial owners of TCO ADSs.

Brokerage Commissions

You do not have to pay any brokerage commissions in connection with the merger of shares if you have your TCO shares registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger of shares. If you hold TCO ADSs, you will have to pay the fees and expenses described in Receipt of Shares and ADSs of TCP Delivery of TCP ADSs in connection with the merger of shares.

Accounting Treatment of the Merger of Shares

Under Brazilian corporate law, the body of accounting principles we use to prepare our consolidated financial statements, the merger of shares will be accounted for at book value.

Under U.S. generally accepted accounting principles, the exchange of shares between TCP and the holders of common and preferred shares of TCO other than TCP will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations.*

Material Tax Considerations

Brazilian Tax Considerations

The Merger of Shares

The following discussion is the opinion of Machado, Meyer, Sendacz e Opice Advogados, our Brazilian counsel, as to the material tax consequences to you of the merger of shares. The following discussion is based on Brazilian law and practice as applied and interpreted as of the date of this prospectus, which are subject to change at any time. There is currently no treaty for the avoidance of double taxation between Brazil and the United States. The following discussion does not address all possible Brazilian tax consequences relating to the merger of shares. **You should consult your own tax advisor regarding taxes that may arise in connection with the merger of shares.**

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Despite the lack of specific provisions in Brazilian tax legislation with respect to the merger of shares, there are reasonable Brazilian legal grounds to sustain that the exchange (resulting from the merger of shares) by a U.S. person of preferred shares that are registered as a foreign portfolio investment under Resolution 2,689 of the National Monetary Council or are registered as a foreign direct investment under Law 4,131/62 would not be subject to income tax pursuant to Brazilian law.

Acquiring, Owning and Disposing of Preferred Shares and ADSs

The following discussion mainly summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of preferred shares or ADSs by a U.S. holder not deemed to be domiciled in Brazil for Brazilian tax purposes (a U.S. holder). This discussion does not address all the Brazilian tax considerations that may be applicable to any particular non-Brazilian holder, and each non-Brazilian holder should consult its own tax advisor about the Brazilian tax consequences of investing in preferred shares or ADSs.

Taxation of Dividends. Dividends paid by us in cash or in kind from profits generated on or after January 1, 1996 (i) to the depositary in respect of preferred shares underlying ADSs or (ii) to a U.S. holder or non-Brazilian holder in respect of preferred shares will generally not be subject to Brazilian withholding tax. We do not have any undistributed profits generated before January 1, 1996.

Distributions of Interest on Capital. Brazilian corporations may make payments to shareholders characterized as interest on capital as an alternative form of making dividend distributions. The rate of interest may not be higher than the federal government s long-term interest rate, or the TJLP, as determined by the Central Bank from time to time. The total amount distributed as interest on capital may not exceed the greater of (i) 50% of net income (before taking the distribution and any deductions for income taxes into account) for the year in respect of which the payment is made or (ii) 50% of retained earnings for the year prior to the year in respect of which the payment is made. Payments of interest on capital are decided by the shareholders on the basis of recommendations of the company s board of directors.

Distributions of interest on capital paid to Brazilian and non-Brazilian holders of preferred shares, including payments to the depositary in respect of preferred shares underlying ADSs, are deductible by us for Brazilian corporate income tax purposes. These payments to U.S. holders or non-Brazilian holders are subject to Brazilian withholding tax at the rate of 15%. If the recipient of the payment is domiciled in a tax haven jurisdiction (*i.e.*, a country that does not impose any income tax or that imposes tax at a rate of less than 20%), the rate will be 25%.

No assurance can be given that our board of directors will not recommend that future distributions of profits will be made by means of interest on capital instead of by means of dividends.

Amounts paid as interest on capital (net of applicable withholding tax) may be treated as payments in respect of the dividends we are obligated to distribute to our shareholders in accordance with our by-laws (*estatutos*) and the Brazilian corporate law. Distributions of interest on capital in respect of the preferred shares, including distributions to the depositary in respect of preferred shares underlying ADSs, may be converted into U.S. dollars and remitted outside of Brazil, subject to applicable exchange controls.

Taxation of Gains. Gains realized outside Brazil by a U.S. holder or a non-Brazilian holder on the disposition of ADSs or preferred shares to another U.S. holder or non-Brazilian holder are not subject to Brazilian tax. However, the Brazilian government enacted Provisional Measure No. 135 on October 30, 2003 that may cause the taxation of the gains realized outside Brazil by a U.S. holder or a non-Brazilian holder on the disposition of preferred shares to another U.S. holder or non-Brazilian holder as of January 1, 2004.

Gains realized by a U.S. holder or a non-Brazilian holder on dispositions of preferred shares in Brazil or in transactions with Brazilian residents may be free of Brazilian tax, taxed at a rate of 20% or taxed at a rate of 15%, depending on the circumstances.

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Gains on the disposition of preferred shares obtained upon cancellation of ADSs are not taxed in Brazil if the disposition is made and the proceeds are remitted abroad within five business days after cancellation, unless the investor is a resident of a jurisdiction that, under Brazilian law, is deemed to be a tax haven.

Gains realized through transactions with Brazilian residents or through transactions in Brazil off of the Brazilian stock exchanges are generally subject to tax at a rate of 15%.

Gains realized through transactions on Brazilian stock exchanges are generally subject to tax at a rate of 20%, unless the investor is entitled to tax-free treatment for the transaction under Resolution 2,689 of the National Monetary Council Regulations, described immediately below.

Resolution 2,689, which as of March 31, 2000 superseded the Annex IV Regulations that previously provided tax benefits to foreign investors, extends favorable tax treatment to a U.S. holder or non-Brazilian holder of preferred shares who has (i) appointed a representative in Brazil with power to take action relating to the investment in preferred shares, (ii) registered as a foreign investor with the CVM and (iii) registered its investment in preferred shares with the Central Bank. Under Resolution 2,689 securities held by foreign investors must be maintained under the custody of, or in deposit accounts with, financial institutions duly authorized by the Central Bank and the CVM. In addition, the trading of securities is restricted under Resolution 2,689 to transactions on Brazilian stock exchanges or qualified over-the-counter markets. Investors previously holding preferred shares under the Annex IV Regulations were required to bring their investments into conformity with Resolution 2,689 by June 30, 2000. The preferential treatment generally afforded under Resolution 2,689 and afforded to investors in ADSs is not available to residents of tax havens.

There can be no assurance that the current preferential treatment for U.S. holders and non-Brazilian holders of ADSs and U.S. holders and non-Brazilian holders of preferred shares under Resolution 2,689 will be maintained.

Gain on the disposition of preferred shares is measured by the difference between the amount in Brazilian currency realized on the sale or exchange and the acquisition cost of the shares sold, measured in Brazilian currency, without any correction for inflation. The acquisition cost of shares registered as an investment with the Central Bank is calculated on the basis of the foreign currency amount registered with the Central Bank. See Part Six: Shareholders Rights Description of TCP Capital Stock Exchange Controls and Central Bank Registration.

Under current law, the tax rate for transactions on a Brazilian stock exchange is 20%. Brazil s tax treaties do not grant relief from taxes on gains realized on sales or exchanges of preferred shares.

Gains realized by a U.S. holder and non-Brazilian holder upon the redemption of preferred shares will be treated as gains from the disposition of such preferred shares to a Brazilian resident occurring off of a stock exchange and will accordingly be subject to tax at a rate of 15%.

Any exercise of preemptive rights relating to the preferred shares or ADSs will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to the preferred shares will be treated differently for Brazilian tax purposes depending on (i) whether the sale or assignment is made by the depositary or the investor and (ii) whether the transaction takes place on a Brazilian stock exchange. Gains on sales or assignments made by the depositary on a Brazilian stock exchange are not taxed in Brazil, but gains on other sales or assignments may be subject to tax at rates up to 15%.

The deposit of preferred shares in exchange for the ADSs is not subject to Brazilian income tax if the preferred shares we registered under Resolution 2,689 and the respective holder is not in a tax haven jurisdiction. If the preferred shares are not so registered or the holder is in a tax haven jurisdiction, the deposit of preferred shares in exchange for ADSs may be subject to Brazilian capital gains tax at a rate of 15%.

The withdrawal of preferred shares in exchange for ADSs is not subject to Brazilian tax. On receipt of the underlying preferred shares, a U.S. holder or non-Brazilian holder entitled to benefits under Resolution 2,689

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will be entitled to register the U.S. dollar value of such shares with the Central Bank. If a U.S. holder or non-Brazilian holder does not qualify under Resolution 2,689, he will be subject to the less favorable tax treatment described above in respect of exchanges of preferred shares.

Other Brazilian Taxes. There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of preferred shares or ADSs by a non-Brazilian holder except for gift and inheritance taxes levied by some states in Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or in the relevant state to individuals or entities that are resident or domiciled within this state in Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of preferred shares or ADSs.

A financial transaction tax, or the IOF tax, may be imposed on a variety of transactions, including the conversion of Brazilian currency into foreign currency (*e.g.*, for purposes of paying dividends and interest). The IOF tax rate on such conversions is currently 0%, but the minister of finance has the legal power to increase the rate to a maximum of 25%. Any increase will be applicable only prospectively.

The IOF may also be levied on transactions involving bonds or securities, or IOF/ Títulos, even if the transactions are effected on Brazilian stock, futures or commodities exchanges. The rate of the IOF/ Títulos with respect to preferred shares and ADSs is currently 0%. The minister of finance, however, has the legal power to increase the rate to a maximum of 1.5% of the amount of the taxed transaction per each day of the investor s holding period, but only to the extent of gain realized on the transaction and only on a prospective basis.

In addition to the IOF tax, a second, temporary tax that applies to the removal of funds from accounts at banks and other financial institutions, or the CPMF tax, will be imposed on distributions in respect of ADSs at the time these distributions are converted into U.S. dollars and remitted abroad by the custodian for the preferred shares underlying the ADSs. The CPMF tax was to expire in June 2002 but was extended until December 31, 2004. It is currently imposed at a rate of 0.38%. This rate will continue until December 31, 2003. After that date, the rate will be decreased to 0.08% beginning on January 1, 2004. From July 13, 2002, transactions conducted through the Brazilian stock exchanges in current accounts specified for stock exchange transactions are exempt from the CPMF tax.

The tax consequences described under this subsection Acquiring, Owning and Disposing of Preferred Shares and ADSs also apply to the acquisition, ownership and disposition of TCO preferred shares or ADSs by a U.S. holder.

United States Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences of the merger of shares and the consequences of ownership of TCP preferred shares or TCP ADSs received pursuant to the merger of shares. The discussion set forth below is only applicable to U.S. Holders (as defined below). Except where noted, it deals only with preferred shares or ADSs held as capital assets and does not address all aspects of U.S. federal income taxation that may be applicable to a holder subject to special treatment under the Internal Revenue Code of 1986, as amended (the Code) (including, but not limited to, banks, tax-exempt organizations, insurance companies and dealers in securities or foreign currency, holders who have a functional currency other than the U.S. dollar, and holders who acquired shares pursuant to the exercise of an employee stock option or otherwise as compensation). In addition, the discussion does not address the state, local or foreign tax consequences (or other tax consequences such as estate or gift tax consequences) of the merger of shares or ownership of TCP preferred shares or TCP ADSs. The discussion below is based upon the provisions of the Code, and U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. **Shareholders should consult their own tax advisors concerning the U.S. federal tax consequences of the merger of shares and ownership of**

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TCP preferred shares or TCP ADSs in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

If a partnership holds preferred shares of TCP or TCO (or TCP ADSs or TCO ADSs), the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner of a partnership holding such preferred shares or ADSs, the holder is urged to consult its tax advisors regarding the tax consequences of the merger of shares and the ownership of TCP preferred shares or TCP ADSs.

As used herein, the term U.S. Holder means a beneficial holder of TCP preferred shares or TCP ADSs that is (i) a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

The Merger of Shares

Consequences of the Merger of Shares

The receipt of TCP preferred shares (or TCP ADSs) and cash, if any (including cash in lieu of fractional TCP ADSs), in exchange for TCO preferred shares (or TCO ADSs) pursuant to the merger of shares will be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder of TCO preferred shares or TCO ADSs will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the sum of (i) the fair market value of the TCP preferred shares (or TCP ADSs) received (determined as of the date of the closing of the merger of shares) plus (ii) the amount of cash received, if any, (including cash received in lieu of fractional TCP ADSs) and the U.S. Holder s tax basis in the TCO preferred shares (or TCO ADSs) exchanged. Gain or loss must be calculated separately for each block of TCO preferred shares (or TCO ADSs) exchanged by the U.S. Holder. Subject to the discussion under Passive Foreign Investment Company Rules and TCO, such gain or loss generally will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year at the time the preferred shares or ADSs are exchanged are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any TCP preferred shares (or TCP ADSs) received in the merger of shares will have a basis for U.S. federal income tax purposes equal to their fair market value (determined as of the closing date of the merger of shares) and a holding period beginning on the day after the closing of the merger of shares.

If a U.S. Holder exchanges TCO preferred shares or TCO ADSs with underlying TCO preferred shares that qualify as section 306 stock as defined in section 306 of the Code, such holder s tax consequences may be different than those described above. Such holders should consult their own tax advisors with respect to their TCO preferred shares (or TCO ADSs) and the application of the rules thereto under section 306 of the Code.

Passive Foreign Investment Company Rules and TCO

Based on the projected composition of its income and valuation of its assets, including goodwill, TCP, as the majority shareholder in TCO, does not believe that TCO will be in the current year or has been in 1998 or any subsequent taxable year a passive foreign investment company (PFIC), although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that TCO may have been a PFIC in prior taxable years or may become a PFIC in the current taxable year. If TCO has been or becomes a PFIC, U.S. Holders could be subject to certain adverse U.S. federal income tax consequences as more fully described below.

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In general, a company is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

The 50% of value test is based on the average of the value of TCO s assets for each quarter during the taxable year. If TCO owns at least 25% by value of another company s stock, it will be treated, for purposes of the PFIC rules, as owning its proportionate share of the assets and receiving its proportionate share of the income of that company.

In determining that TCP does not believe TCO is a PFIC in the current year, TCP is relying on TCO s projected capital expenditure plans and projected revenue for the current year. In addition, its determination is based on a current valuation of its assets, including goodwill. In calculating goodwill, TCP has valued TCO s total assets based on its total market value, which, in turn, is based on the market value of TCO s shares and is subject to change. In addition, TCP has made a number of assumptions regarding the amount of this value allocable to goodwill. TCP believes its valuation approach is reasonable. However, it is possible that the Internal Revenue Service may challenge the valuation of TCO s goodwill, which may also result in it being classified as a PFIC. Because TCP has valued TCO s goodwill based on the market value of TCO s shares, a decrease in the price of TCO s shares may also result in TCO becoming a PFIC.

If TCO is or was a PFIC for any taxable year during which a U.S. Holder holds TCO preferred shares or TCO ADSs, such U.S. Holder will be subject to special tax rules with respect to any gain realized from the merger of shares, including a pledge, of TCO preferred shares or TCO ADSs. Under these special tax rules (i) the gain will be allocated ratably over the U.S. Holder s holding period for the TCO preferred shares or TCO ADSs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which TCO was a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If a U.S. Holder holds TCO preferred shares or TCO ADSs in any year in which TCO is classified as a PFIC, such holder would be required to file Internal Revenue Service Form 8621.

In certain circumstances, a U.S. Holder, in lieu of being subject to the excess distribution rules discussed above, may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. If a valid mark-to-market election was made by a U.S. Holder in the current or any prior taxable year (and such election remains in effect), the special tax rules discussed above do not apply. Any gain recognized pursuant to the merger of shares will be treated as ordinary income in the current taxable year. U.S. Holders are urged to consult their tax advisor about the mark-to-market election and whether any such election would be applicable with respect to their particular circumstances.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding TCO preferred shares or TCO ADSs if TCO is or has been a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to the cash payments received pursuant to the merger of shares paid within the United States (and in certain cases, outside of the United States) to U.S. Holders other than certain exempt recipients (such as corporations), and backup withholding may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number or to report dividends required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder s U.S. federal income tax liability provided the required information is provided to the Internal Revenue Service.

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Ownership of TCP Preferred Shares or TCP ADSs

ADSs

In general, for U.S. federal income tax purposes, a U.S. Holder who is a beneficial owner of a TCP ADS will be treated as the owner of the underlying TCP preferred share that is represented by such ADS. However, the U.S. Treasury has expressed concerns that parties to whom depositary shares are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by the holders of ADSs. Accordingly, the analysis of the creditability of Brazilian taxes described in this registration statement could be affected by future actions that may be taken by the U.S. Treasury. Deposits or withdrawals of TCP preferred shares by U.S. Holders for ADSs will not be subject to U.S. federal income tax.

Distributions on TCP Preferred Shares

Subject to the discussion under Passive Foreign Investment Company Rules and TCP, the gross amount of distributions paid to U.S. Holders of TCP preferred shares or TCP ADSs will be treated as dividend income to such U.S. Holders, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income will be includable in the gross income of a U.S. Holder as ordinary income on the day received by the U.S. Holder. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

The amount of any dividend paid in *reais* will equal the United States dollar value of the *reais* received calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder regardless of whether the *reais* are converted into United States dollars. If the *reais* received as a dividend is not converted into United States dollars on the date of receipt, a U.S. Holder will have a basis in the *reais* equal to its United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the *reais* will be treated as United States source ordinary income or loss for U.S. federal income tax and foreign tax credit limitation purposes.

Subject to certain conditions and limitations, Brazil s withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against a U.S. Holder s U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the TCP preferred shares (including TCP preferred shares underlying TCP ADSs) will be treated as income from sources outside the United States and will generally constitute passive income or, in the case of certain U.S. Holders, financial services income. Special rules apply to certain individuals whose foreign source income during the taxable year consists entirely of qualified passive income and whose creditable foreign taxes paid or accrued during the taxable year do not exceed $300 ($600 in the case of a joint return). Further, in certain circumstances, a U.S. Holder that (i) has held TCP preferred shares or TCP ADSs for less than a specified minimum period during which it is not protected from risk of loss, (ii) is obligated to make payments related to the dividends or (iii) holds the TCP preferred shares or TCP ADSs in arrangements in which the U.S. Holder s expected economic profit, after non-U.S. taxes, is insubstantial will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on TCP preferred shares or TCP ADSs. The rules governing the foreign tax credit are complex. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution exceeds TCP s current and accumulated earnings and profits for a taxable year (as determined under U.S. federal income tax principles), the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the TCP preferred shares or TCP ADSs (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the investor on a subsequent disposition of the TCP preferred shares or TCP ADSs), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange (as discussed below). Consequently, such distributions in excess of TCP s current and accumulated earnings and profits would not give rise to foreign source income and a U.S. Holder would not be able to use the foreign tax credit arising

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from Brazilian withholding tax, if any, imposed on such distribution unless such credit can be applied (subject to applicable limitations) against U.S. tax due on other foreign source income in the appropriate category for foreign tax credit purposes.

Subject to the discussion under Passive Foreign Investment Company Rules and TCP, with respect to U.S. Holders who are individuals, certain dividends received from a foreign corporation before January 1, 2009, on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States may be subject to reduced rates of taxation. The TCP preferred shares are traded on the São Paulo Stock Exchange and the TCP ADSs are listed on the NYSE. However, with respect to preferred stock, it is unclear which securities markets, if any, will be considered to be established securities markets and what constitutes readily tradable for purposes of the reduced rates of taxation on dividends. As a result, there can be no assurance that dividends received by U.S. Holders will be eligible for such reduced rates. Individuals that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of the trading status of TCP preferred shares or TCP ADSs. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Holders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

Sale or Exchange of TCP Preferred Shares or TCP ADSs

Subject to subject to the discussion under Passive Foreign Investment Company Rules and TCP, for U.S. federal income tax purposes, a U.S. Holder will recognize taxable gain or loss on any sale or exchange of a TCP preferred share or TCP ADS in an amount equal to the difference between the amount realized for the TCP preferred share or TCP ADS and the U.S. Holder s adjusted tax basis (determined in United States dollars) in such preferred share or ADS. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder will generally be treated as United States source gain or loss for foreign tax credit purposes. Consequently, a U.S. Holder may not be able to use any foreign tax credits arising from any Brazilian withholding or other taxes imposed on the disposition of a TCP preferred share or TCP ADS unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Other Brazilian Taxes

Certain other Brazilian taxes, as discussed in Brazilian Tax Consequences, may not be creditable foreign taxes for U.S. federal income tax purposes, but U.S. holders may be able to deduct such taxes, subject to certain limitations under the Code. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of these taxes.

Passive Foreign Investment Company Rules and TCP

Based on the projected composition of its income and valuation of its assets, including goodwill, TCP does not believe that it will be a PFIC for the current year and does not expect to become one in the future, although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that TCP may become a PFIC in the current or any future taxable year due to changes in valuation or composition of its income or assets. If TCP is or becomes a PFIC, U.S. Holders could be subject to certain adverse U.S. federal income tax consequences as more fully described below.

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In general, a company is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

The 50% of value test is based on the average of the value of TCP s assets for each quarter during the taxable year. If TCP owns at least 25% by value of another company s stock, it will be treated, for purposes of the PFIC rules, as owning its proportionate share of the assets and receiving its proportionate share of the income of that company.

In determining that it does not expect to be a PFIC, TCP is relying on its projected capital expenditure plans and projected revenue for the current year and for future years. In addition, its determination is based on a current valuation of its assets, including goodwill. In calculating goodwill, TCP has valued its total assets based on its total market value, which, in turn, is based on the market value of its shares and is subject to change. In addition, TCP has made a number of assumptions regarding the amount of this value allocable to goodwill. TCP believes its valuation approach is reasonable. However, it is possible that the Internal Revenue Service may challenge the valuation of TCP s goodwill, which may also result in it being classified as a PFIC. Because TCP has valued its goodwill based on the market value of its shares, a decrease in the price of its shares may also result in TCP becoming a PFIC.

If TCP is a PFIC for any taxable year during which a U.S. Holder holds its TCP preferred shares or TCP ADSs, such U.S. Holder will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition, including a pledge, of TCP preferred shares or TCP ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder s holding period for the TCP preferred shares or TCP ADSs will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over the U.S. Holder s holding period for the TCP preferred shares or TCP ADSs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which TCP was a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If a U.S. Holder holds TCP preferred shares or TCP ADSs in any year in which TCP is classified as a PFIC, such holder would be required to file Internal Revenue Service Form 8621.

In certain circumstances, a U.S. Holder, in lieu of being subject to the excess distribution rules discussed above, may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. The TCP preferred shares are listed on the São Paulo Stock Exchange, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable U.S. Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the TCP preferred shares will be regularly traded for purposes of the mark-to-market election. Under current law, however, the mark-to-market election may be available to U.S. Holders, because the TCP ADSs are listed on the NYSE, which constitutes a qualified exchange as designated in the Code, although there can be no assurance that the TCP ADSs will be regularly traded.

If a U.S. Holder makes an effective mark-to-market election, such holder will include in each year as ordinary income the excess of the fair market value of such holder s PFIC shares or ADSs at the end of the year over such holder s adjusted tax basis in the shares or ADSs. U.S. Holders will be entitled to deduct as an ordinary loss each year the excess of such holder s adjusted tax basis in the TCP preferred shares or TCP ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

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A U.S. Holder s adjusted tax basis in PFIC preferred shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the TCP preferred shares or TCP ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. U.S. Holders are urged to consult their tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a U.S. Holder of shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the PFIC as a qualified electing fund under section 1295 of the Code. This option is not available to U.S. Holders because TCP does not intend to comply with the requirements necessary to permit U.S. Holders to make this election.

U.S. Holders who are individuals will not be eligible for reduced rates of taxation on any dividends received from TCP prior to January 1, 2009, if TCP is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding TCP preferred shares or TCP ADSs if TCP is considered a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends in respect of the TCP preferred shares or TCP ADSs or the proceeds received on the sale, exchange, or redemption of TCP preferred shares or TCP ADSs paid within the United States (and in certain cases, outside of the United States) to U.S. Holders other than certain exempt recipients (such as corporations), and backup withholding may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number or to report dividends and interest required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder s U.S. federal income tax liability provided the required information is provided to the Internal Revenue Service.

Valuation Reports

Under Article 30 of TCP s by-laws, approval of any merger, spin-off, share exchange, consolidation, or dissolution transaction involving, or winding up, any of TCP s controlled subsidiaries must be preceded by an economic and financial analysis conducted by an independent firm as to whether any such transaction provides equitable treatment to TCP and any of the other companies involved in the transaction. Accordingly, TCP retained each of Citigroup Global Markets and Merrill Lynch to render a report on the valuation of the shares of TCP and TCO solely for the purpose of valuing such shares and expressing its view as to whether, as of the date of its report and subject to the assumptions and considerations described in its report, the exchange ratio of 1.27 TCP shares for each TCO share proposed in the merger of shares provided equitable treatment to TCP and TCO as required by Article 30 of TCP s by-laws.

Valuation Report of Citigroup Global Markets Inc.

On October 27, 2003, Citigroup Global Markets rendered a valuation report to TCP solely for the purpose of valuing the TCP shares and the TCO shares and expressing its view, based upon its valuations of TCP and TCO and subject to the considerations and limitations set forth in the report, that the exchange ratio proposed in the merger of shares provided equitable treatment to TCP and TCO as required by Article 30 of TCP s by-laws. Citigroup Global Markets valuation report should not be relied upon for any other purpose.

The summary of Citigroup Global Markets valuation report set forth below is qualified in its entirety by reference to the full text of the report, which is included as part of Exhibit 2.1 to our registration statement on

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Form F-4 filed in connection with the proposed merger of shares, and which you can obtain as described below in Part Seven: Additional Information for Shareholders Where You Can Find More Information.

In rendering its valuation report, Citigroup Global Markets held discussions with TCP and TCO representatives concerning the past performance and future prospects of the business, financial, and operating results of TCP and TCO. Citigroup Global Markets valuation report was also based upon business plans of TCP and TCO approved by the boards of directors of TCP and TCO respectively, certain publicly available information on the sector in which TCP and TCO operate, and financial statements of TCP and TCO for the year ended December 31, 2002 and for September 30, 2003. In addition to the foregoing, Citigroup Global Markets also reviewed such other financial studies and analyses and took into account such other matters as it deemed necessary, including its assessment of general economic and market conditions.

In rendering its valuation report, Citigroup Global Markets assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or furnished to or otherwise reviewed by or discussed with it. With respect to financial forecasts and other information and data provided to or otherwise revised by or discussed with Citigroup Global Markets, Citigroup Global Markets was advised and assumed that such information and data were reasonably prepared and reflect the best currently available estimates and judgments of TCP and TCO s management, respectively, as to the expected future financial performance of TCP and TCO. Citigroup Global Markets was advised that the boards of directors of TCP and TCO had approved the business plans that were provided to Citigroup Global Markets and were used in its analysis. Notwithstanding the foregoing, neither TCP nor TCO, nor its managers or controlling shareholders, imposed any restrictions on Citigroup Global Markets ability to (i) obtain all information required by Citigroup Global Markets to produce the valuation report and reach the conclusions set forth in the report, (ii) choose independently the methodologies used by Citigroup Global Markets to reach the conclusions set forth in the report, and (iii) reach independently the conclusions set forth in the report.

For purposes of its valuation analysis, Citigroup Global Markets did not take into account tax-related effects that TCO shareholders may experience in connection with the exchange of TCO shares for TCP shares, and any fees and expenses that may be incurred in connection with the settlement of that exchange (such as fees that TCO ADS holders may be charged for certain depositary services). Citigroup Global Markets also did not take into account tax-related effects relating to the unamortized goodwill resulting from the acquisition by TCP of 61.10% of the outstanding common shares of TCO on April 25, 2003.

Citigroup Global Markets valuation report relates to the relative values of TCP and TCO. Citigroup Global Markets did not express any opinion as to what the value of the TCP shares actually will be when issued pursuant to the merger of shares or the price at which the TCP shares will trade subsequent to the merger of shares. Citigroup Global Markets did not make and was not provided with an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of TCP or TCO nor did Citigroup Global Markets make any physical inspection of the properties or assets of TCP or TCO. Citigroup Global Markets was not requested to, and did not participate in, the negotiation or structuring of the merger of shares, nor was Citigroup Global Markets requested to, and its valuation report did not, address the relative merits of the merger for TCP or TCO or the effect of any other transaction in which TCP or TCO might engage. Citigroup Global Markets was not requested to, and did not, solicit third-party indications of interest in the possible acquisition of all or a part of TCP or TCO.

Citigroup Global Markets valuation report is necessarily based on information available to it, and financial, stock market and other conditions and circumstances existing and disclosed to Citigroup Global Markets as of the date of the valuation report. Citigroup Global Markets has no obligation to update or otherwise revise the valuation report.

The scope of Citigroup Global Markets valuation analysis was limited to the economic value of TCP and TCO and did not distinguish between different classes of shares of the companies. Citigroup Global Markets

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conducted its analysis on the basis that the proposed exchange ratio would provide equitable treatment to both companies, within the meaning of Article 30 of TCP s by-laws, if it fell within the range of exchange ratios resulting from Citigroup Global Markets valuations of TCP and TCO.

Citigroup Global Markets valuation report was not intended to be and does not constitute a recommendation to TCP, TCO or their respective stockholders, nor does it constitute a recommendation to any stockholder as to any matters relating to the merger of shares.

The following is a summary of the material analyses undertaken by Citigroup Global Markets in connection with the rendering of its valuation report. The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Citigroup Global Markets, the table must be read together with the text of the summary. The table alone does not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to September 30, 2003 and is not necessarily indicative of current or future market conditions.

Given the availability of ten-year management business plans for TCP, TCO and their respective subsidiaries, which were approved by the boards of directors of TCP and TCO respectively, and the opportunity to review those plans with representatives of TCP and TCO, and given the limitations of the public market comparables and precedent transaction methodologies, Citigroup Global Markets elected discounted cash flow analysis as the best methodology for the assessment of TCP and TCO s economic values.

Citigroup Global Markets performed a discounted cash flow analysis to estimate a range of implied present values per share of each of TCP and TCO, as of September 30, 2003. This analysis assumed that each of TCP and TCO continued to operate as a stand-alone entity but took into account TCP s existing 61.10% ownership of the outstanding common shares of TCO acquired on April 25, 2003, valued at the value estimated for TCO in the valuation report as described further below. This range was determined in each case by adding (1) the present value of TCP s or TCO s projected unlevered free cash flows from 2003 through 2012 and (2) the present value of the terminal value of TCP or TCO, respectively, as of 2012. Present value refers to the current value of future cash flows obtained by discounting such future cash flows at an interest rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns, and other appropriate factors. Terminal value refers to the value of a particular asset at a specific future time. In the case of each company, Citigroup Global Markets calculated, on the basis of management s forecasts, unlevered free cash flow as net income, plus or minus net interest expenses (and the related tax impact), plus depreciation and amortization, minus capital expenditures and plus or minus additional changes in net working capital (but, in the case of TCP, without taking into account the value of the unamortized goodwill relating to the acquisition by TCP of 61.10% of the outstanding common shares of TCO on April 25, 2003). Unlevered free cash flow was calculated on the basis of projections in nominal Brazilian *reais* and then converted into U.S. dollars for purposes of the valuation analysis. Citigroup Global Markets assumed, for purposes of its analysis, that the tender offer by TCP for the remaining publicly held common shares of TCO (launched on October 9, 2003) had not yet been consummated; however, Citigroup Global Markets expressed the view that the results of the tender offer would not affect the conclusion reached in its valuation report that the proposed exchange ratio would provide equitable treatment to both companies.

In calculating a terminal value of TCP shares at the end of the period, Citigroup Global Markets applied a range of multiples of management s forecasted EBITDA in 2012 ranging from 5.5x to 6.5x with the respective implied perpetuity growth rates of unlevered free cash flow in 2012 ranging from 4.5% to 4.8%. In calculating a terminal value of TCO shares at the end of the period, Citigroup Global Markets applied a range of multiples of management s forecasted EBITDA in 2012 ranging from 4.5x to 5.5x with the respective implied perpetuity growth rates of unlevered free cash flow in 2012 of 3.5% to 4.1%. These different EBITDA multiples and perpetuity growth rates reflected the impact of future expected differences in per capita income and relevant penetration rates in the markets covered by TCP and TCO. In the case of each company, the unlevered free cash flows and terminal values were then discounted back to September 30, 2003 using a low-

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end U.S. dollar-based weighted average cost of capital (adjusted for Brazilian risk) of 14.4% and a high-end U.S. dollar-based weighted average cost of capital (adjusted for Brazilian risk) of 15.9%. Citigroup Global Markets viewed this discount rate range as appropriate for companies with TCP s and TCO s risk characteristics.

Based on these assumptions, Citigroup Global Markets derived a range of implied equity values per TCP share and per TCO share and a resulting range of implied exchange ratios, as set forth in the following table:

	Low	High
TCO Equity Value Per Share	U.S.$11.46	U.S.$13.39
TCP Equity Value Per Share	U.S. $8.85	U.S.$10.94
Selected Exchange Ratio Range	1.22x	1.30x

Citigroup Global Markets noted that the exchange ratio of 1.27 TCP shares for each TCO share proposed in the merger of shares fell within the range of implied exchange ratios. Subject to the foregoing and on the basis of the results of the above valuations of TCP and TCO, Citigroup Global Markets expressed the view that the exchange ratio proposed in the merger of shares provided equitable treatment to TCP and TCO as required by Article 30 of TCP s by-laws.

The preceding discussion is a summary of the material financial analyses furnished by Citigroup Global Markets to TCP s board of directors but it does not purport to be a complete description of the analyses performed by Citigroup Global Markets or its presentation to TCP s Board of Directors. The preparation of financial analyses and valuation reports is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citigroup Global Markets made no attempt to assign specific weights to particular factors considered, but rather made qualitative judgments as to the significance and relevance of all the factors considered and determined to give its valuation report as described above. Accordingly, Citigroup Global Markets believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citigroup Global Markets, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citigroup Global Markets and its valuation report.

In its analyses, Citigroup Global Markets made numerous assumptions with respect to TCP, TCO, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of TCP and TCO. Any estimates contained in Citigroup Global Markets analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of TCP, TCO, Citigroup Global Markets or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Citigroup Global Markets is an internationally recognized investment banking firm engaged, among other things, in the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. TCP selected Citigroup Global Markets to prepare valuations of TCP and TCO in connection with the proposed exchange on the basis of Citigroup Global Markets international reputation. Citigroup Global Markets has in the past provided investment banking services to TCP and to its controlling shareholders unrelated to the merger of shares, for which Citigroup Global Markets has received compensation. An affiliate of Citigroup Global Markets is currently acting as a lender to TCP. In the ordinary course of its business, Citigroup Global Markets and its affiliates may actively trade or hold the securities of TCP and TCO for their own account or for the accounts of customers and, accordingly, may at any time hold a long or short position in these securities. In addition, Citigroup Global Markets and its affiliates may maintain other relationships with TCP and TCO and their respective affiliates. Additionally, the research department and other divisions within Citigroup Global Markets may base their analysis and publications on different market and operating assumptions and on different valuation methodologies when compared with Citigroup Global Markets valuation report. As a result, the research reports and other publications prepared by them may contain entirely different results.

Pursuant to Citigroup Global Markets engagement letter, TCP agreed to pay Citigroup Global Markets a fee for preparation of its valuation report, which fee became payable upon the publication of the report. TCP has also agreed to reimburse Citigroup Global Markets for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement, including the reasonable fees and expenses of its counsel, and to indemnify Citigroup Global Markets against specific liabilities and expenses arising out of its engagement.

Valuation Report of Merrill Lynch & Co.

On October 27, 2003, Merrill Lynch rendered a valuation report to TCP in order to express its view, based upon its valuations of TCP and TCO and subject to the assumptions made, matters considered and limits of the review set forth in the report, that the exchange ratio proposed in the merger of shares constituted equitable treatment for TCP and TCO as required by Article 30 of TCP s by-laws. Merrill Lynch s valuation report should not be relied upon for any other purpose.

The following summary, which sets forth the material terms of Merrill Lynch s valuation report, is qualified in its entirety by reference to the full text of the report, which contains many of the assumptions made, matters considered, and qualifications and limitations on the review undertaken by Merrill Lynch in connection with the delivery of the report, is included as part of Exhibit 2.1 to our registration statement on Form F-4 filed in connection with the proposed merger of shares, and which you can obtain as described below in Part Seven: Additional Information for Shareholders Where You Can Find More Information. The valuation report was exclusively addressed to TCP and, although it may be available to all shareholders of TCP and TCO in accordance with Article 30 of TCP s by-laws, its scope was limited to the exchange ratio proposed in the merger of shares; the results in the valuation report related only to the scope of Merrill Lynch s assignment and did not extend, and should not be construed as extensive to, the acquisition by TCP of 61.10% of the outstanding common shares of TCO on April 25, 2003 or the tender offer by TCP for the remaining publicly held common shares of TCO launched on October 9, 2003, nor to any other present or future issues or transactions regarding TCP or TCO, the economic group to which they belong or the industry in which they operate. The valuation report did not address the underlying business decision by TCP and TCO to engage in the merger of shares and did not constitute a recommendation to TCP, TCO and/or any holders of TCP shares or TCO shares.

In arriving at its valuation report, Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to TCP and TCO that Merrill Lynch deemed to be relevant;

- reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of TCP and TCO furnished to Merrill Lynch by TCP;

- conducted discussions with members of senior management of TCP and TCO concerning the matters described in the preceding two bullet points, and the businesses and prospects of TCP and TCO;

- reviewed the results of operations of TCP and TCO and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

- reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including Merrill Lynch s assessment of general economic, market and monetary conditions; and

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prepared its valuation report on the basis that if the exchange ratio proposed in the merger of shares fell within the range of exchange ratios resulting from Merrill Lynch s valuations of TCP and TCO, then its application would constitute equitable treatment for both companies, within the meaning of Article 30 of TCP s by-laws.

In preparing its valuation report and in order to carry out the actions described in the preceding paragraph, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied to or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of any of the assets or liabilities of TCP and TCO, nor did Merrill Lynch evaluate the solvency or fair value of TCP and TCO under any laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of TCP and TCO. Accordingly, Merrill Lynch obtained a statement executed by officers of TCP as of October 27, 2003, whereby they reasserted the accuracy, legitimacy, and completeness of all such information, documents and reports which were supplied to Merrill Lynch on the dates when those were supplied to it, and whereby they confirmed that there had not been, since those dates, any material changes to the companies business, financial condition, assets, liabilities, business perspectives or commercial transactions and any other significant fact which would have rendered any such information incorrect or misleading in any material aspect and which could have a material effect on the results of the valuation report. Notwithstanding the foregoing, neither TCP nor TCO, nor its managers or controlling shareholders (i) interfered or limited in any manner Merrill Lynch s ability to obtain the information required to produce the valuation report, (ii) determined, or restrained Merrill Lynch s ability to determine, the methodologies used by Merrill Lynch to reach the conclusions set forth in the report, or (iii) determined, or restrained Merrill Lynch s ability to determine, the conclusions set forth in the report.

With respect to the financial forecast information furnished to or discussed with Merrill Lynch by TCP in respect of TCP and TCO, Merrill Lynch assumed that they had been reasonably prepared and reflected, at that time, the best currently available estimates and judgments of TCP and TCO s management, respectively, as to the expected future financial performance of TCP and TCO. In addition, TCP informed Merrill Lynch that the boards of directors of TCP and TCO had approved such financial forecasts. Given that Merrill Lynch s valuation report was based on financial projections and forecasts, it should not be construed as indicative of future results, which may be significantly more or less favorable than what was suggested as a result of the analyses conducted in connection with the preparation of the valuation report. Given that these analyses are intrinsically subject to uncertainties and various events or factors which are beyond the control of TCP, TCO and of Merrill Lynch, neither Merrill Lynch nor any of its affiliates or representatives assume any responsibility if future results differ substantially from the forecasts presented in the valuation report and makes no representation or warranty as to such forecasts.

Merrill Lynch s valuation report was necessarily based on market, economic and other conditions as they existed and could be evaluated on, and on the information made available to Merrill Lynch as of, the date of the valuation report. As a result, the valuation report was valid exclusively as at the date of the valuation report as future events and developments may affect its conclusions. Merrill Lynch did not assume any obligation to update, review, revise or revoke the valuation report as a result of any future development. In connection with the preparation of the valuation report, Merrill Lynch was not authorized by TCP or TCP s board of directors to solicit, nor did Merrill Lynch solicit, third-party indications of interest for the acquisition of all or any part of the TCP or TCO shares. As a result, the results determined in the valuation report did not necessarily correspond to, and should not be construed as representative of, the effective sale value of TCP or TCO or their stock today or at a given future time.

In addition, Merrill Lynch s valuation report did not address: (i) the incremental value to TCO and TCP which may arise from the consummation of the exchange, and (ii) any adjustments to compensate for or which may reflect the specific rights associated with any specific class of shares of either TCP or TCO. As a result, Merrill Lynch did not express, and its valuation report did not contain, any views regarding the distribution of the economic value among the several classes of shares of any of TCP and TCO. In preparing the valuation report, Merrill Lynch disregarded (i) the tax consequences of the exchange of TCO shares for TCP shares on holders of TCO shares, and (ii) the impact of any fees and expenses that may result from the settlement of the exchange, including without limitation, those related to the depositary services that may be charged to holders of TCO ADSs. In addition, with the consent of TCP, Merrill Lynch excluded the tax-related effects associated with the unamortized goodwill that resulted from the acquisition by TCP of 61.10% of the outstanding common shares of TCO on April 25, 2003.

The summary set forth below does not purport to be a complete description of the analyses performed by Merrill Lynch. The preparation of a valuation report is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and therefore, such a report is not readily susceptible to partial or summary description. The estimates contained in those analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual or predictive of future results or values, which may be significantly more or less favorable than those suggested by those analyses. In addition, analyses relating to the value of businesses or securities are not appraisals and may not reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, these analyses are estimates are inherently subject to substantial uncertainty.

In arriving at its opinion, Merrill Lynch made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create an incomplete view of the processes underlying such analyses and its valuation report. In its analyses, Merrill Lynch made numerous assumptions with respect to TCP, TCO, industry performance, general business, economic, market and financial conditions as well as other matters, many of which are beyond the control of TCP and TCO and involve the application of complex methodologies and educated judgment.

The following is a summary of the material analyses undertaken by Merrill Lynch in connection with the rendering of its valuation report.

The range of values presented in Merrill Lynch s valuation report, in which the economic values of TCP and TCO were found to lie, was ascertained in accordance with the discounted cash flow methodology. Merrill Lynch performed a discounted cash flow analysis to estimate a range of implied present values per share of each of TCP and TCO, as of September 30, 2003, assuming for illustrative purposes that the tender offer by TCP for the remaining publicly held common shares of TCO (launched on October 9, 2003) had already been consummated at a 90% acceptance rate. Merrill Lynch expressed the view that assuming different acceptance rates would not affect the conclusion reached in its valuation report.

Merrill Lynch calculated TCP s enterprise value (including its current stake in TCO) as the sum of the following items: (i) present value as of September 30, 2003 of TCP s projected unlevered free cash flows from 2003 through 2012 (based on management forecasts); (ii) present value of TCP s terminal value as of 2012; and (iii) present value of the value of the tax benefits obtained from the utilization of Global Telecom s net operating losses. For purposes of this analysis, the value of TCP s current stake in TCO was derived by applying TCP s percentage ownership in TCO to TCO s estimated equity value, calculated as described further below. TCP s value per share was then calculated by subtracting TCP s net debt from TCP s enterprise value and dividing the remainder by the number of TCP shares outstanding. Similarly, Merrill Lynch calculated TCO s enterprise value as the sum of the following items: (i) present value as of September 30, 2003 of TCO s projected unlevered cash flows (based on management forecasts), and (ii) present value of TCP s terminal value in 2012. For purposes of this analysis, TCO s cash flows were adjusted to reflect TCO s weighted average ownership of 98.1% of TCO s operating subsidiaries other than NBT (which was not adjusted given TCO s 100% ownership of it). TCO s value per share was then calculated by subtracting TCO s

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net debt from TCO s enterprise value and dividing the remainder by the number of TCO shares outstanding. After calculating a range of values per TCO share and TCP share as described above, Merrill Lynch derived a resulting range of implied exchange ratios.

In calculating a terminal value of TCP and TCO at the end of the period, Merrill Lynch applied a range of annual perpetuity growth rates of unlevered free cash flow ranging from 4% to 5%. The unlevered free cash flows and terminal values were then discounted back to September 30, 2003 using a range of U.S. dollar-based discount rates (adjusted for Brazilian risk) from 13.5% to 15%. Merrill Lynch viewed this discount rate range as appropriate for companies with TCP s and TCO s risk characteristics.

Based on these analyses, Merrill Lynch was of the view that the economic value of TCP ranged from R$10.7 billion to R$14.3 billion, determined as the lowest and the highest value, corresponding to a value per share of R$9.12 to R$12.20, while the economic value of TCO ranged from R$4.5 billion to R$5.6 billion, determined as the lowest and the highest value, corresponding to a value per share of R$12.16 to R$14.98. Subject to and based on the foregoing, Merrill Lynch expressed the view that the exchange ratio proposed in the merger of shares constituted equitable treatment to TCP and TCO.

Pursuant to Merrill Lynch s engagement letter, TCP agreed to pay Merrill Lynch a fee for the preparation of its valuation report, which fee became payable upon the rendering of the report. TCP has also agreed to indemnify Merrill Lynch and certain related persons for certain liabilities arising out of Merrill Lynch s engagement.

TCP retained Merrill Lynch to prepare valuations of TCP and TCO in connection with the proposed exchange based upon Merrill Lynch s qualifications, experience, reputation and expertise. Merrill Lynch is an internationally recognized investment banking and advisory firm. Merrill Lynch, as part of its investment banking business, is continually engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Merrill Lynch does not have any interest, whether direct or indirect, in TCP or in the acquisition by TCP of 61.10% of the outstanding common shares of TCO on April 25, 2003, the tender offer by TCP for the remaining publicly held common shares of TCO launched on October 9, 2003, or the merger of shares, as well as in any other relevant event that may constitute a conflict of interest. Merrill Lynch has in the past provided financial advisory and financing services to TCP and/or its affiliates, and expects to continue to do so and has received, and may receive, fees for the rendering of such services. In the ordinary course of its business, Merrill Lynch may actively trade or hold the securities of TCP and/or TCO for its own account or for the accounts of customers and, accordingly, may at any time hold a long or short position in these securities. In addition, professionals in Merrill Lynch s research department and other divisions may base their analyses and publications on different market and operating assumptions and on different valuation methodologies when compared with Merrill Lynch s valuation report. As a result, the research reports and other publications prepared by them may contain entirely different results.

Comparative Share and Dividend Information

Historical Share Information

Our preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TSPP4. Our ADSs representing preferred shares are listed on the NYSE under the ticker symbol TCP. Each of our ADSs represents 2,500 preferred shares of our company. The Bank of New York is our depositary and issues the ADRs evidencing our ADSs. Our ADSs commenced trading on the NYSE on November 16, 1998.

TCO s preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol and TCOC4. TCO s ADSs representing preferred shares are listed on the NYSE under the ticker symbol TRO. Each TCO ADS represents 3,000 preferred shares of TCO. The Bank of New York is TCO s

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depositary and issues the ADRs evidencing TCO s ADSs. TCO s ADSs commenced trading on the NYSE on November 16, 1998.

The following table shows, for the periods indicated, the high and low of the last reported closing prices per 1,000 TCP preferred shares and per ADS and per 1,000 TCO preferred shares and per ADS. Preferred share prices are as reported on the São Paulo Stock Exchange, and ADS prices are as reported on the NYSE.

	TCP				TCO			
	1,000 Preferred Shares		ADSs		1,000 Preferred Shares		ADSs	
	Low	High	Low	High	Low	High	Low	High
	(reais)		(U.S. dollars)		*(reais)*		(U.S. dollars)	
1998								
Annual(1)	6.80	14.50	16.94	30.44	0.39	2.26	2.0000	5.9375
1999								
Annual	6.70	32.00	13.88	44.69	1.24	3.98	2.3750	7.0625
2000								
Annual	16.66	45.30	21.06	64.50	3.45	8.90	5.4375	15.3750
2001								
Annual	5.20	23.00	4.63	31.69	3.20	9.00	4.280	13.625
First quarter	12.68	23.00	14.81	31.69	5.66	9.00	8.000	13.625
Second quarter	12.40	17.96	14.12	19.50	5.16	7.21	6.85	9.50
Third quarter	5.21	15.17	4.72	16.05	3.20	6.81	4.28	8.57
Fourth quarter	5.20	8.74	4.63	9.55	4.34	5.87	4.73	7.25
2002								
Annual	2.60	9.26	1.71	10.03	2.36	5.79	2.20	7.45
First quarter	5.72	9.26	6.33	10.03	4.36	5.79	5.40	7.45
Second quarter	4.30	6.08	3.68	6.65	3.58	5.07	3.85	6.50
Third quarter	2.60	4.07	1.73	3.66	2.36	4.20	2.20	4.46
Fourth quarter	2.66	4.42	1.71	3.20	2.85	4.90	2.27	4.24
2003								
First quarter	3.17	5.05	2.20	3.81	3.90	5.73	3.28	5.01
Second quarter	4.19	4.85	3.31	4.25	5.19	5.90	4.90	6.17
Third quarter	3.93	5.99	3.19	5.20	4.90	7.67	4.74	7.86
Last six months								
June 2003	4.38	4.79	3.81	4.25	5.36	5.80	5.58	6.17
July 2003	4.19	4.69	3.52	4.20	5.15	5.71	5.23	6.08
August 2003	3.93	4.90	3.19	4.15	4.90	6.15	4.74	6.20
September 2003	4.80	5.99	4.15	5.20	6.00	7.67	6.25	7.86
October 2003	5.63	6.51	4.85	5.72	7.33	8.30	7.55	8.80
November 2003	6.64	7.47	5.82	6.50	8.35	9.39	8.81	9.67
December 2003 (through December 15, 2003)	7.51	8.29	6.61	7.08	9.49	10.47	9.84	10.55

(1) The preferred shares of TCP and TCO began trading on the São Paulo Stock Exchange on September 21, 1998. The ADSs of TCP and TCO began trading on the New York Stock Exchange on November 16, 1998.

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Dividend Information

The following table shows the amount of dividends and interest on shareholders equity declared by each of TCP and TCO on each lot of 1,000 preferred shares and on each ADS for the years 1998 to 2002. The dividend amounts set forth below for each year were paid in the immediately following year.

	TCP Dividends and Interest on Shareholders Equity Per		TCO Dividends and Interest on Shareholders Equity Per	
	1,000 Preferred Shares	ADS	1,000 Preferred Shares	ADS
	(R$ per thousand)	(U.S.$ per ADS)	(R$ per thousand)	(U.S.$ per ADS)
1998	0.270	0.449	0.153	0.254
1999	0.092	0.148	0.085	0.139
2000	0.245	0.281	0.096	0.121
2001			0.204	0.155
2002			0.212	0.220

We urge you to obtain current market quotations.

Certain Contracts

We acquired 61.10% of the common shares of TCO from Fixcel on April 25, 2003. Since that date, TCO has been our subsidiary.

We are parties to a number of agreements and transactions with our affiliates, who are also the affiliates of TCO by virtue of our acquisition of control of TCO. See Item 7.B. Related Party Transactions in Annex A to this prospectus (Information Derived from TCP s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2002). Before the acquisition of TCO, we had no material contracts, arrangements, understandings, relationships, negotiations or transactions during the periods for which financial statements are included in this prospectus except the negotiations that led to our acquisition of control of TCO.

Unaudited Pro Forma Combined Financial Data

The following unaudited pro forma combined financial data gives pro forma effect to our acquisition of control of Global Telecom in December 2002, our acquisition of control of TCO in April 2003, and our acquisition of the remaining common shares and preferred shares of TCO through the tender offer described in Background for the Merger of Shares Acquisition of TCO and Subsequent Tender Offer and the merger of shares, which we refer to in this subsection as the acquisitions. The unaudited pro forma combined financial data also gives pro forma effect to our financial expense relating to indebtedness we incurred to finance the acquisitions. This financial information was prepared from, and should be read in conjunction with, the following historical financial statements, including the applicable notes thereto:

The audited consolidated financial statements of TCP as of and for the year ended December 31, 2002 included in this prospectus;

The unaudited consolidated financial statements of TCP as of and for the nine months ended September 30, 2003 included in this prospectus;

The audited consolidated financial statements of TCO as of and for the year ended December 31, 2002 included in this prospectus;

The unaudited consolidated financial statements of TCO as of and for the nine months ended September 30, 2003 included in this prospectus; and

The audited financial statements of Globaltelcom Telecomunicações S.A., Daini do Brasil S.A. and GTPS S.A. Participações em Investimentos de Telecomunicações, which we refer to collectively as Global Telecom Holdings, for the period from January 1 to

December 27, 2002 included in this prospectus.

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The unaudited pro forma combined statement of operations for the year ended December 31, 2002 and nine months ended September 30, 2003 give effect to the acquisitions described above as if they had occurred on January 1, 2002. The unaudited pro forma combined balance sheet as at September 30, 2003 gives effect to the tender offer and merger of shares as if they had occurred on that date.

The unaudited pro forma combined financial information was prepared in accordance Brazilian corporate law, which differs in certain material respects from U.S. GAAP. Note 17 to the TCP unaudited consolidated financial statements for the nine months ended September 30, 2003 included in this prospectus, and note 37 to the TCP audited consolidated financial statements for the year ended December 31, 2002 included in this prospectus describe the principal differences between Brazilian corporate law and U.S. GAAP as they relate to TCP. The unaudited pro forma combined financial information includes a pro forma reconciliation from Brazilian corporate law to U.S. GAAP of net loss for the nine months ended September 30, 2003 and for the year ended December 31, 2002 and of shareholders equity as of September 30, 2003.

The audited consolidated financial statements of TCO for the year ended December 31, 2002 were prepared using Brazilian GAAP. Brazilian GAAP requires companies to recognize inflationary effects in their financial statements until December 31, 2000. For purposes of presenting the unaudited pro forma combined financial information, the historical financial information relating to TCO was adjusted to include unaudited adjustments to conform TCO s historical financial information to Brazilian corporate law.

As discussed in Note 2 to the unaudited consolidated financial statements of TCP as of and for the nine months ended September 30, 2003, on January 1, 2003, Telesp Celular began to defer revenues from prepaid services and amortize that revenue based on subscriber airtime usage. The unaudited pro forma combined financial information includes pro forma adjustments to adopt this change in accounting policy as of January 1, 2002.

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

The unaudited pro forma combined financial information was prepared for illustrative purposes only. This information does not purport to represent what the actual results of operations or financial position of TCP would have been if the acquisitions had actually occurred on the dates assumed and does not necessarily indicate what TCP s future operating results or combined financial position will be.

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Telesp Celular Participações S.A.

Pro Forma Condensed Statement of Loss
For the Year Ended December 31, 2002

					Pro Forma Adjustments				
	TCP	**Global Telecom Holdings**	**TCO(1)**	**Change in Accounting Policy(2)**	**Acquisition of Global Telecom Holdings(3)**	**Acquisition of TCO and Subsequent Tender Offer(4)**	**Effect of Merger of Shares(5)**	**Eliminations**	**Pro Forma TCP**
NET OPERATING REVENUE	3,390.6	512.2	1,561.3	(11.8)				(13.7)	5,438.6
COST OF SERVICES AND GOODS	(1,648.4)	(423.8)	(741.8)	6.0				13.7	(2,794.3)
GROSS PROFIT	1,742.2	88.4	819.5	(5.8)					2,644.3
OPERATING EXPENSES:									
Selling expenses	(617.9)	(124.4)	(215.3)						(957.6)
General and administrative expenses	(288.5)	(45.7)	(141.8)						(476.0)
Other net operating income (expenses)	(70.1)	(26.1)	(3.8)			(175.0)	(3.0)	(6.5)	(284.5)
OPERATING INCOME BEFORE EQUITY IN LOSSES OF UNCONSOLIDATED SUBSIDIARY AND NET FINANCIAL EXPENSES	765.7	(107.8)	458.6	(5.8)		(175.0)	(3.0)	(6.5)	926.2
EQUITY IN LOSSES OF UNCONSOLIDATED SUBSIDIARY	(890.7)							890.7	
NET FINANCIAL EXPENSES	(808.4)	(663.1)	4.0		(71.3)	(420.2)		6.5	(1,952.5)
OPERATING INCOME (LOSS)	(933.4)	(770.9)	462.6	(5.8)	(71.3)	(595.2)	(3.0)	890.7	(1,026.3)
Net nonoperating income (expenses)	10.0	(0.4)	(17.6)						(8.0)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM, MINORITY INTEREST AND INCOME TAXES	(923.4)	(771.3)	445.0	(5.8)	(71.3)	(595.2)	(3.0)	890.7	(1,034.3)
Extraordinary item	(170.9)							(250.5)**(6)**	(421.4)
INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAXES	(1,094.3)	(771.3)	445.0	(5.8)	(71.3)	(595.2)	(3.0)	640.2	(1,455.7)
Minority interest			(6.1)			(232.7)	232.7		(6.1)
Income taxes	(46.5)		(109.6)	2.0					(154.1)
NET INCOME (LOSS)	(1,140.8)	(771.3)	329.3	(3.8)	(71.3)	(827.9)	229.7	640.2	(1,615.9)
U.S. GAAP ADJUSTMENTS	(354.9)	(146.9)	(8.8)	3.8	(24.6)	(19.7)	(430)	121.9 **(7)**	(859.1)
NET INCOME (LOSS) UNDER U.S. GAAP	(1.495.7)	(918.2)	320.5		(95.9)	(847.6)	(200.3)	762.1	(2,475.2)
EARNINGS PER SHARE:									
Loss per thousand shares common and preferred Brazilian corporate law									(1.07)
Basic and diluted loss per thousand shares common and preferred U.S. GAAP									(2.42)

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(1) As discussed above, the audited consolidated financial statements of TCO for the year ended December 31, 2002 were prepared using Brazilian GAAP. Brazilian GAAP requires companies to recognize inflationary effects in their financial statements until December 31, 2000. For purposes of presenting the unaudited pro forma combined financial information, the historical financial information relating to TCO was adjusted to include unaudited adjustments to conform TCO s historical financial information to Brazilian corporate law. The pro forma U.S. GAAP adjustments have been adjusted from the amount included in the audited consolidated financial statements of TCO for the year ended December 31, 2002 included in this prospectus as follows:

U.S. GAAP adjustments to net income included in the audited consolidated financial statements of TCO for the year ended December 31, 2002	(17.7)
Impact on U.S. GAAP adjustments for differences in accounting for inflation between Brazilian GAAP, Brazilian corporate law and U.S. GAAP	13.3
Tax effect on the above adjustment	(4.4)
As adjusted	(8.8)

(2) As discussed in Note 2 to the unaudited condensed consolidated financial statements of TCP as of and for the nine-months ended September 30, 2003, on January 1, 2003, Telesp Celular began to defer revenues from prepaid services and amortize that revenue based on subscriber airtime usage. The pro forma adjustments are made to adopt this change in accounting policy as of January 1, 2002. For U.S. GAAP purposes, this adjustment has been reversed since the Company already records a U.S. GAAP adjustment to defer revenues from prepaid services.

(3) The pro forma adjustments for Global Telecom Holdings represent (i) pro forma interest expense associated with the acquisition of Global Telecom Holdings and (ii) pro forma U.S. GAAP adjustments associated with the acquisition of the remaining 17% of the capital of Global Telecom Holdings. The pro forma U.S. GAAP adjustments related to the acquisition of the remaining capital of Global Telecom Holdings represent the amortization of the purchase accounting adjustments described in Note 37d., Acquisition of remaining interest in the Holdings, to the audited consolidated financial statements of TCP as of and for the year ended December 31, 2002. As discussed in Note 37d. to the audited consolidated financial statements of TCP as of and for the year ended December 31, 2002, the goodwill recorded under Brazilian corporate law related to the acquisition of Global Telecom Holdings is not being amortized.

(4) The pro forma adjustments for the acquisition of TCO and subsequent tender offer represent (i) pro forma amortization of the goodwill recorded under Brazilian corporate law, (ii) pro forma interest expense associated with the financings obtained to fund the acquisition of TCO and subsequent tender offer, and (iii) pro forma U.S. GAAP adjustments to reflect purchase accounting in accordance with SFAS No. 141, Business Combinations, for these transactions.

Brazilian Corporate Law

Under Brazilian corporate law, the goodwill associated with the acquisition of TCO and subsequent tender offer has been attributed to (i) an excess of the fair values of property, plant and equipment over book value of R$170.9 and (ii) R$1,483.2 related to future profitable operations. A pro forma adjustment has been recorded to give effect to the amortization of goodwill associated with the purchase of TCO. TCP amortizes goodwill attributed to the fair values of property, plant and equipment over the respective useful lives of the underlying assets. The goodwill related to future profitable operations is amortized on a straight-line basis over a 10 year period. The pro forma adjustment to minority interests represents the recognition of the 70.69% minority interests in TCO.

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U.S. GAAP

The pro forma U.S. GAAP adjustments represent the difference between the pro forma adjustment for the amortization of goodwill under Brazilian corporate law described above and the application of purchase accounting in accordance with SFAS No. 141, Business Combinations. Following is the estimated purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments.

	Amount
Amounts representing the historical net assets of TCO under U.S. GAAP(g)	422.5
Fair value adjustments:	
Property, plant and equipment	43.7(a)
Intangible assets customer list	161.1(b)
Debt	19.0(c)
Intangible related to concession	566.1(d)
Goodwill	865.0(e)
Purchase price(f)	2,077.4

(a) Difference being amortized over approximately 10 years, representing the average remaining useful lives of the relating assets.

(b) Difference being amortized over two years, representing the average customer life.

(c) The adjustment to long-term debt is being amortized by the effective interest method over the remaining maturities of the underlying TCO debt obligations.

(d) The concession is being amortized on a straight-line basis over respective remaining term of TCO s licenses, representing a weighted average period of 6 years.

(e) In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is not being amortized for U.S. GAAP purposes.

(f) The purchase price is comprised of R$1,538.6 related to the acquisition of control of TCO and R$538.8 related to the tender offer.

(g) Represents purchases of 20.37% on April 25, 2003 and 8.62% on November 18, 2003.

(5) The pro forma adjustments for the merger of shares of TCO with TCP represent (i) the pro forma amortization of negative goodwill recorded under Brazilian corporate law, (ii) pro forma U.S. GAAP adjustments to reflect purchase accounting in accordance with SFAS No. 141, Business Combinations and (iii) the elimination of minority interest based on expected 100% ownership of TCO.

Brazilian Corporate Law

Under Brazilian corporate law, the merger of shares of TCO with TCP will result in pro forma negative goodwill amounting to R$29.7, representing the excess of the book value of the TCO shares to be exchanged over the book value of the TCP shares to be issued in exchange. The pro forma negative goodwill is being amortized on a straight-line basis over a 10 year period.

U.S. GAAP

The pro forma U.S. GAAP adjustments represent difference between the pro forma adjustment for the amortization of pro forma negative goodwill under Brazilian corporate law described above and the application of purchase accounting in accordance with SFAS No. 141, Business Combinations, for the

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acquisition of the minority interest of TCO. Under U.S. GAAP, the pro forma purchase price for the TCO shares was calculated based on the market price of TCP common and preferred shares on December 3, 2003 of R$6.10 and R$7.85, respectively. As disclosed in Note 16 to TCP s unaudited consolidated financial statements for the nine months ended September 30, 2003 included in this prospectus, TCP expects to issue 14,198,233 thousand common shares and 321,013,707 preferred shares to complete the merger. Following is the estimated purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments.

	Amount
Amounts representing 70.69% of the historical net assets of TCO under U.S. GAAP	1,028.9
Fair value adjustments:	
Property, plant and equipment	114.5(a)
Intangible assets customer list	438.0(b)
Debt	15.3(c)
Intangible related to concession	1,009.9(d)
Purchase price(e)	2,606.6

(a) Difference being amortized over approximately 10 years, representing the average remaining useful lives of the relating assets.

(b) Difference being amortized over two years, representing the average customer life.

(c) The adjustment to long-term debt is being amortized by the effective interest method over the remaining maturities of the underlying TCO debt obligations.

(d) The concession is being amortized on a straight-line basis over respective remaining term of TCO s licenses, representing a weighted average period of 6 years.

(e) Based on the market price on December 3, 2003 of the TCP shares to be issued to complete the merger of shares.

(6) Pro forma elimination represents an adjustment for TCP s portion of the negative equity of Global Telecom Holdings on the date of acquisition. This amount was recorded as equity in losses of unconsolidated subsidiary under Brazilian corporate law. For the purposes of these pro forma financial statements, this amount has been reclassified to an extraordinary item. The extraordinary item in TCP s audited consolidated financial statements for the year ended December 31, 2002 included in this prospectus represents an impairment recorded on the goodwill associated with the acquisition of Global Telecom Holdings.

(7) Pro forma U.S. GAAP adjustment represents the elimination of U.S. GAAP adjustments relating to the equity in losses of Global Telecom Holdings included in Note 37 TCP s audited consolidated financial statements for the year ended December 31, 2002.

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Telesp Celular Participações S.A.

Pro Forma Condensed Statement of Loss
For the Nine Month Period Ended September 30, 2003

	TCP	TCO	TCO Eliminations May-September(1)	Change in Accounting Policy(2)	Pro Forma Adjustments: Acquisition of TCO and Subsequent Tender Offer(3)	Pro Forma Adjustments: Effect of Merger of Shares(4)	Eliminations	Pro Forma TCP
NET OPERATING REVENUE	4,169.0	1,406.4	(838.4)	93.9			(15.2)	4,815.7
COST OF SERVICES AND GOODS	(2,070.9)	(642.4)	383.3	(33.4)			15.2	(2,348.2)
GROSS PROFIT	2,098.1	764.0	(455.1)	60.5				2,467.5
OPERATING EXPENSES:								
Selling expenses	(938.9)	(206.2)	124.7					(1,020.4)
General and administrative expenses	(392.9)	(139.4)	77.8					(454.5)
Other net operating income (expenses)	2.2	1.5	(2.3)		(75.4)	2.2		(71.8)
OPERATING INCOME BEFORE NET FINANCIAL EXPENSES	768.5	419.9	(254.9)	60.5	(75.4)	2.2		920.8
NET FINANCIAL EXPENSES	(843.0)	94.5	(50.7)		(179.9)			(979.1)
OPERATING INCOME (LOSS)	(74.5)	514.4	(305.6)	60.5	(255.3)	2.2		(58.3)
Net nonoperating income (expenses)	(4.9)	(19.2)	3.6					(20.5)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND INCOME TAXES	(79.4)	495.2	(302.0)	60.5	(255.3)	2.2		(78.8)
Extraordinary item								
INCOME (LOSS) BEFORE INCOME TAXES	(79.4)	495.2	(302.0)	60.5	(255.3)	2.2		(78.8)
Minority interest	(155)	(6.0)	3.4		(79.1)	230.7		(6.0)
Income taxes	(228.4)	(162.9)	107.5	(20.6)				(304.4)
NET INCOME (LOSS)	(462.8)	326.3	(191.1)	39.9	(334,4)	232.9		(389.2)
U.S. GAAP ADJUSTMENTS	537.3	17.2	4.3	(39.9)	(14.6)	(314.9)	(13.7)	175.7
NET INCOME (LOSS) UNDER U.S. GAAP	74.5	343.5	(186.8)		(349.0)	(82)	(13.7)	(213.5)
EARNINGS PER SHARE:								
Loss per thousand shares common and preferred Brazilian corporate law								(0.26)
Basic and diluted loss per thousand shares common and preferred U.S. GAAP								(0.14)

(1) Represents the reversal of five months of operations of TCO that were consolidated in TCP.

(2) See Note 2 to the pro forma condensed statement of loss for the year ended December 31, 2002. The pro forma adjustments are made to reverse the impact of the cumulative effect of adopting this change in accounting policy as of January 1, 2002. For U.S. GAAP purposes, this adjustment has been reversed since TCP already records a U.S. GAAP adjustment to defer revenues from prepaid services.

(3) See Note 4 to the pro forma condensed statement of loss for the year ended December 31, 2002.

(4) See Note 7 to the pro forma condensed statement of loss for the year ended December 31, 2002.

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Telesp Celular Participaçoes S.A.

Pro Forma Condensed Balance Sheet
As of September 30, 2003

		Pro Forma Adjustments		
	TCP	**Tender Offer(1)**	**Effect of Merger of Shares(2)**	**Pro Forma TCP**
CURRENT ASSETS:	3,480.6			3,480.6
NONCURRENT ASSETS:				
Recoverable taxes	63.5			63.5
Deferred income tax	766.4			766.4
Derivatives	874.0			874.0
Prepaid expenses	15.3			15.3
Other noncurrent assets	72.0			72.0
Total noncurrent assets	1,791.2			1,791.2
PERMANENT ASSETS:				
Goodwill	1,919.1	411.6	(29.7)	2,301.0
Goodwill on merged subsidiary, net	60.4			60.4
Property, plant and equipment, net	5,106.8			5,106.8
Deferred assets, net	212.4			212.4
Other	0.3			0.3
Total permanent assets	7,299.0	411.6	(29.7)	7,680.9
Total assets	12,570.8	411.6	(29.7)	12,952.7
CURRENT LIABILITIES:	4,191.5			4,191.5
NONCURRENT LIABILITIES:				
Loans and financing	3,273.4	538.8		3,812.2
Reserve for contingencies	147.3			147.3
Taxes payable	161.2			161.2
Derivatives	4.5			4.5
Other liabilities	0.5			0.5
Provision for pension plan	2.2			2.2
Total noncurrent liabilities	3,589.1	538.8		4,127.9
	1,241.4	(127.2)	(1,042.6)	71.6
MINORITY INTEREST				
SHAREHOLDERS EQUITY:				
Capital stock	4,373.6		1,012.9	5,386.5
Capital reserve	1,067.8			1,067.8
Accumulated deficit	(1,892.9)			(1,892.9)
Total shareholders equity	3,548.5		1,012.9	4,561.4
Funds for capitalization	0.3			0.3
	3,548.8		1,012.9	4,561.7

SHAREHOLDERS EQUITY AND FUNDS FOR CAPITALIZATION				
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	12,570.8	411.6	(29.7)	12,952.7
Shareholders Equity under Brazilian Corporate Law	3,548.5		1,012.9	4,561.4
U.S. GAAP Adjustments	(169.4)		1,593.7	1,424.3
Shareholders Equity under U.S. GAAP	3,379.1		2,606.6	5,985.7

(1) The pro forma adjustments for the tender offer represent (i) the recognition of pro forma goodwill recorded under Brazilian corporate law and (ii) the recognition of the financings associated with the tender offer. The pro forma U.S. GAAP adjustments relating to the purchase accounting recorded in

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accordance with SFAS No. 141, Business Combinations, do not result in a net adjustment to shareholders equity at September 30, 2003. See Note 4 to the pro forma condensed statement of loss for the year ended December 31, 2002 for the estimated purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments.

(2) The pro forma adjustments for the merger of shares of TCO with TCP represent (i) the recognition of pro forma negative goodwill recorded under Brazilian corporate law, (ii) pro forma U.S. GAAP adjustments to reflect purchase accounting in accordance with SFAS No. 141, Business Combinations and (iii) the elimination of minority interest based on expected 100% ownership of TCO. See Note 5 to the pro forma condensed statement of loss for the year ended December 31, 2002. At September 30, 2003, the U.S. GAAP adjustment represents the recognition of the purchase price for the acquisition of the TCO shares based on the market price of the TCP shares to be issued.

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PART SIX SHAREHOLDER RIGHTS

PART SIX SHAREHOLDER RIGHTS

General

Both TCP and TCO are incorporated in the Federative Republic of Brazil. Your rights as a holder of TCO securities and your future rights as a holder of TCP securities after the merger of shares are and will be governed by Brazilian law and the bylaws *(estatutos sociais)* of TCO and TCP, respectively. You should read the bylaws of TCP and TCO, copies of which are attached as exhibits to TCP s Annual Report on Form 20-F for the year ended December 31, 2002 and TCO s Annual Report on Form 20-F for the year ended December 31, 2002. See Where You Can Find More Information.

There are no material differences between your rights as a holder of TCO securities and your future rights as a holder of TCP securities after the merger of shares.

As of December 15, 2003, TCP s capital stock consisted of 1,171,784,352,509 outstanding shares, no par value, divided between 409,383,864,536 common shares and 762,400,487,973 preferred shares.

As of December 15, 2003, TCO s capital stock consisted of 379,200,036,582 outstanding shares, no par value, divided between 126,433,338,109 common shares (including 5,791,393,886 common shares held in treasury that will be cancelled in the merger of shares) and 252,766,698,473 preferred shares.

Information About Historical Dividend Payments

The tables below summarize the history of payments of dividends and interest on shareholders equity of TCP and TCO for 2000, 2001 and 2002. Each table sets forth amounts in *reais* per thousand common shares and preferred shares and amounts in U.S. dollars per ADSs translated into U.S. dollars at the prevailing selling rate for *reais* into U.S. dollars at the commercial rate on each of the respective dates of those payments.

TCP

We pay our shareholders both dividends and interest on shareholders equity. Interest on shareholders equity *(juros sobre capital próprio)* is a form of distribution that is tax deductible in Brazil. The payments we made in 2000 represented both dividends and interest on shareholders equity. We will not pay dividends or interest on shareholders equity for the year ended December 31, 2002 because of negative net income from equity in Global Telecom and the financial cost related to the Global Telecom and TCO acquisitions.

	Year ended December 31,					
	2000(1)		2001(2)		2002(2)	
	(R$ per thousand)	(U.S.$ per ADS)	(R$ per thousand)	(U.S.$ per ADS)	(R$ per thousand)	(U.S.$ per ADS)
Dividends plus interest on shareholders equity:						
Common	0.112948					
Preferred	0.245220	0.280655				

(1) We paid dividends for 2000 on June 8, 2001.

(2) We did not pay dividends for 2001 and 2002 due to losses incurred from its equity investment in Global Telecom in those years.

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

Because we do not anticipate being able to pay dividends with respect to the year ended December 31, 2003, we expect that holders of preferred shares

PART SIX SHAREHOLDER RIGHTS

will be able to exercise voting rights after the 2004 general shareholders meeting and until we pay the minimum dividends for 2003 or any subsequent year.

TCO

TCO pays its shareholders both dividends and interest on shareholders equity. In 2000 and 2001, payments made by TCO represented both dividends and interest on shareholders equity. In 2002, TCO paid only interest on shareholders equity.

	Year ended December 31,					
	2000		2001		2002	
	(R$ per thousand)	(U.S.$ per ADS)	(R$ per thousand)	(U.S.$ per ADS)	(R$ per thousand)	(U.S.$ per ADS)
Dividends plus interest on shareholders equity:						
Common	0.0960485		0.204234		0.212425	
Preferred	0.0960485	0.1209	0.204234	0.1547	0.212425	0.2199

TCO paid interest on shareholders equity for the year ended December 31, 2002 in the amount of R$79,473.85.

Description of TCP Capital Stock

Set forth below are the material terms of the capital stock of TCP and brief summaries of certain provisions of TCP s bylaws and the Brazilian corporation law.

Objectives and Purposes

We are a publicly traded company registered with the Brazilian securities commission under No. 01771-0. Article 2 of our bylaws provides that our corporate purpose is to:

exercise the control of operating companies which provide cellular mobile telecommunications services, personal mobile services and other services in conformity with the concessions, authorizations and permissions that have been granted to us;

promote, through our subsidiaries or controlled companies, the expansion and implementation of the telecommunications services within our concessions, authorizations and permissions;

promote, carry out and direct the financing of capital from internal or external sources to be used by us or our controlled companies;

promote, carry out and encourage study and research activities aimed at the development of the telecommunications sector;

perform, through our subsidiaries and affiliated companies, specialized technical services related to the telecommunications sector;

promote, encourage, carry out and coordinate, through our subsidiaries or controlled companies, the development and training of personnel necessary to perform activities in the telecommunications sector;

carry out and promote the import of goods and services for the operations of our subsidiaries and controlled companies;

execute other activities connected or related to our objective;

participate in the equity capital of other companies; and

trade equipment and materials necessary or useful for providing telecommunications services.

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Directors

The following is a description of some of the provisions of our bylaws concerning our board of directors:

- The board of directors has the power to approve investments and acquisition of assets, assume any obligation and execute contracts not included in the budget for an amount exceeding R$300 million, the public issuance of promissory notes, and the acquisition of our shares for cancellation or deposit with a custodian; and

- The board of directors has the power to allocate between the directors and the executive officers the total remuneration for directors and executive officers determined at a shareholders meeting.

Pursuant to Brazilian corporate law, each member of the board of directors must hold at least one share of our capital stock to be elected as a director. Members of the board of directors generally stand for reelection at the same shareholders meeting. There are no provisions in our by-laws with respect to:

- age limits for retirement of directors; or

- anti-takeover mechanisms or other procedures designed to delay, defer or prevent changes in our control.

Although there are no provisions in our bylaws, Brazilian corporate law prohibits directors from:

- performing any act of generosity using corporate assets to the detriment of the corporation;

- by virtue of his position, receiving any type of direct, or indirect, personal advantage from third parties, without authorization in the bylaws or from a general meeting; and

- taking part in any corporate transaction in which he has an interest that conflicts with an interest of the corporation, nor in the decisions made by the other directors on the matter.

Allocations of Profits

At each annual shareholders meeting, the board of directors is required to recommend how net profits for the preceding fiscal year are to be allocated. Under the Brazilian corporation law, this allocation may be made among (a) dividends and (b) profits reserves.

For the purposes of the Brazilian corporation law, net profits are defined as net income after income tax and social contribution for the relevant fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to warrants, income bonds and employees and management s participation in a company s profits.

Dividends

Mandatory Dividends. Under the Brazilian corporation law and TCP s bylaws, TCP is required to distribute to all shareholders as a non-cumulative mandatory dividend an amount equal to 25% of adjusted net income. For this purpose, adjusted net income is an amount equal to net profits adjusted to reflect allocations to and from:

- the legal reserve;

- the contingency reserve; and

- the unrealized profits reserve.

Allocation of the Mandatory Dividends. In the allocation of any mandatory dividend, preferred shareholders have a preference, equal to a non-cumulative annual dividend, equal to the higher of (i) 6% of the amount obtained by dividing the amount of subscribed capital by the number of TCP s shares or (ii) 3% of the amount obtained by dividing shareholders equity by the number of TCP s outstanding shares.

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In case the amount of mandatory dividends is greater than preferred dividends, after the payment of preferred dividends, the excess will be allocated first as dividend payments to holders of common shares in an amount equal to the preferred dividend received by the preferred shareholders, and the remainder will be distributed equally among holders of preferred and common shares.

In case the amount of mandatory dividends is less than preferred dividends, the mandatory dividends will be fully allocated as preferred dividends and TCP will not be obligated to distribute any mandatory dividends to common shareholders. In this case, TCP must pay preferred dividends out of accumulated profits and other profits reserves, if available.

Dividends relating to net profits remaining after allocations to mandatory dividends and profits reserves. Under the Brazilian corporation law, any net profits remaining after allocations to mandatory dividends and profits reserves (as described below) must be distributed to preferred and common shareholders, observing the same preference described above in connection with mandatory dividends.

Profits Reserves

The Brazilian corporation law requires the allocation of 5% of the net profits to a statutory reserve (legal reserve), not to exceed 20% of the company s paid-in capital, which may be used to absorb accumulated losses or increase capital. Other allocations may be made on a discretionary basis by the shareholders to the following reserves:

a contingency reserve, for an anticipated loss that is deemed probable in future years (provided that any amounts so allocated in a previous year must be reversed in the fiscal year in which such loss does not occur or charged off in the event the loss occurs);

an unrealized profits reserve, in an amount equal to the excess between mandatory dividends and the sum of the share of net equity earnings of affiliated companies and profits, gains and earnings in sales and services to be received after the end of the next succeeding fiscal year;

bylaws reserve, in the amount set forth in the bylaws (currently, TCP bylaws do not provide for such type of reserve); and

a retained profits reserve, for plant expansion and other capital investment projects, in an amount based on a capital expenditure budget previously approved by the shareholders (provided that if the budget is for a term greater than one year, it must be reviewed annually by the shareholders until the investment is completed).

Restrictions on the Distributions of Dividends and Allocations to Profits Reserves

Restrictions on Distributions of Dividends. Unlike TCP s preferred dividends (which must necessarily be distributed as described above), TCP is permitted to suspend the payment of a mandatory dividend in respect of common shares if:

its board of directors report to the annual shareholders meeting that the distribution would be incompatible with the financial circumstances of that company; and

the shareholders (after reviewing the opinion of the auditors council) ratify this conclusion at the shareholders meeting.

In this case:

the management must forward to the CVM, within five days of the shareholders meeting, an explanation for the suspension of the payment of the mandatory dividends; and

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the amounts not distributed would be recorded as a special reserve and, if not absorbed by losses in subsequent fiscal years, be distributed as dividends as soon as the financial condition of the company permitted.

Restrictions on the Allocations to Profits Reserves. Under the Brazilian corporation law, allocations to the bylaws reserve and retained profits reserve may not hinder the payment of mandatory dividends. In addition, any excess of the sum of the profits reserves (other than contingency reserves and unrealized profits reserves) over total capital must be distributed as dividends.

The amounts available for distribution are determined on the basis of financial statements prepared in accordance with Brazilian accounting principles.

Payment of Dividends

TCP is required by the Brazilian corporation law and its bylaws to hold an annual shareholders meeting by April 30 of each year, at which an annual dividend may be declared by a decision of TCP s shareholders on the recommendation of its board of directors. The payment of annual dividends in any given year is based on the financial statements prepared for the preceding fiscal year ending December 31. Under Brazilian corporation law, dividends must be paid on the date determined at a shareholders meeting or, in the absence of such determination, within 60 days as of the annual meeting date (and in any event within the same fiscal year in which such dividend was declared). A shareholder has a three-year period from the dividend payment date to claim dividends in respect of its shares, after which time unclaimed dividends revert to the company. Dividends are credited to the holder of record of TCP shares.

Voting Rights

Common Shareholders

Each TCP common share entitles the holder to one vote at shareholders meetings. TCP s preferred shares do not entitle their holders to vote except in the limited circumstances described below. Under the Brazilian corporation law, a shareholders meeting is required in order to:

- amend the bylaws (including Article 136 Meetings, as defined below);
- elect or discharge corporate officers and auditors at any time;
- review the yearly accounts drawn up by the corporation s officers and to decide on the financial statements presented by them;
- authorize the issuance of debentures;
- suspend the rights of a shareholder;
- approve the appraisal of assets contributed as capital by shareholders;
- authorize the issuance of founders shares;
- effect the corporation s transformation, consolidation, incorporation and divestment, its dissolution and liquidation, to elect and discharge its liquidators, and to examine the liquidators accounts; and
- authorize the officers to file for bankruptcy or request reorganization.

In the case of urgency, the filing for bankruptcy or the request for reorganization may be made by the officers, as agreed with the majority shareholder, if any, which officers must subsequently call a general meeting in order to vote on the matter. Such a meeting would be called by publication of a notice in the official gazette of the State of São Paulo and two other Brazilian gazettes determined by the shareholders at least 30 days prior to the meeting, but would not generally require any other form of notice.

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Preferred Shareholders

Under the Brazilian corporation law, TCP s preferred shares will acquire full voting rights in the event the company fails for three consecutive fiscal years to pay the mandatory minimum dividend, and those voting rights will continue until such payment is made. In addition, in case minority preferred shareholders hold more than 10% of TCP s total capital (or if they reach such percentage when added to the minority common shareholders, in case neither such preferred nor such common shareholders hold 10% on their own), such shareholders may appoint one board member and one alternate. In addition, minority preferred shareholders may appoint one audit council member (and one alternate). In case minority common shareholders hold more than 10% of TCP s voting capital, such common shareholders may appoint one audit council member (and one alternate).

Because TCP did not pay the mandatory minimum dividends for the years ended December 31, 2001 and 2002 and does not anticipate being able to pay dividends for the year ended December 31, 2003, TCP expects that holders of preferred shares will be able to exercise voting rights after the 2004 general shareholders meeting and until TCP pays the minimum dividends for 2003 or any subsequent year. However, once TCP pays the minimum dividends for 2003 or any subsequent year, those voting rights will cease.

Under the bylaws of TCP, preferred shareholders are entitled (a) to vote at any meeting to approve any long term agreement between TCP and its controlled entities, on the one side, and TCP s controlling shareholders and their affiliates (or entities related to TCP) on the other, except in case the agreement contains standard provisions and (b) to vote at any meeting to approve any changes to the bylaws that would revoke such voting rights (and TCP s bylaws provisions that require that an equitable treatment be confirmed by a third-party appraiser in any corporate reorganization transaction involving TCP and a controlled entity and a 30-day call notice be delivered with respect to any Article 136 Meeting (as defined below)). In any circumstances in which holders of TCP s preferred shares are entitled to vote, each preferred share will entitle its holder to one vote.

Meetings of Shareholders

Under the Brazilian corporation law, notice of a general or extraordinary shareholders meeting must be published in the state s official gazette and two other gazettes determined by the shareholders at least 15 days before the scheduled date of the meeting (other than in the case of Article 136 Meetings, which require a 30-day advance notice).

According to the Brazilian corporate law, a general meeting of shareholders is necessary in order to change the rights of the holders of stock, except that a shareholder may not be deprived of the following rights, whether through a change in the bylaws or a shareholders meeting.

- The right to participate in corporate profits;
- The right to participate in the assets of the corporation in the case of liquidation;
- The right to supervise the management of the corporate business as provided for in the Brazilian corporate law;
- The right of first refusal in the subscription of shares, founders shares convertible into shares, debentures convertible into shares and subscription bonuses; and
- The right to withdraw from the corporation as provided in the Brazilian corporate law.

Article 136 Meetings are required to:

- change the preferences, advantages and conditions for the redemption or amortization of one or more classes of preferred shares or to create a more favored class;
- reduce the minimum dividend;

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approve the merger, amalgamation or spin-off of TCP;

participate in a group of companies;

change the company s corporate purpose;

suspend the liquidation of the company or in case of dissolution of the company; and

issue founders shares.

On the first call, a meeting may be held only with a minimum quorum of one-fourth of the holders of voting shares. Extraordinary meetings whose objective is the amendment of the bylaws may be held on the first call only with minimum of two-thirds of the voting capital present. In addition, some decisions require the approval of a qualified quorum of at least one-half of the holders of voting shares.

If the quorum is not met on the first call, a second notice must be published at least eight days before the second meeting date (other than in the case of an Article 136 Meeting, which second notice must be published at least ten days prior to the second meeting). On a second call, a meeting may be held regardless of the number of voting shares represented.

The holders attending a general meeting must produce proof of their shareholder status, in accordance with the following rules:

upon request, an owner of a registered share must exhibit a document proving his or her identity; and

as a rule, an owner of a book entry share or of a share in custody must exhibit or deposit at the corporation, in addition to a document proving his identity, the corresponding proof produced by the financial institution.

A shareholder may be represented at a general meeting by a proxy appointed less than one year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. An investment fund must be represented by its investment fund officer.

Preemptive Rights

Each TCP shareholder has a general preemptive right to subscribe for shares in any capital increase in proportion to its holdings (other than in public issuance of shares or exchange offers for the acquisition of control of other companies). In the specific case of preferred shareholders, they will not have preemptive rights in connection with issuances of common shares by TCP in order to reduce the minimum number of non-voting shares to 50% of the total number of issued shares. When applicable, shareholders are given a minimum period of 30 days following the publication of a notice of a capital increase to exercise that right.

In the event of a capital increase that would maintain or increase the proportion of capital represented by TCP s preferred shares, holders of preferred shares would have preemptive rights to subscribe only for newly issued preferred shares. In the event of a capital increase that would reduce the proportion of capital represented by TCP s preferred shares, holders of preferred shares would have preemptive rights to subscribe for preferred shares in proportion to their holdings and to TCP s common shares only to the extent necessary to prevent dilution of their interests, except as described in the preceding paragraph.

According to the Brazilian corporate law, shareholders must pay in full for the shares underwritten or acquired pursuant to the exercise of preemptive rights. Shareholders are not liable for future capital calls by TCP.

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Redemption Rights

Under Brazilian corporation law, a dissenting shareholder (including a preferred or a common shareholder) may seek redemption of its shares if TCP s general shareholders meeting decides to:

- create a new class of preferred shares with rights superior to those of existing classes;
- change any right the preferred shares carry, including their amortization or redemption rights (appraisal rights in this case are limited to the holders of shares of a class whose rights are negatively impacted by such change);
- reduce the mandatory dividends;
- change TCP s corporate purpose;
- approve (1) a merger of shares *(incorporação de ações)* involving TCP, (2) a merger of TCP with and into another company, (3) an amalgamation of TCP with another company, (4) the acquisition of another company at a price that exceeds certain limits set forth in Brazilian corporation law, or (5) the participation in a group of companies, in each case provided that certain liquidity and dispersion standards are not met according to the Brazilian corporation law; and
- approve a spin-off of TCP, if in connection with such transaction there is a reduction of minimum dividends, the company becomes part of a group of companies, or there is a change in the company s corporate purposes (in this last case, except in case the entity receiving the company s assets has a substantially identical corporate purpose).

The right to redemption lapses 30 days after publication of the minutes of the relevant extraordinary general shareholders meeting or, if the resolution requires the approval of the majority of TCP s preferred shares affected by the resolution in a special meeting within 30 days from the publication of the minutes of that special meeting. TCP would be entitled to reconsider any action giving rise to redemption rights within ten days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize its financial stability.

TCP s shares are redeemable at their book value, determined on the basis of the last annual balance sheet approved by the shareholders. If the shareholders meeting giving rise to redemption rights occurs more than 60 days after the date of the last annual balance sheet, a shareholder may demand that its shares be valued on the basis of a new balance sheet that is as of a date within 60 days of that shareholders meeting.

Rights to Share in the Event of Liquidation

A general meeting of shareholders may decide that, before completing any liquidation of TCP and after all creditors have been paid, TCP s assets will be distributed to the shareholders as such assets are ascertained.

Form and Transfer

TCP s shares are maintained in book-entry form with a custodian and transfer agent, Banco ABN AMRO Real, and the transfer of shares is effected by an entry made by the transfer agent on its books, debiting the share account of the seller and crediting the share account of the purchaser against presentation of a written order of the seller or judicial authorization or order in an appropriate document that remains in the possession of the transfer agent.

Transfers of shares by a foreign investor are made in the same way and executed by such investor s local agent on the investor s behalf, except that if the original investment was registered with the *Banco Central do Brasil*, or the Central Bank, under Brazilian regulations governing foreign investment in capital markets, the foreign investor should also seek amendment, if necessary, of the appropriate electronic registration through its local agent to reflect the new ownership.

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The São Paulo Stock Exchange operates a central clearing system in which participating institutions have accounts. All shares placed into the system will be deposited in custody with the relevant stock exchange through a Brazilian institution authorized to operate by the Central Bank and having a clearing account with the relevant stock exchange. The fact that the shares are subject to custody with the relevant stock exchange will be reflected in the register of shareholders. Each participating shareholder will, in turn, be registered in the register of the beneficial shareholders to be maintained by the relevant stock exchange and will be treated in the same way as a registered shareholder.

Exchange Controls and Central Bank Registration

There are no restrictions on ownership or voting of preferred shares or common shares by individuals or legal entities domiciled outside of Brazil (other than, in the case of common shares, if they constitute a control stake of TCP).

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation that generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. These restrictions on the remittance of foreign capital abroad may hinder or prevent the holders of TCP s shares, including the preferred shares underlying TCP s ADSs, from converting dividends, distributions or the proceeds from any sale of these shares into U.S. dollars and remitting the U.S. dollars abroad. A non-Brazilian holder of shares may experience delays in effecting Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars received by the non-Brazilian holder.

There are three different mechanisms for effecting Central Bank registration, one that applies to holders of ADSs and two that apply to direct holders of TCP shares.

ADSs. The ADSs benefit from the certificate of foreign capital registration that permits The Bank of New York, as depositary, to convert dividends and other distributions with respect to preferred shares into foreign currency and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for preferred shares will then be entitled to rely on the depositary s certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain the appropriate registration, either under Resolution 2,689 of the National Monetary Council and CVM Instruction 325 or under Law No. 4,131/62, as described below.

Resolution 2,689. Investors residing outside Brazil, including institutional investors, are authorized to buy and sell equity instruments, including TCP shares, traded publicly in Brazil under Resolution 2,689 of the National Monetary Council and Instruction CVM 325. With certain limited exceptions, Resolution 2,689 investors are permitted to carry out any type of transaction in the Brazilian financial capital markets involving a security traded on a stock, future or organized over-the-counter market. Investments and remittances are made through the commercial rate exchange market. In order to become a Resolution 2,689 investor, an investor residing outside Brazil must appoint a representative in Brazil with powers to take actions relating to the investment, appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Central Bank and the CVM and through its representative, register itself with the CVM and the investment with the Central Bank. If the holder is not registered under Resolution 2,689, it may be subject to a less favorable tax treatment. See Part Five: The Merger of Shares Material Tax Considerations Brazilian Tax Considerations.

Law No. 4,131/62. Direct investors residing outside Brazil may also request registration with the Central Bank under Law No. 4,131/62, which is used by certain investors who do not wish to trade their shares publicly. Registration under Law No. 4,131/62 of preferred shares that have been previously withdrawn from TCP s ADS program is subject to the approval of the Central Bank.

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Under current Brazilian legislation, the federal government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil s balance of payments. For approximately six months in 1989 and early 1990, the federal government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil s foreign currency reserves. These amounts were subsequently released in accordance with federal government directives. The federal government may impose similar restrictions on foreign repatriations in the future.

The legislation and regulations described in this section Exchange Controls and Central Bank Registration are the same as those that apply to TCO securities.

Description of American Depositary Shares

Description of American Depositary Receipts in Respect of Preferred Shares

The following is a summary of the material provisions of the deposit agreement among TCP, the depositary, and the registered holders and beneficial owners from time to time of ADSs, pursuant to which the ADSs representing preferred shares are to be issued. This summary is subject to and qualified in its entirety by reference to the deposit agreement, including the form of ADRs attached thereto. The deposit agreement is an exhibit to this registration statement of which this prospectus is a part. Copies of the deposit agreement are available for inspection at the Corporate Trust Office of the depositary, currently located at 101 Barclay Street, New York, NY 10286, and at the office of the custodian, Banco Itaú S.A., currently located at Av. Engenheiro Armando de Arruda Pereira 707 9° andar Torre Eldoro Villela Jabaquara CEP 04344-902, São Paulo, Brazil, Attention: Superintendência de Serviços para o Mercado de Capitais. The depositary s principal executive office is located at One Wall Street, New York, NY 10286.

American Depositary Receipts

ADRs evidencing ADSs are issuable under the deposit agreement. Each ADR is in registered form and evidences a specified number of ADSs, each ADSs representing 2,500 preferred shares, deposited with the custodian and registered in the name of the depositary or its nominee. We refer to those preferred shares, together with any additional preferred shares at any time deposited or deemed deposited under the deposit agreement and any and all other securities, cash and other property received by the depositary or the custodian in respect of those preferred shares and at such time held under the deposit agreement as the deposited securities . Only persons in whose names ADRs are registered on the books of the depositary are treated by the depositary as the owners of the ADRs.

Deposit, Transfer and Withdrawal

The bylaws of TCP provide that ownership of capital generally is evidenced only by a record of ownership maintained by TCP or an accredited intermediary, such as a bank, acting as a registrar for the shares. Currently, this function is performed by TCP as registrar. Accordingly, all references to the deposit, surrender and delivery of the preferred shares refer only to book-entry transfers of the preferred shares in Brazil. All references to the deposit, surrender and delivery of the ADSs or the ADRs refer not only to the physical transfer of any certificates evidencing those ADSs but also to any book-entry transfers.

The preferred shares represented by ADSs were deposited pursuant to the deposit agreement by book-entry transfer to an account of the custodian and registered in the name of the custodian. The depositary is the holder of record on the books of the custodian of all those preferred shares.

The depositary has agreed, subject to the terms and conditions of the deposit agreement, that upon delivery (including by book-entry credit) to the custodian of the preferred shares (or evidence of rights to receive preferred shares) pursuant to appropriate instruments of transfer in a form satisfactory to the custodian and upon payment of the fees, charges and taxes provided in the deposit agreement, the depositary will

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execute and deliver at its Corporate Trust Office to, or upon the written order of, the person or persons named in the notice of the custodian delivered to the depositary or requested by the person depositing those preferred shares with the depositary, an ADR or ADRs registered in the name or names of such person or persons and evidencing any authorized number of ADSs requested by such person or persons.

The depositary will refuse to accept preferred shares for deposit whenever it is notified in writing that the deposit would result in any violation of applicable laws.

Upon surrender at the Corporate Trust Office of the depositary of an ADR for the purpose of withdrawal of the deposited securities represented by the ADSs evidenced by that ADR and upon payment of the fees of the depositary, governmental charges and taxes provided in the deposit agreement, and subject to the terms and conditions of the deposit agreement, the bylaws of TCP, the deposited securities and applicable law, the owner of that ADR will be entitled to book-entry credit with the registrar together with physical delivery, to the owner or upon the owner s order, as permitted by applicable law, of the amount of deposited securities at the time represented by the ADSs evidenced by that ADR. Any forwarding of share certificates, other securities, property, cash and other documents of title to the owner will be at the risk and expense of the owner.

Subject to the terms and conditions of the deposit agreement and any limitations that may be established by the depositary and unless requested by TCP to cease doing so, the depositary may execute and deliver ADRs before receipt of preferred shares (which we refer to as a pre-release), may deliver those preferred shares upon receipt and cancellation of ADRs that have been pre-released, whether or not the cancellation is before the termination of that pre-release or the depositary knows that the ADR has been pre-released, and may receive ADRs in lieu of preferred shares in satisfaction of a pre-release.

Each pre-release must be:

- preceded or accompanied by a written representation and agreement from the person to whom the ADRs are to be delivered that the pre-release or its customer (1) owns the preferred shares or ADRs to be remitted, (2) assigns all beneficial right, title and interest in those preferred shares or ADRs to the depositary for the benefit of the owners and (3) agrees to hold those preferred shares or ADRs for the account of the depositary until their delivery upon the depositary s request;

- at all times fully collateralized with cash or U.S. government securities;

- terminable by the depositary on not more than five business days notice; and

- subject to such further indemnities and credit regulations as the depositary deems appropriate.

The depositary will set limits on pre-release transactions to be entered into hereunder with any particular person on a case by case basis as the depositary deems appropriate. The collateral referred to in the second bullet point above will be held by the depositary for the benefit of the owner as security for the performance of the person to whom ADRs are to be delivered of its obligations to the depositary in connection with a pre-release transaction, including that person s obligation to deliver preferred shares or ADRs upon termination of a pre-release transaction.

The depositary will also limit the number of ADRs involved in pre-release transactions so that preferred shares not deposited but represented by ADSs outstanding at any time as a result of pre-releases will not exceed 30% of the ADSs outstanding (without giving effect to ADSs evidenced by ADRs outstanding as a result of the pre-release), but the depositary reserves the right to disregard that limit from time to time as it deems appropriate and may, with the prior written consent of TCP, change that limit for purposes of general application. The depositary may retain for its own account any compensation received by it in connection with the foregoing. Neither TCP nor the custodian will incur any liability to owners of ADRs as a result of these transactions.

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Dividends, Other Distributions and Rights

The depositary is required to convert into U.S. dollars, as promptly as practicable and, in any event, within one business day of receipt, all cash dividends or other distributions, net proceeds from the sale of securities, property or rights denominated in any currency other than U.S. dollars that it receives in respect of the deposited securities if permitted under applicable laws and the depositary determines that the conversion into U.S. dollars and transfer to the United States can be effected on a reasonable basis. If at the time of conversion, the resulting U.S. dollars can, pursuant to applicable law, be transferred out of Brazil for distribution, the depositary will as promptly as practicable distribute the amount received to the owner entitled thereto in proportion to the number of ADSs evidenced by that owner s ADRs without regard to any distinctions among owners on account of exchange restrictions or otherwise. The amount distributed will be reduced by any amounts to be withheld by TCP, the depositary or the custodian, including amounts on account of any applicable taxes and certain other expenses.

If conversion, transfer or distribution can be effected only with the approval or license of any government or agency thereof, the depositary will file as promptly as practicable an application for approval or license. However, the depositary will be entitled to rely upon Brazilian counsel in such matters, which counsel will be instructed to act as promptly as possible. If, pursuant to applicable law, any foreign currency received by the depositary or the custodian cannot be converted to U.S. dollars, or if any approval or license of any government or agency thereof that is required for the conversion is denied or, in the opinion of the depositary, cannot be promptly obtained at a reasonable cost, the depositary will, (1) as to the portion of the foreign currency that is convertible into U.S. dollars, make the conversion and, if permitted by applicable law, transfer the U.S. dollars to the United States and distribute them to the owners entitled thereto or, to the extent that the transfer is not permitted, hold such U.S. dollars for the benefit of the owners entitled thereto, uninvested and without liability for interest thereon and (2) as to the nonconvertible balance, if any, if requested in writing by an owner, distribute or cause the custodian to distribute the foreign currency (or an appropriate document evidencing the right to receive the foreign currency) received by the depositary or the custodian to that owner, and the depositary will hold or will cause the custodian to hold any amounts of nonconvertible foreign currency not distributed uninvested and without liability for the interest thereon for the respective accounts of the owners entitled to receive those amounts.

If TCP declares a dividend in, or free distribution of, additional preferred shares with respect to the preferred shares represented by the ADSs, the depositary may, or will if TCP so requests, distribute as promptly as practicable to the owners of outstanding ADRs entitled thereto, in proportion to the number of ADSs evidenced by their ADRs, additional ADRs evidencing an aggregate number of ADSs that represents the number of preferred shares received as that dividend or free distribution, subject to the terms and conditions of the deposit agreement including the withholding of any tax or other governmental charge and the payment of fees of the depositary.

The depositary may withhold any such distribution of ADRs if it has not received satisfactory assurances from TCP that the distribution does not require registration under the Securities Act or is exempt from registration under the provisions of the Securities Act. In lieu of delivering ADRs for fractional ADSs in the event of any dividend or free distribution, the depositary will sell the amount of preferred shares represented by the aggregate of those fractions and distribute the net proceeds in accordance with the deposit agreement. If additional ADRs are not so distributed, each ADSs will thereafter also represent the additional preferred shares distributed upon the deposited securities represented thereby.

If TCP offers, or causes to be offered, to the holders of preferred shares any rights to subscribe for additional preferred shares or any rights of any other nature, the depositary, after consultation with TCP, will have discretion as to the procedure to be followed in making such rights available to owners or in disposing of those rights for the benefit of the owners and making the net proceeds available to the owners. If, by the terms of that rights offering or for any other reason, it would be unlawful for the depositary to either make the rights available to any owners or dispose of the rights and make the net proceeds available to those owners, then the

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depositary will allow the rights to lapse. If at the time of the offering of any rights, the depositary determines in its discretion that it is lawful and feasible to make the rights available to all or certain owners, the depositary may, and at the request of TCP will, distribute to any owners to whom it determines the distribution to be lawful and feasible, in proportion to the number of ADSs held by those owners, warrants or other instruments therefor in such form as it deems appropriate.

If the depositary determines that it is not lawful or feasible to make such rights available to all or certain owners, it may, and at the request of TCP, will use its best efforts that are reasonable under the circumstances to sell the rights, warrants or other instruments in proportion to the number of ADSs held by the owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of those sales for the account of those owners otherwise entitled to such rights, warrants or other instruments or an averaged or other practical basis without regard to any distinctions among the owners because of exchange restrictions or the date of delivery of any ADR or ADRs or otherwise. The depositary will not be responsible for any failure to determine that it may be lawful or feasible to make those rights available to owners in general or any owner or owners in particular.

In circumstances in which rights would not otherwise be distributed, if an owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the ADSs of that owner, the depositary will promptly make such rights available to that owner upon written notice from TCP to the depositary that (1) TCP has elected in its sole discretion to permit the rights to be exercised and (2) the owner has executed such documents as TCP has determined in its sole discretion are reasonably required under applicable law. Upon instruction pursuant to those warrants or other instruments to the depositary from that owner to exercise such rights, upon payment by that owner to the depositary for the account of the owner of an amount equal to the purchase price of the preferred shares to be received in exercise of the rights, and upon payment of the fees of the depositary as set forth in those warrants or other instruments, the depositary will, on behalf of that owner, exercise the rights and purchase the preferred shares, and TCP will cause the preferred shares so purchased to be delivered to the depositary on behalf of that owner. As agent for that owner, the depositary will cause the preferred shares so purchased to be deposited, and will execute and deliver ADRs to that owner pursuant to the deposit agreement. Such a disposal of rights may reduce the owners proportionate equity interest in TCP.

The depositary will not offer rights to owners having an address of record in the United States unless a registration statement under the Securities Act is in effect with respect to those rights and the securities to which the rights relate or unless the offering and sale thereof to those owners are exempt from registration under the Securities Act. However, TCP will have no obligation to file a registration statement under the Securities Act to make available to owners any right to subscribe for or to purchase any of the securities.

Whenever the depositary receives any distribution other than cash, preferred shares or rights in respect of the deposited securities, the depositary will, as promptly as practicable, cause the securities or property received by it to be distributed to the owners entitled thereto, after deduction or upon payment of any fees and expenses of the depositary or any taxes or other governmental charges, in proportion to their holdings, respectively, in any manner that the depositary may deem equitable and practicable for accomplishing such distribution. However, if in the opinion of the depositary that distribution cannot be made proportionately among the owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that TCP or the depositary withhold an amount on account of taxes or other governmental charges or that the securities must be registered under the Securities Act, in order to be distributed to owners) the depositary deems the distribution not to be feasible, the depositary may, after consultation with TCP, adopt such method as it may deem equitable and practicable for the purpose of effecting the distribution, including, but not limited to, the public or private sale of the securities or property received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the depositary) will be distributed by the depositary to the owners entitled thereto as in the case of a distribution received in cash.

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In connection with any distribution to owners, TCP will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld by TCP and owing to that authority or agency by TCP; and the depositary and the custodian will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the depositary or custodian. If the depositary determines that any distribution of property other than cash (including preferred shares and rights to subscribe therefor) is subject to any tax or governmental charge that the depositary is obligated to withhold, the depositary may, by public or private sale, dispose of all or a portion of such property in the amounts and in manner as the depositary deems necessary and practicable to pay those taxes or governmental charges, and the depositary will distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes or governmental charges to the owners entitled thereto in proportion to the number of ADSs held by them, respectively.

Upon any change in nominal or par value, or split-up, consolidation or any other reclassification of deposited securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting TCP or to which it is a party, any preferred shares or other securities that will be received by the depositary or the custodian in exchange for, in conversion of, or in respect of deposited securities will be treated as new deposited securities under the deposit agreement, and ADSs will thenceforth represent, in addition to the existing deposited securities, the right to receive the new deposited securities so received in exchange or conversion, unless additional ADRs are delivered pursuant to the following sentence. In any such case the depositary may, and will if TCP so requests, execute and deliver additional ADRs as in the case of a distribution in preferred shares, or call for the surrender of outstanding ADRs to be exchanged for new ADRs specifically describing the new deposited securities.

Record Dates

Whenever any cash dividend or other cash distribution becomes payable, or whenever any distribution other than cash is made, or whenever rights are issued with respect to the deposited securities, or whenever for any reason the depositary causes a change in the number of preferred shares that are represented by each ADSs or whenever the depositary receives notice of any meeting of holders of preferred shares or other deposited securities, or whenever the depositary shall find it necessary or convenient, the depositary will fix a record date, which date shall, to the extent practicable, be either the same date as the record date fixed by TCP or, if different from the record date fixed by TCP, fixed after consultation with TCP, (1) for the determination of the owners who will be entitled to receive that dividend, distribution of rights or the net proceeds of the sale thereof or entitled to give instructions for the exercise of voting rights at any such meeting, or (2) on or after which such ADSs will represent the changed number of preferred shares, all subject to the provisions of the deposit agreement.

Voting of the Deposited Securities

Preferred shares do not entitle their holders to vote on any matter presented to a vote of shareholders of TCP except as set forth under Description of TCP Capital Stock Voting Rights Preferred Shareholders, which subsection is hereby incorporated by reference herein. Under those circumstances and if, in the future, the terms of the preferred shares are revised or amended to provide for voting rights, or if the preferred shares obtain voting rights pursuant to the Brazilian corporation law or any change in any other laws, rules, or regulations applicable to those shares or through any change in interpretation of those laws, the following will apply.

As soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of holders of preferred shares or other deposited securities, if requested in writing by TCP, the depositary will mail to all owners a notice, the form of which notice will be in the sole discretion of the depositary, containing:

- the information included in the notice of meeting received by the depositary from TCP (or a summary in English of the notice of the meeting);

PART SIX SHAREHOLDER RIGHTS

a statement that the owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Brazilian law, the bylaws and the provisions of the deposited securities, to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the preferred shares or other deposited securities represented by their respective ADSs; and

a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given or deemed given in accordance with the last sentence of the next paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by TCP.

Upon the written request of an owner on the record date received on or before the date established by the depositary for that purpose, the depositary will endeavor, insofar as practicable, to vote or cause to be voted the amount of preferred shares or other deposited securities represented by the ADSs evidenced by such ADRs in accordance with the instructions set forth in such request. The depositary may not itself exercise any voting discretion over any preferred shares. If the depositary does not receive instructions from an owner on or before the date established by the depositary for that purpose, the depositary will deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by TCP to vote the underlying preferred shares, provided that no such discretionary proxy will be given with respect to any matter as to which TCP informs the depositary that (1) TCP does not wish such proxy given, (2) substantial opposition exists or (3) the rights of holders of preferred shares will be materially and adversely affected. Under Brazilian law, the depositary may vote the preferred shares or other deposited securities represented by ADSs and evidenced by ADRs in accordance with the instructions of the owners even if those instructions differ among those owners.

Owners are not entitled to attend meetings of shareholders. An owner wishing to do so must cancel its ADRs and obtain delivery of the underlying shares, registered in the name of that owner, before the record date for attendance at the meeting.

Reports and Other Communications

The depositary will make available for inspection by owners at its Corporate Trust Office any reports and communications, including any proxy soliciting materials, received from TCP, which are both (1) received by the depositary as the holder of the deposited securities and (2) made generally available to holders of those deposited securities by TCP. The depositary will also send to owners copies of those reports when furnished by TCP pursuant to the deposit agreement. Any reports and communications furnished to the depositary by TCP will be furnished in English to the extent that those materials are required to be translated into English pursuant to any regulations of the U.S. Securities and Exchange Commission, or the SEC.

Amendment and Termination of the Deposit Agreement

The form of the ADRs and any provision of the deposit agreement may at any time and from time to time be amended by agreement between TCP and the depositary in any respect that they may deem necessary or desirable. Any amendment that imposes or increases any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that otherwise prejudices any substantial existing rights of owners, will not take effect as to the outstanding ADRs until the expiration of 30 days after notice of that amendment has been given to the owners of outstanding ADRs. Every owner and beneficial owner at the time that amendment becomes effective will be deemed, by continuing to hold that ADR, to consent and agree to the amendment and to be bound by the deposit agreement as amended thereby. In no event will any amendment impair the right of any owner to surrender its ADR and receive the preferred shares and other property represented thereby, except to comply with mandatory provisions of applicable law.

The depositary will at any time at the direction of TCP terminate the deposit agreement by mailing a notice of termination to the owners then outstanding at least 30 days before the date fixed in the notice for

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PART SIX SHAREHOLDER RIGHTS

termination. The depositary may likewise terminate the deposit agreement by mailing a notice of termination to TCP and the owners, if at any time after 60 days have expired after the depositary has delivered written notice of its election to resign to TCP, a successor depositary has not been appointed and accepted its appointment in accordance with the terms of the deposit agreement. If any ADRs remain outstanding after the date of termination, the depositary thereafter will discontinue the registration of transfer of ADRs, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the deposit agreement, except for (1) the collection of dividends and other distributions pertaining to the deposited securities, (2) the sale of rights and other property and (3) the delivery of preferred shares, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for surrendered ADRs (after deducting, in each case, the fees of the depositary for the surrender of an ADR and other expenses set forth in the deposit agreement and any applicable taxes or governmental charges).

At any time after the expiration of one year from the date of termination, the depositary may sell the deposited securities then held thereunder and hold uninvested the net proceeds of the sale, together with any other cash, unsegregated and without liability for interest, for the pro rata benefit of the owners that have not theretofore surrendered their ADRs. Those owners will then become general creditors of the depositary with respect to those net proceeds. After making such a sale, the depositary will be discharged from all obligations under the deposit agreement, except to account for net proceeds and other cash (after deducting, in each case, the fee of the depositary and other expenses set forth in the deposit agreement for the surrender of an ADR and any applicable taxes or other governmental charges) and certain indemnification obligations. Upon termination of the deposit agreement, TCP will also be discharged from all obligations thereunder, except for certain obligations to the depositary.

Charges of Depositary

The depositary will charge (to the extent permitted by applicable law) any party depositing or withdrawing preferred shares or any party surrendering ADRs or to whom ADRs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by TCP or an exchange of stock regarding the ADRs or deposited securities or a distribution of ADRs pursuant to the deposit agreement), whichever is applicable:

- taxes and other governmental charges;
- any registration fees that may from time to time be in effect for the registration of transfers of preferred shares generally on the register of TCP or the registrar and applicable to transfers of preferred shares to the name of the depositary or its nominee or the custodian or its nominee on the making of deposits or withdrawals under the deposit agreement;
- cable, telex and facsimile transmission expenses expressly provided in the deposit agreement to be at the expense of owners or persons depositing preferred shares;
- expenses incurred by the depositary in the conversion of foreign currency pursuant to the deposit agreement;
- a fee not in excess of $5.00 per 100 ADSs (or portion thereof) for the execution and delivery of ADRs pursuant to the deposit agreement and the surrender of ADRs pursuant to the deposit agreement;
- a fee for the distribution of proceeds of sales of securities or rights pursuant to the deposit agreement.

The fee described in the last bullet point may be deducted from such proceeds and will be in an amount equal to the lesser of (1) the fee for issuance of ADSs referred to above that would have been charged as a result of the deposit of those securities (for purposes of this sentence treating all such securities as if they were preferred shares) or preferred shares received in exercise of rights distributed to them pursuant to the deposit

PART SIX SHAREHOLDER RIGHTS

agreement, but which securities or rights are instead sold by the depositary and the net proceeds distributed and (2) the amount of those proceeds.

The depositary, pursuant to the deposit agreement, may own and deal in any class of securities of TCP and its affiliates and in ADRs.

Liability of Owners or Beneficial Owners for Taxes or Other Charges

If any tax or other governmental charge becomes payable by the custodian, the depositary or its nominee with respect to any ADR or any deposited securities represented by the ADSs evidenced by that ADR, that tax or other governmental charge will be payable by the owner or beneficial owner of ADR. The depositary may refuse to effect registration of transfer of the ADR or any split-up or combination thereof or any withdrawal of deposited securities underlying such ADR until that payment is made and may withhold any dividends or other distributions or may sell for the account of that owner or beneficial owner any part or all of the deposited securities underlying that ADR and may apply such dividends or distributions or the proceeds of any such sale in payment of any such tax or other governmental charge (and any taxes or expenses arising out of such sale) and the owner or beneficial owner of such ADR will remain liable for any deficiency.

Limitation on Execution, Delivery, Transfer and Surrender of ADRs

The ADRs are transferable on the books of the depositary, provided that the depositary may close the transfer books after consultation with TCP to the extent practicable at any time or from time to time when deemed expedient by it in connection with the performance of its duties or at the request of TCP.

As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADR, the delivery of any distribution thereon or the withdrawal of deposited securities, the depositary, TCP, the custodian or the registrar may require payment from the depositor of preferred shares or the presenter of the ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax, charge or fee with respect to preferred shares being deposited or withdrawn) and payment of any other applicable fees provided for in the deposit agreement. The depositary may refuse to deliver ADRs, register the transfer of any ADR or make any distribution of, or related to, the preferred shares until it has received such proof of citizenship, residence, exchange control approval, compliance with all applicable laws or regulations or other information as it may reasonably deem necessary or proper. The delivery, transfer, registration of transfer, split-up, combination and surrender of ADRs generally may be suspended or refused during any period when the transfer books of the depositary, TCP or the registrar are closed or if any such action is deemed necessary or advisable by the depositary or TCP, at any time or from time to time.

The depositary will keep books, at its Corporate Trust Office, for the registration and transfer of ADRs, which at all reasonable times will be open for inspection by the owners, provided that inspection will not be for the purpose of communicating with owners in the interest of a business or object other than the business of TCP or a matter related to the deposit agreement or the ADRs.

The depositary may upon notice to TCP appoint one or more co-transfer agents reasonably acceptable to TCP for the purpose of effecting transfers, combinations and split-ups of ADRs at designated transfer offices on behalf of the depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by owners or persons entitled to ADRs and will be entitled to protection and indemnity to the same extent as the depositary.

Limitation of Liability

Neither the depositary nor TCP nor any of their respective directors, employees, agents or affiliates will be liable to any owners or beneficial owners of ADRs if by reason of any provision of any present or future law or regulation of the United States, Brazil or any other country, or of any other governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the bylaws, or by reason of any act of God or war or other circumstance beyond its control, the depositary or TCP or any of their respective directors, employees, agents, or affiliates is prevented, delayed or forbidden from, or is subject to any civil or criminal penalty on account of, doing or performing any act or thing which by terms of the deposit agreement it is provided will be done or performed; nor will the depositary or TCP incur any liability to any owner or beneficial owner of any ADR by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the deposit agreement it is provided will or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for under the deposit agreement. Where, by the terms of a distribution pursuant to the deposit agreement, or an offering or distribution pursuant to the deposit agreement, or for any other reason, the depositary is prevented or prohibited from making such distribution or offering available to owners, and the depositary is prevented or prohibited from making such distribution or offering on behalf of such owners and making the net proceeds available to such owners, then the depositary, after consultation with TCP, will not make that distribution or offering, and will allow the rights, if applicable, to lapse.

TCP and the depositary assume no obligation, nor will they be subject to any liability, under the deposit agreement to owners or beneficial owners of ADRs, except that they agree to perform their respective obligations specifically set forth under the deposit agreement without negligence or bad faith.

Governing Law

The deposit agreement is governed by the laws of the State of New York.

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PART SEVEN ADDITIONAL INFORMATION FOR SHAREHOLDERS

PART SEVEN ADDITIONAL INFORMATION FOR SHAREHOLDERS

Where You Can Find More Information

TCP and TCO file annual reports on Form 20-F and furnish reports on Form 6-K with the SEC. You may read and copy any of these reports at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at http://www.sec.gov that contains reports and other information regarding issuers that file electronically with the SEC. You may also obtain information about TCP and TCO at their website, www.vivo.com.br.

TCP and TCO, as foreign private issuers, are exempt from the rules under the Exchange Act that prescribe the furnishing and content of proxy statements, and their officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

TCP and TCO are subject to the informational requirements of the Brazilian securities commission and the Brazilian stock exchanges and file reports and other information relating to their business, financial condition and other matters with the CVM and the Brazilian stock exchanges. You may read these reports, statements and other information at the public reference facilities maintained in São Paulo. Some TCP and TCO filings with the CVM are also available at the website maintained by the CVM at http://www.cvm.gov.br.

We have filed a registration statement on Form F-4 to register under the Securities Act the ADSs of TCP to be received in the merger of shares by holders of TCO preferred shares residing in the United States and holders of TCO ADSs. This document is part of the registration statement on Form F-4 and constitutes a prospectus of TCP. As allowed by the SEC rules, this document does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

This prospectus incorporates by reference the documents listed in Part Five: The Merger of Shares Terms of the Merger of Shares General. You can obtain documents incorporated by reference in this prospectus, as well as the valuation reports described in Part Five: The Merger of Shares Valuation Reports, through TCP, TCO or the SEC. These documents are available from TCP or TCO without charge. You may obtain these documents by requesting them in writing or by telephone at the appropriate address below:

Telesp Celular Participações S.A. Av. Roque Petroni Júnior, 1.464 Morumbi 04707-000 São Paulo, SP Brazil Telephone: 55-11-5105-1207	Tele Centro Oeste Celular Participações S.A. SCS Quadra 2 Bloco C, 226 Edifício Telebrasília Celular 7andar 70319-900 Brasília, D.F. Brazil Telephone: 55-61-3962-7001

If you are a holder of TCO ADSs, you may also contact:

The Bank of New York

101 Barclay Street
New York, NY 10286
Telephone: 1-888-BNY-ADRS

Enforceability of Civil Liabilities Under U.S. Securities Laws

We have been advised by our Brazilian counsel, Machado, Meyer, Sendacz e Opice Advogados, that a judgment of a U.S. court for civil liabilities predicated upon the federal securities laws of the United States,

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PART SEVEN ADDITIONAL INFORMATION FOR SHAREHOLDERS

subject to certain requirements described below, may be enforced in Brazil. A judgment against TCP, TCO, their respective directors and certain of their respective officers and advisors or any such person would be enforceable in Brazil without reconsideration, of the merits, upon confirmation of that judgment by the Brazilian federal supreme court. That confirmation generally will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made in accordance with Brazilian legislation;
- is not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty or public policy or good morals.

However, you cannot be certain that this confirmation will be obtained or that it will be obtained in a timely manner. In addition, you cannot be certain that a Brazilian court would enforce a monetary judgment for violations of U.S. securities laws.

We have been further advised by Machado, Meyer, Sendacz e Opice Advogados that original actions predicated on the federal securities laws of the United States may be brought in Brazilian courts and that Brazilian courts may enforce civil liabilities in such actions against each of TCP and TCO, its directors and certain of its officers and advisors.

A plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant s attorney s fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the Brazilian federal supreme court.

PART EIGHT LEGAL AND REGULATORY MATTERS

PART EIGHT LEGAL AND REGULATORY MATTERS

General

We are not aware of any of the following:

- any governmental license or regulatory permit that appears to be material to the businesses of the operating companies that might be adversely affected by the merger of shares;
- except as described below, any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the completion of the merger of shares; or
- any consent, waiver or other approval that would be required as a result of or in connection with the merger of shares, including but not limited to, any consents or other approvals under any licenses, concessions, permits and agreements to which TCP or TCO are a party that have not been obtained.

Although the approval of the merger of shares by the CVM is not a condition to the merger of shares, on December 11, 2003, the CVM sent us a letter requiring a postponement of the extraordinary general meetings to approve the merger of shares to permit the CVM additional time to analyze the legality of the proposals for the merger of shares being submitted to the shareholders of our company and TCO, and we and TCO have rescheduled the meetings from December 22, 2003 to January 7, 2004. Although we affirm that the proposed merger of shares is legal and provides equitable treatment to TCP and TCO, we cannot predict the outcome of the CVM s analysis of the transaction. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business Certain holders of TCO s preferred shares have presented complaints to the CVM, the Brazilian securities regulator, related to the terms of the merger of shares, and the CVM s review is ongoing.

The approval of the NYSE of the listing of the ADSs of TCP to be delivered in connection with the merger of shares, for which we will apply, must be obtained for such shares to be traded by the holders thereof. However, this approval is not a condition to the completion of the merger of shares.

Should any such approval or other action be required, we currently contemplate that such approval will be sought or such action will be taken, as the case may be.

We are unable to predict whether it may be necessary to delay the completion of the merger of shares pending the outcome of any approval or other action. We cannot assure you that any approval or other action, if needed, would be obtained or would be obtained without substantial conditions. In addition, we cannot assure you that if the approvals were not obtained or other actions were not taken, adverse consequences might not result to the businesses of the operating companies.

Legal Matters

We will receive an opinion from Machado, Meyer, Sendacz e Opice Advogados with respect to the validity of the preferred shares of TCP to be issued in connection with the merger of shares.

Experts

The following financial statements have been audited by Deloitte Touche Tohmatsu Auditores Independentes, independent accountants, as stated in their respective reports, which are included in this prospectus, and have been included in this prospectus in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing:

- the consolidated financial statements of TCP and its consolidated subsidiaries as of December 31, 2001 and 2002 and for each of the three years in the period ended December 31, 2002, included in this prospectus;
- the combined financial statements of Globaltelcom Telecomunicações S.A., Daini do Brasil S.A and GTPS S.A. Participações em Investimentos de Telecomunicações as of December 31, 2001 and for the

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PART EIGHT LEGAL AND REGULATORY MATTERS

period from February 6 to December 31, 2001 and January 1 to December 27, 2002, included in this prospectus;

the financial statements of Daini do Brasil S.A. as of and for the year ended December 31, 2001 and for the period from January 1 to December 27, 2002, included in this prospectus;

the financial statements of Global Telecom S.A. as of and for the year ended December 31, 2001 and for the period from January 1 to December 27, 2002, included in this prospectus; and

the financial statements of Global Telecom S.A. as of and for the year ended December 31, 2001, included in this prospectus.

The consolidated financial statements of TCO as of December 31, 2001 and 2002 and for each of the three years in the period ended December 31, 2002 included in this prospectus, have been audited by Ernst and Young Auditores Independentes S.C., independent accountants, as set forth in their report thereon included therein. Such consolidated financial statements are included in this prospectus in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of DDI do Brasil Ltda. (whose name was subsequently changed to Daini do Brasil S.A.) as of and for the years ended December 31, 1999 and 2000 and the financial statements of Global Telecom S.A. as of December 31, 2000 and for the years ended December 31, 1999 and 2000 included in this prospectus have been audited by KPMG Auditores Independentes, independent accountants, as stated in their reports, which are included therein, and have been included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information of TCO for the period ended September 30, 2003 which is included in this prospectus, Deloitte Touche Tohmatsu Auditores Independentes have conducted a review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council. However, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte Touche Tohmatsu Auditores Independentes are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

We have not authorized any person to give any information or to make any representations in connection with the merger of shares other than the information contained in this prospectus and, if any person gives other information or makes a representation in connection with the merger of shares, that information or representation must not be relied on as having been authorized by us.

This prospectus does not constitute an offer to any person in any jurisdiction in which an offer is unlawful. The offer is not being made to holders of shares in any jurisdiction in which the making or acceptance of the offer would not be in compliance with the laws of that jurisdiction. However, we may, in our sole discretion, take any action we may deem necessary to make the offer in any such jurisdiction and extend the offer to holders of shares in any jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the offer to be made by a licensed broker or dealer, the offer will be deemed to be made on our behalf by the dealer manager or one or more registered brokers or dealers licensed under the laws of the relevant jurisdiction.

The delivery of this prospectus will not, under any circumstance, create an implication that our affairs have not changed since the date as of which information is furnished or since the date of this prospectus.

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PART NINE FINANCIAL STATEMENTS

PART NINE FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Definitions:

BR CL	Accounting principles in accordance with Brazilian Corporate Law
U.S. GAAP	Accounting principles generally accepted in the United States of America

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2002 and September 30, 2003
(In thousands of Brazilian reais)

	Note	December 31, 2002	September 30, 2003
			(Unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		17,803	1,107,651
Trade accounts receivable, net	9	540,093	1,042,466
Receivable from subsidiaries and affiliates		16,256	23,139
Inventories		147,670	164,325
Recoverable taxes		225,445	357,581
Deferred income tax		173,323	248,248
Derivatives	14b	15,870	377,297
Prepaid expenses		26,379	131,203
Other current assets		6,287	28,723
Total current assets		1,169,126	3,480,633
NONCURRENT ASSETS:			
Trade accounts receivable, net	9	11,867	
Recoverable taxes		48,266	63,449
Deferred income tax		866,567	766,428
Derivatives	14b	1,738,242	874,036
Prepaid expenses		5,730	15,341
Other noncurrent assets		4,427	71,948
Total noncurrent assets		2,675,099	1,791,202
PERMANENT ASSETS:			
Goodwill, net		722,693	1,919,044
Goodwill on merged subsidiary, net		66,710	60,390
Property, plant and equipment, net		4,778,114	5,106,794
Deferred assets, net		242,574	212,436
Other		69	294
Total permanent assets		5,810,160	7,298,958
Total assets		9,654,385	12,570,793

The accompanying notes are an integral part of these consolidated financial statements.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED BALANCE SHEETS
As of December 31, 2002 and September 30, 2003
(In thousands of Brazilian reais)

	Note	December 31, 2002	September 30, 2003
			(Unaudited)
LIABILITIES, SHAREHOLDERS EQUITY AND FUNDS FOR CAPITALIZATION			
CURRENT LIABILITIES:			
Payroll and related accruals		37,436	42,619
Trade accounts payable		470,785	850,897
Taxes payable		141,720	246,222
Loans and financing	10	2,068,070	2,494,112
Dividends and interest on shareholders equity		9,570	25,101
Reserve for contingencies	11	36,590	49,354
Derivatives	14b	83,183	295,269
Payables to subsidiaries and affiliates		103,557	20,996
Deferred pre paid services revenue			124,476
Other liabilities	12	71,909	42,385
Total current liabilities		3,022,820	4,191,431
NONCURRENT LIABILITIES:			
Loans and financing	10	2,392,731	3,273,353
Reserve for contingencies	11	100,275	147,337
Taxes payable		118,720	161,163
Derivatives	14b		4,524
Other liabilities	12	7,979	546
Provision for pension plan		1,750	2,210
Total noncurrent liabilities		2,621,455	3,589,133
MINORITY INTEREST			1,241,415
SHAREHOLDERS EQUITY:			
Capital stock		4,373,661	4,373,661
Capital reserve		1,067,796	1,067,796
Accumulated deficit		(1,431,500)	(1,892,922)
Total shareholders equity		4,009,957	3,548,535
Funds for capitalization		153	279
SHAREHOLDERS EQUITY AND FUNDS FOR CAPITALIZATION		4,010,110	3,548,814
Total liabilities and shareholders equity		9,654,385	12,570,793

The accompanying notes are an integral part of these consolidated financial statements.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF LOSS
For the Nine-month Periods Ended September 30, 2002 and 2003
(In thousands of Brazilian reais except per share amounts)

		Nine-month Period Ended September 30,	
	Note	2002	2003
		(Unaudited)	(Unaudited)
NET OPERATING REVENUE	3	2,481,228	4,169,036
COST OF SERVICES AND GOODS	4	(1,188,068)	(2,070,921)
GROSS PROFIT		1,293,160	2,098,115
OPERATING EXPENSES:			
Selling expenses	5	(454,311)	(938,932)
General and administrative expenses	6	(254,914)	(392,871)
Other net operating income (expenses)	7	(52,267)	2,205
OPERATING INCOME BEFORE EQUITY IN LOSSES OF UNCONSOLIDATED AFFILIATE AND NET FINANCIAL EXPENSES		531,668	768,517
EQUITY IN LOSSES OF UNCONSOLIDATED AFFILIATE		(540,602)	
NET FINANCIAL EXPENSES	8	(448,968)	(843,017)
OPERATING LOSS		(457,902)	(74,500)
Net nonoperating income (expenses)		10,593	(4,908)
LOSS BEFORE INCOME TAXES AND MINORITY INTEREST		(447,309)	(79,408)
Income taxes		(113,428)	(228,426)
Minority interest			(154,943)
NET LOSS		(560,737)	(462,777)
Shares outstanding at September 30 (thousands)		1,171,784,352	1,171,784,352
Loss per thousand shares		(0.4785)	(0.3360)

The accompanying notes are an integral part of these consolidated financial statements.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
For the Nine-month Period Ended September 30, 2003
(In thousands of Brazilian reais)

	Capital Stock	Capital Reserve	Accumulated Deficit	Total
BALANCES AT DECEMBER 31, 2002	4,373,661	1,067,796	(1,431,500)	4,009,957
Expired dividends declared in 1999 (unaudited)			1,355	1,355
Net loss (unaudited)			(462,777)	(462,777)
BALANCES AT SEPTEMBER 30, 2003 (unaudited)	4,373,661	1,067,796	(1,892,922)	3,548,535

The accompanying notes are an integral part of these consolidated financial statements.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the Nine-month Periods Ended September 30, 2002 and 2003
(In thousands of Brazilian reais)

	Nine-month Period Ended September 30,	
	2002	2003
	(Unaudited)	(Unaudited)
SOURCES OF FUNDS:		
From operations:		
Net loss	(560,737)	(462,777)
Items not affecting working capital	777,783	1,101,050
Equity in losses of unconsolidated affiliate	540,602	
Depreciation and amortization	480,758	884,923
Monetary and exchange variations on noncurrent items, net	(261,692)	101,035
Net book value of property, plant and equipment and investments sold	11,654	10,947
Provision for (reversal of) contingencies	6,362	(57,306)
Reserve for pension plan	99	460
Deferred taxes		6,048
Minority Interest		154,943
Total from operations	217,046	638,273
From shareholder s equity:		
Capital increase	2,403,356	
From third parties:		
Loans and financing		938,767
Other sources:		
Non current taxes payable		40,268
Transfer of noncurrent to current assets	128,544	752,964
Expired dividends	4,715	1,355
Effect on working capital arising from consolidation of TCO		744,648
Total sources	2,753,661	3,116,275
USES OF FUNDS		
Property, plant and equipment	193,330	256,334
Transfer of noncurrent to current liabilities	559,017	153,111
Acquisition of TCO		1,538,593
Advanced for future capital increases	2,630,270	
Increase in deferred assets	46,642	65
Other investments		(720)
Non current ICMS recoverable		1,931
Deferred expenses and other assets		24,065
Total uses	3,429,259	1,973,379
(Decrease) increase in working capital	(675,598)	1,142,896

Represented by:		
Current assets	52,986	2,311,507
Beginning of period	947,145	1,169,126
End of period	1,000,131	3,480,633
Current liabilities	728,584	1,168,611
Beginning of period	1,319,769	3,022,820
End of period	2,048,353	4,191,431
(Decrease) increase in working capital	(675,598)	1,142,896

The accompanying notes are an integral part of these consolidated financial statements.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine-month Periods Ended September 30, 2002 and 2003
(In thousands of Brazilian reais)

	Nine-month Period Ended September 30,	
	2002	**2003**
	(Unaudited)	**(Unaudited)**
OPERATING ACTIVITIES:		
Net cash provided by operating activities	824,242	871,052
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(193,330)	(256,334)
Additions to deferred assets	(46,642)	(65)
Advances for future capital increases	(2,630,270)	
Acquisition of TCO, net of cash acquired of R$ 212,224		(1,077,171)
Cash received on marketable securities		760,426
Other		669
Net cash used in investing activities	(2,870,242)	(572,475)
FINANCING ACTIVITIES		
Loans repaid	(3,307,994)	(2,470,659)
New loans obtained	2,885,942	3,346,836
Dividends and interest on capital	(10,390)	(84,906)
Capital increase	2,403,356	
Net cash provided by financing activities	1,970,914	791,271
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(75,086)	1,089,848
CASH AND CASH EQUIVALENTS:		
At the beginning of the period	81,506	17,803
At the end of the period	6,420	1,107,651

The accompanying notes are an integral part of these consolidated financial statements.

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of Brazilian reais, unless otherwise indicated)

1. Operations and Presentation of Financial Statements

The consolidated financial statements include the accounts of Telesp Celular Participações S.A. and its subsidiaries (TCP or the Company). Intercompany transactions and balances have been eliminated. The consolidated financial statements include:

As of September 30, 2003, balances and transactions of the subsidiaries Telesp Celular S.A. (TC) and Global Telecom S.A. (GT) (which became a subsidiary on December 27, 2002), of Tele Centro Oeste Celular Participações S. A. and its subsidiaries (TCO), which became a subsidiary on April 25, 2003, and of the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. TCO s results of operations have been included as from April 25, 2003.

As of September 30, 2002, balances and transactions of the subsidiary TC and indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. GT s results for this period are reflected in the statement of loss under the equity method.

In the Company s opinion, all adjustments necessary for a fair presentation of the unaudited results of operations for the nine month periods ended September 30, 2003 and 2002, are included. All such adjustments are accruals of a normal and recurring nature. The results of operations for the period ended September 30, 2003 are not necessarily indicative of the results of operations to be expected for the full year. The accompanying consolidated financial statements are unaudited and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, as appearing in Annex AA to this prospectus.

The presentation of the consolidated financial statements is consistent with the presentation of the published financial statements of the Company in Brazil, from which the financial information was extracted, except for certain reclassifications and changes in terminology within the consolidated balance sheets and the consolidated statements of loss which have been made to conform the previously published financial statements to the presentation included herein. The financial statements as of September 30, 2002 have been reclassified, where applicable, for comparability.

Merger of the Holding Companies of GT

On December 27, 2002, the Company purchased the remaining 51% of the outstanding common stock (17% of total capital) of the holding companies Daini do Brasil S.A., Globaltelcom Telecomunicações S.A. and GTPS S.A. Participações em Investimentos de Telecomunicações which together held 100% of the capital stock of Global Telecom S.A.

As of March 31, 2003, the Company, seeking to minimize administrative and financial costs, merged these holding companies into Global Telecom S.A. With this operation, the Company became the direct owner of Global Telecom S.A.

Acquisition of Tele Centro Oeste Participações S.A. (TCO)

On April 25, 2003, under the terms of the Preliminary Contract for Purchase and Sale of Shares and of the Contract for Purchase and Sale of Shares, the Company acquired 61.10% of the voting capital and 20.37% of the total capital of TCO. The purchase price amounted to approximately R$ 1,505.6 million, equivalent to R$ 19.48719845 per thousand common shares, of which approximately R$ 1,256.4 million was paid to sellers

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as of the date of these financials statements, and the remaining balance will be paid in installments under the terms and conditions of the final contract. Additionally, the Company paid R$ 23.5 million to acquire a future obligation by TCO to issue capital stock to its previous owner and incurred costs directly related to the acquisition in the amount of R$ 9.5 million. This obligation was originally recorded by TCO as a capital reserve of R$ 25.4 million.

The Company recorded goodwill amounting to R$ 1,247,961 based on the expectation of future profitability (R$ 1,123,419, to be amortized over ten years), appreciation of the TCO operating license (R$ 89,459 to be amortized over the remaining license period) and asset appreciation of property, plant and equipment (R$ 35,083, to be amortized over the remaining useful lives of these properties). The Company began to amortize the goodwill in May 2003.

TCO is the controlling shareholder of operators Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleron Celular S.A. and Teleacre Celular S.A. and owns 100% of Norte Brasil Telecom S.A. These companies provide, through authorizations or concessions, wireless communication services in the States of Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Rondônia, Acre, Amazonas, Roraima, Amapá, Pará and Maranhão, including related services.

In accordance with Brazilian corporate law, TCP was required to make a tender offer for the acquisition of the voting minority shareholders of TCO. The price per share to be offered was equal to 80% of the price paid to the controlling shareholders, representing R$ 16.58 per thousands of common share. (Note 16)

After the conclusion of the acquisition and public tender offer, TCP intends to exchange its shares for the outstanding TCO common preferred shares. The exchange ratio offered will be 1.27 shares of TCP for each share of TCO; in the U.S. market, under the American Depositary Receipts (ADRs) program, the exchange ratio will be 1.524 ADRs of TCP for each ADR of TCO.

The acquisition of TCO is subject to approval of Brazilian antitrust authorities.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarize the book values of the assets acquired and liabilities assumed at the date of acquisition:

	April 25, 2003
	(Unaudited)
CURRENT ASSETS:	
Cash and cash equivalents	212,224
Trade accounts receivable, net	227,294
Marketable securities	760,426
Other current assets	158,429
NONCURRENT ASSETS	100,877
PERMANENT ASSETS:	
Goodwill	7,910
Property, plant and equipment, net	878,338
Deferred assets, net	30,006
CURRENT LIABILITIES:	
Trade accounts payable	(111,221)
Loans and financing	(273,030)
Other liabilities	(229,480)
NONCURRENT LIABILITIES:	
Loans and financing	(266,100)
Reserve for contingencies	(106,876)
Other liabilities	(10,156)
MINORITY INTEREST	(24,917)
NET ASSETS	1,353,724
RESERVE FOR FUTURE CAPITAL ISSUANCE	(72,191)
NET ASSETS ACQUIRED	1,281,533
PARTICIPATION OF NET ASSETS ACQUIRED	265,149
ACQUISITION OF RESERVE FOR FUTURE CAPITAL ISSUANCE	25,483
GOODWILL	1,247,961
TOTAL CONSIDERATION PAID	1,538,593

2. Summary of Principal Accounting Practices

The consolidated financial statements have been prepared in accordance with accounting practices in accordance with Brazilian corporate law, standards applicable to concessionaires of public telecommunication services, and accounting standards and procedures established by the Brazilian Securities Commission (CVM).

The principal accounting practices adopted by the Company and its subsidiaries in the preparation of the quarterly financial statements as of September 30, 2003 are the same as those described in the consolidated financial statements and for the year ended December 31, 2002, except for a change in accounting principle

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

related to prepaid services. Prior to January 1, 2003, revenues from prepaid services were recognized on a cash basis with the related costs estimated and accrued based on past gross margins. Effective January 1, 2003, the Company began to defer prepaid service revenue and amortize the deferred revenue based on subscriber airtime usage. The cumulative net effect of this change, amounting to approximately R$ 54 million, net of tax effects, was recorded as an increase in the Company s net loss on January 1, 2003. The cumulative effect of this change in accounting principle has been recorded in the related line items of the Company s consolidated statement of loss for the nine-month period ended September 30, 2003.

Additionally, starting January 1, 2003, the Company reduced the useful life of handsets loaned from 36 months to 18 months, in order to better match the terms of the related lease contracts. The effect of this change in accounting estimate resulted on increase in an depreciation expense of R$ 29,750 for the nine-month period ended September 30, 2003.

3. Net Operating Revenue

	Nine-month Periods Ended September 30,	
	2002	**2003**
	(Unaudited)	**(Unaudited)**
Monthly subscription charges	718,967	1,017,454
Use of network	856,039	1,398,224
Roaming charges	36,634	33,926
Additional call charges	43,228	46,651
Interconnection	986,522	1,765,632
Other services	29,586	163,421
Total gross revenue from services	2,670,976	4,425,308
Value-added tax on sales and services ICMS	(406,199)	(668,316)
Employees profit participation program PIS/Social contribution on billing COFINS	(97,354)	(126,741)
Service tax ISS	(57)	(470)
Discounts granted	(3,764)	(101,249)
Net operating revenue from services	2,163,602	3,528,532
Sale of handsets and accessories	479,504	988,951
Value-added tax on sales and services ICMS	(39,364)	(106,848)
Employees profit participation program PIS/Social contribution on billing COFINS	(13,523)	(28,354)
Discounts granted	(93,164)	(176,642)
Returns of goods	(15,827)	(36,603)
Net operating revenue from sales of handsets and accessories	317,626	640,504
Total net operating revenue	2,481,228	4,169,036

There are no customers which contributed more than 10% of gross operating revenues in September 2002 and 2003, except for Telecomunicações de São Paulo S.A. TELESP, a related party. Telecomunicações de

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

São Paulo S.A. TELESP is the fixed service provider for the Company s area and contributed approximately 26.26% and 19.98% of the total gross revenue for the period ended September 30, 2002 and 2003, respectively, mainly in relation to network usage charges.

4. Cost of Services and Goods

	Nine-month Periods Ended September 30,	
	2002	**2003**
	(Unaudited)	**(Unaudited)**
Personnel	(19,874)	(32,978)
Outside services	(83,226)	(128,585)
Leased lines	(55,187)	(78,885)
Rent, insurance, condominium fees	(59,231)	(66,504)
Interconnection	(172,775)	(246,742)
Taxes and contributions	(4,176)	(55,497)
Depreciation and amortization	(409,766)	(641,310)
Cost of products sold	(380,202)	(811,617)
Other	(3,631)	(8,803)
Total	(1,188,068)	(2,070,921)

5. Selling Expenses

	Nine-month Periods Ended September 30,	
	2002	**2003**
	(Unaudited)	**(Unaudited)**
Personnel	(59,227)	(98,712)
Supplies	(5,941)	(10,584)
Outside services(i)	(201,222)	(489,079)
Rent, insurance, condominium fees	(11,460)	(21,879)
Taxes and contributions	(68,248)	(79,393)
Depreciation and amortization	(24,039)	(81,469)
Allowance for doubtful accounts	(57,435)	(72,150)
Other	(26,739)	(85,666)
Total	(454,311)	(938,932)

(i) Outside services include advertising costs of R$ 50,402 and, R$ 139,296 in 2002 and 2003, respectively.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. General and Administrative Expenses

	Nine-month Periods Ended September 30,	
	2002	2003
	(Unaudited)	(Unaudited)
Personnel	(39,870)	(76,149)
Supplies	(1,840)	(4,097)
Outside services	(154,886)	(199,848)
Rent, insurance, condominium fees	(14,305)	(27,270)
Taxes and contributions	(3,300)	(3,704)
Depreciation and amortization	(40,634)	(75,047)
Other	(79)	(6,756)
Total	(254,914)	(392,871)

7. Other Net Operating Income (Expenses)

	Nine-month Periods Ended September 30,	
	2002	2003
	(Unaudited)	(Unaudited)
Late fees and penalties	12,491	24,468
Recovered expenses	717	2,494
Reserve for contingencies, net of reversal	(49,331)	48,410
Goodwill amortization	(6,319)	(63,350)
Amortization of preoperating expenses		(23,747)
Taxes other than on income	(17,961)	(35,334)
Trade discount		46,307
Other	8,136	2,957
Total	(52,267)	2,205

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Net Financial Expenses

	Nine-month Periods Ended September 30,	
	2002	2003
	(Unaudited)	(Unaudited)
Income:		
Financial income	48,511	199,473
Exchange variation	503,640	909,560
Gains on derivatives	2,529,877	
Total	3,082,028	1,109,033
Expense:		
Financial expenses	(194,477)	(638,497)
Monetary/exchange variations	(3,336,519)	(449,424)
Loss on derivatives		(864,129)
Total	(3,530,996)	(1,952,050)
Net financial expenses	(448,968)	(843,017)

9. Trade Accounts Receivable, Net

The composition of accounts receivables is as follows:

	December 31, 2002	September 30, 2003
		(Unaudited)
Unbilled amounts from services rendered	111,206	238,468
Billed amounts	212,575	341,215
Interconnection	143,899	352,390
Products sold	204,415	254,627
Allowance for doubtful accounts	(120,135)	(144,234)
Total	551,960	1,042,466
Current	540,093	1,042,466
Noncurrent	11,867	

Noncurrent receivables refer to receivables from sales of Peg&Fale (take and talk) sets. These receivables are realized through additional airtime purchases by Peg&Fale service customers and are shown net of the allowance for doubtful accounts, estimated based on past additional airtime purchases.

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PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in the allowance for doubtful accounts are as follows:

	Nine-month Periods Ended September 30,	
	2002	**2003**
	(Unaudited)	**(Unaudited)**
Balance at January 1,	103,642	120,135
Provision for doubtful accounts charged to selling expenses	57,435	72,150
Impact of initial consolidation of TCO		29,597
Write-offs	(41,950)	(77,648)
Ending balance	119,127	144,234

10. Loans and Financing

a) *Composition of Debt*

Description	Currency	Annual Interest %	December 31, 2002	September 30, 2003
				(Unaudited)
Financial institutions:				
Letter of credit	US$	13 to 17		84,471
Compror	US$	5 to 16.83	57,560	19,041
BNDES	R$	TJLP + 3.5 to 4		181,678
Finem BNDES	UMBNDES	TJLP + 4 + 3.6	698,697	568,747
Finimp	US$	3.35 to 3.45 + Libor		22,662
Finimp	US$	2 to 7 + Libor		44,111
Resolution No. 63	US$	5.0 to 16.83		1,049,635
Resolution No. 63	¥	1.05		88,387
Resolution No. 2,770	US$	US$ + 7.41 in average		2,623
Brazilian Short-term financings	R$	110 to 118 of CDI	427,000	
Brazilian Short-term financings	US$	23.7 to 31.5	371,547	
Debentures	R$	104.6% of CDI		506,750
BNDES	UMBNDES	Funding rate + 3.5		17,132
Export Development Corporation EDC	US$	3.90 to 5.0 + Libor		151,631
Floating rate notes	US$	6.75		438,510
Suppliers:				
NEC do Brasil	US$	7.30	28,721	19,803

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Description	Currency	Annual Interest %	December 31, 2002	September 30, 2003
				(Unaudited)
Affiliated companies:				
Commercial Paper	US$	9.5	1,130,656	350,808
Resolution No. 4,131		7.0 + Euribor		152,127
Resolution No. 4,131	US$	13.25		263,106
Floating rate notes		7.0 + Euribor	1,704,845	1,420,105
Financing related to acquisition of TCO	R$	108 to 117 of CDI		294,278
Other	R$	FGV Column 20		1,941
Accrued interest			41,775	89,919
Total			4,460,801	5,767,465
Current			2,068,070	2,494,112
Noncurrent			2,392,731	3,273,353

TJLP Brazilian long-term interest rate.

UMBNDES BNDES monetary unit based on the average cost of the BNDES s currency basket. The currency basket is a bundle of BNDES debt obligation in foreign currency.

CDI Interbank interest rate.

FGV Column inflation index calculated by *Fundação Getúlio Vargas*.

b) Repayment Schedule

The long-term portion of loans and financing matures as follows:

Year	September 30, 2003
	(Unaudited)
2004	1,943,052
2005	314,195
2006	153,448
2007	352,317
2008	510,341
Total	3,273,353

c) ***Additional Information***

As of September 30, 2003, GT was not in compliance with the financial result, debt service coverage and ratio of stockholders equity over assets covenants related to a loan from the National Bank for Economic and Social Development (BNDES), the balance of which was R$ 278,894 (R$ 336,447 in 2002). No adjustment has been made in these financial statements since waivers on noncompliance with these covenants have been obtained covering a period of one year from December 31, 2002.

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TC s loans and financing in local currency includes R$ 296,878 at September 30, 2003 (R$ 371,045 in 2002), which represent liabilities to BNDES and are secured by customer receivables.

TCO s loans and financing in local currency includes R$ 199,788 at September 30, 2003 of liabilities to BNDES. In the event of default, the BNDES loans are secured by TCO s receivables and TCO is required to pledge CDBs (Bank Deposit Certificates) in the amount of the installments due.

TCO has loans with the BNDES and with the Export Development Corporation (EDC), the balances of which at September 30, 2003 were R$ 199,788 and R$ 154,276, respectively. As of the date of these financial statements, TCO was in compliance with all loan covenants related to these loans.

The Company entered into derivatives contracts to protect against the currency risk on foreign currencies denominated loans, as described in Note 14.

11. Reserve for Contingencies

The Company and its subsidiaries are parties to certain lawsuits involving labor, tax and civil matters. Management has recognized reserves for cases in which the likelihood of an unfavorable outcome is considered probable by its legal counsel.

Components of the reserves are as follows:

	December 31, 2002	September 30, 2003
		(Unaudited)
ICMS on activation fees and other services (b.1)	86,120	36,346
PIS/COFINS (b.2)	20,280	32,162
Additional per call and roaming (c.1)	15,077	3,770
Taxes on fringe benefits (b.3)	4,261	4,675
Loans from TELEBRÁS (c.2)		92,194
Other	11,127	27,544
Total	136,865	196,691
Current	36,590	49,354
Noncurrent	100,275	147,337

The changes in the reserve for contingencies are as follows:

	Nine-month Periods Ended September 30, 2002	Nine-month Periods Ended September 30, 2003
	(Unaudited)	(Unaudited)
Balance at January 1,	109,508	136,865
Additional provision, net of reversal	49,331	(48,410)
Monetary variation		2,782
Payments, net of reclassifications	(8,697)	(1,422)

Impact of initial consolidation of GT and TCO		106,876
Total	150,142	196,691

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

a. Potential Litigation

Telebrás and Telesp, the legal predecessors of the Company and Telesp Celular S.A., respectively, are defendants in a number of legal proceedings and subject to certain other claims and contingencies. Liability for any claims arising out of acts committed by Telesp prior to the effective date of the spin-off of Telesp s cellular assets and liabilities to Telesp Celular S.A. remains the responsibility of Telesp, except for those liabilities for which specific accounting provisions have been assigned to Telesp Celular S.A. Any claims against Telesp which are not satisfied by Telesp could result in claims against Telesp Celular S.A. to the extent that Telesp Celular S.A. has received assets which might have been used to settle those claims had they not been spun off from Telesp. Under the terms of the breakup of Telebrás, the liability for any claims arising out of acts committed by Telebrás prior to the effective date of the breakup remains the responsibility of Telebrás, except for labor and tax claims (in which case Telebrás and the New Holding Companies are jointly and severally liable) and any liability for which specific accounting provisions have been assigned to the Company. Creditors of Telebrás may challenge this allocation of liability. Management believes that the chances of any such claims materializing and having a material adverse financial effect on the Company are remote and, therefore, no provision has been recorded.

b. Tax Claims

b.1 ICMS on Activation Fees and Other Services

On June 19, 1998, the Revenue Secretaries of the individual Brazilian states approved an agreement interpreting existing Brazilian tax law and broadening the application of the ICMS, a State value-added tax, to cover not only telecommunication services but also other services, including cellular activation fees, which had not been previously subject to such tax. Pursuant to this new interpretation of tax law, the ICMS tax may be applied retroactively for such services rendered during the last five years.

Management believes that the attempt by the State Revenue Secretaries to extend the scope of ICMS tax to services which are supplementary to basic telecommunication services is unlawful because: (a) the State Secretaries acted beyond the scope of their authority, (b) their interpretation would subject certain services to taxation which are not considered telecommunication services, and (c) new taxes may not be applied retroactively. In addition, the Company believes that Telecomunicações de São Paulo S.A. TELESP, the legal predecessor of TC, and the companies that are predecessors of the operators controlled by TCO would be liable for any obligation in connection with any claim arising out of the retroactive application of the ICMS tax on activation fees for periods prior to 1998.

In connection with a lawsuit filed by Teleamazon Celular, another wireless operating company, the Higher Justice Court (Superior Tribunal de Justiça) issued a final decision, ruling that the ICMS tax could not be assessed on activation fees. Based on this decision, the activation fees of Teleamazon Celular are not classified as a telecommunication service and therefore, are not be subject to the ICMS as required by the state public finance authorities. Based on this decision and the opinion of Company s legal counsel, the Company reversed reserves related to ICMS on activation fees amounting to R$ 68,516 that were recorded on December 31, 2002.

In the period from August 1999 to December 2001, GT was granted a tax benefit which reduced ICMS payable in the State of Santa Catarina, according to article 7 of the ICMS tax regulations/ Santa Catarina. However, article 30 of the regulations provides for the reversal of credits in excess of benefits used. The reserve recorded as of September 30, 2003 was R$ 8,295 (R$ 4,800 as of December 31, 2002).

PART NINE FINANCIAL STATEMENTS

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TC, based on the opinion of its legal counsel, recorded a provision in the amount of R$ 28,051 (R$ 12,804 in 2002) related to ICMS on handsets sold for which an unfavorable outcome is probable.

b.2 PIS/COFINS (Taxes on Revenue)

TC and TCO are parties to two lawsuits: the first challenges the increase in the COFINS rate and the second the change in the calculation basis of PIS and COFINS. Amounts for the COFINS rate increase have been totally accrued while the effect of the expansion of the PIS and COFINS calculation basis has not been accrued, based on legal counsel s opinion as to the chances of success in that litigation.

The amount reserved as of September 30, 2003 was R$ 32,162 (R$ 20,280 as of December 31, 2002).

b.3. Taxes on Fringe Benefits

The company, based on the opinion of its legal counsel, has recorded a provision in the amount of R$ 4,675 (R$ 4,261 in 2002) related to income taxes on fringe benefits for which an unfavorable outcome is probable.

b.4. Tax Credits

Under certain conditions, Brazilian law permits companies to benefit from tax credits related to the amortization of goodwill. Despite this fact, an action was filed on December 16, 1999 against ANATEL and the holding companies created as a result of the Breakup of Telebrás, including TCP, that have undergone a corporate restructuring to recognize tax credits to offset premiums paid by their controlling shareholders at the time of their acquisition. Based on the opinion of external legal counsel, an unfavourable outcome related to this action is possible. On September 30, 2003 the total benefit utilized from tax credits related to the amortization of goodwill was R$ 298,924 (R$ 219,904 on December 31, 2002).

c. Other Matters

c.1. Additional per Call and Roaming

The Company is involved in judicial processes resulting from the charge for additional per call (AD) and roaming (DSL-I) related to certain alternative service plans. The amount of the provision at September 30, 2003 was R$ 3,770 (R$ 15,077 on December 31,2002). Telesp Celular has already suspended the billing of AD and DSL-I in the intra-area region.

c.2. Loans from TELEBRÁS

This item corresponds to original loans from Telecomunicações Brasileiras S.A. TELEBRÁS, that, according to Attachment II to the Spin-off Report dated February 28, 1998, approved by the Shareholders Meeting held in May 1998, and in the opinion of the TCO s management, should be allocated to the respective controlling companies of Telegoiás and Telebrasília Celular S.A. Based on management s understanding that there was an error in the allocation of the loans upon the spin-off, TCO suspended payment on the loans and is restating the loans based on the general market price index (IGP-M) plus 6% in annual interest.

In June 1999, TCO filed a lawsuit claiming that all assets corresponding to these loans and financing liabilities are owned by TCO, as well as the accessory items of these assets, and also claiming for indemnities for the installments paid. In November 1999, management decided to transfer to the holding company the

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liability arising from the loan originally payable to Telecomunicações Brasileiras S.A. TELEBRÁS, since the liability was absorbed in the spin-off process. On August 1, 2001, a court decision was made dismissing the TCO s claims in the declaratory action; however, on October 8, 2001, TCO filed an appeal, which has not yet been judged.

In the opinion of the Company s legal counsel, the chances of an unfavorable outcome regarding these contingencies is probable as to the merit of the claim and possible as to the restatement index. The Company has recorded an accrual amounting to R$ 92,194 representing the original loan amount, restated for IGP-M plus 6% in annual interest. The difference between the original contractual rates and the restatement index used to estimated the accrual amounted to R$ 35,205 as of September 30, 2003 has not been recorded.

c.3. Ownership of the Caller ID

TCP together with other Brazilian mobile telecommunications operators, were summoned to defend in a legal action filed by Lune Projetos Especiais Telecomunicação Comércio Ind. Ltda., or Lune, pursuant to which Lune claims to be the owner of patents relating to Equipamento Controlador de Chamadas Entrantes e do Terminal Telefônico, or Caller ID, and also that the mobile telecommunications operators are using the patent without proper authorization. Therefore, Lune demands that the operators cease to provide Caller ID services and that it should be indemnified for the unauthorized use of the Caller ID system, upon payment of fees received by the operators in consideration for the use of the system by their customers.

Based on the opinion of the Company s management and external legal counsel, an unfavorable outcome related to this lawsuit is possible. The indemnification allegedly due by the mobile operators currently can not be accurately calculated, due to the fact that the cost of the caller ID service provided by the companies has never before been calculated separately.

c.4. Validity of the Minutes in the Prepaid Plans

Telesp Celular and Global Telecom are the defendants in a lawsuit brought by the federal public prosecutor s office and associations for consumers protection which challenged the imposition of a deadline for the use of purchased prepaid minutes. The plaintiffs allege that any purchased prepaid minutes should not have a time limitation for usage. This lawsuit is still in its initial stages. Based on the opinion of the Company s management and external counsel, an unfavorable outcome related to this lawsuit is possible. The Company is currently unable to estimate a range of possible loss related to this claim.

c.5. Adjustment of Tariffs

Telesp Celular increased its promotional tariffs to new tariffs, which are within the limits established by ANATEL. The prosecutor alleges that, according to Brazilian law, tariffs cannot be increased within a twelve-month period. The adjustment affected by Telesp Celular was effected in a nine-month period, allegedly in contravention to Brazilian law. The Company s management believes that such tariff adjustments were lawful, but based on external counsel s opinion, an unfavorable outcome related to this lawsuit is possible. The indemnification allegedly due cannot be accurately estimated due to the fact that the Company has been unable to determine the final number of plaintiffs at this time.

c.6. Tariffs Charged by the Baby Plan

TC and GT are defendants in lawsuits brought by an association for consumers protection called ANADEC which challenges the way airtime is calculated in the Baby prepaid plan. Management believes

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that the criteria are in strict compliance with the ANATEL rules. In March 2001, a São Paulo lower court ruled in the TC lawsuit that the criteria adopted violated the Brazilian consumer protection code and that, TC would have to reimburse its customers the amounts established by the court. TC considers this decision to be contrary to ANATEL s regulations. TC has appealed this decision. The lawsuit involving GT is in its initial stages. The amount of damages should TC and GT fail in their defense cannot be accurately estimated due to the fact that the final number of plaintiffs at this time is uncertain. Based on the opinion of external legal counsel , an unfavorable outcome related to this lawsuit is possible.

12. Other Liabilities

	December 31, 2002	September 30, 2003
		(Unaudited)
Premium on sale of call option(a)	19,910	11,946
Network costs and customer discounts(b)	53,290	7,463
Accrual for customer loyalty program(c)	6,241	8,273
Liabilities with customers		9,829
Other	447	5,420
Total	79,888	42,931
Current	71,909	42,385
Non current	7,979	546

(a) In 2000, TC sold options to purchase US$300,000,000 at a price of R$ 2.25 to US$1.00 that mature on September 24, 2004. The premium received is being amortized to income over the life of contracts, on the accrual basis.

(b) As of December 31, 2002 this amount related mainly to the cost of services to be provided in connection with prepaid services revenues which was previously recognized on a cash basis (Note 2). As of September 30, 2003 the amount relates solely to customer discounts.

(c) GT and TCO have a customer loyalty program whereby the customer makes calls and earns points redeemable for prizes (handsets, call minutes, points in TAM airline loyalty program, and others). The points expire in 24 months. Accumulated points are accrued when granted, considering redemption prospects based on the consumption profile of participant customers. The accrual is reduced when points are redeemed by customers.

13. Transactions with Related Parties

The principal transactions with unconsolidated related parties are as follows:

(a) Use of network and long-distance (roaming) cellular communication These transactions involve companies owned by the same Group: Telecomunicações de São Paulo S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A. and Celular CRT S.A. This group became a related party on December 27, 2002 as a result of the joint venture describe in Note 1 of the consolidated financial statements for the year ended December 31, 2002, as appearing in Annex AA to this prospectus. The table below includes balances and transaction with these companies for all periods presented. These transactions were established based on contracts between Telebrás and the operating concessionaires before privatization under the terms established by ANATEL. These transactions also

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include clearing services to Telecomunicações Móveis Nacionais TMN customers regarding roaming services in the Company s network. Beginning 2002, Telecomunicações de São Paulo S.A., in place of Embratel, provides long-distance services to operators.

(b) Corporate management advisory Represents Company payables in connection with corporate management advisory services provided by PT SGPS.

(c) Loans and financing Represents intercompany loans with companies of the Portugal Telecom group.

(d) Services provided The following services are provided by Group companies:

Corporate services centralized at Telerj Celular S.A., transferred to subsidiaries at the cost effectively incurred.

Call center services, provided by Dedic, to users of TC and GT telecommunication services.

System development and maintenance services provided by PT Inovação.

The commercial conditions of these transactions are based on the usual market practices applied to the Companies other contracts with third parties. A summary of balances and transactions with unconsolidated related parties is as follows:

	December 31, 2002	September 30, 2003
		(Unaudited)
Assets:		
Trade accounts receivable	106,377	140,520
Receivables from subsidiaries and affiliates	16,256	23,139
Liabilities:		
Trade accounts payable	21,972	146,068
Loans and financing	2,855,232	2,214,249
Payables to subsidiaries and affiliate	103,557	20,996

	Nine-month Periods Ended September 30,	
	2002	2003
	(Unaudited)	(Unaudited)
Statement of loss:		
Revenue from telecommunication services	870,036	1,071,902
Cost of services provided	(177,470)	(136,414)
Selling expenses	(32,521)	(58,270)
General and administrative expenses	(40,169)	(79,009)
Financial income (expenses), net	(1,646,929)	80,215
Other operating income (expenses), net	6,531	

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14. Financial Instruments and Risk Management

a) Risk Considerations

TCP is the controlling shareholder of TC, GT and TCO, which is the controlling shareholder of operators Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleron Celular S.A. and Teleacre Celular S.A. and holds 100% of Norte Brasil Telecom S.A. These operators provide cellular mobile services in the States of São Paulo, Paraná, Santa Catarina, Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Acre, Rondônia, Amazonas, Roraima, Amapá, Pará and Maranhão, respectively, in accordance with the terms of licenses granted by the Federal Government. All these operators are also engaged in the purchase and sale of handsets through their own sales network as well as distribution channels, thus fostering their essential activities.

The major market risks to which TC, GT and TCO are exposed include:

Credit risk: arising from any difficulty in collecting accounts related to telecommunication services provided to customers and revenues from the sale of handsets by the distribution network.

Interest rate risk: resulting from debt and premiums on derivative instruments contracted at floating rates and involving the risk of interest expenses increasing as a result of an unfavorable upward trend in interest rates (primarily LIBOR, EURIBOR, TJLP and CDI).

Currency risk: related to debt and premiums on derivative instruments contracted in foreign currency and associated with potential losses resulting from adverse exchange rate movements.

Since they were formed, TC, GT and TCO have been actively managing and mitigating risks inherent in their operations by means of comprehensive operating procedures, policies and initiatives.

Credit Risk

Credit risk from providing telecommunication services is minimized by strictly monitoring the Company s customer portfolio and actively addressing delinquent receivables by means of clear policies relating to the concession of postpaid services.

Of TC s customers, 78.3% use prepaid services that require pre-loading, thus not representing a credit risk to the Company. Delinquent receivables in the nine months of 2003 represented 3.38% of gross revenue (1.78% as of September 30, 2002). Of GT s customers, 19.8% use postpaid services; delinquent receivables represented 2.04% in the first nine months of 2003 (2.71% as of September 30, 2002). Of TCO s customers, 27.0% use postpaid services; delinquent receivables represented 2.2% in May to five-month period from September 2003 (2.4% in the same period of 2002).

Credit risk from the sale of handsets is managed by following a conservative credit granting policy which encompasses the use of advanced risk management methods that include applying credit scoring techniques, analyzing the potential customer s balance sheet, and making inquiries of credit protection agencies databases. In addition, an automatic control has been implemented in the sales module for releasing products which is integrated with the distribution module of TC s ERP system for consistent transactions. Delinquent receivables represented 1.76% of handset sales for TC for the first nine months of 2003 (9.0% as of September 30, 2002). At GT, delinquent receivables represented 2.62% of handset sales for the first nine months of 2003 (0.3% as of September 30, 2002). At TCO, delinquent receivables represented only about 0.49% of handset sales from May to September 2003 (0.31% in the same period in 2002).

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Interest Rate Risk

The Company is exposed to interest rate risk, especially interest associated with the cost of CDI rates, due to its derivative transactions and short-term borrowings in Brazilian reais. As of September 30, 2003, these operations amounted to R$ 3,397,350.

The Company is also exposed to fluctuations in TJLP and UMBNDES on financing obtained from BNDES. As of September 30, 2003, these operations amounted to R$ 774,583.

Foreign currency-denominated loans are also exposed to interest rate risk associated with foreign loans. As of September 30, 2003, these operations amounted to US$284,709 and 460,620.

The Company has not entered into derivative operations to hedge against these risks.

Currency Risk

TC, GT and TCO utilize derivative financial instruments to protect against currency risk on foreign currency-denominated loans. Such instruments usually include swap, option and forward contracts.

The Company s net exposure to currency risk as of September 30, 2003 is shown in the table below:

	US$	¥	
Loans and financing	860,158	3,391,564	466,121
Derivatives instruments (notional amounts)	974,367	3,369,159	460,486
Net exposure	(114,209)	22,405	5,635

During the first nine months of 2003, the Company contracted operations to hedge its foreign-currency commitments against exchange variations (such as the BNDES basket of currencies, leasing, long-term hedging inefficiency, and suppliers).

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