

TELESP CELLULAR HOLDING CO /ADR/

Form 6-K

November 22, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of November, 2005

Commission File Number 1-14493

TELESP CELULAR PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

Telesp Cellular Holding Company

(Translation of Registrant's name into English)

Av. Roque Petroni Jr., no.1464, 6th floor part, "B"building
04707-000 - São Paulo, SP
Federative Republic of Brazil
(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Telesp Celular Participações S.A.

Financial Statements for the Nine-month
Period Ended September 30, 2005 and
Independent Auditors' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REVIEW REPORT

To the Management and Shareholders of

Telesp Celular Participações S.A.

São Paulo - SP

1. We have performed a special review of the Quarterly Information of Telesp Celular Participações S.A. and subsidiaries referring to the quarter and nine-month period ended September 30 , 2005, prepared under the responsibility of management and according to Brazilian accounting practices, consisting of the balance sheets, individual and consolidated, the related statements of operations and the performance report .
2. We conducted our review in accordance with the specific standards established by Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, and consisted principally of: (a) inquiries of and discussions with the persons responsible for the accounting, financial and operating areas of the Company and its subsidiaries as to the criteria adopted in preparing the Quarterly Information; and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiaries .
3. Based on our special review, we are not aware of any material modifications that should be made to the above-mentioned Quarterly Information for it to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission, specifically applicable to the preparation of the mandatory Quarterly Information .
4. We had previously reviewed the individual and consolidated balance sheets as of June 30 , 2005 and the individual and consolidated statements of operations for the quarter and nine-month period ended September 30, 2004, presented for comparative purposes , on which we issued unqualified special review reports, dated July 25, 2005 and October 27, 2004, respectively.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil .

São Paulo , October 26, 2005

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Domingos do Prado
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TELESP CELULAR PARTICIPAÇÕES S.A.
BALANCE SHEETS AS OF SEPTEMBER 30 AND JUNE 30, 2005
(In thousands of Brazilian reais - R\$)

| ASSETS | Company | | Consolidated | |
|------------------------------------|-----------|-----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 30 | 1,442 | 45,673 | 61,635 |
| Financial investments | 38 | 21,562 | 1,154,972 | 1,057,506 |
| Trade accounts receivable, net | - | - | 1,530,070 | 1,552,603 |
| Inventories | - | - | 354,927 | 335,424 |
| Advances to suppliers | - | - | 28,404 | 37,242 |
| Interest on capital and dividends | 62,114 | 62,114 | - | - |
| Deferred and recoverable taxes | 18,155 | 18,010 | 837,348 | 832,575 |
| Prepaid expenses | 807 | 807 | 206,401 | 265,838 |
| Derivative contracts | - | - | 273,566 | 17 |
| Other assets | 14,500 | 14,717 | 95,726 | 124,440 |
| | 95,644 | 118,652 | 4,527,087 | 4,267,280 |
| NONCURRENT ASSETS | | | | |
| Deferred and recoverable taxes | 342,092 | 330,358 | 1,350,572 | 1,284,182 |
| Derivative contracts | - | - | - | 305,060 |
| Prepaid expenses | 3,540 | 3,743 | 24,476 | 30,483 |
| Other assets | 1,946 | 1,946 | 63,248 | 75,536 |
| | 347,578 | 336,047 | 1,438,296 | 1,695,261 |
| PERMANENT ASSETS | | | | |
| Investments | 7,360,812 | 7,436,466 | 1,651,305 | 1,862,893 |
| Property, plant and equipment, net | 321 | 336 | 5,725,215 | 5,771,369 |

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| | | | | |
|-----------------------|-----------|-----------|-----------|-----------|
| Deferred charges, net | - | - | 189,191 | 200,700 |
| | 7,361,133 | 7,436,802 | 7,565,711 | 7,834,962 |

| | | | | |
|--------------|-----------|-----------|------------|------------|
| TOTAL ASSETS | 7,804,355 | 7,891,501 | 13,531,094 | 13,797,503 |
|--------------|-----------|-----------|------------|------------|

| LIABILITIES AND SHAREHOLDERS' EQUITY | Company | | Consolidated | |
|--------------------------------------|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |

CURRENT LIABILITIES

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Payroll and related accruals | 945 | 828 | 87,677 | 72,003 |
| Trade accounts payable | 4,734 | 11,758 | 1,079,883 | 1,403,370 |
| Taxes payable | 539 | 464 | 352,624 | 329,331 |
| Loans and financing | 1,036,134 | 811,028 | 1,640,020 | 1,623,889 |
| Interest on capital and dividends payable | - | - | 81,136 | 81,228 |
| Reserve for contingencies | 65,108 | 63,068 | 147,156 | 139,794 |
| Derivative contracts | 358,749 | 302,601 | 505,974 | 418,712 |
| Other liabilities | 22,708 | 22,673 | 189,926 | 193,670 |
| | 1,488,917 | 1,212,420 | 4,084,396 | 4,261,997 |

LONG-TERM LIABILITIES

| | | | | |
|---------------------------|-----------|-----------|-----------|-----------|
| Loans and financing | 1,849,628 | 1,992,151 | 3,309,843 | 3,255,641 |
| Reserve for contingencies | 257 | 247 | 212,181 | 207,626 |
| Taxes payable | - | - | 177,139 | 176,225 |
| Derivative contracts | 149,635 | 155,492 | 323,418 | 293,307 |
| Other liabilities | - | - | 39,221 | 39,221 |
| | 1,999,520 | 2,147,890 | 4,061,802 | 3,972,020 |

| | | | | |
|--------------------|---|---|-----------|-----------|
| MINORITY INTERESTS | - | - | 1,068,852 | 1,032,169 |
|--------------------|---|---|-----------|-----------|

SHAREHOLDERS' EQUITY

| | | | | |
|---------------------|-------------|-------------|-------------|-------------|
| Capital | 6,670,152 | 6,427,557 | 6,670,152 | 6,427,557 |
| Capital reserves | 793,396 | 1,035,991 | 793,396 | 1,035,991 |
| Accumulated deficit | (3,147,783) | (2,932,510) | (3,147,783) | (2,932,510) |
| | 4,315,765 | 4,531,038 | 4,315,765 | 4,531,038 |

| | | | | |
|--------------------------|-----|-----|-----|-----|
| FUNDS FOR CAPITALIZATION | 153 | 153 | 279 | 279 |
|--------------------------|-----|-----|-----|-----|

| | | | | |
|--|-----------|-----------|------------|------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 7,804,355 | 7,891,501 | 13,531,094 | 13,797,503 |
|--|-----------|-----------|------------|------------|

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TELESP CELULAR PARTICIPAÇÕES S.A.
STATEMENTS OF OPERATIONS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004
(In thousands of Brazilian reais - R\$)

| | Company | | Consolidated | |
|---|-----------|-----------|--------------|-------------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| GROSS OPERATING REVENUE | | | | |
| Telecommunications services | - | - | 6,098,129 | 5,773,519 |
| Sale of products | - | - | 1,389,910 | 1,346,040 |
| | - | - | 7,488,039 | 7,119,559 |
| Deductions from gross revenue | - | - | (1,996,294) | (1,731,754) |
| NET OPERATING REVENUE | - | - | 5,491,745 | 5,387,805 |
| Cost of services provided | - | - | (1,316,067) | (1,171,708) |
| Cost of products sold | - | - | (1,163,606) | (1,181,630) |
| GROSS PROFIT | - | - | 3,012,072 | 3,034,467 |
| OPERATING REVENUE (EXPENSES) | | | | |
| Selling expenses | - | - | (1,790,855) | (1,318,632) |
| General and administrative expenses | (7,163) | (6,001) | (455,131) | (506,130) |
| Other operating expenses | (261,612) | (144,577) | (471,603) | (281,880) |
| Other operating revenue | 8,365 | 728 | 184,630 | 129,952 |
| Equity pick-up | 91,465 | 400,434 | - | - |
| | (168,945) | 250,584 | (2,532,959) | (1,976,690) |
| OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES) | (168,945) | 250,584 | 479,113 | 1,057,777 |
| Financial expenses | (694,537) | (993,653) | (1,467,901) | (1,481,744) |
| Financial income | 264,474 | 484,073 | 783,976 | 730,402 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Interest on capital receivable | - | 274,068 | - | - |
| OPERATING INCOME (LOSS) | (599,008) | 15,072 | (204,812) | 306,435 |
| Nonoperating income | 7,385 | 3,490 | 12,044 | 1,411 |
| INCOME BEFORE TAXES AND MINORITY INTERESTS | (591,623) | 18,562 | (192,768) | 307,846 |
| Income and social contribution taxes | - | - | (265,847) | (293,968) |
| Minority interests | - | - | (133,008) | (269,384) |
| INCOME (LOSS) BEFORE REVERSAL OF INTEREST ON CAPITAL | (591,623) | 18,562 | (591,623) | (255,506) |
| Reversal of interest on capital | - | (274,068) | - | - |
| LOSS FOR THE PERIOD | (591,623) | (255,506) | (591,623) | (255,506) |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

(In thousands of Brazilian reais - R\$, unless otherwise indicated)

1 OPERATIONS

Telesp Celular Participações S.A. ("TCP" or "Company") is a publicly-traded company which, as of September 30, 2005, is controlled by Brasilcel N.V. (57.23% of total capital) and Portelcom Participações S.A. (8.86% of total capital), which is a wholly-owned subsidiary of Brasilcel N.V.

Brasilcel N.V. is jointly controlled by Telefónica Móviles, S.A. (50% of total capital), PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.999% of total capital), and Portugal Telecom, SGPS, S.A. (0.001% of total capital).

TCP is the controlling company of the operators Telesp Celular S.A. ("TC"), Global Telecom S.A. ("GT") and Tele Centro Oeste Celular Participações S.A. ("TCO"), which provide mobile telephone services in the States of São Paulo, Paraná and Santa Catarina and the Federal District, respectively, including activities necessary or useful to perform the services, in accordance with the licenses granted to them.

The licenses granted to TC, GT and TCO are valid until August 5, 2008, April 8, 2013 and July 24, 2006, respectively, and are renewable, once only, for a 15-year term, by paying annual charges equivalent to approximately 1% of the annual revenues of the operators.

Additionally, TCO fully controls the following operators:

| Subsidiaries | TCO | | Term of license |
|---------------------------|--------------|---|-----------------|
| | interest - % | Operating area | |
| Telegoiás Celular S.A. | 100 | Goiás and Tocantins | 10.29.08 |
| Telemat Celular S.A. | 100 | Mato Grosso | 03.30.09 |
| Telems Celular S.A. | 100 | Mato Grosso do Sul | 09.28.09 |
| Teleron Celular S.A. | 100 | Rondônia | 07.21.09 |
| Teleacre Celular S.A. | 100 | Acre | 07.15.09 |
| Norte Brasil Telecom S.A. | 100 | Amazonas, Roraima, Amapá, Pará and Maranhão | 11.29.13 |

The business of the subsidiaries, including the services they may provide, is regulated by the National Telecommunications Agency (Agência Nacional de Telecomunicações - ANATEL), the telecommunications regulatory agency, in accordance with Law No. 9,472, of July 16, 1997, and respective complementary regulations, decrees, rulings and plans

On March 28, 2005, the Board of Directors of TCO approved the corporate restructuring of Teleacre, Telegoiás, Teleron and Telems, by merging with the Company, and Telemat, by merging with the subsidiary TCO IP S.A. ("TCO IP"). The restructuring proposals were presented to ANATEL on June 7 and 27, 2005, respectively.

The objective of this operation was to obtain financial and operational benefits, among others, with a reduction in administrative costs and publications, as well as rationalization of accounting procedures.

2 PRESENTATION OF THE FINANCIAL STATEMENTS

The individual (Company) and consolidated quarterly information ("ITR") is presented in thousands of Brazilian reais (except where otherwise mentioned) and was prepared in accordance with Brazilian accounting practices, which include the accounting practices derived from Brazilian corporate law, regulations applicable to the public telecommunications service concessionaires and accounting regulations and procedures established by the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM).

The consolidated ITR includes, in addition to the Company's balances and transactions, the balances and transactions of subsidiaries TC, GT and TCO and of the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas Ltd. In the consolidation, all balances and transactions between the Companies stated above were eliminated.

These ITR were prepared in accordance with principles, practices and criteria consistent with those adopted in preparing the financial statements of the last fiscal year and should be analyzed together with those statements.

The financial statements referring to June 30, 2005 and September 30, 2004 were reclassified, where applicable, for comparison purposes.

3 FINANCIAL INVESTMENTS

| | Company | | Consolidated | |
|-----------------------|----------|----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Financial investments | 38 | 21,562 | 1,154,972 | 1,057,506 |

The short-term financial investments refer principally to fixed-income investments, indexed to interbank deposit (CDI) rates, with immediate liquidity.

As of September 30, 2005, the subsidiary TCO had financial investments of R\$160,051 (R\$124,848 as of June 30, 2005), pledged in guarantee of lawsuits.

4 TRADE ACCOUNTS RECEIVABLE, NET

| | Consolidated | |
|-------------------------------------|--------------|------------|
| | 09.30.05 | 06.30.05 |
| Unbilled amounts | 224,214 | 202,295 |
| Billed amounts | 813,859 | 794,544 |
| Interconnection | 453,010 | 429,555 |
| Products sold | 209,274 | 284,873 |
| (-) Allowance for doubtful accounts | (170,287) | (158,664) |
| Total | 1,530,070 | 1,552,603 |

No customers have contributed with more than 10% of the net accounts receivable as of September 30 and June 30, 2005, except for the amounts receivable from Telecomunicações de São Paulo S.A. - Telesp, which represented approximately 11% and 12%, respectively, of the net consolidated accounts receivable on those dates.

The movements of the allowance for doubtful accounts are as follows:

| | Consolidated | |
|--------------------------------------|--------------|---------|
| | 2005 | 2004 |
| Balance at the beginning of the year | 169,685 | 135,841 |
| Additions in the 1 st quarter | 52,988 | 33,645 |

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| | | |
|--------------------------------|-----------|----------|
| Write-offs in the 1 st quarter | (89,129) | (27,891) |
| Balance as of March 31 | 133,544 | 141,595 |
| Additions in the 2 nd quarter | 88,516 | 45,370 |
| Write-offs in the 2 nd quarter | (63,396) | (33,351) |
| Balance as of June 30 | 158,664 | 153,614 |
| Additions in the 3 rd quarter | 123,979 | 51,047 |
| Write-offs in the 3 rd quarter | (112,356) | (45,997) |
| Balance as of September 30 | 170,287 | 158,664 |

5 INVENTORIES

| | Consolidated | |
|--------------------------------|--------------|-----------|
| | 09.30.05 | 06.30.05 |
| Digital handsets | 394,404 | 370,916 |
| Accessories and others | 2,817 | 5,201 |
| (-) Allowance for obsolescence | (42,294) | (40,693) |
| Total | 354,927 | 335,424 |

6 DEFERRED AND RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|----------|----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Prepaid income and social contribution taxes | 322,335 | 310,528 | 371,649 | 374,514 |
| Withholding income tax | 471 | 393 | 80,662 | 67,726 |
| Recoverable ICMS (State VAT) | - | - | 219,781 | 224,148 |
| Recoverable PIS and COFINS (taxes on revenue) | 37,022 | 37,028 | 145,839 | 142,292 |
| Other recoverable taxes | - | - | 4,074 | 3,703 |
| Total recoverable taxes | 359,828 | 347,949 | 822,005 | 812,383 |
| Deferred income and social contribution taxes | 419 | 419 | 1,324,523 | 1,261,168 |
| ICMS to be appropriated | - | - | 41,392 | 43,206 |

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| | | | | |
|------------|---------|---------|-----------|-----------|
| Total | 360,247 | 348,368 | 2,187,920 | 2,116,757 |
| Current | 18,155 | 18,010 | 837,348 | 832,575 |
| Noncurrent | 342,092 | 330,358 | 1,350,572 | 1,284,182 |

Deferred income and social contribution taxes are comprised as follows:

| | Company | | Consolidated | |
|---|----------|----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Merged tax credit (corporate restructuring) | - | - | 958,190 | 879,774 |
| Tax credits relating to: | | | | |
| Obsolescence | - | - | 11,120 | 11,303 |
| Contingencies | - | - | 85,052 | 82,304 |
| Doubtful accounts | - | - | 42,828 | 44,011 |
| Customer loyalty program | - | - | 5,135 | 2,781 |
| Employees' profit sharing | - | - | 9,204 | 4,655 |
| Suppliers | - | - | 44,824 | 57,663 |
| CIDE | - | - | 7,997 | 7,899 |
| Other amounts | - | - | 5,597 | 4,032 |
| Tax loss carryforwards | 419 | 419 | 154,576 | 166,746 |
| Total deferred taxes | 419 | 419 | 1,324,523 | 1,261,168 |
| Current | 419 | 419 | 422,911 | 412,925 |
| Noncurrent | - | - | 901,612 | 848,243 |

Deferred taxes have been recorded assuming their future realization, as follows:

- Tax loss carryforwards : will be offset up to a limit of 30% per year of taxable income for the next few years.
- Merged tax credit: consists of the net balance of goodwill and reserve for maintaining the integrity of shareholders' equity (Note 27) and is realized proportionally to the amortization of the goodwill of the subsidiaries, with terms of five to ten years. Studies by external consultants used in the corporate restructuring process supported recovery of the amount within this term.
- Temporary differences: will be realized upon the payments of the accruals, effective losses on bad debts and realization of inventories.

At the end of the 2004 fiscal year, the Company prepared technical feasibility studies, approved by the Board of Directors, which indicate full recovery of the deferred taxes recognized, as determined by CVM Resolution No. 371. Management did not identify any changes that could affect the conclusion of these studies as of September 30, 2005.

The Company and its subsidiaries GT and TCO IP did not recognize deferred income and social contribution on tax loss carryforwards and temporary differences, due to the lack of projections of taxable income to be generated in the short term.

7 PREPAID EXPENSES

| | Company | | Consolidated | |
|-----------------------|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| FISTEL fees | - | - | 143,278 | 215,055 |
| Rents | - | - | 15,159 | 20,543 |
| Advertising | - | - | 52,243 | 35,335 |
| Financial charges | 4,347 | 4,550 | 5,018 | 5,410 |
| Commercial incentives | - | - | 4,666 | 5,870 |
| Other | - | - | 10,513 | 14,108 |
| Total | 4,347 | 4,550 | 230,877 | 296,321 |
| Current | 807 | 807 | 206,401 | 265,838 |
| Noncurrent | 3,540 | 3,743 | 24,476 | 30,483 |

8 OTHER ASSETS

| | Company | | Consolidated | |
|----------------------------------|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Escrow deposits | - | - | 82,306 | 78,417 |
| Advance for purchase of shares | - | - | - | 15,584 |
| Advances to employees | 73 | 95 | 8,707 | 9,862 |
| Credits with suppliers | - | - | 23,110 | 35,079 |
| Receivables from Group companies | 14,109 | 14,331 | 30,963 | 27,121 |
| Subsidies on handset sale | - | - | 7,645 | 28,041 |
| Other assets | 2,264 | 2,237 | 6,243 | 5,872 |
| Total | 16,446 | 16,663 | 158,974 | 199,976 |
| Current | 14,500 | 14,717 | 95,726 | 124,440 |
| Noncurrent | 1,946 | 1,946 | 63,248 | 75,536 |

9 INVESTMENTS

a) Participation in subsidiaries

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| | Common | Preferred | Total |
|--|-----------|-----------|-------------------|
| Investees | stock - % | stock - % | participation - % |
| Telesp Celular S.A. | 100.00 | - | 100.00 |
| Global Telecom S.A. | 100.00 | 100.00 | 100.00 |
| Tele Centro Oeste Celular Participações S.A. | 90.59 | 32.76 | 52.47 |

b) Number of shares held

| | Stated in thousands | | |
|--|---------------------|-----------|--------|
| | Common | Preferred | Total |
| Investees | shares | shares | shares |
| Telesp Celular S.A. | 83,155 | - | 83,155 |
| Global Telecom S.A. | 3,810 | 7,621 | 11,431 |
| Tele Centro Oeste Celular Participações S.A. | 40,161 | 28,084 | 68,245 |

c) Information on subsidiaries

| | Shareholders' | | Net income | |
|--|---------------|-----------|--------------|-----------|
| | equity as of | | (loss) as of | |
| Investees | 09.30.05 | 06.30.05 | 09.30.05 | 09.30.04 |
| Telesp Celular S.A. | 3,091,952 | 3,057,656 | 125,435 | 439,970 |
| Global Telecom S.A. | 1,127,808 | 1,013,684 | (176,737) | (150,823) |
| Tele Centro Oeste Celular Participações S.A. | 2,835,326 | 2,625,175 | 275,774 | 377,460 |

d) Breakdown and changes

The Company's investments include the equity interests in the direct subsidiaries, goodwill, advance for future capital increase and reserve for losses on investments and other investments, as shown below:

| | Company | | Consolidated | |
|--|-----------|-----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Investments in subsidiaries | 5,206,379 | 5,147,197 | - | - |
| Goodwill on investment acquisitions, net | 1,965,516 | 2,187,097 | 2,036,705 | 2,268,220 |
| Advance for future capital increase | 586,625 | 517,148 | 10,646 | 8,288 |
| Provision for investment losses (a) | (397,811) | (415,079) | (397,811) | (415,079) |
| Other investments | 103 | 103 | 1,765 | 1,464 |
| Balance of investments | 7,360,812 | 7,436,466 | 1,651,305 | 1,862,893 |

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| | | | | |
|---|-----------|-----------|------------|-----------|
| Amortization of goodwill | (33,362) | (73,910) | (107,272) | (48,091) |
| Balance as of June 30 | 1,014,059 | 1,173,038 | 2,187,097 | 2,043,082 |
| Write-off of goodwill | - | (398,914) | (398,914) | (12) |
| Merger with Bagon Participações Ltda. | - | 265,544 | 265,544 | - |
| Increase in premium on purchase of interest | - | 12,834 | 12,834 | - |
| Amortization of goodwill | (31,483) | (69,562) | (101,045) | (49,976) |
| Balance as of September 30 | 982,576 | 982,940 | 1,965,516 | 1,993,094 |

| | 2005 | | 2004 |
|--|----------|----------|-----------|
| | TCO | Total | Total |
| Advance for future capital increase | | | |
| Balance at the beginning of the year | 517,148 | 517,148 | 25,436 |
| Increase in TCO capital by tax benefit realized | - | - | (19,077) |
| Balance as of March 31 | 517,148 | 517,148 | 6,359 |
| Advance for future capital increase originated by tax benefit - restructuring of TCP | - | - | 511,061 |
| Tax effect | - | - | (383) |
| Balance as of June 30 | 517,148 | 517,148 | 517,037 |
| Advance for future capital increase originated by tax benefit - restructuring of TCP | 133,370 | 133,370 | - |
| Increase in TCO capital | (63,893) | (63,893) | - |
| Tax effect | - | - | 111 |
| Balance as of September 30 | 586,625 | 586,625 | 517,148 |

| | 2005 | | 2004 |
|--------------------------------------|-----------|-----------|-----------|
| | GT | Total | Total |
| Reserve for losses | | | |
| Balance at the beginning of the year | (449,615) | (449,615) | (449,615) |
| Amortization of GT losses | 14,615 | 14,615 | - |
| Balance as of March 31 | (435,000) | (435,000) | (449,615) |
| Amortization of GT losses | 19,921 | 19,921 | - |
| Balance as of June 30 | (415,079) | (415,079) | (449,615) |
| Amortization of GT losses | 17,268 | 17,268 | - |

Balance as of September 30 (397,811) (397,811) (449,615)

As from January 1, 2005, the goodwill paid on acquisitions by GT based on future profitability, totaling R\$1,077,020, is being amortized over a ten-year period as from the acquisition date.

TC has investments in Telesp Celular International Ltd. and Telesp Celular Overseas Ltd., Ltda. companies located abroad, for the purpose of obtaining and passing on funding through international loans. These subsidiaries are dormant.

On May 31, 2004, the tax benefit derived from the goodwill paid on the acquisition of TCO was transferred to that company and its subsidiaries. As a result, R\$511,061 was transferred as an advance for future capital increase, since shares will be issued in favor of TCP when this benefit is realized by TCO and its subsidiaries. The remaining goodwill, amounting to R\$992,060, was attributed to future profitability and is being amortized over five years.

On August 31, 2005, the tax benefit derived from the goodwill paid on the acquisition of TCO was transferred to that company. As a result, R\$133,370 was transferred as an advance for future capital increase, since shares will be issued in favor of TCP when this benefit is realized by TCO. The remaining goodwill, amounting to R\$392,265, was attributed to future profitability and is being amortized over five years.

10 PROPERTY, PLANT AND EQUIPMENT, NET

| | Annual depreciation rates - % | Cost | Cosolidated | | |
|-------------------------------------|-------------------------------|------------|--------------------------------------|----------------|----------------------------|
| | | | 09.30.05 Accumulated depreciation | Net book value | 06.30.05 Net book value |
| Transmission equipment | 10.00 to 20.00 | 4,094,039 | (2,311,158) | 1,782,881 | 1,736,238 |
| Switching equipment | 10.00 to 20.00 | 1,974,770 | (901,779) | 1,072,991 | 1,068,815 |
| Infrastructure | 4.00 to 20.00 | 1,380,553 | (596,590) | 783,963 | 760,489 |
| Land | - | 47,492 | - | 47,492 | 48,266 |
| Software use rights | 20.00 | 1,618,619 | (848,733) | 769,886 | 639,267 |
| Buildings | 2.86 | 192,469 | (38,852) | 153,617 | 144,007 |
| Handsets | 66.67 | 466,617 | (338,534) | 128,083 | 132,739 |
| Concession license | - | 976,706 | (480,449) | 496,257 | 509,728 |
| Other assets | 6.00 to 20.00 | 642,093 | (286,998) | 355,095 | 289,726 |
| Assets and construction in progress | - | 134,950 | - | 134,950 | 442,094 |
| Total | | 11,528,308 | (5,803,093) | 5,725,215 | 5,771,369 |

In the nine-month period ended September 30, 2005, financial expenses incurred on loans, which are financing the construction in progress, were capitalized by the subsidiary GT to the amount of R\$6,638 (R\$4,693 in the same period of 2004).

11 DEFERRED CHARGES

| | Annual amortization rates - % | Consolidated | |
|-------------------------------------|-------------------------------------|--------------|-------------|
| | | 09.30.05 | 06.30.05 |
| Preoperating expenses: | | | |
| Amortization of license | 10 | 80,496 | 80,496 |
| Financial expenses | 10 | 201,131 | 201,131 |
| General and administrative expenses | 10 | 71,624 | 71,624 |
| | | 353,251 | 353,251 |
| Goodwill - Ceterp Celular S.A. | 10 | 84,264 | 84,265 |
| Trade fund | (*) | 16,232 | 15,826 |
| | | 453,747 | 453,342 |
| Accumulated amortization: | | | |
| Preoperating | | (213,708) | (204,739) |
| Goodwill - Ceterp Celular S.A. | | (40,728) | (38,621) |
| Trade fund | | (10,120) | (9,282) |
| | | (264,556) | (252,642) |
| Total | | 189,191 | 200,700 |

(*) In accordance with contractual terms.

12 TRADE ACCOUNTS PAYABLE

| | Company | | Consolidated | |
|-------------------------------------|----------|----------|--------------|-----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Suppliers | 4,686 | 11,715 | 695,116 | 893,672 |
| Interconnections | - | - | 66,045 | 81,879 |
| Amounts to be transferred - SMP (*) | - | - | 275,434 | 377,867 |
| Technical assistance (Note 28) | - | - | 37,380 | 34,803 |
| Other | 48 | 43 | 5,908 | 15,149 |
| Total | 4,734 | 11,758 | 1,079,883 | 1,403,370 |

(*) The amounts to be passed on SMP refer to the VC2, VC3 (long distance) calls and interconnection charges billed to our clients and passed on to the long-distance operators.

13 TAXES PAYABLE

| | Company | | Consolidated | |
|--------------------------------------|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| State VAT (ICMS) | - | - | 395,393 | 366,886 |
| Income and social contribution taxes | - | - | 34,477 | 32,393 |
| PIS and COFINS | 524 | 450 | 59,398 | 63,484 |
| FISTEL fees | - | - | 2,623 | 6,331 |
| FUST and FUNTTEL | - | - | 4,590 | 4,245 |
| CIDE | - | - | 4,021 | 4,021 |
| Other taxes | 15 | 14 | 29,261 | 28,196 |
| Total | 539 | 464 | 529,763 | 505,556 |
| Current | 539 | 464 | 352,624 | 329,331 |
| Noncurrent | - | - | 177,139 | 176,225 |

Of the long-term portion, R\$158,743 refers to the "ICMS - Programa Paraná Mais Emprego", an agreement made with the State of Paraná Government for deferral of ICMS payments. This agreement stipulates the ICMS due date as the 49 th month following that in which the ICMS is determined .

14 LOANS AND FINANCING

a) Debt composition

| Description | Currency | Interest | Maturity | Company | | Consolidated | |
|----------------------------------|----------|-----------------------|----------------------|-----------|-----------|--------------|-----------|
| | | | | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Financial institutions: | | | | | | | |
| Resolutions No. 2,770 and No. 63 | US\$ | 1% p.a. to 9.8% p.a. | 10.03.05 to 12.28.07 | 1,215,695 | 1,158,726 | 1,967,708 | 1,912,342 |
| Resolution No. 2770 | ¥ | 1% p.a. to 2.25% p.a. | 04.18.06 to 12.12.07 | - | 5,153 | 121,649 | 106,383 |
| Debentures | R\$ | 103.3% of CDI to | 08.01.08 to 05.01.15 | 1,500,000 | 1,500,000 | 1,500,000 | 1,512,364 |

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| | | | | | | | |
|--|--------|---|----------------------------|-----|---|---------|---------|
| | | 104.4% of CDI | | | | | |
| Compror | US\$ | 1% to 6.25% p.a. | 11.03.05 to 01.30.08 | 437 | - | 194,533 | 136,907 |
| Compror | ¥ | 0.7% p.a. to 1.8% p.a. | 08.22.05 to 01.23.07 | - | - | 39,818 | 17,955 |
| BNDES | URTJLP | URTJLP + 3.5% p.a. to 4.6% p.a. (*) | 01.15.06 to 06.15.11 | - | - | 293,092 | 317,999 |
| BNDES | UMBND | 3.5% p.a. to 4.6% p.a. | 10.15.07 to 07.15.11 | - | - | 50,163 | 57,388 |
| BNDES | R\$ | 100% Selic | 12.15.05 | - | - | 60,951 | 91,427 |
| Commercial paper | US\$ | Libor + 1.75% p.a. to 6.55% p.a. | 09.24.07 to 12.28.07 | - | - | 466,662 | 211,536 |
| Unibanco IGP-M | R\$ | IGP-M + 9% p.a. | 09.13.07 | - | - | 4,800 | - |
| Export Development Canada - EDC | US\$ | Libor + 3.9% p.a. to 5% p.a. | 11.22.05 to 12.14.06 | - | - | 41,009 | 43,375 |
| Teleproduzir (a) | R\$ | 0.2% p.m. | 10.12.12 | - | - | - | 15,108 |
| Other | R\$ | Coluna. 27 FGV | 08.15.08 | - | - | 1,407 | 1,521 |

Trade
payables:

| | | | | | | | |
|------------------------------|------|-----------------|----------|-----------|-----------|-----------|-----------|
| NEC do Brasil | US\$ | 7.3% p.a. | 11.29.05 | - | - | 3,011 | 3,184 |
| Related parties: | | | | | | | |
| Commercial paper | US\$ | Libor + 5% p.a. | 07.29.05 | - | - | - | 282,048 |
| Investment acquisition - TCO | R\$ | CDI + 1% p.a. | - | 10,697 | 10,697 | 10,697 | 10,697 |
| Interest | | | | 158,933 | 128,603 | 194,363 | 159,296 |
| Total | | | | 2,885,762 | 2,803,179 | 4,949,863 | 4,879,530 |
| Current | | | | 1,036,134 | 811,028 | 1,640,020 | 1,623,889 |
| Noncurrent | | | | 1,849,628 | 1,992,151 | 3,309,843 | 3,255,641 |

(*) If the long-term interest rate (TJLP) exceeds 10% per year, the spread will be 6% per annum.

(a) In August 2005 a prepayment was made with discount resulting from the benefit from the Teleproduzir Program, a cooperation agreement with the State of Goiás Government for deferral of ICMS .

b) Repayment schedule

The long-term amounts of loans and financing mature as follows:

| Year | 09.30.05 | |
|---------------------|-----------|--------------|
| | Company | Consolidated |
| 2006 (from October) | 46,389 | 90,245 |
| 2007 | 286,557 | 1,617,184 |
| 2008 | 516,682 | 547,284 |
| 2009 | - | 21,937 |
| 2010 | - | 21,937 |
| 2011 | - | 11,256 |
| After 2011 | 1,000,000 | 1,000,000 |
| Total | 1,849,628 | 3,309,843 |

c) Restrictive covenants

GT has a loan with the National Economic and Social Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES), the balance of which as of September 30, 2005 was R\$246,693 (R\$265,241 as of June 30, 2005). As of the same date, the subsidiary GT was in compliance with all covenants.

TCO has loans from the BNDES and Export Development Canada - EDC, the balances of which as of September 30, 2005 were R\$96,562 and R\$41,009 (R\$110,146 and R\$43,375 as of June 30, 2005), respectively. As of that date, the subsidiary TCO was in compliance with all covenants.

d) Coverage

As of September 30, 2005, the Company and its subsidiaries had exchange contracts in the amounts of US\$1,296,283 thousand, ¥8,301,244 thousand and €13,585 thousand, (US\$1,197,437 thousand, ¥5,898,930 thousand and €14,612 thousand as of June 30, 2005), to hedge all their foreign-exchange liabilities. As of September 30, 2005, the Company and its subsidiaries had recorded an accumulated loss of R\$555,826 (R\$406,942 as of June 30, 2005) on these hedge operations, represented by an asset balance of R\$273,566 (R\$305,077 as of June 30, 2005), R\$273,566 (R\$17 as of June 30, 2005) under short-term and R\$0 (R\$305,060 as of June 30, 2005) under long-term, and a liability balance of R\$829,392 (R\$712,019 as of June 30, 2005), comprising R\$505,974 (R\$418,712 as of June 30, 2005) under short-term and R\$323,418 (R\$293,307 as of June 30, 2005) under long-term.

e) Guarantees

Loans and financing of TC, in local currency, amounting to R\$60,951, represent loans from the BNDES and are guaranteed by accounts receivable.

Loans and financing of GT, in local currency, amounting to R\$246,693, represent loans guaranteed by pledging accounts receivable, which can be withheld optionally up to a limit of 300% of the monthly installment.

The TCO guarantees are as follows:

| Banks | Guarantees |
|------------------------|---|
| BNDES operators TCO | 15% of the receivables and CDB are pledged to an amount equivalent to the next installment coming due. |
| BNDES NBT | 100% of the receivables and CDB are pledged to an amount equivalent to the next installment coming due during the first year and two installments coming due in the remaining period. |

f) Debentures

On August 1, 2004 the first public issue of debentures was renegotiated, comprising 5,000 simple unsponsored debentures, not convertible into shares, with a unit par value of R\$100 maturing on August 1, 2008. The renegotiation was for the whole of the original issue, which occurred on August 1, 2003, at a rate of 104.6% of the CDI, and the extension of the term (renegotiated to August 1, 2007) was simultaneous with the reduction of the rate to 104.4% of the CDI.

In the ambit of the First Distribution of Marketable Securities Program for R\$2,000,000 announced on August 20, 2004, the Company issued debentures, on May 1, 2005, in the amount of R\$1,000,000 with a duration of ten years as from the issue date of May 1, 2005.

The offer consisted of the issue of 100,000 simple unsecured debentures, not convertible into shares, with a nominal unit value of R\$10, totaling R\$1,000,000, in two series, R\$200,000, in the first series, and R\$800,000, with a final maturity of May 1, 2015. The debentures yield interest, with six-monthly payments, corresponding to 103.3% (first series) and 104.2% of the accumulated average daily one day Interfinancial Deposits - ID, outside the group (extragrupo) (ID rates), calculated and divulged by the Clearing House for Custody and Settlement (CETIP).

Remuneration of the debentures is scheduled for renegotiation on May 1, 2009 (first series) and May 1, 2010 (second series). Conservatively, the Company included in the above consolidated long-term maturities schedule the principal of the debentures in 2009 and 2010, the dates for renegotiation of the remuneration of the two series.

15 OTHER LIABILITIES

| | Company | | Consolidated | |
|--|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |
| Prepaid services | - | - | 101,568 | 105,629 |
| Accrual for customer loyalty program (a) | - | - | 17,436 | 15,325 |
| Intercompany liabilities | 40 | 28 | 5,174 | 9,287 |
| Provision for pension plan | - | - | 358 | 358 |
| Reverse split of shares (b) | 22,564 | 22,645 | 64,393 | 64,474 |
| Other | 104 | - | 40,218 | 37,818 |
| Total | 22,708 | 22,673 | 229,147 | 232,891 |
| Current | 22,708 | 22,673 | 189,926 | 193,670 |
| Noncurrent | - | - | 39,221 | 39,221 |

(a) The Company and its subsidiaries have fidelity programs, in which calls are transformed into points for future exchange for handsets. The accumulated points, net of redemptions, are provisioned, considering historic redemption data, points generated and the average cost of a point.

(b) Refers to the credit made available to shareholders who are beneficiaries of the excess shares resulting from the reverse split of the Company's share capital (Note 17).

16 RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to certain lawsuits involving labor, tax and civil matters. A reserve was recorded in the accounts for claims in which an unsuccessful outcome was classified as probable.

The composition of the reserves is as follows:

| | Company | | Consolidated | |
|--|----------|----------|--------------|----------|
| | 09.30.05 | 06.30.05 | 09.30.05 | 06.30.05 |

| | | | | |
|----------------|--------|--------|---------|---------|
| Telebrás - TCO | - | - | 119,143 | 119,176 |
| Labor | 257 | 247 | 21,902 | 20,261 |
| Civil | - | - | 60,220 | 53,457 |
| Tax | 65,108 | 63,068 | 158,072 | 154,526 |
| Total | 65,365 | 63,315 | 359,337 | 347,420 |
| Current | 65,108 | 63,068 | 147,156 | 139,794 |
| Noncurrent | 257 | 247 | 212,181 | 207,626 |

The changes in the reserve for contingencies in the nine-month period ended September 30, 2005 are as follows:

| | Company | 2005 | Consolidated |
|--------------------------------------|---------|------|--------------|
| Balance at the beginning of the year | 58,987 | | 319,730 |
| New provisions, net of reversals | 257 | | 27,209 |
| Monetary variation | 6,121 | | 17,123 |
| Payments | - | | (4,725) |
| Balance as of September 30 | 65,365 | | 359,337 |

16.1. Telebrás - TCO

Correspond to original loans from Telecomunicações Brasileiras S.A. - Telebrás, which, according to Annex II of the Spin-off Report of February 28, 1998, approved at the General Meeting of May 1998, should have been attributed to the respective holding company of Telegoiás Celular S.A. and Telebrasília Celular S.A.

As it considered that there had been a mistake in the allocation of the respective loans at the time of the spin-off, the Company suspended payments and began to restate the debt in accordance with the variation of the IGP-M rate plus 6% interest per annum.

In June 1999, the Company filed a suit requesting a statement that the assets corresponding to these liabilities, plus accessories of these assets, are its property, also claiming compensation for the amounts paid.

On August 1, 2001, a verdict was given against the Company's claims, but, on October 8, 2001, the Company filed an appeal, which was also denied, maintaining the original verdict. The Company filed a new appeal which is awaiting a decision by the Supreme Court (STJ).

16.2. Tax litigation

16.2.1. Probable loss

No significant new tax claims with a "probable" loss classification were incurred in the nine-month period ended September 30, 2005. The evolution of the reserves for tax contingencies substantially corresponds to the monetary restatement of the reserves during the period .

16.2.2. Possible loss

No significant new tax claims with a "possible" loss classification were incurred in the nine-month period ended September 30, 2005. No significant alterations occurred in the claims indicated in this report since the last fiscal year .

16.3. Labor and civil suits

Include several labor and civil claims, and a reserve was posted as shown previously, which is considered to be sufficient to cover the probable losses on these cases.

The amount involved in relation to claims in which a "possible" loss is classified is R\$54,524 for civil claims and R\$37,213 for labor claims.

17 SHAREHOLDERS' EQUITY

a) Capital

On January 7, 2005, the Company increased its capital by R\$2,053,896 with the issue of 410,779,174 thousand new shares, comprising 143,513,067 thousand common shares and 267,266,108 thousand preferred shares.

In the General and Extraordinary Shareholders' Meeting held on April 1, 2005, a reverse split of 1,582,563,526,803 nominative book-entry shares, without par value, was approved comprising 552,896,931,154 common shares and 1,029,666,595,649 preferred shares, representing capital, in the proportion of 2,500 (two thousand five hundred) shares to 1 (one) share of the same type. Capital now comprises 633,025,410 nominative book-entry shares, without par value, of which 221,158,772 are common shares and 411,866,638 are preferred shares.

On July 29, 2005, the Company advised the shareholders of a capital increase of R\$242,595,157, corresponding to the tax benefit of the merged goodwill, effectively realized during the 2004 fiscal year. The capital was increased from R\$6,427,557,341 to R\$6,670,152,498, with the issue of 29,298,932 new common shares, guaranteeing the right of preference as established in article 171 of Law No. 6,404/76, and establishing that funds arising from possible future exercise of the right of preference were credited to the Sociedade Portelcom Participações S.A.

The capital as of September 30 and June 30, 2005 comprises shares without par value, as follows:

| | Thousands of shares | |
|------------------|---------------------|----------|
| | 09.30.05 | 06.30.05 |
| Common shares | 250,458 | 221,159 |
| Preferred shares | 411,866 | 411,866 |
| Total | 662,324 | 633,025 |

b) Interest on capital and dividends

The preferred shares do not have voting rights, except in the cases stipulated in articles 9 and 10 of the bylaws. They are, however, assured priority in the reimbursement of capital, without premium, the right to participate in the dividend to be distributed, corresponding to a minimum of 25% of net income for the financial year, calculated in accordance with article 202 of corporate law, and priority in receiving minimum noncumulative dividends equivalent

to the largest of the following values:

b.1) 6% per annum on the amount resulting from dividing the paid-up capital by the total number of Company's shares.

b.2) 3% per annum on the amount resulting from division of the shareholders' equity by the total number of Company's shares, and also the right to participate in distributed income under equal conditions to the common shares, after the latter has been assured a dividend equal to the minimum priority dividend established for the preferred shares.

As from the General Shareholders' Meeting held on March 27, 2004, the preferred shares are entitled to full voting rights, in accordance with article 111, paragraph 1, of Law No. 6,404/76, since the minimum dividends were not paid on the preferred shares for three consecutive years.

c) Special goodwill reserve

This reserve represents a special goodwill reserve formed as a result of the Company's corporate restructuring, which will be capitalized in favor of the controlling shareholder at the time of effective realization of the tax benefit.

18 NET OPERATING REVENUE

| | Consolidated | |
|---|--------------|-----------|
| | 09.30.05 | 09.30.04 |
| Monthly subscription charges | 134,142 | 192,271 |
| Use of network | 3,120,497 | 2,739,651 |
| Additional call charges | 126,407 | 84,358 |
| Interconnection | 2,221,375 | 2,331,957 |
| Data services | 364,300 | 253,610 |
| Other services | 131,408 | 171,672 |
| Gross revenue from services | 6,098,129 | 5,773,519 |
| State VAT (ICMS) | (994,659) | (864,053) |
| PIS and COFINS | (218,028) | (209,116) |
| ISS | (2,055) | (1,802) |
| Discounts granted | (187,850) | (129,870) |
| Net operating revenue from services | 4,695,537 | 4,568,678 |
| Gross revenue from handsets and accessories | 1,389,910 | 1,346,040 |
| State VAT (ICMS) | (115,529) | (129,022) |

| | | |
|---|------------|------------|
| PIS and COFINS | (92,933) | (92,632) |
| Discounts granted | (62,744) | (76,424) |
| Returned sales | (322,496) | (228,835) |
| Net operating revenue from handsets and accessories | 796,208 | 819,127 |
| | | |
| Total net operating revenue | 5,491,745 | 5,387,805 |

No clients have contributed with more than 10% of gross operating revenue in the nine-month periods ended September 30, 2005 and 2004, except for Telecomunicações de São Paulo S.A. - Telesp, a fixed-telephone operator in the State of São Paulo, which contributed with approximately 20% and 22% of total gross revenue, respectively, principally in relation to interconnection revenues.

19 COST OF PRODUCTS SOLD AND SERVICES PROVIDED

| | Consolidated | |
|--------------------------------------|---------------|---------------|
| | 09.30.05 | 09.30.04 |
| Personnel | (47,121) | (42,843) |
| Materials | (4,740) | (5,119) |
| Outside services | (144,430) | (130,569) |
| Connections | (106,195) | (89,225) |
| Rent, insurance and condominium fees | (70,308) | (69,753) |
| Interconnection | (121,425) | (155,937) |
| Taxes and contributions | (249,968) | (139,745) |
| Depreciation and amortization | (570,860) | (538,217) |
| Other | (1,020) | (300) |
| Cost of services provided | (1,316,067) | (1,171,708) |
| Cost of products sold | (1,163,606) | (1,181,630) |
| Total | (2,479,673) | (2,353,338) |

20 SELLING EXPENSES

| | Consolidated | |
|-----------|--------------|-----------|
| | 09.30.05 | 09.30.04 |
| Personnel | (152,252) | (135,361) |
| Materials | (23,099) | (29,786) |

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| | | |
|--------------------------------------|---------------|---------------|
| Outside services | (842,902) | (638,130) |
| Advertising | (234,013) | (217,933) |
| Rent, insurance and condominium fees | (28,640) | (26,265) |
| Taxes and contributions | (1,198) | (1,224) |
| Depreciation and amortization | (145,470) | (108,924) |
| Allowance for doubtful accounts | (265,483) | (130,062) |
| Other | (97,798) | (30,947) |
| Total | (1,790,855) | (1,318,632) |

21 GENERAL AND ADMINISTRATIVE EXPENSES

| | Company | | Consolidated | |
|--------------------------------------|-----------|-----------|--------------|-------------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| Personnel | (2,600) | (3,085) | (99,608) | (103,122) |
| Materials | (5) | (10) | (6,303) | (4,886) |
| Outside services | (4,025) | (2,502) | (194,159) | (248,098) |
| Rent, insurance and condominium fees | (272) | (88) | (35,190) | (32,362) |
| Taxes and contributions | (26) | (227) | (4,430) | (10,949) |
| Depreciation and amortization | (80) | (69) | (100,117) | (93,445) |
| Other | (155) | (20) | (15,324) | (13,268) |
| Total | (7,163) | (6,001) | (455,131) | (506,130) |

22 OTHER OPERATING REVENUE (EXPENSES)

| | Company | | Consolidated | |
|----------------------------|----------|----------|--------------|----------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| Revenue: | | | | |
| Fines | - | - | 48,921 | 55,211 |
| Recovered expenses | 8,169 | - | 27,237 | 20,561 |
| Reversal of reserves | - | - | 6,290 | 3,812 |
| Shared infrastructure/EILD | - | - | 19,906 | 9,180 |
| Commercial incentives | - | - | 75,236 | 36,893 |
| Other | 196 | 728 | 7,040 | 4,295 |
| Total | 8,365 | 728 | 184,630 | 129,952 |
| Expenses: | | | | |
| FUST fees | - | - | (24,548) | (21,918) |

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| | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|
| FUNTTEL | - | - | (12,273) | (10,838) |
| ICMS on other expenses | - | - | (26,999) | (1,167) |
| CIDE | (65) | - | (948) | - |
| PIS and COFINS on other revenues | (167) | (375) | (24,354) | (22,283) |
| Other taxes and contributions | (548) | (367) | (12,542) | (16,405) |
| Reserve for contingencies | (257) | (2,002) | (33,499) | (27,497) |
| Amortization of deferred charges | - | - | (29,337) | (28,962) |
| Amortization of goodwill | (260,022) | (141,833) | (296,145) | (149,324) |
| Other | (553) | - | (10,958) | (3,486) |
| Total | (261,612) | (144,577) | (471,603) | (281,880) |

23 FINANCIAL INCOME (EXPENSES)

| | Company | | Consolidated | |
|----------------------------------|-------------|-------------|---------------|---------------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| Financial income: | | | | |
| Income from financial operations | 34,191 | 63,662 | 212,908 | 214,542 |
| Monetary/Exchange variations | 228,623 | 448,454 | 575,683 | 566,969 |
| PIS/COFINS on financial income | 1,660 | (28,043) | (4,615) | (51,109) |
| Total | 264,474 | 484,073 | 783,976 | 730,402 |
| Financial expenses: | | | | |
| Expenses of financial operations | (268,459) | (297,903) | (451,147) | (503,098) |
| Monetary/Exchange variations | (539) | (372,841) | (37,763) | (502,193) |
| Hedge operations, net | (425,539) | (322,909) | (978,991) | (476,453) |
| Total | (694,537) | (993,653) | (1,467,901) | (1,481,744) |

24 INCOME AND SOCIAL CONTRIBUTION TAXES

The Company and its subsidiaries estimate monthly the amounts of income and social contribution taxes on the accrual basis, paying the taxes based on a monthly estimate. Deferred taxes are recognized on temporary differences, as shown in Note 6. The composition of expenses on income and social contribution taxes is given below:

| | Consolidated | |
|---------------------|--------------|----------|
| | 09.30.05 | 09.30.04 |
| Income tax | 205,867 | 132,134 |
| Social contribution | 74,185 | 47,882 |
| Deferred income tax | (10,445) | 83,266 |

| | | |
|------------------------------|----------|---------|
| Deferred social contribution | (3,760) | 30,686 |
| Total | 265,847 | 293,968 |

A reconciliation of the taxes on income disclosed, eliminating the effects of the goodwill tax benefit, and the amounts calculated at the combined statutory rate of 34% is as follows:

| | Company | | Consolidated | |
|---|-----------|-----------|--------------|-------------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| Income (loss) before taxes | (591,623) | 18,562 | (192,768) | 307,846 |
| Tax income (expense) at combined statutory rate | 201,152 | (6,311) | 65,541 | (104,668) |
| Permanent additions: | | | | |
| Nondeductible expenses | (16) | (1) | (38,872) | (11,675) |
| Permanent exclusions: | | | | |
| Equity pick-up | 31,098 | 136,147 | - | - |
| Unrecognized tax loss and temporary differences | (232,234) | (129,835) | (292,055) | (177,625) |
| Difference of additional income tax | - | - | 126 | - |
| Other (IRPJ/CSLL adjustment from previous year) | - | - | (587) | - |
| Tax expense | - | - | (265,847) | (293,968) |

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONSOLIDATED)

a) Risk considerations

The major market risks to which TCP, TC, GT and TCO are exposed in conducting their businesses are:

Credit risk : derived from the possible difficulty in collecting amounts of telecommunications services provided to customers, and the sales of handsets by the distribution network, together with the risks related with investments and swap operations.

Interest rate risk : derived from the portion of the debt and liability positions in derivatives contracted at floating rates and involves the risk of financial expenses rising due to an unfavorable movement in interest rates (principally Libor, TJLP and CDI).

Currency risk : the possibility of the Company incurring losses on account of fluctuations in exchange rates that increase the balances of foreign currency denominated loan and financing liabilities.

The Company and its subsidiaries take a positive attitude towards the management of the various risks to which they are subject, by means of a wide-ranging set of operational initiatives, procedures and policies that enable the risks inherent in their businesses to be mitigated.

Credit risk

The credit risk from providing telecommunications services is minimized by a strict control of the customer base and active management of default by means of clear policies related with selling postpaid sets. As of September 30, 2005,

TC, GT and TCO and their subsidiaries had 83%, 88% and 85% (83%, 88% and 85% as of June 30, 2005), respectively, of their customer base under the prepaid system, which requires prepaid loading and, therefore, does not represent any credit risk.

The credit risk on the sale of handsets is managed by means of a conservative credit policy, using modern management methods that involve applying credit scoring techniques, balance sheet analysis and consulting commercial databases, together with the automatic control of sales release integrated with the SAP ERP software distribution module.

The Company and its subsidiaries are also subject to credit risk derived from its investments and receivables from swap operations. The Company and its subsidiaries spread this risk by using various first line financial institutions.

Interest rate risk

The Company and its subsidiaries are exposed to the risk of a rise in interest rates, especially the combination of interest rates associated with the cost of Interfinancial Deposit Certificates (CDI), due to the liability portion of the derivative operations (exchange hedge) and of loans contracted in Brazilian reais. However, the balance of financial investments, also indexed to the CDI, partially neutralizes this effect.

The Company and its subsidiaries are also exposed to fluctuations in the TJLP, as a result of the loans contracted from the BNDES. As of September 30, 2005, the principal of these operations amounted to R\$293,092 (R\$317,999 as of June 30, 2005). The Company and its subsidiaries have not contracted derivative operations to hedge the TJLP risk.

Loans contracted in foreign currency are also exposed to the risk of a rise in the interest rates (Libor) associated with foreign loans. As of September 30, 2005, these operations totaled US\$18,454 thousand (US\$138,454 thousand as of June 30, 2005).

Of the total loans and financing associated with variable foreign interest rates (Libor), US\$120,000 thousand have protection against interest rate variations (Libor) through derivatives (interest rate swap). The Company and its subsidiaries continue to monitor the market interest rates in order to evaluate the eventual need to contract other derivatives to protect against the risk of volatility of variable foreign rates for the remaining amount.

Currency risk

The Company and its subsidiaries utilize derivative instruments to protect against currency risk on foreign currency-denominated loans. The instruments normally used are swap options and forward contracts.

The following table summarizes the net exposure of the Company and its subsidiaries to the exchange rate factor as of September 30, 2005:

| | Stated in thousands of | | |
|-----------------------------------|------------------------|----------|-------------|
| | US\$ | € | ¥ |
| Loans and financing | (1,240,830) | - | (8,301,244) |
| Loans and financing - UMBNDES (*) | (22,817) | - | - |
| Derivative instruments | 1,296,283 | 13,585 | 8,301,244 |
| Other liabilities | (22,795) | (14,171) | - |
| Total | 9,841 | (586) | - |

(*) UMBNDES is a monetary unit calculated by the BNDES, composed of a basket of foreign currencies, the U.S. dollar being the main reason why the Company and its subsidiaries take it into consideration in analyzing the risk coverage in relation to variations in the exchange risks.

b) Derivative contracts

The Company and its subsidiaries record gains and losses on derivative contracts as net financial income or expenses.

The estimated book and market values of loans and financing and derivative instruments are as follows:

| | Book value | Market value | Unrealized losses |
|----------------------|---------------|---------------|-------------------|
| Loans and financing | (4,949,863) | (4,978,036) | (28,173) |
| Derivative contracts | (555,826) | (590,317) | (34,491) |
| Other liabilities | (88,575) | (88,575) | - |
| Total | (5,594,264) | (5,656,928) | (62,664) |

c) Market value of financial instruments

The market value of the loans and financing, swap and forward contracts was established based on the discounted cash flow method, using available interest rates projections.

The market values are calculated at a specific time based on information available and in-house valuation methodologies, and, therefore, the estimates indicated do not necessarily represent market realization values. The use of different assumptions could significantly affect the estimates.

26 POST-RETIREMENT BENEFIT PLANS

TCP and its subsidiaries TC and TCO, together with other companies of the former Telebrás system, sponsor private pension and health care plans for retired employees, managed by Fundação Sistel de Seguridade Social - SISTEL, as follows:

- a) PBS-A: defined-benefit multi-sponsor plan, for participants that were previously assisted and had such status on January 31, 2000.
- b) PBS-Telesp Celular and PBS-TCO: defined-benefit retirement plans sponsored individually by the Companies.
- c) PAMA: multi-sponsor healthcare plan for retired employees and their dependents, on a shared cost basis.

The contributions to the PBS-Telesp Celular and PBS-TCO Plans are determined based on actuarial valuations prepared by independent actuaries, in accordance with the regulations in effect in Brazil . Cost is determined using the capitalization method and the contribution due by the sponsor is 13.5% of the payroll for the employees participating in the Plan, of which 12% is used to financing the PBS-Telesp Celular and PBS-TCO Plans and 1.5% for the PAMA Plan. In the nine-month period ended September 30, 2005, the contributions to these Plans were R\$2 (R\$6 as of September 30, 2004).

d) TCPPrev and TCOPrev Plans: these are individual defined contribution plans, introduced by SISTEL in August 2000. The Company's contributions to the TCPPrev and TCOPrev Plans are equal to those of the participants, varying between 1% and 8% of the participation salary, according to the percentage chosen by the participant. In the nine-month period ended September 30, 2005, the contributions to these Plans were R\$5,021 (R\$10,926 as of September 30, 2004).

27 CORPORATE RESTRUCTURING

On January 14, 2000, the corporate restructuring plan was concluded, in which the goodwill paid on the privatization process of the Company was transferred to TC.

The financial statements, maintained for the Companies' corporate and tax purposes, record specific accounts related to the goodwill, the related reserve and the respective amortization, reversal and tax credit, the balances of which are as follows :

| | Balances on the date of merger | Consolidated | |
|--------------------------|-----------------------------------|--------------|------------|
| | | 09.30.05 | 06.30.05 |
| Balance sheet: | | | |
| Merged goodwill | 3,192,738 | 1,330,307 | 1,410,126 |
| Merged reserve | (2,127,694) | (878,003) | (930,683) |
| Balance | 1,065,044 | 452,304 | 479,443 |
| | | 09.30.05 | 09.30.04 |
| Statement of operations: | | | |
| Amortization of goodwill | | (239,455) | (239,455) |
| Reversal of reserve | | 158,041 | 158,041 |
| Tax credit | | 81,414 | 81,414 |
| Effect on net result | | - | - |

The Board of Directors of the Company and TCO approved two corporate restructurings as follows:

a) First corporate restructuring

On May 13, 2004, the Board of the Companies TCO and TCP approved a corporate restructuring for the purpose of transferring to TCO and its subsidiaries the goodwill paid by TCP in the acquisition of a controlling interest in TCO, which, on May 31, 2004, amounted to R\$1,503,121.

Prior to the merger of goodwill by TCO a reserve has been constituted for maintaining the merger's shareholders' equity in the amount of R\$992,060. Thus, net assets merged by TCO amounted to R\$511,061, which, in essence, represent the tax benefit derived from the deductibility of the mentioned goodwill when merged by TCO and its subsidiaries.

As of June 30, 2004 the transfer of part of the net assets of TCO to its subsidiaries was approved, based on appraisal reports prepared by independent specialists, as described below:

| Company | Goodwill | Merged reserve | Net amount |
|----------------|-----------|----------------|------------|
| Telemat | 248,558 | (164,048) | 84,510 |
| Telegoiás | 352,025 | (232,336) | 119,689 |
| Telems | 144,078 | (95,092) | 48,986 |
| Teleron | 68,775 | (45,392) | 23,383 |
| Teleacre | 29,353 | (19,373) | 9,980 |
| Total spin-off | 842,789 | (556,241) | 286,548 |
| Balance TCO | 660,332 | (435,819) | 224,513 |
| Total | 1,503,121 | (992,060) | 511,061 |

Concurrently with the transfer of a portion of the net assets to TCO subsidiaries, the proposal to merge the shares of TCO subsidiaries held by minority shareholders, who received TCO shares in a proportion established by a market evaluation appraisal prepared by independent experts, was approved. The transfer of the interests in TCO subsidiaries resulted in an increase of R\$28,555 in the capital of TCO.

The accounting records of the Companies maintained for corporate and tax purposes have specific accounts related with the premium and provision merged and corresponding amortization, reversal and tax credit, the balances of which are as follows:

| | Balances on the date of merger | Consolidated | |
|-----------------------------------|--------------------------------|--------------|------------|
| | | 09.30.05 | 06.30.05 |
| First restructuring: | | | |
| Balance sheet: | | | |
| Merged goodwill | 1,503,121 | 1,102,287 | 1,177,444 |
| Merged reserve | (992,060) | (727,510) | (777,113) |
| Balance | 511,061 | 374,777 | 400,331 |
| | | 09.30.05 | 09.30.04 |
| Statement of operations: | | | |
| Amortization of goodwill | | (225,471) | (148,877) |
| Reversal of reserve | | 148,809 | 98,259 |
| Tax credit | | 76,662 | 50,618 |
| Effect on result | | - | - |
| b) Second corporate restructuring | | | |

On August 31, 2005 the Board of Directors of TCO and TCP approved corporate restructuring with a view to transferring to TCO the goodwill paid by TCP on the acquisition of shares in TCO via a Voluntary Public Offering on October 8, 2004, the value of which on July 31, 2005 was R\$392,265.

Prior to the merger of goodwill by TCO a reserve has been constituted for maintaining the merger's shareholders' equity in the amount of R\$258,895. Thus, net assets merged by TCO amounted to R\$133,370, which, in essence, represent the tax benefit derived from the deductibility of the mentioned goodwill when merged by TCO.

The merged net amount will be amortized over an estimated period of five years and is offset by a special goodwill reserve to be transferred to the capital account in favor of TCP when the tax benefit is effectively realized, with a guarantee to the remainder of the shareholders of participation in these increases in capital, in which case the funds will be paid to TCP.

| | Balances on the date of merger | Consolidated 09.30.05 |
|-----------------------|-----------------------------------|--------------------------|
| Second restructuring: | | |
| Balance sheet: | | |
| Goodwill merged | 392,265 | 385,616 |
| Reserve merged | (258,895) | (254,507) |
| Balance | 133,370 | 131,109 |
| | | 09.30.05 |

Statement of operations:

| | |
|--------------------------|---------|
| Amortization of goodwill | (6,649) |
| Reversal of reserve | 4,388 |
| Tax credit | 2,261 |
| Effect on results | - |

As shown, the goodwill amortization, net of the reversal of the reserve and corresponding tax credit, had a nil effect on income and, consequently, on the calculation base of the statutory minimum dividends. To ensure a better presentation of the Companies' financial and equity situation, the net amount of R\$505,886 (R\$374,777 and R\$131,109 referring to the first and second restructuring, respectively) as of September 30, 2005 (R\$400,331 as of June 30, 2005), which essentially represents the merged balance of the tax credit, was classified in the balance sheet under current assets and noncurrent assets, as deferred taxes (Note 6).

28 TRANSACTIONS WITH RELATED PARTIES

The principal transactions with unconsolidated related parties are:

a) Use of network and long-distance (roaming) cellular communication: these transactions involve companies owned by the same controlling group : Telecomunicações de São Paulo S.A., Telerj Celular S.A., Telesp Celular S.A. - Telesp, Telebahia Celular S.A., Telergipe Celular S.A. and Celular CRT S.A. Part of these transactions was established based on contracts signed by Telebrás with the concessionaire operators during the period prior to privatization, and the conditions were regulated by ANATEL. Services to attend to the customers of Telecomunicações Móveis Nacionais - TMN "roaming" in the Company's network are included .

- b) Technical assistance: refers to the provision of corporate management advisory services by PT SGPS, calculated based on a percentage of the net services revenue, monetarily restated in accordance with the currency variation.
- c) Loans and financing: represent loans between companies in the Portugal Telecom Group, in accordance with Note 14.
- d) Corporate services: these are passed on to the subsidiaries at the cost effectively incurred for these services.
- e) Call-center services: provided by Dedic to users of the telecommunications services of the subsidiaries TC and GT, contracted for 12 months, renewable for the same period.
- f) Systems development and maintenance services: provided by PT Inovação.

We set forth below a summary of the balances and transactions with unconsolidated related parties:

| | Consolidated | |
|---------------------------------|--------------|----------|
| | 09.30.05 | 06.30.05 |
| Assets: | | |
| Trade accounts receivable, net | 172,170 | 194,883 |
| Receivable from Group companies | 30,963 | 27,121 |
| Liabilities: | | |
| Trade accounts payable | 153,199 | 231,480 |
| Loans and financing | 556 | 302,195 |
| Technical assistance | 37,380 | 34,803 |
| Intercompany liabilities | 5,130 | 9,287 |

| | Company | | Consolidated | |
|--|----------|----------|--------------|-----------|
| | 09.30.05 | 09.30.04 | 09.30.05 | 09.30.04 |
| Statement of operations: | | | | |
| Revenue from telecommunications services | - | - | 1,228,519 | 1,280,562 |
| Cost of services provided | - | - | (169,645) | (169,725) |
| Selling expenses | - | (84,874) | (178,973) | (102,536) |
| General and administrative expenses | (33) | (87,008) | (38,550) | (106,725) |
| Financial income (expenses), net | - | 22,194 | 10,586 | (102,159) |

29 INSURANCE (CONSOLIDATED)

The Company and its subsidiaries have a policy of monitoring the risks inherent to their operations. Accordingly, as of September 30, 2005, the Companies had insurance policies in effect to cover operating risks, third-party liability, health, etc. The management of the Company and its subsidiaries considers that the amounts are sufficient to cover possible losses. The principal assets, liabilities or interests covered by insurance are shown below:

| Type | Amounts insured |
|--|---|
| Operating risks | R\$9,528,626 |
| General third-party liability - RCG | R\$7,560 |
| Automobile (fleet of executive vehicles) | Fipe Table (100%), R\$250 for DC and R\$50 for DM |
| Automobile (fleet of operating vehicles) | R\$250 for DC and R\$50 for DM |

30 AMERICAN DEPOSITARY RECEIPTS - ADRs PROGRAM

On November 16, 1998, the Company began trading ADRs with the following characteristics on the New York Stock Exchange - NYSE:

Type of share: preferred.

Each ADR represents one preferred share.

The shares are traded as ADRs with the code "TCP", on the NYSE.

Foreign depository bank: The Bank of New York.

Custodian bank in Brazil : Banco Itaú S.A.

SIGNATURE

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

Date: November 18, 2005

TELESP CELULAR PARTICIPAÇÕES S.A.

By: /s/ Paulo Cesar Pereira
Teixeira

Paulo Cesar Pereira Teixeira
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

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This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
