TELESP CELLULAR HOLDING CO /ADR/
Form F-4/A
December 19, 2003

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As filed with the Securities and Exchange Commission on December 19, 2003

Registration No. 333-110080

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

FORM F-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Telesp Celular Participações S.A.

(Exact name of registrant as specified in its charter)

Telesp Cellular Holding Company

(Translation of registrant s name into English)

The Federative Republic of Brazil	**4812**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Av. Roque Petroni Júnior, 1,464 Morumbi
04707-000 São Paulo, SP, Brazil
011-55-11-5105-1207
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, NY 10011
(212) 894-8400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
S. Todd Crider, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
(212) 455-2000

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered[1][2]	Proposed Maximum Offering Price Per 1,000 Shares[3]	Proposed Maximum Aggregate Offering Price[2][3]	Amount of Registration Fee
Preferred shares, no par value[1]	207,917,781,420	U.S.$4.03	U.S.$838,884,079	U.S.$67,866[4]

(1) 155,138,393,685 of these shares will initially be represented by the registrant s American Depositary Shares (ADSs), each of which represent 2,500 preferred shares and are evidenced by American Depositary Receipts (ADRs). The ADSs have been registered under a separate registration statement on Form F-6 (Registration No. 333-100644). The remaining 52,779,387,735 shares will not be represented by ADSs.

(2) Includes a maximum number of the registrant s shares expected to be issued in connection with the merger of shares described in the accompanying prospectus. The securities to be issued in connection with the merger of shares outside the United States to non-U.S. residents are not registered under this registration statement.

(3) The Proposed Maximum Aggregate Offering Price per share (estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(f) and Rule 457(c) under the Securities Act) was calculated in accordance with the exchange ratio of 1.27 preferred shares of the registrant to be exchanged for each preferred share of Tele Centro Oeste Celular Participações S.A. (TCO) held directly by a U.S. resident and the exchange ratio of 1.524 ADSs representing preferred shares of the registrant to be exchanged for each ADS of TCO, in each case in connection with the merger of shares described in the accompanying prospectus, based on (a) R$10.19, the average of the high and low prices of TCO s preferred shares as reported on the São Paulo Stock Exchange on December 15, 2003 converted into U.S. dollars based on an exchange rate of R$2.9220 = U.S.$1.00, the noon buying rate on December 15, 2003, and (b) U.S.$10.55, the average of the high and low prices of TCO s ADSs as reported on the New York Stock Exchange on December 15, 2003.

(4) Previously paid.

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

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

Subject to Completion, Dated December 19, 2003

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 , 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.

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

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.

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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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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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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
	(R$ million, except per share data)					(U.S.$)(4)			(U.S.$)(4)
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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PART TWO SUMMARY

	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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PART TWO SUMMARY

Summary Comparative Per Share Data

We present below book value, cash dividend and income (loss) from continuing operations per share data on both a historical basis and an unaudited pro forma 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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PART TWO SUMMARY

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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PART TWO SUMMARY

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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PART TWO   SUMMARY

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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PART THREE RISK FACTORS

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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PART THREE RISK FACTORS

- 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

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	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

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	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	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	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.

PART FOUR RECENT DEVELOPMENTS

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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PART FOUR RECENT DEVELOPMENTS

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

PART FOUR RECENT DEVELOPMENTS

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.

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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PART FIVE THE MERGER OF SHARES

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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PART FIVE THE MERGER OF SHARES

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.