

TELESP CELLULAR HOLDING CO /ADR/
Form 6-K
May 19, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2003

Commission File Number 1-14493

TELESP CELULAR PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

Telesp Cellular Holding Company

(Translation of Registrant's name into English)

Rua Abílio Soares, 409
04005-001 - São Paulo, SP
Federative Republic of Brazil
(Address of principal executive office)

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

Form 20-F Form 40-F

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

Yes No

DELOITTE TOUCHE TOHMATSU

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

***Telesp Celular Participações
S.A. and Subsidiaries***

*Quarterly Financial Information
for the Three-month Period*

Ended March 31, 2003

and Independent Accountants Review Report

Deloitte Touche Tohmatsu Auditores Independentes

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

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

INDEPENDENT ACCOUNTANTS REVIEW REPORT

To the Shareholders and Management of
Telesp Celular Participações S.A.
São Paulo SP Brazil

1. We have reviewed the accompanying quarterly financial information of Telesp Celular Participações S.A. (the Company) and its subsidiaries as of and for the three-month period ended March 31, 2003, consisting of the individual and consolidated balance sheets as of March 31, 2003 and the related statements of operations for the three-month period then ended, the performance report and relevant information, prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas on the criteria adopted in preparing the quarterly financial information, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and operations of the Company and its subsidiaries.
3. Based on our review, we are not aware of any material modifications that should be made to the quarterly financial information referred to in paragraph 1 for it to be in conformity with Brazilian accounting practices and standards issued by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory quarterly information.
4. We had previously audited the individual and consolidated balance sheets as of December 31, 2002, presented for comparative purposes, and issued an unqualified opinion thereon, dated January 29, 2003. The individual and consolidated statements of operations for the three-month period ended March 31, 2002, presented for comparative purposes, were reviewed by other independent auditors whose review report thereon, dated April 16, 2002, was unqualified.
5. The accompanying quarterly financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, April 25, 2003

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

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

TELESP CELULAR PARTICIPAÇÕES S.A

NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2003 AND 2002
(Amounts in thousands of Brazilian reais R\$, unless otherwise indicated)

1. OPERATIONS

Telesp Celular Participações S.A. (TCP or the Company) is a publicly-traded company which, as of March 31, 2003, is owned by Brasilcel N.V. (57.26% of total capital) and Portelcom Participações S.A. (7.86% of total capital), which is wholly-owned by Brasilcel N.V.

Starting December 27, 2002, Brasilcel N.V. holds equity interests in Telefónica Móviles, S.A. (50.00% of total capital), in PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.999% of total capital), and in Portugal Telecom, SGPS, S.A. (0.001% of total capital).

The Company owns 100% of Telesp Celular S.A. (TC), and, as of December 27, 2002, Global Telecom S.A. (GT) which provide, through authorizations or concessions, mobile telephone services in the States of São Paulo, Paraná and Santa Catarina, including related services.

Telecommunications services provided by the subsidiaries, including related services, are regulated by the Federal regulatory authority, the National Telecommunications Agency (ANATEL), as authorized by Law No. 9,472 of July 16, 1997, and the respective regulations, decrees, decisions and plans.

Migration from SMC to SMP

On December 10, 2002, ANATEL and the subsidiaries TC and GT signed a document authorizing Personal Mobile Service (SMP), effective from the date of publication in the official government newspaper on December 12, 2002.

Authorizations granted to the subsidiaries TC and GT are valid for the remaining periods of the concessions previously granted and currently replaced, to August 5, 2008 and April 8, 2013, respectively, and may be renewed once for fifteen years, on a chargeable basis.

Joint venture

On December 27, 2002, the assets held by the shareholders PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (PT), and Telefónica Móviles S.A. (TEM) in the Brazilian mobile telephony market, for the direct and indirect equity interests in the Company, Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., and CRT Celular Participações S.A., were transferred to Brasilcel N.V., based in the Netherlands, to form a joint venture.

Senior management of the companies involved believe that all companies will benefit from this process, particularly from the synergies achieved with increased operating volumes and standardization of operating processes, which may result in certain periodic adjustments.

Merger

On December 27, 2002, the Company purchased the remaining 51% of the outstanding common stock (17% of total capital) of the holding companies Daini do Brasil S.A., Globaltelcom Telecomunicações S.A. and GTPS S.A. Participações em Investimentos de Telecomunicações which together held the controlling interest in Global Telecom S.A.

As of March 31, 2003, the Company, seeking to minimize administrative and financial costs, merged these holding companies into their investee, in which the merged net assets amounted to R\$276 million. With this operation, the Company became the direct owner of Global Telecom S.A.

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

Acquisition of equity interests - Tele Centro Oeste

On April 25, 2003, under the terms of the Preliminary Contract for Purchase and Sale of Shares and of the Contract for Purchase and Sale of Shares, the control of Tele Centro Oeste Participações S.A. (TCO) was transferred, after respective satisfaction of the conditions precedent and including, on that date, financial settlement of the operation and transfer to the Company of the shares representing the controlling interest in TCO.

The price of the controlling shares, plus interest provided for under the final contract, was approximately R\$1.505 million, equivalent to R\$19.48719845 per thousand common shares purchased, of which approximately R\$308 million was paid on the aforementioned date to the sellers and the remaining balance will be paid in installments under the terms and conditions of the final contract.

TCP will undertake, within the terms and provisions of prevailing legislation, a public offer for acquisition of the remaining common stock due to the acquisition of the controlling interest, as well as an exchange of shares as already disclosed in the relevant event published on January 16, 2003.

2. PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements have been prepared in accordance with Brazilian accounting practices as defined by corporate law, standards applicable to concessionaires of public telecommunication services, and accounting standards and procedures established by the Brazilian Securities Commission (CVM).

The consolidated financial statements include:

As of March 31, 2003, balances and transactions of the subsidiaries TC and GT which became a subsidiary on December 27, 2002, and of the indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas.

As of March 31, 2002, balances and transactions of the subsidiary TC and indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. Results of operations of GT for this period are reflected in the statement of operations under the equity method. The financial statements as of December 31, 2002 and March 31, 2002 have been reclassified, where applicable, for comparability.

In consolidation, all intercompany balances and transactions have been eliminated.

3. SUMMARY OF PRINCIPAL ACCOUNTING PRACTICES

The principal accounting practices adopted by the Company and its subsidiaries in the preparation of the quarterly financial statements as of March 31, 2003 are basically those described in the financial statements as of December 31, 2002, except for (a) revenue from prepaid cellular phone recharges which since January 1, 2003 is being deferred and recorded in income as the credits are effectively used; the effect of this change is a reduction in income of approximately R\$37 million, net of tax effects, and (b) deferral of the subsidy on sales of terminals to dealers which is recorded in income as terminal activation occurs, generating an increase in income of approximately R\$12 million, net of tax effects.

4. CASH AND CASH EQUIVALENTS

| | Company | | Consolidated | |
|----------------------------|----------|----------|--------------|----------|
| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| Cash and banks | 91 | 477 | 4,755 | 15,853 |
| Temporary cash investments | 134,205 | - | 254,696 | 1,950 |
| Total | 134,296 | 477 | 259,451 | 17,803 |

Temporary cash investments refer principally to fixed income bank deposit certificates (CDBs) which are indexed to interbank deposit (CDI) rates.

5. TRADE ACCOUNTS RECEIVABLE, NET

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | Consolidated | |
|---------------------------------|----------------|----------------|
| | 03.31.03 | 12.31.02 |
| Unbilled amounts | 120,046 | 111,206 |
| Billed amounts | 231,362 | 212,575 |
| Interconnection | 157,207 | 143,899 |
| Products sold | 183,537 | 204,415 |
| Allowance for doubtful accounts | (107,064) | (120,135) |
| Total | 585,088 | 551,960 |
| Current | 585,088 | 540,093 |
| Noncurrent | - | 11,867 |

Changes in the allowance for doubtful accounts are follows:

| | Consolidated | |
|---|----------------|----------------|
| | 03.31.03 | 12.31.02 |
| Beginning balance | 120,135 | 103,642 |
| Provision for doubtful accounts | 6,906 | 21,442 |
| Write-offs (Q1) | (19,977) | (13,031) |
| Balance as of March 31 (Q1) | 107,064 | 112,053 |
| Provision for doubtful accounts (Q2, Q3 and Q4) | | 46,887 |
| Write-offs (Q2, Q3 and Q4) | | (49,107) |
| Inclusion of Global Telecom S.A. | | 10,302 |
| Balance as of December 31, 2002 | | 120,135 |

6. INVENTORIES

| | Consolidated | |
|----------------------------|----------------|----------------|
| | 03.31.03 | 12.31.02 |
| Digital handsets | 227,199 | 169,248 |
| Other | 3,366 | 2,442 |
| Allowance for obsolescence | (30,226) | (24,020) |
| Total | 200,339 | 147,670 |

7. DEFERRED AND RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | | | | |
| Recoverable income and social contribution taxes | 130,560 | 11,302 | 138,643 | 50,097 |
| Withholding income tax | 1,924 | 113,402 | 3,616 | 117,193 |
| Recoverable ICMS (State VAT) | - | - | 103,643 | 104,776 |
| Recoverable PIS and COFINS (taxes on revenue) and other | 789 | - | 2,422 | 1,645 |
| Recoverable taxes | 133,273 | 127,704 | 248,324 | 273,711 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | |
|---|---------|---------|-----------|-----------|
| Deferred income and social contribution taxes | 419 | 419 | 1,001,851 | 1,039,890 |
| Total | 133,692 | 128,123 | 1,250,175 | 1,313,601 |
| Current | 133,273 | 127,704 | 362,962 | 398,768 |
| Noncurrent | 419 | 419 | 887,213 | 914,833 |

Deferred income and social contribution taxes are comprised of:

| | Company | | Consolidated | |
|---|----------|----------|--------------|-----------|
| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| Merged tax credit (corporate restructuring) | - | - | 702,403 | 728,742 |
| Tax loss carryforwards | 419 | 419 | 154,951 | 116,114 |
| Allowance reserve for: | | | | |
| Inventory obsolescence | - | - | 8,643 | 7,123 |
| Contingencies | - | - | 20,954 | 42,631 |
| Doubtful accounts | - | - | 23,971 | 29,030 |
| Network costs and customer discounts - Peg&Fale | - | - | 4,066 | 16,619 |
| Derivative transactions | - | - | 82,546 | 90,690 |
| Profit sharing program | - | - | 6,654 | 4,904 |
| Other | - | - | (2,337) | 4,037 |
| Total deferred taxes | 419 | 419 | 1,001,851 | 1,039,890 |
| Current | - | - | 160,154 | 173,323 |
| Noncurrent | 419 | 419 | 841,697 | 866,567 |

Deferred taxes have been recorded based on the assumption of their future realization, as follows:

- Tax loss carryforwards of the subsidiary TC will be offset up to a limit of 30% per year of taxable income for the next few years. The subsidiary, based on projections of future results, estimates that its tax loss carryforwards will be fully utilized in five years.
- The merged tax credit consists of the net balance of goodwill and the reserve for maintenance of integrity of shareholders' equity (Note 29) and is realized as goodwill is amortized, over a period of ten years. Outside consultants' studies used in the corporate restructuring process support the tax credit recovery within that period.
- Temporary differences will be realized upon payment of the accruals, effective losses on bad debts and realization of inventories.

Technical feasibility studies approved by the Board of Directors indicate full recovery of the deferred taxes recognized as determined by CVM Resolution No. 371. The Company expects to recover the tax credits as follows:

| Year | Consolidated (R\$ million) |
|---------------|-------------------------------|
| 2003 | 135 |
| 2004 | 212 |
| 2005 | 227 |
| 2006 | 133 |
| 2007 | 109 |
| 2008 and 2009 | 186 |

Total 1,002

CVM Resolution No. 371 determines that periodic studies must be carried out to support the maintenance of the amounts recorded. The Company and its subsidiary GT did not recognize deferred income and social contribution taxes on tax losses and temporary differences, due to the lack of projections of taxable income to be generated in the short term.

8. PREPAID EXPENSES

| Company | | Consolidated | |
|----------|----------|--------------|----------|
| 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | |
|-----------------------|---------------|----------|----------------|---------------|
| FISTEL fees | - | - | 100,064 | 30,457 |
| Financial charges | 8,223 | - | 14,670 | 712 |
| Commercial incentives | - | - | 27,695 | 34,504 |
| Other | 1,946 | - | 3,089 | 940 |
| Total | 10,169 | - | 145,518 | 66,613 |
| Current | 8,223 | - | 128,599 | 48,962 |
| Noncurrent | 1,946 | - | 16,919 | 17,651 |

9. OTHER ASSETS

| | Company | | Consolidated | |
|------------------------|-----------|------------|---------------|---------------|
| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| Credits with suppliers | - | - | 1,039 | 1,535 |
| Credits with dealers | - | - | 2,383 | 2,383 |
| Escrow deposits | - | - | 4,322 | 4,277 |
| Other | 95 | 129 | 3,370 | 2,519 |
| Total | 95 | 129 | 11,114 | 10,714 |
| Current | 95 | 129 | 6,652 | 6,287 |
| Noncurrent | - | - | 4,462 | 4,427 |

10. INVESTMENTS

a) Investments in subsidiaries

| Investee | Comon stock interest (%) | Preferred stock interest (%) | Total interest (%) |
|---------------------|--------------------------|------------------------------|--------------------|
| Telesp Celular S.A. | 100 | 100 | 100 |
| Global Telecom S.A. | 100 | 100 | 100 |

b) Number of shares held

| Investee | Comon | Preferred | Total |
|---------------------|------------|------------|------------|
| Telesp Celular S.A. | 33,650,043 | 49,505,725 | 83,155,768 |
| Global Telecom S.A. | 1,978 | 3,957 | 5,935 |

c) Information on subsidiaries

| Investee | Shareholders equity - 03.31.03 | Net income (loss) - quarter ended 03.31.03 |
|---------------------|--------------------------------|--|
| Telesp Celular S.A. | 3,352,714 | 78,562 |
| Global Telecom S.A. | 724,633 | (104,602) |

d) Components and changes

Investments of TCP are comprised of interests in the capital of the subsidiary TC, of the former companies controlling GT, and GT, as well as goodwill and advances for future capital increases, reserves for investment losses and other investments, as shown below:

| | |
|---------|--------------|
| Company | Consolidated |
|---------|--------------|

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
|---|-----------|-----------|-----------|-----------|
| Investments in subsidiaries | 3,884,114 | 4,111,464 | - | - |
| Goodwill paid on investment acquisition | 1,077,022 | 875,830 | 1,172,292 | 1,172,308 |
| Advance for future capital increase | 595,474 | 595,474 | - | - |
| Reserve for investment losses | (449,615) | (449,615) | (449,615) | (449,615) |
| Other investments | 69 | 69 | 69 | 69 |
| Investment balance | 5,107,064 | 5,133,222 | 722,746 | 722,762 |

Changes in investment balances for March 31, 2003 and December 31, 2002:

| | Company | | |
|--|------------|------------|--|
| | Q1 2003 | Year 2002 | |
| | Investment | Investment | Reserve for excesses of liabilities over assets |
| Investments, net of reserve for loss | 5,133,222 | 3,761,150 | (582,860) |
| Equity pick-up | (26,158) | 250,491 | (890,706) |
| Interest on capital | - | (159,992) | - |
| Goodwill paid on investment acquisitions | - | 290,282 | - |
| Reserve for investment losses | - | (170,846) | - |
| Advance for future capital increase | - | 319,393 | - |
| Investments in subsidiaries | - | 837,312 | 1,473,566 |
| Interest on capital and expired dividends (subsidiary) | - | 5,397 | - |
| Other investments | - | 35 | - |
| Investments, net of reserve for loss | 5,107,064 | 5,133,222 | - |

The goodwill paid on the acquisition of the investments, in the amount of R\$1,077,022, will be amortized over ten years based on future profitability, to commence when profitable operations are achieved, which is expected to occur in 2005.

TC has investments in Telesp Celular International Ltd. and Telesp Celular Overseas, companies located abroad for the purpose of obtaining funding through foreign loans.

11. PROPERTY, PLANT AND EQUIPMENT

| | Useful lives (years) | Consolidated | | | |
|------------------------|-------------------------|--------------|-----------------------------|----------------|----------------|
| | | 03.31.03 | | 12.31.02 | |
| | | Cost | Accumulated depreciation | Net book value | Net book value |
| Transmission equipment | 5 - 25 | 3,086,482 | (1,548,741) | 1,537,741 | 1,596,833 |
| Switching equipment | 6 - 10 | 1,242,465 | (542,472) | 699,993 | 737,228 |
| Infrastructure | 5 - 35 | 1,031,331 | (309,417) | 721,914 | 740,053 |
| Land | - | 39,851 | - | 39,851 | 39,851 |
| Software use rights | 5 - 15 | 756,025 | (270,170) | 485,855 | 511,810 |
| Buildings | 35 | 134,217 | (18,835) | 115,382 | 110,133 |
| Terminals | 1 - 3 | 114,383 | (63,845) | 50,538 | 54,518 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | | |
|-------------------------------------|--------|-----------|-------------|-----------|-----------|
| Concession license | 15 | 915,927 | (305,279) | 610,648 | 625,913 |
| Other assets | 5 - 25 | 263,159 | (115,317) | 147,842 | 174,721 |
| Assets and construction in progress | | 228,641 | - | 228,641 | 206,913 |
| | | 7,812,481 | (3,174,076) | 4,638,405 | 4,797,973 |
| Allowance for loss | | (19,859) | - | (19,859) | (19,859) |
| Total | | 7,792,622 | (3,174,076) | 4,618,546 | 4,778,114 |

The subsidiaries managements are conducting studies to evaluate the useful lives of their property items. Possible effects resulting from these studies that may change the useful lives of the assets will be recognized in the financial statements for 2003.

Starting in March 2003, the useful life of terminals was reduced to 18 months, in order to better reflect the state of operations. The effect of this reduction in the quarter represented an increase of R\$14,360 in depreciation expenses, compared to the same quarter last year.

12. DEFERRED CHARGES

| | Annual amortization rate - % | Consolidated | |
|-------------------------------------|------------------------------------|--------------|-----------|
| | | 03.31.03 | 12.31.02 |
| Preoperating costs: | | | |
| Amortization of license | 10 | 80,496 | 80,496 |
| Financial expenses | 10 | 184,430 | 184,430 |
| General and administrative expenses | 10 | 43,633 | 43,633 |
| | | 308,559 | 308,559 |
| Goodwill - Ceterp Celular S.A. | 10 | 84,265 | 84,265 |
| | | 392,824 | 392,824 |
| Accumulated amortization: | | | |
| Preoperating costs | | (108,404) | (100,489) |
| Goodwill - Ceterp Celular S.A. | | (19,661) | (17,555) |
| | | (128,065) | (118,044) |
| Total, net | | 264,759 | 274,780 |

13. TRADE ACCOUNTS PAYABLE

| | Company | | Consolidated | |
|------------------------|----------|----------|--------------|----------|
| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| Suppliers | 17,585 | 16,202 | 435,760 | 402,910 |
| Interconnection | - | - | 30,530 | 48,055 |
| Profit sharing program | - | - | 3,616 | 17,851 |
| Other | 132 | 130 | 20,808 | 19,820 |
| Total | 17,717 | 16,332 | 490,714 | 488,636 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

14. TAXES PAYABLE

| | Company | | Consolidated | |
|--------------------------------------|------------|--------------|----------------|----------------|
| | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| State VAT (ICMS) | - | - | 177,742 | 178,992 |
| Income and social contribution taxes | - | - | - | 24,671 |
| Taxes on revenue (PIS and COFINS) | - | 2,540 | 34,902 | 45,829 |
| FISTEL fees | - | - | 1,297 | 6,519 |
| FUST and FUNTTEL | - | - | 1,096 | 2,588 |
| Other taxes | 644 | 798 | 1,647 | 1,841 |
| Total | 644 | 3,338 | 216,684 | 260,440 |

| | | | | |
|-----------|-----|-------|---------|---------|
| Current | 644 | 3,338 | 83,314 | 141,720 |
| Long term | - | - | 133,370 | 118,720 |

Of the long-term portion, R\$108,669 refers to the ICMS Programa Paraná Mais Emprego, an agreement made with the Paraná State Government for deferral of ICMS payments, on July 21, 2000, with supplementary authorization in November 2000. Among other benefits, this agreement stipulates the due date of ICMS is the 49th month following that in which the ICMS is determined, among other benefits.

15. LOANS AND FINANCING

a) Composition of debt

| Description | Currency | Annual charges - % | Company | | Consolidated | |
|--------------------------------|----------|----------------------|------------------|------------------|------------------|------------------|
| | | | 03.31.03 | 12.31.02 | 03.31.03 | 12.31.02 |
| Financial institutions: | | | | | | |
| Letter of credit | US\$ | - | 51,689 | - | 96,888 | - |
| Compror | US\$ | 5 to 16.83 | - | - | 33,734 | 57,560 |
| Finem - BNDES | R\$ | TJLP + 4 | - | - | 655,543 | 698,697 |
| | | TJLP/UMBNDDES + 3.6 | - | - | 25,993 | - |
| Finimp | US\$ | 3.35 to 3.45 + Libor | - | - | - | - |
| Working capital | R\$ | 110 to 118 of CDI | - | 410,000 | - | 427,000 |
| Promissory notes | R\$ | 111 of CDI | 700,000 | - | 700,000 | - |
| Resolution No. 63 | US\$ | 5.0 to 16.83 | 50,297 | 268,956 | 622,775 | 371,547 |
| Resolution No. 63 | ¥ | 1.05 | 95,755 | - | 108,802 | - |
| Suppliers: | | | | | | |
| NEC do Brasil | US\$ | 7.30 | - | - | 27,256 | 28,721 |
| Affiliated companies: | | | | | | |
| Commercial paper | US\$ | 9.5 | - | - | 402,372 | 423,996 |
| Resolution No. 4,131 | | 7.0 + Euribor | - | - | 163,410 | 164,959 |
| Resolution No. 4,131 | US\$ | 13.25 | - | - | 301,779 | 706,660 |
| Floating rate notes | | 7.0 + Euribor | 1,525,428 | 1,539,886 | 1,525,428 | 1,539,886 |
| Accrued interest | | | 32,449 | 19,607 | 72,100 | 41,775 |
| Total | | | 2,455,618 | 2,238,449 | 4,736,080 | 4,460,801 |
| Current | | | 930,190 | 698,563 | 2,419,190 | 2,068,070 |
| Long term | | | 1,525,428 | 1,539,886 | 2,316,890 | 2,392,731 |

TJLP - Brazilian long-term interest rate.

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

b) Repayment schedule

The long-term portion of loans and financing matures as follows:

| | 03.31.03 | |
|--------------|------------------|------------------|
| | Company | Consolidated |
| 2004 | 1,525,428 | 1,672,536 |
| 2005 | - | 221,413 |
| 2006 | - | 70,844 |
| 2007 | - | 352,097 |
| Total | 1,525,428 | 2,316,890 |

c) Additional information

GT has a loan from the National Bank for Economic and Social Development (BNDES), the balance of which at March 31, 2003 was R\$336,446. As of that date, various loan covenants were not being complied with by GT. No adjustment related to this matter was reflected either by GT or by TCP, since waivers on noncompliance with these covenants have been obtained through December 30, 2003. As of March 31, 2003, the Company and its subsidiaries have exchange contracts in the amounts of US\$508,447,000, ¥3,828,250,000 and 760,179,000, to hedge against exchange rate fluctuations on foreign currency obligations. At March 31, 2003, the Company and its subsidiaries recognized accumulated net unrealized gains of R\$1,599,291 (R\$1,670,929 at December 31, 2002) on these hedges, represented by a balance of R\$1,703,474 (R\$1,754,112 at December 31, 2002) in assets, of which R\$18,151 (R\$15,870 in 2002) in current and R\$1,685,323 (R\$1,738,242 in 2002) in noncurrent, and a balance of R\$104,183 in current liabilities.

16. OTHER LIABILITIES

| | Consolidated | |
|--|----------------|---------------|
| | 03.31.03 | 12.31.02 |
| Premium on sale of call option (a) | 17,919 | 19,910 |
| Services to be provided - prepaid | 75,672 | 4,410 |
| Network costs and customer discounts (b) | 11,957 | 48,880 |
| Accrual for customer loyalty program (c) | 7,031 | 6,241 |
| Other | 311 | 447 |
| Total | 112,890 | 79,888 |
| Current | 106,917 | 71,909 |
| Long term | 5,973 | 7,979 |

(a) In 2000, TC sold options to purchase US\$300,000,000 at a price of R\$2.25 to US\$1.00 that mature on September 24, 2004 (Note 27). The premium received is being amortized to income over the life of the contracts, on the accrual basis.

(b) Relates to the cost of services that will be provided in connection with prepaid service revenue as well as customer discounts.

(c) In April 2000, GT launched a customer loyalty program whereby the customer makes calls and earns points redeemable for telephone handsets. Accumulated points are accrued when granted, considering redemption prospects based on the consumption profile of participant customers. The accrual is reduced when handsets are redeemed by customers.

17. RESERVE FOR CONTINGENCIES

The Company and its subsidiaries are parties to certain lawsuits involving labor, tax and civil matters. Management has recognized reserves for cases in which the likelihood of an unfavorable outcome is considered probable by its legal counsel.

Components of the reserves are as follows:

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | Consolidated | |
|--------------|---------------|----------------|
| | 03.31.03 | 12.31.02 |
| Labor | 422 | 374 |
| Civil | 9,209 | 21,450 |
| Tax | 65,511 | 115,041 |
| Total | 75,142 | 136,865 |
| Current | 40,578 | 36,590 |
| Long term | 34,564 | 100,275 |

Tax

The principal tax contingencies of the subsidiaries are described below:

a) State VAT (ICMS)

On June 19, 1998, the Revenue Secretaries of the individual Brazilian states approved an agreement interpreting existing Brazilian tax law and broadening the application of the ICMS, a State value-added tax, to cover not only telecommunication services but also other services, including cellular activation fees which had not previously been subject to such tax. Pursuant to this new interpretation of tax law, the ICMS tax may be applied retroactively for such services rendered during the last five years.

Management of TC believes that the attempt by the State Revenue Secretaries to extend the scope of ICMS tax to services which are supplementary to basic telecommunication services is unlawful because: (a) the State Secretaries acted beyond the scope of their authority, (b) their interpretation would subject certain services to taxation which are not considered telecommunication services, and (c) new taxes may not be applied retroactively. In addition, the Company believes that Telecomunicações de São Paulo S.A. - TELESP, the legal predecessor of TC, would be liable for any obligation in connection with any claim arising out of the retroactive application of the ICMS tax on activation fees for periods prior to 1998. No reserve for such taxes has been made in the accompanying consolidated financial statements for periods prior to 1998.

In the first quarter of 2003, the Company, based on legal counsel's opinion, reversed the amount of R\$69,853.

In the period from August 1999 to December 2001, GT was granted a tax benefit which reduced ICMS payable in the State of Santa Catarina, according to article 7 of the ICMS tax regulations/Santa Catarina. However, article 30 of the regulations provides for the reversal of credits in excess of benefits used. The reserve as of March 31, 2003 was R\$6,300 (R\$4,800 as of December 31, 2002).

b) PIS and COFINS (taxes on revenue)

TC is a party to two lawsuits: the first challenges the increase in the COFINS rate and the second the change in the calculation basis of PIS and COFINS. Amounts for the COFINS rate increase have been totally accrued while the effect of the expansion of the PIS and COFINS calculation basis has not been accrued, based on legal counsel's opinion as to the chances of success in that litigation.

The amount reserved as of March 31, 2002 was R\$21,051 (R\$20,280 as of December 31, 2002).

Labor and civil

Include claims for compensation for moral damages and other employee claims, for which a reserve has been recorded in the amount of R\$9,631 as of March 31, 2003 (R\$21,824 as of December 31, 2002) to cover any loss that might result.

Additionally, TC and GT are parties to several other civil and tax lawsuits totaling approximately R\$9 million, for which no reserve for contingencies was recognized, based on legal counsel's opinion.

18. LEASES

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

In the first quarter of 2003, TC had expenses under lease agreements totaling R\$7,300 (R\$5,010 in 2002). The outstanding obligation under such agreements, adjusted for exchange rates prevailing at March 31, 2003, is R\$36,502, payable in quarterly installments through June 2004.

19. SHAREHOLDERS EQUITY

a) Capital

As of March 31, 2003, capital is represented by shares without par value, as follows:

| | Thousands of shares |
|------------------|------------------------|
| Common shares | 409,383,864 |
| Preferred shares | 762,400,488 |
| | 1,171,784,352 |

b) Dividends

Preferred shares do not have voting rights, except in the circumstances set forth in articles 9 and 10 of the bylaws; they have priority in the redemption of capital, without premium, are entitled to receive dividends of at least 25% of net income for the year, calculated as defined by article 202 of corporate law, have priority in the payment of minimum, noncumulative dividends based on the greater of the following: (a) 6% per year of the amount resulting from the division of the subscribed capital by the total number of shares outstanding, or (b) 3% per year of the amount resulting from the division of the shareholders' equity by the total number of shares outstanding, and are entitled to receive dividends equivalent to those paid to holders of common shares, after dividends in the same amount as mandatory minimum dividends on preferred shares have been paid to such holders.

c) Special premium reserve

This reserve resulted from the corporate restructuring implemented by the Company and will be capitalized in favor of the controlling shareholder when the tax benefit is effectively realized.

20. NET OPERATING REVENUE

| | Consolidated | |
|------------------------------|--------------|-----------|
| | Q1 2003 | Q1 2002 |
| Monthly subscription charges | 87,093 | 232,705 |
| Use of network | 427,294 | 247,296 |
| Roaming charges | 17,280 | 13,628 |
| Additional call charges | 11,689 | 17,921 |
| Interconnection | 433,570 | 298,136 |
| Additional services | 12,835 | 6,787 |
| Sale of products | 182,691 | 146,548 |
| Other services | 4,087 | 756 |
| | 1,176,539 | 963,777 |
| Gross operating revenue | | |
| Deductions | (249,281) | (206,315) |
| | 927,258 | 757,462 |

21. COST OF SERVICES PROVIDED AND PRODUCTS SOLD

Consolidated

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | Consolidated | |
|--------------------------------------|------------------|------------------|
| | Q1 2003 | Q1 2002 |
| Personnel | (8,397) | (7,244) |
| Outside services | (39,401) | (28,421) |
| Connections | (21,484) | (20,276) |
| Rent, insurance and condominium fees | (22,141) | (17,814) |
| Interconnection | (43,198) | (61,461) |
| Taxes and contributions | (8,497) | (2,472) |
| Depreciation and amortization | (186,591) | (138,083) |
| Cost of products sold | (135,056) | (112,424) |
| Other | (1,894) | (1,402) |
| Total | (466,659) | (389,597) |

22. SELLING EXPENSES

| | Consolidated | |
|--------------------------------------|------------------|------------------|
| | Q1 2003 | Q1 2002 |
| Personnel | (27,901) | (19,738) |
| Supplies | (2,257) | (1,369) |
| Outside services | (116,609) | (57,532) |
| Rent, insurance and condominium fees | (6,378) | (2,925) |
| Taxes and contributions | (26,944) | (21,797) |
| Depreciation and amortization | (32,181) | (6,962) |
| Allowance for doubtful accounts | (6,906) | (21,442) |
| Other | (17,020) | (3,781) |
| Total | (236,196) | (135,546) |

23. GENERAL AND ADMINISTRATIVE EXPENSES

| | Company | | Consolidated | |
|--------------------------------------|----------------|----------------|-----------------|-----------------|
| | Q1 2003 | Q1 2002 | Q1 2003 | Q1 2002 |
| Personnel | (1,681) | (506) | (20,625) | (13,289) |
| Supplies | (9) | (62) | (948) | (390) |
| Outside services | (6,086) | (3,259) | (49,031) | (34,977) |
| Rent, insurance and condominium fees | (42) | (353) | (6,317) | (4,683) |
| Taxes and contributions | (185) | (69) | (1,358) | (759) |
| Depreciation and amortization | (7) | (56) | (19,670) | (14,153) |
| Other | (58) | (6) | (1,731) | (108) |
| Total | (8,068) | (4,311) | (99,680) | (68,359) |

24. OTHER OPERATING INCOME (EXPENSES)

| | Company | | Consolidated | |
|---------|---------|---------|--------------|---------|
| | Q1 2003 | Q1 2002 | Q1 2003 | Q1 2002 |
| Income: | | | | |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | |
|--|-------|----------|----------|----------|
| Fines | - | - | 4,847 | 4,737 |
| Recovered expenses | 1,022 | - | 1,328 | 403 |
| Reversal of reserves | - | - | 69,853 | - |
| Other | - | 2,813 | 829 | 2,839 |
| | <hr/> | | | |
| Total | 1,022 | 2,813 | 76,857 | 7,979 |
| | <hr/> | | | |
| Expenses: | | | | |
| Provision for contingencies | - | - | (6,948) | (19,546) |
| Consulting - technology and management (Note 30) | - | (16,212) | (10,276) | - |
| Ceterp Celular S.A. goodwill amortization | - | - | (2,106) | (2,106) |
| Taxes other than on income | (17) | - | (6,101) | (5,527) |
| Amortization of GT s preoperating expenses | - | - | (7,915) | - |
| Other | - | - | (3,283) | (4,794) |
| | <hr/> | | | |
| Total | (17) | - | (42,565) | (42,249) |
| | <hr/> | | | |

25. FINANCIAL INCOME (EXPENSES)

| | Company | | Consolidated | |
|---|-----------|----------|--------------|-----------|
| | Q1 2003 | Q1 2002 | Q1 2003 | Q1 2002 |
| | <hr/> | | | |
| Income: | | | | |
| Interest and other | 39,753 | 4,823 | 32,603 | 16,410 |
| Exchange variations on assets | 161,947 | 30,193 | 412,283 | 169,714 |
| | <hr/> | | | |
| Total | 201,700 | 35,016 | 444,886 | 186,124 |
| | <hr/> | | | |
| Expenses: | | | | |
| Interest and other | (138,006) | (35,381) | (299,554) | (102,898) |
| Monetary/exchange variations on liabilities | (162,039) | (28,070) | (397,769) | (199,734) |
| | <hr/> | | | |
| Total | (300,045) | (63,451) | (697,323) | (302,632) |
| | <hr/> | | | |

26. TAXES ON INCOME

TCP and its subsidiaries estimate monthly the amounts for income and social contribution taxes, on the accrual basis. Deferred taxes are provided on temporary differences as shown in Note 7. Income and social contribution taxes charged to income consist of the following:

| | Consolidated | |
|----------------------------------|--------------|----------|
| | Q1 2003 | Q1 2002 |
| | <hr/> | |
| Income tax | - | (1,105) |
| Social contribution tax | - | (409) |
| Deferred income tax | (28,631) | (14,935) |
| Deferred social contribution tax | (9,408) | (5,376) |
| | <hr/> | |
| Total | (38,039) | (21,825) |
| | <hr/> | |

A reconciliation of the taxes on income reported and the amounts calculated at the combined statutory rate of 34% is as follows:

| | Company | Consolidated |
|--|---------|--------------|
| | <hr/> | |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | Q1 2003 | Q1 2002 | Q1 2003 | Q1 2002 |
|--|-----------|----------|----------|----------|
| Loss before taxes | (131,566) | (74,492) | (93,527) | (52,667) |
| Income and social contribution tax credits | | | | |
| combined statutory rate | 44,732 | 25,327 | 31,799 | 17,907 |
| Permanent additions: | | | | |
| Nondeductible expenses | - | - | (176) | (461) |
| Permanent exclusions: | | | | |
| Equity pick-up | 8,894 | 15,150 | - | 25,538 |
| Other: | | | | |
| Unrecognized income and social contribution tax benefits | (53,626) | (40,477) | (70,460) | (64,831) |
| Surtax difference | - | - | - | 6 |
| Tax incentives | - | - | - | 27 |
| Income and social contribution tax on foreign profits | - | - | - | (11) |
| Rate adjustment - goodwill | - | - | 798 | - |
| Income and social contribution tax charges | - | - | (38,039) | (21,825) |

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONSOLIDATED)

a) Risk considerations

TCP is the controlling shareholder of TC and GT which provide cellular mobile services in the States of São Paulo, Paraná and Santa Catarina, in accordance with the terms of concessions granted by the Federal Government. Both operators are also engaged in the purchase and sale of handsets through their own sales network as well as distribution channels, thus fostering their essential activities.

The major market risks to which TC and GT are exposed include:

Credit risk: arising from any difficulty in collecting telecommunication services provided to customers and revenues from the sale of handsets by the distribution network.

Interest rate risk: resulting from debt and premiums on derivative instruments contracted at floating rates and involving the risk of interest expenses increasing as a result of an unfavorable upward trend in interest rates (primarily LIBOR, EURIBOR, TJLP and CDI).

Currency risk: related to debt and premiums on derivative instruments contracted in foreign currency and associated with potential losses resulting from adverse exchange rate movements.

Since they were formed, TC and GT have been actively managing and mitigating risks inherent in their operations by means of comprehensive operating procedures, policies and initiatives.

Credit risk

Credit risk from providing telecommunication services is minimized by strictly monitoring the Company's customer portfolio and actively addressing delinquent receivables by means of clear policies relating to the concession of post-paid services. Of TC's customers, 76.5% use prepaid services that require pre-loading, thus not representing a credit risk to the Company. Delinquent receivables in the first quarter of 2003 represented 1.8% of gross revenue (2.2% as of March 31, 2002). Of GT's customers, 78.8% use prepaid services; delinquent receivables represented 2.1% in the first quarter of 2003 (4.1% as of March 31, 2002).

Credit risk from the sale of handsets is managed by following a conservative credit granting policy which encompasses the use of advanced risk management methods that include applying credit scoring techniques, analyzing the potential customer's balance sheet, and making inquiries of credit protection agencies' databases. In addition, an automatic control has been implemented in the sales module for releasing products which is integrated with the distribution module of TC's ERP system for consistent transactions. Delinquent receivables in the distribution network represented 2.9% and 2.88% in the first quarter of 2003 (2.3% and 3.31% as of March 31, 2002) of handset sales for TC and GT, respectively.

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

Interest rate risk

The Company is exposed to interest rate risk, especially interest associated with the cost of CDI rates, due to its derivative transactions and short-term borrowings in Brazilian reais. As of March 31, 2003, these operations amounted to R\$3,539,349.

The Company is also exposed to fluctuations in TJLP and UMBND (local indices) on financing from BNDES. As of March 31, 2003, these operations amounted to R\$655,543.

Foreign currency-denominated loans are also exposed to interest rate risk associated with foreign loans. As of March 31, 2003, these operations amounted to US\$90,000,000 and 460,620,000.

The Company has not entered into derivative operations to hedge against these risks.

Currency risk

TC and GT utilize derivative financial instruments to protect against the currency risk on foreign currency-denominated loans. Such instruments usually include swap, option and forward contracts.

The Company's net exposure to currency risk as of March 31, 2003 is shown in the table below:

| | In thousands | | |
|---------------------|--------------|-------------|-----------|
| | US\$ | ¥ | |
| Loans and financing | 466,053 | 3,833,141 | 466,271 |
| Hedge instruments | (508,447) | (3,828,250) | (760,179) |
| Net exposure | (42,394) | 4,891 | (293,908) |

The Company is studying the allocation of the excess position to hedge purchases of equipment and handsets indexed to the dollar and other foreign currency commitments, as well as the advance liquidation of such contracts.

b) Derivative instruments

The Company and its subsidiaries record derivative gains and losses as a component of net financial expenses.

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

| | Book value | Market value | Unrealized gains (losses) |
|------------------------|-------------|--------------|---------------------------|
| Loans and financing | 4,736,080 | 4,632,400 | 103,680 |
| Derivative instruments | (1,599,291) | (975,300) | (623,991) |
| Total | 3,136,789 | 3,657,100 | (520,311) |

c) Market value of financial instruments

The market values of loans and financing, swaps and forward contracts were determined based on the discounted cash flows, utilizing projected available interest rate information.

Estimated market values of the Company's financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. Accordingly, the estimates presented above are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on

the estimated market values.

28. POST-RETIREMENT BENEFIT PLANS

TCP and its subsidiary TC, together with other companies of the former Telebrás System, sponsor private pension and health care plans for retired employees, managed by Fundação Sistel de Seguridade Social - SISTEL. Until December 1999, all sponsors of the plans managed by Sistel were unified as to all plans then existing. On December 28, 1999, these sponsors negotiated conditions to create pension plans individualized by sponsor (PBS-Telesp Celular) and continuation of solidarity only for the participants already covered and who were in such position on January 31, 2000 (PBS-A), thus resulting in a proposal for the restructuring of Sistel's bylaws and regulations which was approved by the Secretariat for Social Security and Supplementary Benefits on January 13, 2000.

Due to the end of unification in December 1999, TCP and TC individually sponsor a defined benefit plan - PBS-Telesp Celular which covers eight employees of the Company. In addition to the supplementary pension benefit, a multiemployer health care plan (PAMA) is provided to retired employees and their dependents, at shared costs.

Contributions to the PBS-Telesp Celular Plan are determined based on actuarial valuations prepared by independent actuaries, in accordance with rules in force in Brazil. Costing is determined using the capitalization method and the contribution due by the sponsor is equivalent to 13.5% of the payroll for employees covered by the plan, of which 12% is allocated to fund the PBS-Telesp Celular Plan and 1.5% for the PAMA Plan.

For 51% of the employees of TCP and TC, there is an individual defined contribution plan - the TCP Prev Plan, established by Sistel in August 2000. This plan is maintained by contributions made by both participants (employees) and the sponsors, which are credited to participants' individual accounts. TC is also responsible for the administrative and plan maintenance expenses, including risks of death and disability of participants. The employees participating in the defined benefit plan (PBS-Telesp Celular) were granted the option of migrating to the TCP Prev Plan. This option was extended to employees who did not participate in the PBS-Telesp Celular Plan, as well as to all new hires. The Company's contributions to TCP Prev are similar to those of the participants, varying from 1% to 8% of the contribution salary, according to the percentage chosen by the participant.

In the first quarter of 2003, TCP and TC contributed the amount of R\$2 (R\$4 in 2002) to PBS-Telesp Celular and R\$529 (R\$500 in 2002) to TCP Prev.

The actuarial valuation of the plans was made using the projected unit credit method. For multiemployer plans (PAMA and PSB-A), apportionment of assets is made based on the sponsoring entity's actuarial liabilities in relation to the plans' total actuarial liabilities. As of December 31, 2002, the total liability recognized amounted to R\$1,750.

In the first quarter of 2003, the Company recognized the pro rata actuarial cost estimated for 2003, and recorded the amount of R\$141 related to these costs.

29. CORPORATE RESTRUCTURING

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

The accounting records maintained for corporate and tax purposes include the Companies' specific accounts related to merged goodwill, the related reserve, and the respective amortization, reversal and tax credit. As of March 31, 2003, balances are as follows:

| | Balances | Telesp | Consolidated | |
|--|-------------|-------------|--------------|-------------|
| | on date | Celular | | |
| | of merger | spin-off | 03.31.03 | 31.12.02 |
| Balance sheet: | | | | |
| Merged goodwill | 3,192,738 | 3,166,132 | 2,128,492 | 2,208,310 |
| Merged reserve | (2,127,694) | (2,110,932) | (1,426,089) | (1,479,568) |
| Net effect equivalent to merged tax credit | 1,065,044 | 1,055,200 | 702,403 | 728,742 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | Q1 2003 | Q1 2002 |
|--------------------------|----------|----------|
| Statement of operations: | | |
| Goodwill amortization | (79,818) | (79,818) |
| Reversal of reserve | 53,478 | 52,680 |
| Tax credit | 26,340 | 27,138 |
| Effect on net income | - | - |

As shown above, the amortization of goodwill, net of the reversal of the reserve and of the corresponding tax credit, results in a zero effect on income and, consequently, on the basis for calculating the mandatory minimum dividend. For a better presentation of the financial position of the Companies in the financial statements, the net amount of R\$702,403 as of March 31, 2003 (R\$728,742 as of December 31, 2002), which, in essence, represents the merged tax credit balance, was classified in the balance sheet as a noncurrent asset under deferred taxes (Note 7).

30. RELATED-PARTY TRANSACTIONS

The principal transactions with unconsolidated related parties are as follows:

- a) Use of network and long-distance (roaming) cellular communication These transactions involve companies owned by the same group: Telecomunicações de São Paulo S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A. and Celular CRT S.A. These transactions were established based on contracts between Telebrás and the operating concessionaires before privatization under the terms established by ANATEL. Also includes call center services to Telecomunicações Móveis Nacionais TMN customers regarding roaming services in the Company's network. Beginning 2002, Telecomunicações de São Paulo S.A., in place of Embratel, provides long-distance services to operators.
- b) Corporate management advisory Represents Company payables in connection with corporate management advisory services provided by PT SGPS.
- c) Loans and financing Represents intercompany loans with companies of the Portugal Telecom Group.
- d) Services provided The following services are provided by Group companies:

Corporate services centralized at Telerj Celular S.A. and Telesp Celular S.A., transferred to subsidiaries at the cost effectively incurred.

Call center services, provided by Dedic, to users of TC and GT telecommunication services.

System development and maintenance services provided by PT Inovação and Primesys.

The commercial conditions of these services are based on the usual market practices applied to the Companies' other contracts.

A summary of balances and transactions with unconsolidated related parties is as follows:

| | Company | | Consolidated | |
|--|-----------|-----------|--------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| Assets: | | | | |
| Trade accounts receivable | - | - | 115,467 | 6,379 |
| Receivables from subsidiaries and affiliates | 621,775 | 592,524 | 25,274 | 16,256 |
| Liabilities: | | | | |
| Trade accounts payable | - | - | 26,520 | 7,545 |
| Loans and financing | 1,540,655 | 1,551,100 | 2,430,788 | 2,855,232 |
| Payables to subsidiaries and affiliates | 140,535 | 104,401 | 140,027 | 103,557 |
| Statement of operations: | | | | |
| Revenue from telecommunication services | - | - | 320,277 | 317 |
| Cost of services provided | - | - | (57,653) | (700) |
| Selling expenses | - | - | (24,145) | - |
| General and administrative expenses | - | - | (8,781) | - |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | |
|--|----------|-------|----------|---------|
| Financial income (expenses), net | (11,177) | 2,675 | (25,680) | 835 |
| Other operating income (expenses), net | (97) | 2,813 | (16,212) | (7,462) |

31. INSURANCE

The Company monitors the risks inherent in its activities. Accordingly, as of March 31, 2003, the Company had insurance to cover operating risks, civil liability, health, etc. Company management considers that the amounts are sufficient to cover possible losses. The principal assets, liabilities or interests covered by insurance are as follows:

| Type | Insured amounts - R\$ |
|--|--------------------------|
| Operating risks | 1,005,900 |
| General civil liability | 207,980 |
| Civil liability - errors and/or omissions | 167,650 |
| Civil liability - contents and infringement of patents | 134,120 |
| Civil liability - management and directors | 402,360 |
| Vehicle fleet | 350 |

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

TELESP CELULAR PARTICIPAÇÕES S.A.
AND SUBSIDIARIES

MANAGEMENT'S COMMENTS ON CONSOLIDATED PERFORMANCE
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2003

BASIS FOR PRESENTATION OF RESULTS

Due to the acquisition of the remaining 17% of the holding companies of GT (equivalent to 51% of voting capital) on December 27, 2002, the results of the aforementioned subsidiary were recognized through December 31, 2002 under the equity method of accounting by TCP, and only the balance sheet of GT was consolidated as of that date.

For an appropriate comparison, we present below the consolidated (pro forma) results for 2002, for purposes of our comments on performance.

TCP CONSOLIDATED STATEMENT OF OPERATIONS(CORPORATE LAW)

(In millions of Brazilian reais - R\$)

| | Consolidated (pro forma) | | | | |
|-------------------------------------|--------------------------|-----------------|--------|-----------------|--------|
| | 2003 | | 2002 | | |
| | 1Q03 R\$ | 4Q02 (*) R\$ | Δ % | 1Q02 (*) R\$ | Δ % |
| Total gross revenue | 1,176.5 | 1,393.6 | -15.6 | 1,090.8 | 7.9 |
| Revenue deductions | (249.2) | (311.7) | -20.1 | (239.0) | 4.3 |
| Net operating revenue from services | 820.7 | 879.7 | -6.7 | 746.9 | 9.9 |
| Net revenue from sale of products | 106.6 | 202.2 | -47.3 | 104.9 | 1.6 |
| Net operating revenue | 927.3 | 1,081.9 | -14.3 | 851.8 | 8.9 |
| Operating costs | (519.8) | (634.1) | -18.0 | (548.7) | -5.3 |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | | |
|--|---------|---------|-------|---------|-------|
| Personnel | (56.9) | (51.8) | 9.8 | (50,3) | 13.1 |
| Cost services provided | (136.6) | (157.2) | -13.1 | (168,1) | -18.7 |
| Cost of products sold | (135.1) | (233.7) | -42.2 | (121,8) | 10.9 |
| Selling expenses | (176.1) | (147.1) | 19.7 | (132,5) | 32.9 |
| General and administrative expenses | (59.4) | (52.4) | 13.4 | (46,5) | 27.7 |
| Other operating income (expenses) | 44.3 | 8.1 | 446.9 | (29,5) | n.m. |
| Income before depreciation, amortization, financial expense, taxes and equity in subsidiaries - EBITDA | 407.5 | 447.8 | -9.0 | 303,1 | 34.4 |
| Depreciation and amortization | (248.5) | (247.7) | 0.3 | (207,5) | 19.8 |
| Income before financial expense, taxes and equity in subsidiaries - EBIT | 159.0 | 200.1 | -20.5 | 95.6 | 66.3 |
| Net financial expense | (252.4) | (445.0) | -43.3 | (172.9) | 46.0 |
| Loss from operations | (93.4) | (244.9) | -61.9 | (77.3) | 20.8 |
| Nonoperating income (expenses) | (0.1) | (1.0) | -90.0 | 9.2 | n.m. |
| Extraordinary charges | - | (170.8) | - | - | - |
| Loss before taxes | (93.5) | (416.7) | -77.6 | (68.1) | 37.3 |
| Income and social contribution taxes | (38.0) | 66.9 | n.m. | (21.8) | 74.3 |
| Minority interest | - | - | - | 15.4 | - |
| Net loss | (131.5) | (580.0) | -77.3 | (74.5) | 76.5 |

(*) 4Q02 and 1Q02 data are presented on a consolidated basis (pro forma), including 100% of GT.

(Amounts in millions of Brazilian reais- R\$)

1. OPERATING PERFORMANCE

In the first quarter of 2003, gross revenue from services totaled R\$993.8, an increase of 6.6% in relation to the same period in 2002.

Gross revenue from sales of products reached R\$182.7, an increase of 15.3% in relation to the same period in 2002, representing 15.5% of the total gross revenue for the period, which amounted to R\$1,176.5.

Total net operating revenue was R\$927.3, an increase of 8.9% in relation to the same period in 2002.

Operating costs

Operating costs, excluding depreciation and amortization, totaled R\$519.8, a decrease of 5.3% compared to 1Q02. Compared to 4Q02, operating costs decreased 18.0%, as a result of accounting adjustments made in 1Q03 related to the deferral of sales and costs of handsets, costs related to the recharge of prepaid sets and ICMS (State VAT) reversal.

Cost of products sold were R\$135.1 in 1Q03, an increase of 10.9% compared to 1Q02 and a reduction of 42.2% in relation to 4Q02.

Cost of services provided was R\$136.6 in 1Q03, representing reductions of 18.7% and 13.1% as compared to 1Q02 and 4Q02, respectively.

Selling expenses in 1Q03 amounted to R\$176.1, an increase of 32.9% when compared to 1Q02 and of 19.7% in relation to 4Q02.

EBITDA

EBITDA totaled R\$407.5 million, an improvement of 34.4% over 1Q02. Compared to 4Q02, EBITDA decreased 9.0%.

Profit margin before amortization, depreciation, and financial expenses (EBITDA) was 43.9% and the profit margin after amortization and depreciation (EBIT), was 17.2% of net operating revenue.

Financial expenses

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

Net financial expenses totaled R\$252.4 in 1Q03, representing an increase of 46.0% in relation to 1Q02, due to the increase in interest rates from a level of 19.0% per year to 26.5% and due to a more restrictive credit market which led to higher financing costs for TCP. In relation to 4Q02 there was a reduction of 43.3%. Excluding an extraordinary financial expense of R\$266.7, recognized by the Company in 4Q02 in its derivative positions, with costs indexed to CDI (interbank deposit rates) and to the U.S. dollar rate, financial expenses would have been R\$178.3 for 4Q02, with 1Q03 reflecting an increase of 41.6%. This potential increase is related to a gain of approximately R\$66.0 on futures contracts which occurred in 4Q02 and was recorded as a reduction of interest expenses.

Although the credit market is still unfavorable and the Company has to roll over a significant amount of short-term debt, the Company continued its efforts to reduce its financing cost. The average financing cost in the quarter was 6.68%, which is equivalent to 110% of the CDI for the period.

INVESTMENTS

Investments in the quarter were R\$80.6. This represents 8.6% of net revenue for 1Q03, compared to 8.0% in the same period in the prior year, reflecting the strict selection of investment projects, and showing the benefits of a precise investment policy.

2. OPERATING DATA

The following operating data reflects the performance of Telesp Celular S.A., the mobile Band A operator in the State of São Paulo.

| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |
|--|-------|-------|----------|-------|----------|
| | | | % | | % |
| Total subscribers, of which | 6,102 | 6,060 | 0.7 | 5,254 | 16.1 |
| Postpaid | 1,431 | 1,426 | 0.4 | 1,373 | 4.2 |
| Prepaid ⁽¹⁾ | 4,671 | 4,634 | 0.8 | 3,881 | 20.4 |
| Area 1 | 3,850 | 3,849 | 0.0 | 3,320 | 16.0 |
| Area 2 | 2,252 | 2,211 | 1.9 | 1,934 | 16.4 |
| Analog | 128 | 148 | -13.4 | 300 | -57.2 |
| Digital | 5,974 | 5,912 | 1.0 | 4,954 | 20.6 |
| Market share in Area 1 (estimated in concession area) | 67% | 68% | | 66% | |
| Market share in Area 2 (estimated in concession area) | 65% | 66% | | 66% | |
| Total market share (estimated) ⁽¹⁾ | 66% | 67% | | 66% | |
| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |
| | | | % | | % |
| Net additions in the period, of which | 42 | 305 | -86.2 | 150 | -72.0 |
| Postpaid | 5 | 6 | -16.7 | 4 | 25.0 |
| Prepaid ⁽¹⁾ | 37 | 299 | -87.6 | 146 | -74.7 |
| Churn in the quarter (1) | 7.3% | 4.7% | 2.6 p.p. | 4.1% | 3.2 p.p. |
| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |
| | | | % | | % |
| ARPU (R\$/month) ⁽¹⁾ | 38 | 44 | -13.6 | 42 | -9.5 |
| Postpaid | 109 | 103 | 5.8 | 98 | 11.2 |
| Prepaid | 17 | 25 | -32.0 | 22 | -22.7 |
| Total MOU ⁽¹⁾ | 102 | 110 | -7.3 | 107 | -4.7 |
| Postpaid | 218 | 223 | -2.2 | 196 | 11.2 |

INVESTMENTS

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Prepaid | 66 | 74 | -10.8 | 75 | -12.0 |
| Employees - end of period ⁽²⁾ | 1,960 | 2,468 | -20.6 | 2,528 | -22.5 |
| Customers/employee | 3,113 | 2,455 | 26.8 | 2,078 | 49.8 |

(*) Churn includes migration between postpaid and prepaid.

(1) These numbers include adoption of disconnection criteria and recording of prepaid revenue in 1Q03.

(2) Employees = excluding call center.

The number of subscribers grew 16.1% compared to 1Q02 and 0.7% compared to the previous quarter, totaling 6,102 thousand subscribers. This represented a net addition of 42 thousand new customers in the quarter, and a reduction of 72.0% when compared to the net additions recorded in 1Q02 and 86.2% in relation to 4Q02. This lower number of net additions is basically related to a worsening of the macroeconomic scenario in 2002 and the seasonality of the first quarter.

In line with the strategy of focusing on high-value customers and the customer retention campaigns, the postpaid customer base increased 0.3%, representing 5 thousand new additions during the first quarter of 2003 and totaling 1,430 thousand customers at the end of the quarter.

Market share was 66% in 1Q03, the same as in 1Q02, in spite of the entrance of a new competitor in the region, reflecting the strengthening of marketing initiatives that improved TCP's market position.

Subscribers Average Minutes of Use (MOU) was 102 in 1Q03, a 4.7% reduction compared to 107 in 1Q02 and 7.3% compared to 110 in 4Q02. This reduction is related to the lower MOU for the prepaid service, which was 66, a decrease of 12.0% compared to 1Q02, basically due to the deterioration in the macroeconomic scenario during the year. However, this decrease was partially offset by the 11.2% increase of MOU for the postpaid service, which was 218 in the quarter, as a consequence of the higher quality of the postpaid service customer base during 2002.

The blended Average Revenue per User (ARPU) was R\$38 in the quarter, compared to R\$42 recorded in 1Q02 and R\$44 in 4Q02. The prepaid service ARPU decreased 22.7% compared to 1Q02, while the postpaid ARPU increased 11.2%. In relation to 4Q02, the prepaid ARPU decreased 32.0% and the postpaid increased 5.8%.

GLOBAL TELECOM S.A.

The following operating data reflects the performance of Global Telecom S.A., the mobile Band A operator in the States of Paraná and Santa Catarina.

| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |
|---|-------|-------|------------|------|------------|
| | | | % | | % |
| Total subscribers, of which | 1,202 | 1,177 | 2.1 | 905 | 32.8 |
| Postpaid | 255 | 252 | 1.2 | 287 | -11.1 |
| Prepaid | 947 | 925 | 2.4 | 619 | 53.0 |
| Total market share | 41% | 41% | | 36% | |
| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |
| | | | % | | % |
| Gross additions | 117 | 185 | -36.8 | 74 | 58.1 |
| Net additions in the period, of which (1) | 25 | 150 | -83.3 | 43 | -41.9 |
| Postpaid | 3 | 11 | -72.7 | (36) | -108.3 |
| Prepaid | 22 | 139 | -84.2 | 79 | -72.2 |
| Churn in the quarter (1) | 7.7% | 3.2% | (4.5 p.p.) | 6.8% | (0.9 p.p.) |
| (In thousands) - end of period | 1Q03 | 4Q02 | Change | 1Q02 | Change |

Edgar Filing: TELESP CELLULAR HOLDING CO /ADR/ - Form 6-K

| | | | % | | % |
|-------------------------------|-------|-------|------|-------|-------|
| ARPU (R\$/month) (1) | 34 | 34 | 0.0 | 34 | 0.0 |
| Postpaid | 73 | 72 | 1.4 | 58 | 25.9 |
| Prepaid | 23 | 23 | 0.0 | 22 | 4.5 |
| MOU total (1) | 91 | 96 | -5.2 | 101 | -9.9 |
| Postpaid | 157 | 161 | -2.5 | 132 | 18.9 |
| Prepaid | 74 | 77 | -3.9 | 85 | -12.9 |
| Employees - end of period (2) | 532 | 580 | -8.3 | 672 | -20.8 |
| Customers/employee | 2,259 | 2,029 | 11.3 | 1,347 | 67.7 |

(*) Churn includes migration between postpaid and prepaid.

(1) These numbers include adoption of disconnection criteria and recording of prepaid revenue in 1Q03.

(2) Employees = excluding call center.

Operating data

Total market share increased to 41%, compared to 36% in 1Q02 and stable in relation to 4Q02. Due to this increase, the customer base grew 32.8% in comparison to 1Q02 and 2.1% in comparison to the previous quarter, totaling 1,202 thousand customers, as a consequence of the increased marketing efforts.

Net additions amounted to 25 thousand new customers in 1Q03, a decrease of 41.9% when compared to 1Q02 and a decrease of 83.3% in relation to 4Q02, due to the purging of the customer base and the business seasonality this quarter.

Postpaid subscribers' average Minutes of Use (MOU) was 157 in 1Q03, a growth of 18.9% in relation to the 132 MOU in 1Q02. The blended MOU was 91 in the quarter, a decrease of 9.9% compared to 101 in 1Q02 and a decrease of 5.2% compared to 4Q02.

The postpaid ARPU in 1Q03 was R\$73, a growth of 25.9% compared to 1Q02, as a result of the higher traffic achieved as a consequence of specific campaigns aiming to achieve growth with profitability. Compared to 1Q02, the prepaid ARPU grew 4.5% and the blended ARPU remained unchanged at R\$34.

M1939*.*

SIGNATURE

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

Date: May 19, 2003

TELESP CELULAR PARTICIPAÇÕES S.A.

By: /s/ Fernando Abella Garcia

Fernando Abella Garcia
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

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