

Balance Sheets

DECEMBER 31, 2001 E 2000
(In thousands of Brazilian reais)

ASSETS

	Company		Consolidated	
	31.12.01	31.12.00	31.12.01	31.12.00
Current asstes	843,325	1,219,977	879,789	1,233,881
Cash and cash equivalents	42,187	368,105	80,768	383,821
Trade accounts receivable	442,438	494,845	442,438	494,845
Inventories	84,903	54,502	84,903	54,502
Deferred and recoverable taxes	242,734	266,850	242,734	266,850
Other assets	31,063	35,675	28,946	33,863
Noncurrent assets	1,571,202	1,407,318	1,571,202	1,407,318
Trade accounts receivable	30,613	107,073	30,613	107,073
Deferred and recoverable taxes	924,002	862,045	924,002	862,045
Derivatives	610,850	435,522	610,850	435,522
Other assets	5,737	2,678	5,737	2,678
Permanet assets	3,816,488	3,551,466	3,769,882	3,537,540
Investments	46,606	13,926	-	-
Property, plant and equipment	3,694,746	3,453,978	3,694,746	3,453,978
Deferred charges	75,136	83,562	75,136	83,562
Total assets	6,231,015	6,178,761	6,220,873	6,178,739

LIABILITIES AND SHAREHOLDERS' EQUITY

	Company		Consolidated	
	31.12.01	31.12.00	31.12.01	31.12.00
Current liabilities	1,375,836	1,337,503	1,365,694	1,337,481
Payroll and related accounts	26,553	20,380	26,553	20,380
Trade accounts payable	506,054	541,803	506,054	541,803
Taxes payable	103,137	117,287	103,137	117,287
Loans and financing	459,481	488,983	449,339	488,961
Interest on capital and dividends payable	131,721	109,738	131,721	109,738
Reserve for contingencies	29,358	-	29,358	-
Derivatives	32,244	19,432	32,244	19,432
Other liabilities	87,288	39,880	87,288	39,880
Long-term liabilities	1,676,923	1,585,837	1,676,923	1,585,837
Loans and financing	1,204,017	910,408	1,204,017	910,408
Reserve for contingencies	80,150	72,214	80,150	72,214
Obligations with parent company	371,540	571,360	371,540	571,360
Reserve for losses in affiliates	1,306	-	1,306	-
Other liabilities	19,910	31,855	19,910	31,855
Shareholders' equity	3,178,256	3,255,421	3,178,256	3,255,421
Capital	1,791,903	1,791,903	1,791,903	1,791,903
Capital reserve	1,055,200	1,055,200	1,055,200	1,055,200
Income reserve	36,963	35,911	36,963	35,911
Retained earnings	294,190	372,407	294,190	372,407
Total liabilities and shareholders' equity	6,231,015	6,178,761	6,220,873	6,178,739

The accompanying notes are an integral part of these balance sheets

Income Statement

FOR THE YEARS ENDED ON DECEMBER 31, 2001 E 2000
(In thousands of Brazilian reais, except for per share data)

	Company		Consolidated	
	31.12.01	31.12.00	31.12.01	31.12.00
Gross revenues	3,841,246	3,682,397	3,841,246	3,682,397
Telecommunication services	3,135,081	2,678,026	3,135,081	2,678,026
Sales of products	706,165	1,004,371	706,165	1,004,371
Deductions	(895,012)	(915,691)	(895,012)	(915,691)
Net operating revenue	2,946,234	2,766,706	2,946,234	2,766,706
Cost of services provided	(1,075,783)	(1,022,601)	(1,075,783)	(1,022,601)
Cost of products sold	(580,637)	(666,560)	(580,637)	(666,560)
Gross profit	1,289,814	1,077,545	1,289,814	1,077,545
Operating income (expenses)				
Selling expenses	(605,009)	(554,186)	(605,009)	(554,186)
General and administrative	(253,191)	(207,209)	(253,191)	(207,232)
Management compensation	(1,759)	(1,773)	(1,759)	(1,773)
Other operating expenses	(92,742)	(50,986)	(92,742)	(50,986)
Other operating income (expenses)	23,335	84,867	23,335	84,867
Equity pick-up	32,712	13,924	-	-
Income from operation before financial expenses	393,160	362,182	360,448	348,235
Financial expenses	(443,499)	(213,593)	(410,787)	(199,646)
Interest on capital	(65,778)	(65,778)	(65,778)	(65,778)
Financial revenue	57,173	58,349	57,173	58,349
Income (loss) from operations	(58,944)	141,160	(58,944)	141,160
Nonoperating expenses, net	(408)	(669)	(408)	(669)
Income (loss) before extraordinary charge, income taxes and reversal of interest on capital	(59,352)	140,491	(59,352)	140,491
Extraordinary charge	14,619	(48,920)	14,619	(48,920)
Income (loss) before income tax and reversal of interest on capital	(44,733)	91,571	(44,733)	91,571
Income and social contribution taxes	65,778	65,778	65,778	65,778
Net income	21,045	157,349	21,045	157,349
Earnings per thousand shares - R\$	0,2601	1,9446	-	-

The accompanying notes are an integral part of these balance sheets

Statements of Changes in Financial Position

FOR THE YEARS ENDED ON DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais)

	Company		Consolidated	
	31.12.01	31.12.00	31.12.01	31.12.00
SOURCES OF FUNDS				
Funds provided by (used in) operations	436,473	526,522	469,153	540,446
Net income	21,045	157,349	21,045	157,349
Items not affecting working capital	415,428	369,173	448,108	383,097
Equity method pick-up	(32,712)	(13,924)	-	-
Depreciation and amortization	600,702	549,557	600,702	549,557
Monetary and exchange variations on long-term liabilities	87,163	49,013	87,163	49,013
Exchange variations on noncurrent assets	(175,328)	(96,512)	(175,360)	(96,512)
Deferred taxes	(61,512)	2,428	(61,512)	2,428
Disposal of property, plant and equipment	1,124	1,124	1,124	1,124
Provision for pension plan	-	(29,355)	-	(29,355)
Sale of products - long-term	-	(107,073)	-	(107,073)
Amortization of option premiums	(11,945)	-	(11,945)	-
From shareholders	-	1,484,880	-	1,484,880
Capital contribution	-	695,516	-	695,516
Merged net assets from spin-off of controlling shareholder	-	218,004	-	218,004
Obligations with parent company	-	571,360	-	571,360
From third parties	776,160	375,725	776,160	375,725
Loans and financing	776,160	343,870	776,160	343,870
Call options contracts	-	31,855	-	31,855
Other sources	184,356	2,595	184,356	2,595
Transfer from noncurrent to current assets	184,356	2,595	184,356	2,595
TOTAL SOURCES	1,396,989	2,389,722	1,429,669	2,403,646
USES OF FUNDS				
Additions to property, plant and equipment	834,168	731,491	834,168	731,491
Effect on working capital arising from merger of wholly-owned subsidiary CETERP	-	52,485	-	52,485
Premium paid on acquisition of CETERP	-	84,265	-	84,265
Interest on capital and proposed dividends	97,349	97,349	97,349	97,349
Premium paid on operation with derivatives	110,955	-	110,955	-
Premium paid on obligations with parent company	199,820	-	199,820	-
Transfer from long-term to current liabilities	569,682	733,623	569,682	733,623
Others	-	194	-	194
TOTAL USES	1,811,974	1,699,407	1,811,974	1,699,407
Increase (decrease) in working capital	(414,985)	690,315	(382,305)	704,239
Represented by:				
Current assets-				
Beginning of the year	1,219,977	636,231	1,233,881	636,233
End of year	843,325	1,219,977	879,789	1,233,881
	(376,652)	583,746	(354,092)	597,648
Current liabilities-				
Beginning of the year	1,337,503	1,444,072	1,337,481	1,444,072
End of year	1,375,836	1,337,503	1,365,694	1,337,481
	38,333	(106,569)	28,213	(106,591)
Increase (decrease) in working capital	(414,985)	690,315	(382,305)	704,239

The accompanying notes are an integral part of these statements.

Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED ON DECEMBER 31, 2001 AND 2000
(In thousands of Brazilian reais)

	Capital	Capital Reserve	Income Reserve	Retained earnings	Total
		Special Goodwill Reserve	Legal Reserve		
Balances December 31, 1999	1,096,287	-	28,044	320,274	1,444,605
Capital increase due to merger of assets spun off from Telesp Celular Participações S.A., as approved by the Extraordinary Shareholders' Meeting held on January 14, 2000	100	-	-	-	100
Increase in special goodwill reserve due to merger of assets spun off from Telesp Celular Participações S.A., as approved by the Extraordinary Shareholders' Meeting held on January 14, 2000	-	1,055,200	-	-	1,055,200
Capital increase through capitalization of credits held by shareholder Telesp Celular Participações S.A., as approved by the Extraordinary Shareholders' Meeting held on January 31, 2000	145,000	-	-	-	145,000
Capital increase as approved by the Extraordinary Shareholders' Meeting held on December 15, 2000	550,516	-	-	-	550,516
Net income	-	-	-	157,349	157,349
Proposed allocation of income					
Legal reserve	-	-	7,867	(7,867)	-
Interest on capital	-	-	-	(65,778)	(65,778)
Dividends	-	-	-	(31,571)	(31,571)
Balances December 31, 2000	1,791,903	1,055,200	35,911	372,407	3,255,421
Accrued pension plan liability, net of taxes	-	-	-	(861)	(861)
Net income	-	-	-	21,045	21,045
Legal reserve	-	-	1,052	(1,052)	-
Interest on capital	-	-	-	(65,778)	(65,778)
Dividends	-	-	-	(31,571)	(31,571)
Balances December 31, 2001	1,791,903	1,055,200	36,963	294,190	3,178,256

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

AS OF DECEMBER 31, 2001 AND 2000
(Amounts in thousands of Brazilian reais, unless otherwise indicated)

1. OPERATIONS AND BACKGROUND

Telesp Celular S.A. started its operations on January 5, 1998. It was created from the spin-off of Telecomunicações de São Paulo S.A., in accordance with Law No. 9,295/96. It is a publicly-traded company controlled since May 22, 1998 by Telesp Celular Participações S.A. which owns 100% of its total capital.

The Company operates mobile cellular telephone services in the State of São Paulo, in accordance with the terms of the concession granted by the Federal Government, which will expire in August 2008 and can be extended for an additional 15 years.

All services rendered by the Company are regulated by Agência Nacional de Telecomunicações - ANATEL which is the authority responsible for regulating telecommunication services in Brazil according to Law No. 9,472/97 since July 16, 1997.

On November 27, 2000, the Company entered into a contract for the purchase of shares of Centrais Telefônicas de Ribeirão Preto S.A. - CETERP, owner of 100% of Ceterp Celular S.A., the concessionaire of Band A mobile cellular service in the cities of Ribeirão Preto and Guataparã. On December 15, 2000, the Company, for the purpose of reducing administrative, commercial and financial costs, and benefiting from the synergy of both companies, merged the net assets of the acquired company as of November 30, 2000.

2. CORPORATE RESTRUCTURING

On January 14, 2000, the Extraordinary Shareholders' Meeting approved a corporate restructuring plan, involving Telesp Celular Participações S.A. (TCP), Telesp Celular S.A. (TC) and Celular Telecom Holding S.A. - CTH (CTH), TCP's holding company created by Portelcom Participações S.A. (Portelcom).

- Capital contribution for the creation of CTH by Portelcom, by means of transfer of the assets represented by the investment in and goodwill generated on the acquisition of ownership interest in TCP by Portelcom, when TCP was privatized.
- Merger of CTH into TCP.
- Partial spin-off of TCP related to the deferred charges (goodwill) merged from CTH and recognition, by CTH, of a reserve for maintenance of the merging company's shareholders' equity.
- Contribution of TCP's spun-off net assets into its subsidiary TC.
- Transfer of all shares issued by TC, held by minority shareholders, to TCP, through the exchange of these shares for shares issued by TCP, making TC a wholly-owned subsidiary of TCP.

CTH, a company created in the restructuring process by means of the contribution of assets represented by the investment in TCP and the respective goodwill paid upon the acquisition of the investment in TCP by Portelcom, recognized a reserve for maintenance of the merged company's shareholders' equity, which reflects the net amount between the total unamortized goodwill and the related tax credit, before its downstream merger into TCP.

When CTH was merged into TCP, the portion representing the difference between the goodwill and the reserve for maintenance of the merged company's shareholders' equity, which represents the future tax benefit, was credited to a special premium reserve account by TCP.

The portion of the net assets generated by TCP's partial spin-off, incorporated into TC, representing the future tax credit in the amount of R\$1,055,200, was recorded in shareholders' equity as a special premium reserve. According to economic feasibility studies, this tax credit will be realized over a period of ten years.

The special premium reserve at TC will be capitalized by TCP as the tax benefit is realized in view of the assignment of rights related to such capitalization made by Portelcom in TCP.

The tax benefit recorded by TC in 2001 resulting from the amortization of the merged goodwill amounted to R\$108,554, of which R\$30,163 was realized and can be used for a capital increase.

The accounting records maintained for corporate and tax purposes include specific accounts related to the goodwill, equity reserve, the respective amortization, and reversal of the recognized reserve and tax credit. The balances are as follows:

	Consolidated	
	2001	2000
Deferred charges	2,527,584	2,846,858
Reserve for maintenance of merged company's shareholders' equity	(1,690,289)	(1,901,009)
Net	837,295	945,849
Amortization of deferred charges	(319,274)	(319,274)
Reversal of reserve for maintenance of merged company's shareholders' equity	210,720	209,923
Tax credit	108,554	109,351
Effect on net income	-	-

For a better presentation of the Company's financial statements, the net amount of the goodwill and unamortized reserve of R\$837,295 which, in essence, represents the tax credit, was classified in the balance sheet in current assets (R\$108,554) and noncurrent assets (R\$728,741) as deferred and recoverable taxes. In the statements of income, the amortization of deferred charges, reversal of the reserve and the related tax credit are reclassified as income and social contribution taxes.

3. PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements as of December 31, 2001 and 2000 were prepared in accordance with accounting practices emanating from Brazilian 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 monetary restatement of permanent assets and shareholders' equity through December 31, 1995, pursuant to the law then in force.

The consolidated financial statements as of December 31, 2001 and 2000 include the balances and transactions of the subsidiary Telesp Celular S.A. and indirect subsidiaries Telesp Celular International Ltd. and Telesp Celular Overseas. In consolidation, all material intercompany balances and transactions were eliminated.

4. SUMMARY OF PRINCIPAL ACCOUNTING PRACTICES

a. Cash and Cash Equivalents

Represent available balances in cash and banks and all highly liquid temporary cash investments, stated at cost, plus interest accrued to the balance sheet date.

b. Trade Accounts Receivable

Accounts receivable are calculated at the tariff rate on the date the services were rendered. Trade accounts receivable also include services provided to customers to the balance sheet date, but not yet invoiced, as well as accounts receivable from the sale of cellular handsets and accessories.

c. Allowance for Doubtful Accounts

Provision is made for those receivables whose recoverability is considered remote.

d. Foreign Currency Transactions

Recorded at the exchange rate in effect on the date of the related transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate at the balance sheet date. Gains and losses related to exchange variations on foreign currency denominated assets and liabilities are recognized in income as they occur. Exchange variations and premiums related to derivative contracts are calculated and recorded monthly regardless of the settlement period.

e. Inventories

Consist of cellular handsets and accessories stated at average cost. An allowance is recognized to adjust the cost of handsets and accessories to net realizable value for inventory considered obsolete or slow-moving.

Beginning January 1, 2001, losses arising from the difference between the cost of the handset and the selling price are recognized at the time of the sale, considered as part of the cost of acquiring new customers.

f. Prepaid Expenses

Stated at amounts disbursed for expenses not yet incurred.

g. Investments

Permanent investments in affiliates and subsidiaries are accounted for under the equity method. The financial statements of indirect subsidiaries based overseas are converted at the exchange rate as of the balance sheet date. The accounting practices of direct and indirect subsidiaries are consistent with those applied by the Company.

h. Property, Plant and Equipment

Stated at acquisition or construction cost, less accumulated depreciation calculated under the straight-line method based on the estimated useful lives of these assets. Interest on loans for financing construction in progress is capitalized as part of the cost of the asset. Costs incurred for repairs and maintenance that represent improvements, increases in capacity or in the useful lives of the assets are capitalized. All other routine costs are charged to income.

i. Income and Social Contribution Taxes

Calculated and recorded based on the tax rates in effect on the balance sheet date, on the accrual basis. Deferred taxes attributable to temporary differences, tax losses and social contribution tax loss carryforwards are recorded as assets, based on the assumption of their future realization.

The tax credit resulting from the partial spin-off by TC to TCP will be realized over ten years, based on the expected future profitability of TC (Note 2).

j. Loans and Financing

Updated for monetary or exchange variations and include interest accrued to the balance sheet date.

k. FISTEL Fees

The FISTEL (Telecommunication Inspection Fund) fees related to activations of new customers, paid monthly during the year, are deferred and amortized over a period of 20 months. The FISTEL fee paid annually on the customers' base and BTSs (Digital Base Transceiver Stations) is deferred for amortization over the period of 12 months.

l. Reserve for Contingencies

Based on the opinions of legal counsel and management as to the likely outcome of the outstanding matters, updated to the balance sheet date for the amounts of probable losses considering the nature of each case.

m. Pension and Post-retirement Benefits

The Company is a sponsor, together with other companies of the Telecommunications System, of a private pension plan entity (SISTEL) to manage the pension funds and other pension benefits for the employees. Contributions are recognized on the accrual basis of accounting. Additional information on the pension plan is presented in Note 20.

n. Revenue Recognition

Revenues from cellular telephone services consist of subscription charges, usage charges, network usage charges and charges for

maintenance and other customer services. Revenues for all services are recognized when the service is provided, except for prepaid services (and the respective estimated cost of providing the service), which are recognized when the revenue is collected. Unbilled revenues from the billing date to month end are estimated and recognized as revenues during the month in which the service was provided. Revenues from sales of handsets and accessories are recorded on the accrual basis.

o. Net Financial Expense

Represents interest earned (incurred) and monetary and exchange variations resulting from temporary cash investments, loans and financing. Exchange gains and losses on forward contracts and swaps are included.

p. Derivatives

The Company and its subsidiary (TC) have certain foreign exchange forward and swap contracts in order to manage exposure to fluctuations in exchange rates and interest rates for cash flows in foreign currency. These derivatives are recorded at the exchange rates in effect on the date of the balance sheet; the premiums paid or received in advance are deferred for amortization over the period of the respective contracts. Gains and losses, realized and unrealized, are estimated exclusively based on the contractual conditions and recorded as net financial expenses.

q. Earnings per Thousand Shares

Calculated based on the number of shares outstanding at the balance sheet date.

5. CHANGES IN ACCOUNTING ESTIMATES

During the year ended December 31, 2001, the Company reviewed various accounting estimates and made the following changes:

a. Depreciation Rates

As described in Note 12, based on an appraisal prepared by an independent expert, the Company revised the estimated useful lives of its property, plant and equipment. The effects of the changes in the useful lives for the year ended December 31, 2001, as compared to the useful lives previously applied, are as follows:

Asset class	Useful life		Reduction (Increase) in annual depreciation
	in years Prior	in years Revised	
Switching equipment:			
Analog	5	6	26,054
Digital	7	10	7,519
Transmission equipment:			
Analog	5	5-25	75,248
Digital	7	5-25	20,306
Automatic switching centers, electrical equipment, furniture and fixtures, tools and instruments, telesupervision equipment, leasehold improvements and air conditioning equipment	10	5-35	11,716
Towers, other supports and protectors	25	20	(2,798)
Software use rights and hardware	5	5-15	(6,895)
Buildings	25	35	1,122
Vehicles	5	5	-
Effect on results of operations			132,272

b. Allowance for Doubtful Accounts

Based on current industry practice and the level of collections/recoveries of past-due accounts receivable, the Company now computes the allowance for doubtful accounts based on past-due accounts receivable over 90 days, whereas this calculation was formerly based on past-due accounts receivable over 60 days. The change resulted in a credit to income for 2001 of R\$7,855.

c. Inventory Reserves

Until December 31, 2000, the Company provided a reserve for all handsets whose acquisition cost was higher than replacement cost. Beginning January 1, 2001, a reserve is only recognized for obsolete and slow-moving inventory. This change resulted in a credit to income of R\$13,148.

d. FISTEL Fees

Until December 31, 2000, fees paid to FISTEL in connection with the activation of new customers were recognized as expense when paid. In accordance with industry practice, beginning January 1, 2001, these fees have been deferred and are being amortized over the estimated service period with the customer, resulting in a credit to income of R\$20,744.

The changes mentioned above resulted in a credit to income in the amount of R\$114,853, net of the related income and social contribution tax effects.

6. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2001	2000	2001	2000
Cash	8,624	18,078	47,205	33,794
Temporary cash investment	33,563	350,027	33,563	350,027
Total	42,187	368,105	80,768	383,821

7. TRADE ACCOUNTS RECEIVABLE

	Consolidated	
	2001	2000
Unbilled amounts	186,391	298,111
Billed amounts	390,302	437,858
Allowance for doubtful accounts	(103,642)	(97,803)
Discounted invoices	-	(36,248)
Total	473,051	601,918
Current	442,438	494,845
Noncurrent	30,613	107,073

The aging composition of the accounts receivable billed is as follows:

	Consolidated	
	2001	2000
Current	262,014	266,590
Past-due - 1 to 30 days	39,970	59,943
Past-due - 31 to 60 days	13,450	19,793
Past-due - 61 to 90 days	10,593	15,880
Past-due - over 90 days	64,275	75,652
Total	390,302	437,858

Changes in the allowance for doubtful accounts were as follows:

	Consolidated	
	2001	2000
Beginning balance	97,803	87,186
Provision for doubtful accounts charged to selling expense	94,043	128,918
Write-offs	(88,204)	(118,301)
Ending balance	103,642	97,803

Noncurrent receivables refer to receivables from sales of "Peg&Fale" (take and talk) sets. These receivables are realized through card renewals by "Peg&Fale" service customers and are shown net of the allowance for doubtful accounts, calculated based on historical card renewals.

8. INVENTORIES

	Consolidated	
	2001	2000
Digital handsets	108,224	60,578
Accessories	1,763	1,421
Reserve for losses	(25,084)	(7,497)
Total	84,903	54,502

9. DEFERRED AND RECOVERABLE TAXES

	Consolidated	
	2001	2000
Recoverable taxes:		
Withholding income tax	263	4,318
Recoverable income tax	5,190	18,796
Recoverable social contribution tax	18,469	16,234
Merged tax credit (Note 2)	837,295	945,849
Recoverable ICMS (State VAT)	57,539	19,334
Deferred tax credits:		
Reserve for contingencies	37,232	24,749
Income tax losses	95,482	37,900
Social contribution tax loss carryforwards	34,506	13,697
Other temporary differences	80,760	48,018
Total	1,166,736	1,128,895
Current	242,734	266,850
Noncurrent	924,002	862,045

The Company has assets of R\$129,998 (R\$51,597 in 2000) corresponding to income and social contribution tax credits calculated on tax loss carryforwards in the amount of R\$382,318. In accordance with the tax legislation in force, tax losses can be offset against future taxable income, up to the annual limit of 30% of this income.

The Company is amortizing goodwill on the investment acquisition (which became deductible upon the corporate restructuring discussed in Note 2). The expected time period to generate taxable income in an amount sufficient to absorb the tax loss carryforwards is estimated at up to four years.

10. OTHER ASSETS

	Company		Consolidated	
	2001	2000	2001	2000
Credits with suppliers	1,161	24,352	1,161	24,352
Credits with parent company	2,117	1,814	-	-
Prepaid expenses	2,400	603	2,400	603
FISTEL fees	20,744	-	20,744	-
Financial charges	1,313	4,920	1,313	4,920
Other	9,065	6,664	9,065	6,666
Total	36,800	38,353	34,683	36,541
Current	31,063	35,675	28,946	33,863
Noncurrent	5,737	2,678	5,737	2,678

11. INVESTMENTS

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

On November 27, 2000, the Company acquired from CETERP all of the stock of its wholly-owned subsidiary, Ceterp Celular S.A., for R\$148,564.

On December 15, 2000, the subsidiary, aiming to reduce administrative, commercial and financial expenses, completed the transaction to merge the acquired company.

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	2001		2000	
	Accumulated Cost	Net book depreciation	Net book value	Net book value
Switching equipment:				
Analog	429,251	(292,326)	136,925	203,465
Digital	491,619	(75,621)	415,998	322,792
Transmission equipment:				
Analog	1,360,746	(897,541)	463,205	772,805
Digital	904,260	(134,995)	769,265	295,049
Automatic switching center, power supply equipment, furniture, tools and instruments, monitoring equipment, leasehold improvements and air conditioning equipment	732,370	(195,677)	536,693	388,489
Towers, other supports and protectors	244,399	(33,959)	210,440	151,272
Software use rights and hardware	416,811	(112,724)	304,087	194,286
Buildings	98,773	(13,493)	85,280	64,478
Vehicles	7,191	(3,526)	3,665	3,427
Land	37,305	-	37,305	32,135
Other	7,774	(1,106)	6,668	4,548
Assets and installations in service	4,730,499	(1,760,968)	2,969,531	2,432,746
Assets and construction in progress	725,215	-	725,215	1,021,232
Total	5,455,714	(1,760,968)	3,694,746	3,453,978

In 2001, financial expenses in the amount of R\$55,685 (R\$110,627 in 2000) on loans and financing for construction in progress were capitalized.

In view of the rapid development of the technology related to the Company's activities, management contracted a specialized company to perform an appraisal of the remaining useful lives of the property and equipment items as of December 31, 2000. This appraisal resulted in the definition of new useful lives for each item, taking into consideration their technological and operating conditions.

The useful lives determined in such appraisal compared with those used through December 31, 2000 and the composition of the increase/decrease in depreciation expenses are set forth in Note 5.

13. DEFERRED CHARGES

	2001	2000
Goodwill on Ceterp Celular acquisition	84,265	84,265
Accumulated amortization	(9,129)	(703)
Total	75,136	83,562

The goodwill paid amounting to R\$84,265 is recorded as deferred charges and is being amortized over a ten-year period based on the expected future profitability of the acquired company.

14. PAYROLL AND RELATED ACCRUALS

	Consolidated	
	2001	2000
Wages and salaries	11,091	6,711
Accrued vacations and social security charges	13,629	11,862
Accrued benefits	1,833	1,807
Total	26,553	20,380

15. TRADE ACCOUNTS PAYABLE

	Consolidated	
	2001	2000
Materials and services suppliers	436,333	483,713
Telecom concessionaires	43,024	34,411
Consignments in favor of third parties	26,697	23,679
Total	506,054	541,803

16. TAXES PAYABLE

	Consolidated	
	2001	2000
State VAT (ICMS)	82,776	95,284
Taxes on revenues (PIS and COFINS)	13,276	13,527
FISTEL fees	4,750	8,476
FUST and FUNTTEL	2,335	-
Total	103,137	117,287

17. LOANS AND FINANCING

	Company		Consolidated	
	2001	2000	2001	2000
Foreign currency:				
Suppliers	37,640	82,782	37,640	82,782
Financial institutions	319,225	504,860	319,225	909,877
Affiliated companies	873,229	405,039	863,087	-
Total - foreign currency	1,230,094	992,681	1,219,952	992,659
Local currency:				
Financial institutions	433,404	406,710	433,404	406,710
Total local currency	433,404	406,710	433,404	406,710
Total	1,663,498	1,399,391	1,653,356	1,399,369
Current	459,481	488,983	449,339	488,961
Noncurrent	1,204,017	910,408	1,204,017	910,408

a. Suppliers

Foreign currency loans denominated in U.S. dollars contracted with suppliers for development of the companies network with final maturity through November 2005.

subject to interest of 2.5% above LIBOR.

b. Financial Institutions

Operations under Brazilian Central Bank (BACEN) Resolutions No. 4,131 and No. 63 and euro-commercial paper, subject to interest between 2.5% and 7.7% per annum and 4% per annum above LIBOR.

c. Affiliated Companies

Foreign currency loans extended by the parent company, Portugal Telecom, as part of the short-term debt restructuring, subject to fixed interest of 7.0% per annum and variable interest from 3.0 to 3.5% over LIBOR or EURIBOR.

	Foreign currency (thousands)			Equivalent in R\$
	Principal	Interest	Total	
December 31, 2001				
Euros	44,569	157	44,726	92,297
U.S. dollars	326,979	9,572	336,551	780,932
Total				873,229
December 31, 2000				
U.S. dollars	206,810	329	207,139	405,039

d. Local Currency

Loans in local currency represent liabilities to BNDES bank, subject to Brazilian Long-term Interest Rate (TJLP) plus 4% per annum. Certain of the loans and financing contracts are secured by guarantees provided by TCP, except for the loan from BNDES banks, for which receivables from services were pledged. The contracts contain restrictive clauses related to the limit of debt levels that, if not complied with, would represent a right of the creditor of advancing the due dates. Such terms have been met.

e. Repayment Schedule

The long-term portion of loans and financing is scheduled to be repaid as follows:

Maturity	Consolidated			
	Local currency		Foreign currency	
	2001	2000	2001	2000
2002	-	75,938	-	72,231
2003	107,892	101,250	261,531	246,595
2004	107,892	101,250	98,261	5,298
2005	134,869	126,562	6,287	5,298
Após 2005	-	-	487,285	175,986
Total	350,653	405,000	853,364	505,408

18. RESERVE FOR CONTINGENCIES

In the evaluation as to the possibility of tax risks becoming contingencies, the following aspects should be taken into account:

- The possible existence of differences in the interpretation of the application of taxes on some revenue accounts.
- The assessment of the principal taxes pending future approval by the Secretary of the Treasury, subject to the complete extinction of the tax obligation after the five-year expiration period starting from the date of the assessment.

The lack of agreement in the interpretation of tax legislation may generate discussions which, if concluded by the Judiciary in the taxpayer's favor, could represent amounts receivable for the subsidiary. Company's management has recognized reserves for risks of a tax and civil nature for which the chance of an unfavorable outcome is considered probable by legal counsel, as follows:

	Company and Consolidated	
	2001	2000
State VAT on activation fees	62,279	56,555
COFINS	17,871	15,659
Surcharge per call and roaming	24,840	-
Others	4,518	-
Total	109,508	72,214
Current	29,358	-
Noncurrent	80,150	72,214

Changes in the reserve for contingencies are as follows:

	Company and Consolidated	
	2001	2000
Beginning balance	72,214	50,578
Additional provision	29,358	13,915
Monetary updating	7,936	7,721
Ending balance	109,508	72,214

a. State VAT on Activation Fees and Other Services

On June 19, 1998, the Revenue Secretaries of the individual Brazilian States approved an agreement interpreting existing Brazilian tax law and broadening the application of the ICMS, a State value-added tax, to cover not only telecommunication services but also other services, including cellular activation fees, which had not been previously subject to such tax. Pursuant to this new interpretation of tax law, the ICMS tax may be applied retroactively for such services rendered during the last five years. The Company 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 the predecessor company, Telesp, the legal predecessor of the Company, would be liable for any payments made in connection with any claim arising out of the retroactive application of the ICMS tax on activation fees for periods prior to 1998. No provision for such taxes has been made in the accompanying consolidated financial statements for periods prior to 1998.

There can be no assurance that the Company will prevail in its position that the new interpretation by the State Revenue Secretaries is unlawful. If the ICMS tax were applied retroactively to activation fees charged during the past five years, it would give rise to a potential maximum liability estimated at R\$187,000.

b. PIS and COFINS (Taxes on Revenue)

The Company 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 for the chances of success in that litigation.

c. Surcharge per Call and Roaming

The Company is involved in litigation resulting from the additional charge per call (AD) and roaming (DSL-I) related to certain alternative service plans. The amount reserved as of December 31, 2001 is R\$24,840. The subsidiary has suspended the billing of AD and DSL-I in the intra-area region.

d. Others

Based on the opinion of its legal counsel the Company recorded a reserve in the amount of R\$4,518 related to tax contingencies.

Additionally, the Company is a party to various other civil and tax proceedings, totaling approximately R\$22,000, which have not been accrued as a reserve for contingencies, based on the evaluation of its legal counsel.

19. OTHER LIABILITIES

	Company and Consolidated	
	2001	2000
Consulting - technology and management (a)	36,822	10,227
Unamortized premium - put option (b)	31,856	43,801
Network costs and customer discounts (c)	38,456	14,764
Other	64	2,943
Total	107,198	71,735
Current	87,288	39,880
Noncurrent	19,910	31,855

(a) These obligations relate to contracts between the Company and Portugal Telecom, SGPS, S.A., for management services.

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

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

20. PENSION PLAN

The Company sponsors private pension and other benefit plans for their employees, as follows:

a. Defined Contribution Plan

For approximately 77% of the employees, 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 sponsor, which are credited to participants' individual accounts. The Company is also responsible for the administrative and plan maintenance expenses.

TCP PREV plan participants' contributions are as follows:

- Basic Contribution** - equal to 1% of salary, limited to the portion of the base salary for Government Social Security (INSS) and a percentage of the difference between the contribution salary and the social security contribution base, according to the participant's election and age, ranging from 1% to 8%.

- Voluntary Contribution** - equal to a maximum percentage of 22% of salary, at the participant's option.

- Sporadic Contribution** - equal to not less than ten times the social security contribution base.

The sponsor's contributions to the TCP PREV plan are as follows:

- Basic Contribution** - equal to the participant's basic contributions.
- Specific Contribution** - for ensuring compliance with the minimum benefit limit established by prevailing legislation.

- Variable Contribution** - the sponsor may make voluntary contributions to the plan, applying uniform and nondiscriminatory criteria for all TCP PREV participants.

In 2001, the Company made contributions to the TCP PREV plan in the amount of R\$2,313 (R\$154 in 2000).

b. Defined Benefit Plan

The Company individually sponsors a defined benefit plan - PBS Telesp Celular, which covers 39 active and retired participants in 2001 (57 in 2000). In addition to the supplementary benefit, medical assistance (PAMA) is provided to retired employees and their dependents, at shared costs. Contributions to the PBS Telesp Celular and PAMA plans 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, out of which 12% is allocated to fund the PBS Telesp Celular plan.

In 2001, the Company made contributions to the PBS Telesp Celular plan in the amount of R\$34 (R\$4,726 in 2000).

c. CVM Resolution No. 371/00, "Accounting for Pension Plans"

The Company elected to record actuarial liabilities in connection with the plans it sponsors as provided in CVM Instruction No. 371, dated December 13, 2000, as a direct charge to shareholders' equity as of December 31, 2001, net of the related tax effects. The actuarial valuation of the plans was made using the projected unit credit method, with the assets of the plans as of December 31, 2001, as permitted by the Technical Interpretation of IBRACON (Brazilian Institute of Independent Auditors) No. 01/01, authorized by CVM Circular No. 01/2002. 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. TCP intends to amortize actuarial gains or losses starting in 2002 in accordance with CVM Instruction No. 371/00.

Below is the accrual for retired employees' defined benefit and medical assistance plans as of December 31, 2001 and other information required by CVM Instruction No. 371/00 applicable to such plans:

Plan	2001
TCP Prev	382
PAMA	924
Total	1,306

I - TCP Prev

I - a. Reconciliation of Assets and Liabilities	R\$
Total actuarial liabilities	70,054
Fair value of assets	(69,672)
Liability recognized in the balance sheet	382

Although TCP PREV is a defined contribution plan, the sponsoring entity is liable for risks involving death and disability of the plan's participants. Accordingly, an actuarial determination of such risks is required.

I - b. Expenses Expected to Be Incurred in 2002	R\$
Cost of service	6,192
Interest on actuarial obligations	322
Expected return on assets	(356)
Employee contributions	(2,884)
Total	3,274

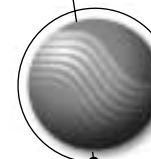
I - c. Actuarial Assumptions

Rate for discount of actuarial liability to present value	11,30%
Expected return on plan assets	14,45%
Estimated salary increase	8,15%
General mortality rate table	UP84 with 1 year of aggravation
Biometric disability table	Mercer
Number of participants in the plan	1,316
Number of participants with vested benefits	27
Estimated benefit increase rate	5%

II - PBS and PBS-A (Pension Plan)

Although PBS and PBS-A have surplus as of December 31, 2001, no assets were recognized by the sponsor, since reimbursing such surplus is not allowed by law. Moreover, as this is a noncontributory plan, the sponsor's contributions cannot be reduced in the future.

II - a. Reconciliation of Assets and Liabilities	PBS	PBS-A
Total actuarial liabilities	6,350	4,880
Fair value of assets	(6,446)	(5,584)
Fair value of assets in excess of actuarial liability	(96)	(704)



II - b. Expenses Expected to Be Incurred in 2002	PBS	PBS-A
Interest cost	35	531
Expected return on assets	(904)	(780)
Expected contributions	(12)	-
Interest on actuarial obligations	693	-
Total	(188)	(249)

III - c. Actuarial Assumptions	PBS	PBS-A
Rate for discount of actuarial liabilities to present value	11.30%	11.30%
Expected return on plan assets	14.45%	14.45%
Estimated salary increase	8.15%	8.15%
Estimated benefit increase rate	5%	5%
General mortality rate table	UP84 with 1 year of aggravation	UP84 with 1 year of aggravation
Biometric disability table	Mercer	Mercer
Number of participants in the plan	39	17

III - PAMA - Post-retirement Medical Assistance

Refers to proportional participation in the PAMA multiemployer plan based on actuarial valuations. Based on the opinion of legal counsel and its actuaries, the Company has conservatively opted to record this potential liability as of December 31, 2001.

III - a. Reconciliation of Assets and Liabilities	R\$
Total actuarial liabilities	1,362
Fair value of assets	(438)
Liability recognized in the balance sheet	924

III - b. Expenses Expected to Be Incurred in 2002	R\$
Interest cost	80
Estimated return on assets	(25)
Amortization of past services	185
Total	240

III - c. Actuarial Assumptions	
Rate for discount of actuarial liability to present value	6% per year
Estimated return on plan assets	6% per year
Estimated increase in medical assistance costs	4% per year
General mortality rate table	GAM-71
Number of participants at November 30, 2001	30
Number of participants' dependants at November 30, 2001	47

21. LEASES

In 2001, the Company had expenses relating to lease agreements totaling R\$20,500 (R\$15,921 in 2000). The outstanding amount under such agreements, adjusted by exchange rates prevailing at December 31, 2001, is R\$43,158, payable in quarterly installments through June 2004.

22. SHAREHOLDER'S EQUITY

a. Capital

Capital as of December 31, 2001 and 2000 is R\$1,791,903, represented by shares without par value, distributed as follows:

	Thousands of shares
Common shares	31,411,707
Preferred shares	49,505,725
Total	80,917,432

The preferred shares do not have voting rights, but have priority in the redemption of capital and in the payment of minimum noncumulative dividends of 6% on the related amount of the capital.

b. Dividends and Interest on Capital

Dividends are calculated according to the bylaws and Corporate Law No. 6,404/76. The adjusted net income, on which the determination of net income was based, is composed as follows:

	2001	2000
Net income	21,045	157,349
Legal reserve	(1,052)	(7,867)
Adjusted net income	19,993	149,482
Capital	1,791,903	1,791,903
Preferred shareholders capital	1,096,296	1,096,296
Mandatory minimum dividends	65,778	65,778
Interest on capital	65,778	65,778
Income tax	(9,867)	(9,867)
Net interest on capital	55,911	55,911
Preferred shares	34,207	34,206
Common shares	21,704	21,705
Minimum preferred complementary dividends	31,571	31,571

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONSOLIDATED)

a. Risk Considerations

The Company provides cellular mobile services in the State of São Paulo in accordance with the terms of the concession granted by the Federal Government. It is also engaged in the purchase and sale of handsets through their own sales network as well as distribution channels, thus fostering its essential activities.

The major market risks to which the Company is 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 the 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 it was formed, Company's management policy has been actively applied by means of procedures designed to mitigate risks inherent in the Company's operations.

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, 73.1% use prepaid services that require pre-loading, thus not representing a credit risk to the Company. Delinquent receivables represented 2.4% of gross revenue in 2001.

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; this control is integrated with the distribution module ERP system for consistent transactions, automatically blocking the emission of invoices. Delinquent receivables represented only 1% of handset sales in 2001.

Interest Rate Risk

The Company utilizes financial derivative instruments to protect against exposure to LIBOR and EURIBOR rates. As of December 31, 2001, these

operations totaled US\$149.17 million, representing 76% of the Company's debt subject to LIBOR and EURIBOR.

Currency Risk

The Company utilizes financial derivative 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 December 31, 2001 is shown in the table below:

	US\$	€
Loans and financing	490,345	44,726
Hedge instruments	(605,000)	(44,435)
Net exposure	(114,655)	291

The net excess in dollar derivative positions is being utilized to mitigate exposure in euros. The Company believes that there is no significant difference in the short term between the dollar/euro parity; therefore this coverage is considered as an effective hedge on the euro/real exposure.

b. Derivative Instruments

The Company records derivative gains and losses as a component of net financial expense.

The principal amounts of currency and interest rate derivative operations are not recorded in the balance sheet. Net unrealized results on these operations are recorded on the accrual basis of accounting, which may give rise to significant differences in relation to the market value of such instruments, considering the present value of future net cash flows to be obtained. Book and market values of long-term financing and derivative operations are estimated as follows:

	Book value	Market value	Unrealized gains (losses)
Loans and financing	1,653,356	1,557,625	95,731
Derivative instruments	(548,910)	(210,250)	(338,660)
Total	1,104,446	1,347,375	(242,929)

The Companies position of derivative instruments is summarized as follows:

Derivative instruments	Year maturing		
	2003	2004	2006
Forward contracts - US\$:			
1. a. Principal - US\$	-	300,000	-
b. Contracted rate	-	1,18	-
2. a. Principal - US\$	-	-	280,000
b. Contracted rate	-	-	1,23
Swap contracts - €/R\$:			
1. a. Principal - €	-	44,435	-
b. Asset rate	-	Euribor+ 3,5%	-
c. Liability rate	-	103,5% of CDI	-
Option contracts - US\$:			
1. a. Principal - US\$	-	(300,000)	-
b. Strike	-	2,25	-
2. a. Principal - US\$	150,000	-	-
b. Strike	2,75	-	-
c. Cap	4,00	-	-
3. a. Principal - US\$	175,000	-	-
b. Strike	2,75	-	-
c. Cap	3,25	-	-

Company's management believes that unrealized losses on derivative operations, resulting from the accrual method of accounting, reflect the interest rate differences between local and foreign currency and that, over time, such differences will be offset against long-term financing costs.

The main differences refer to temporary differences on the recognition of

exchange gains on the principal in dollars of the long-term forward contracts, translated at the rate on the balance sheet date. These contracts pay variable premiums between 35% and 38% of the CDI on the principal dollar amount, recognized in the financial statements on the accrual basis over the term of the contracts.

c. Market Value of Financial Instruments

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

The market value of option contracts was computed using the Black-Scholes option pricing model.

Estimated fair values of the Company's financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to produce the estimated fair values. 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 fair values.

24. NET OPERATING REVENUE

	Consolidated	
	2001	2000
Monthly subscription charges	820,734	798,731
Services (a)	2,314,347	1,879,295
	3,135,081	2,678,026
Sale of products	706,165	1,004,371
Total gross operating revenue	3,841,246	3,682,397
Revenue deductions	(895,012)	(915,691)
Indirect taxes	(675,809)	(701,567)
Discounts	(168,894)	(165,940)
Returns of products	(50,309)	(48,184)
Net operating revenue	2,946,234	2,766,706

(a) Services:

	Consolidated	
	2001	2000
National	1,025,604	1,001,393
Displacement	70,031	75,911
Additional call charges	62,537	51,158
Use of network	1,119,969	706,341
Other services	36,206	44,492
Total revenue from telecommunication services	2,314,347	1,879,295

25. COST OF SERVICES PROVIDED AND PRODUCTS SOLD

	Consolidated	
	2001	2000
Personnel	(25,383)	(28,395)
Supplies and services	(78,035)	(47,604)
Utilities	(53,302)	(51,582)
Maintenance and conservation	(55,811)	(47,489)
Use of network fees	(210,986)	(156,518)
Connections	(113,022)	(118,462)
Depreciation	(519,822)	(510,492)
FISTEL fees	(1,803)	(47,605)
Other	(17,619)	(14,454)
Total cost of services provided	(1,075,783)	(1,022,601)
Cost of products sold	(580,637)	(666,560)
Total cost of services provided and products sold	(1,656,420)	(1,689,161)

26. SELLING EXPENSES

	Consolidated	
	2001	2000
Personnel	(61,797)	(53,356)
Supplies, rent and insurance	(19,803)	(18,052)
Transportation and communications	(25,482)	(26,781)
Advertising and graphics	(95,801)	(89,807)
Outside services	(154,579)	(112,624)
Provision for bad debts	(94,043)	(128,918)
FISTEL fees	(67,753)	(43,023)
Depreciation	(21,845)	(8,804)
Other	(63,906)	(72,821)
Total	<u>(605,009)</u>	<u>(554,186)</u>

27. GENERAL AND ADMINISTRATIVE EXPENSES

	Consolidated	
	2001	2000
Personnel	(38,699)	(32,750)
Outside services	(111,878)	(99,989)
Supplies, rent and insurance	(21,246)	(16,811)
Transportation and communications	(27,693)	(19,782)
Depreciation	(50,609)	(29,558)
Other	(3,066)	(8,342)
Total	<u>(253,191)</u>	<u>(207,232)</u>

28. OTHER OPERATING INCOME (EXPENSES), NET

	Consolidated	
	2001	2000
Income:		
Fines	14,517	24,354
Recovered expenses	4,366	16,608
Reversal of liability for pension plan	-	29,355
Other	4,452	14,550
Total income	<u>23,335</u>	<u>84,867</u>
Expenses:		
Provision for contingencies	(37,308)	(7,721)
Consulting - technology and management	(46,349)	(39,828)
Ceterp Celular S.A goodwill amortization	(8,426)	(703)
Taxes, other than income	-	(210)
Other	(659)	(2,524)
Total expenses	<u>(92,742)</u>	<u>(50,986)</u>
Total other operating income	<u>(69,407)</u>	<u>33,881</u>

29. FINANCIAL EXPENSES, NET

	Company		Consolidated	
	2001	2000	2001	2000
Income:				
Temporary cash investments	17,257	19,586	17,257	19,586
Interest and taxes from customers	14,555	8,340	14,555	8,340
Discounts obtained	1,427	15,521	1,427	15,521
Premiums	21,343	5,272	21,343	5,272
Other	2,591	9,630	2,591	9,630
Total income	<u>57,173</u>	<u>58,349</u>	<u>57,173</u>	<u>58,349</u>

	Company		Consolidated	
	2001	2000	2001	2000
Expenses:				
Financial charges	(339,353)	(162,147)	(306,641)	(148,200)
Exchange/Monetary variations	(73,264)	(22,549)	(73,264)	(22,549)
Other	(30,882)	(28,897)	(30,882)	(28,897)
Total expenses	<u>(443,499)</u>	<u>(213,593)</u>	<u>(410,787)</u>	<u>(199,646)</u>
Total financial income (expenses), net	<u>(386,326)</u>	<u>(155,244)</u>	<u>(353,614)</u>	<u>(141,297)</u>

30. COMMITMENTS TO ANATEL (UNAUDITED)

The commitments to the Brazilian Telecommunications Agency (ANATEL) are being monitored by the subsidiary and are being satisfactorily complied with; they are available for information in ANATEL's web page at the following address: www.anatel.gov.br.

31. INSURANCE (UNAUDITED)

As of December 31, 2001, all assets and responsibilities involving significant amounts and/or high risks were adequately covered by insurance.

32. TRANSACTIONS WITH RELATED PARTIES

The principal balances of assets and liabilities as of December 31, 2001 and 2000, as well as the transactions affecting the results of operations regarding transactions with related parties, are generated by transactions with the controlling group and its affiliates, which were carried out under usual market conditions for the respective type of operations:

	Company		Consolidated	
	2001	2000	2001	2000
Assets:				
Receivables from rendered services	1,254	-	1,254	-
Investments	46,606	13,926	-	-
Other assets	2,117	1,814	-	-
Liabilities:				
Accounts payable	3,197	-	3,197	-
Loans and financing	873,229	405,039	863,087	-
Interest on capital and dividends	122,494	97,349	122,494	97,349
Obligations with parent company	371,540	571,360	371,540	571,360
Other liabilities	36,822	13,093	36,822	13,093
Statement of operations:				
Revenue from telecommunication services	1,254	-	1,254	-
Cost of services provided	(2,607)	-	(2,607)	-
Selling expenses	(15,281)	-	(15,281)	-
General and administrative expenses	(425)	-	(425)	-
Financial income (expenses)	(88,899)	-	(26,960)	-
Other operating income (expenses)	(43,255)	(39,828)	(43,255)	(39,828)
Equity pick-up	32,712	13,924	-	-

The principal transactions with related parties are as follows:

(a) **Trade Accounts Receivable:** Represents receivables for roaming services for customers of Telecomunicações Móveis Nacionais, S.A. (TMN).

(b) **Investments:** The Company has investments in Telesp Celular International Ltd. and Telesp Celular Overseas, companies located abroad for the purpose of obtaining funding through foreign loans (Note 11).

(c) **Accounts Payable:** Represents roaming services provided by TMN to customers of TC in the TMN network, as well as financial consulting services provided by PT Asia.

(d) **Loans and Financing:** Represents intercompany debt with the Portugal Telecom Group (Note 17).

(e) **Other Obligations:** Represents intercompany debts (Note 17).

(f) **Revenue from Telecommunication Services:** Represents revenues from roaming services provided to TMN customers.

(g) **Cost of Services:** Represents the costs of maintenance of prepaid system software provided by PT Inovação.

(h) **Selling Expenses:** Represents the cost of call center services provided by Mobitel S.A. Telecomunicações.

(i) **General and Administrative Expenses:** Represents technical services provided by Group companies.

(j) **Financial (Income) Expenses, Net:** Represents interest and exchange variations on intercompany debt (Note 17).

(k) **Other Operating Expenses:** Represents management advisory services provided by Portugal Telecom, SGPS, S.A. under contract.

33. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The accompanying financial statements are presented on the basis of accounting practices emanating from corporate law in Brazil. Certain accounting practices applied by the Company and its subsidiaries that conform with those accounting practices in Brazil may not conform with generally accepted accounting principles in the countries where these financial statements may be used.

São Paulo, March 1, 2002.

CARLOS MANUEL DE LUCENA E VASCONCELLOS CRUZ
President

GILSON RONDINELLI FILHO
Vice-President

ÁLVARO JOSÉ ROQUETTE MORAIS
Marketing and Estrategic Resources Vice-President

MARIA PAULA DE ALMEIDA MARTINS CANAIS
Financial and Control Vice-President

LUIS FILIPE S. C. B. DE AVELAR
Wireless Data/Wireless Internet and Development Vice-President

CARLOS ALBERTO FERREIRA DA SILVA
Comercial Vice-President

CLAIRTON MORAES DE SANTANA
CRC 1SP196.529/O-2

Corporate Bodies

LIST OF OFFICERS

Agostinho Andrade Landel Balbino	Corporate Business Director
André Machado Mastrobuano	Roaming and Interconnection Director
André R. Moreira Caio	Large Network Sales Director
Antonio de Toledo Mendes Pereira Filho	Brasil Digital Institute
Carlos Alexandre Cipriano	Corporate Business Board
Cláudia Lúcia F. Langoni	Customer Director
David José Ferreira Lopes	Engineering Director
Diogo Horta e Costa	Corporate Communication Director
Edson Alves Menini	Financial Director/ Investor Relation Advisor (Temporary)
Elga Costa de Oliveira	Marketing, Advertisement and Communications Director
Gonçalo Nuno F.C. Mendes Ferreira	Customer Relationship Management Director
Hugo Mattos Janeba	Individual Customer Marketing Director/ Corporate and Individual Clients Marketing Director
Idalina M. Furtado Vilela	Control and Planning Director
Jayme K. Shibata	Information Systems Director
João José Gallego Moura	Purchase, Equity and Logistic Director
Jovito Antonio Mota Buinhas	Quality Director
Kan Wakabayashi	Corporate Strategy Director (Temporary)/ Product and Service Development Director
Luís Fernando A. Almeida	Legal Director
Marcos Antunes Brandão Lopes	Accounting Director
Marco Antônio Morh	Revenue Assurance Advisor
Nicolau Jorge Netto	Sales and Direct Distribution Director
Paulo Emídio Faria	Operations Director
Ricardo Palazzo A. Barros	Regulation Director
Roberto Yoshikazu Furuta	Auditing and Risk Management Director
Robson Ferreira	Internet Technology Director
Roger Solé	Data Business Director
Sandra Maria Gomes de Lima	Human Resources Director
Teresa Jordão Pereira Neves	Corporate Financial Management Advisor

Report of Independent Public Accountants

To the Management and Shareholders of
Telesp Celular S.A.:

(1) We have audited the individual (Company) and consolidated balance sheets of TELESP CELULAR S.A. (a Brazilian corporation) and subsidiaries as of December 31, 2001 and 2000, and the related statements of income, changes in shareholders' equity, and changes in financial position for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

(2) Our audits were conducted in accordance with auditing standards in Brazil and comprised:

(a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries,

(b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

(3) In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Telesp Celular S.A. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the years then ended in accordance with accounting practices emanating from Brazilian corporate law.

São Paulo, March 1, 2002

ARTHUR ANDERSEN S/C - CRC 2SP000123/O-1
Francisco Papellás Filho
Engagement Partner
Accountant - CRC 1SP127815/O-2

