

TELESP PARTICIPACOES SA  
Form 20-F  
April 15, 2005  
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As filed with the Securities and Exchange Commission on April 15, 2005

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## SECURITIES AND EXCHANGE COMMISSION

### FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-14475

## TELECOMUNICAÇÕES DE SÃO PAULO S.A. TELESP

(Exact name of registrant as specified in its charter)

## Telecommunications of São Paulo Telesp

(Translation of registrant's name into English)

Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Rua Martiniano de Carvalho, 851 21º andar

01321-001 São Paulo, SP, Brasil

(Address of principal executive offices)

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**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

**Title of each class:**

**Name of each exchange on which registered:**

Preferred Shares, without par value  
American Depositary Shares (as evidenced by American Depositary  
Receipts), each representing 1,000 shares of Preferred Stock

New York Stock Exchange\*  
New York Stock Exchange

\* Not for trading purposes, but only in connection with the registration on the New York Stock Exchange of American Depositary Shares representing those Preferred Shares.

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**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

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**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

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The number of outstanding shares of each class of stock of Telecomunicações de São Paulo S.A. Telesp as of December 31, 2004.

165,320,206,602  
328,272,072,739

**Shares of Common Stock**  
**Shares of Preferred Stock**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

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**INTRODUCTION**

References in this annual report to Telesp, we, our, us and the company are to Telecomunicações de São Paulo S.A. TELESP and its consolidated subsidiaries (unless the context otherwise requires). In addition, all references in this annual report to:

ADSs are to our American Depositary Shares, each representing 1,000 shares of our non-voting preferred shares;

Anatel are to *Agência Nacional de Telecomunicações* ANATEL, the National Telecommunications Agency of Brazil;

BOVESPA are to the *Bolsa de Valores de São Paulo*, or the São Paulo Stock Exchange;

Brazilian Central Bank or Central Bank are to the *Banco Central do Brasil*, the Central Bank of Brazil;

Brazilian Corporate Law are to the *Lei das Sociedades por Ações*, Law No. 6,404 of December 1976, as amended;

Brazilian government are to the federal government of the Federative Republic of Brazil;

CMN are to the *Conselho Monetário Nacional*, the Monetary Council of Brazil;

Commission or SEC are to the U.S. Securities and Exchange Commission;

Corporate Law Method is the accounting practice to be followed in the preparation of our financial statements for regulatory and statutory purposes prescribed by the Brazilian Corporate Law and accounting standards issued by the CVM and the Independent Auditors Institute of Brazil (*Instituto dos Auditores Independentes do Brasil* IBRACON);

CVM are to the *Comissão de Valores Mobiliários*, the Securities Commission of Brazil;

General Telecommunications Law are to *Lei Geral de Telecomunicações*, as amended, which regulates the telecommunications industry in Brazil;

real, reais or R\$ are to Brazilian reais, the official currency of Brazil; and

US\$, dollars or U.S. dollars are to United States dollars;

Unless otherwise specified, data relating to the Brazilian telecommunications industry included in this annual report were obtained from Anatel.

The Glossary of Telecommunications Terms that begins on page 90 provides the definition of certain technical terms used in this annual report.

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**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Certain statements included in this annual report, principally in Item 3.D Risk Factors, Item 4 Information on the Company and Item 5 Operating and Financial Review and Prospects, contain information that is forward looking, including, but not limited to:

statements concerning our operations and prospects;

the size of the Brazilian telecommunications market;

estimated demand forecasts;

our ability to secure and maintain telecommunications infrastructure licenses, rights-of-way and other regulatory approvals;

our strategic initiatives and plans for business growth;

industry conditions;

our funding needs and financing sources;

network completion and product development schedules;

expected characteristics of competing networks, products and services; and

other statements of management's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

Forward-looking statements may also be identified by words such as believe, expect, anticipate, project, intend, should, seek, estimate, similar expressions. Forward-looking information involves risks and uncertainties that could significantly affect expected results. The risks and uncertainties include, but are not limited to:

the short history of our operations as an independent, private-sector entity and the ongoing introduction of greater competition to the Brazilian telecommunications sector;

the cost and availability of financing;

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uncertainties relating to political and economic conditions in Brazil as well as those of other emerging markets;

inflation and exchange rate risks;

the Brazilian government's telecommunications policy; and

the adverse determination of disputes under litigation.

We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this annual report might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.



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**PRESENTATION OF FINANCIAL INFORMATION**

Our consolidated financial statements as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002, have been prepared in accordance with the Corporate Law Method, which differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Note 32 to our financial statements appearing elsewhere in this annual report describes the principal differences between the Corporate Law Method and U.S. GAAP as they relate to us, and provides a reconciliation to U.S. GAAP of net income and shareholders' equity. These consolidated financial statements have been audited by Deloitte Touche Tohmatsu Auditores Independentes.

We have made rounding adjustments to reach some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

**Table of Contents****PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data**

Our consolidated financial statements included in this annual report on Form 20-F and the selected financial data presented for the periods described below have been prepared in accordance with the Corporate Law Method, which is the same basis of accounting used in our annual and interim financial statements published in Brazil, audited by Deloitte Touche Tohmatsu Auditores Independentes. For consistent presentation, we have used the Corporate Law Method for all periods described in this annual report on Form 20-F. See Note 2 to the consolidated financial statements.

The following tables present a summary of our selected financial data at the dates and for each of the periods indicated. You should read the following information together with our audited consolidated financial statements and the notes thereto included elsewhere in this annual report and with Item 5 Operating and Financial Review and Prospects.

	Year ended December 31,				
	2004	2003	2002	2001	2000
	(in millions of reais, except per share data)				
<b>Income Statement Data:</b>					
Corporate Law Method					
Net operating revenue	13,309	11,805	10,088	9,049	7,310
Cost of services (1)	(7,496)	(6,715)	(5,770)	(4,896)	(4,185)
Gross profit	5,813	5,090	4,318	4,153	3,125
Operating expenses, net (1)	(2,544)	(2,643)	(2,207)	(1,955)	(1,238)
Operating income before financial income (expense)	3,269	2,447	2,111	2,198	1,887
Financial expense, net	(404)	(630)	(755)	(336)	(153)

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Operating income	2,865	1,817	1,356	1,862	1,734
Net non-operating income (expense)	40	50	(33)	(17)	68
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income before taxes and minority interests	2,905	1,867	1,323	1,845	1,802
Income and social contribution taxes	(724)	(279)	(247)	(269)	(331)
Minority interests					(1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income	2,181	1,588	1,076	1,576	1,470
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Earnings per thousand shares in <i>reais</i>	4.42	3.22	2.18	3.19	2.97
Cash Dividends per thousand shares in <i>reais</i> , net of income tax					
Common Shares	5.63	6.90	1.78	1.83	1.53
Preferred Shares	6.20	7.60	1.96	1.83	1.53
<i>U.S. GAAP</i>					
Net income (loss)	2,184	2,011	675	1,652	1,755
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) per thousand shares:					
Common shares Basic (2)	4.05	3.62	1.25	3.35	3.58

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	Year ended December 31,				
	2004	2003	2002	2001	2000
(in millions of reais, except per share data)					
Weighted average number of common shares outstanding - basic (thousands)	165,320,207	165,320,207	165,321,904	165,322,470	165,376,730
Common shares Diluted (2)	4.05	3.62	1.25	3.35	3.58
Weighted average number of common shares outstanding diluted (thousands)	165,320,207	165,320,207	165,321,904	165,322,470	165,376,730
Preferred shares Basic (3)	4.61	4.31	1.43	3.35	3.58
Weighted average number of preferred shares outstanding - basic (thousands)	328,272,073	328,272,073	328,325,175	328,342,876	325,037,442
Preferred shares Diluted (3)	4.61	4.31	1.43	3.35	3.58
Weighted average number of preferred shares outstanding (thousands)	328,272,073	328,272,073	328,325,175	328,342,876	325,037,442

(1) Reflects the reclassification of our employees profit sharing expense in 2001 and 2000.

(2) <b>Net income per thousand shares in accordance with U.S. GAAP</b>	<b>2001</b>
Common shares Basic and diluted	
Before cumulative effect of a change in accounting principle	3.29
Cumulative effect of a change in accounting principle	0.06
U.S. GAAP net income	3.35
(3) <b>Net income per thousand shares in accordance with U.S. GAAP</b>	<b>2001</b>
Preferred shares Basic and diluted	
Before cumulative effect of a change in accounting principle	3.29
Cumulative effect of a change in accounting principle	0.06
U.S. GAAP net income	3.35

	December 31,				
	2004	2003	2002	2001	2000
(in millions of reais, except per share data)					
<b>Balance Sheet Data:</b>					
Corporate Law Method					
Property, plant and equipment, net	13,369	14,735	16,223	17,515	15,715
Total assets	18,752	20,123	22,361	22,828	19,979
Loans and financing - current portion	530	1,982	2,471	2,636	1,194
Loans and financing - non-current portion	2,226	995	2,115	1,368	705
Shareholders equity	11,399	12,269	14,483	14,699	14,464
Capital stock	5,978	5,978	5,978	5,640	5,848
Number of shares outstanding (in thousands)	493,592,279	493,592,279	493,592,279	493,665,346	493,665,346
<i>U.S. GAAP</i>					
Property, plant and equipment, net	13,700	15,063	16,749	18,191	16,427
Total assets	19,159	20,470	23,036	23,517	20,745
Loans and financing current portion	478	1,878	2,305	2,543	1,174
Loans and financing non-current portion	2,231	942	2,055	1,349	705
Shareholders equity	11,422	12,280	14,174	14,638	14,233

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	December 31,				
	2004	2003	2002	2001	2000
	(million of <i>reais</i> except when indicated)				
<b>Cash Flow Data:</b>					
<b>Operating activities:</b>					
Net cash provided by (used in) operating activities	5,606	4,977	4,574	3,775	3,425
<b>Investing activities</b>					