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TELESP CELLULAR HOLDING CO /ADR/
Form 425
December 09, 2005
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Filed by Telesp Celular Participações S.A.

pursuant to Rule 425 of the Securities Act of 1933

Subject Companies: Telesp Celular Participações S.A.

Commission File No.: 333 09470

Tele Centro Oeste Celular Participações S.A.

Commission File No.: 001-14489 Tele Sudeste Celular Participações S.A.

Commission File No.: 001-14485

Tele Leste Celular Participações S.A.

Commission File No.: 001-14481

Celular CRT Participações S.A.

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. Investors in American Depositary Shares (ADSs) of Telesp Celular Participações S.A. (TCP), Tele Centro Oeste Celular Participações S.A. (TCO), Tele Sudeste Celular Participações S.A. (TSD) and Tele Leste Celular Participações S.A. (TLE) and U.S. holders of ordinary shares and preferred shares of TCP, TCO, TSD, TLE and Celular CRT Participações S.A. (CRTPart and, together with TCP, TCO, TSD and TLE, the Companies) are urged to read the U.S. prospectus applicable to that Company (or, in the case of holders of ADSs or shares of TCP, other applicable information disseminated by TCP) when it becomes available, because they will contain important information. The U.S. prospectuses prepared for holders of ADSs of TCO, TSD and TLE and for U.S. holders of ordinary shares and preferred shares of TCO, TSD, TLE and CRTPart will be filed with the SEC as part of Registration Statements on Form F-4 of TCP. Investors and security holders may obtain a free copy of the applicable U.S. prospectus (when available) and other documents filed by TCP with the SEC at the SEC s website at www.sec.gov. A copy of the applicable U.S. prospectus (when available) may also be obtained for free from TCP.

This communication contains forward-looking statements. These statements are statements that are not historical facts, and are based on estimates of future economic circumstances, industry conditions, company performance and financial results. Statements regarding future financial results, business strategies, future synergies, future costs and future liquidity of the Companies are examples of forward-looking statements. Such statements 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.

* * *

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The following documents relate to the proposed corporate restructuring of the Companies:

1. Goldman Sachs & Companhia Report regarding TCO
2. Goldman Sachs & Companhia Report regarding TSD
3. Goldman Sachs & Companhia Report regarding TLE
4. Goldman Sachs & Companhia Report regarding CRTPart
5. Planconsult Report regarding TCP
6. Planconsult Report regarding TCO
7. Planconsult Report regarding TSD
8. Planconsult Report regarding TLE
9. Planconsult Report regarding CRTPart
10. Financial Statements of TCP as of September 30, 2005 and for the nine-month period then ended that accompany the Deloitte Touche Tohmatsu Book Value Report filed pursuant to Rule 425 on December 6, 2005
11. Financial Statements of TCO as of September 30, 2005 and for the nine-month period then ended that accompany the Deloitte Touche Tohmatsu Book Value Report filed pursuant to Rule 425 on December 6, 2005
12. Financial Statements of TSD as of September 30, 2005 and for the nine-month period then ended that accompany the Deloitte Touche Tohmatsu Book Value Report filed pursuant to Rule 425 on December 6, 2005
13. Financial Statements of TLE as of September 30, 2005 and for the nine-month period then ended that accompany the Deloitte Touche Tohmatsu Book Value Report filed pursuant to Rule 425 on December 6, 2005
14. Financial Statements of CRTPart as of September 30, 2005 and for the nine-month period then ended that accompany the Deloitte Touche Tohmatsu Book Value Report filed pursuant to Rule 425 on December 6, 2005

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GOLDMAN SACHS & COMPANHIA REPORT REGARDING TCO

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Valuation Report

Tele Centro Oeste Celular Participações S.A. and Telesp Celular Participações S.A.

Goldman Sachs & Companhia

December 4, 2005

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Disclaimers

Goldman Sachs & Co. and Goldman Sachs & Cia. (together, Goldman Sachs) have been engaged by Telesp Celular Participações S.A. (TCP), in accordance with Law No. 6404 of December 15, 1976 (the Corporation Law), as amended, to perform valuation analyses (the Valuations) with respect to each of TCP and each of Celular CRT Participações (CRT), Tele Sudeste Celular Participações S.A. (TSD), Tele Leste Celular Participações S.A. (TBE) and Tele Centro Oeste Celular Participações S.A. (TCO ; together with CRT, TSD and TBE , the Targets ; and together with TCP, the Companies), in connection with the merger of shares of TCO into TCP and the merger of each of the other Targets into TCP (collectively, the Transactions).

Our Valuations have been prepared for the exclusive use of TCP s Board of Directors in connection with their analysis of the Transactions, as described further below, and should not be used for any other purposes, including, without limitation, to form the capital of TCP under the terms of the Corporation Law, including, but not limited to, its Article 8. Our Valuations have been prepared in both the Portuguese and English languages, and the Portuguese version shall prevail for all purposes.

In connection with preparing our valuation analyses, we have reviewed, among other things: (i) certain financial analyses and forecasts for each of the Companies prepared and approved by the senior management of each such Company; (ii) publicly available financial statements for the years ended December 31, 2002, 2003 and 2004 of each of the Companies, which were audited by Deloitte Touche Tohmatsu - Auditores Independentes (Auditors); (iii) certain other financial information with respect to each of the Companies, including the cash and bank balances, loans and other debt obligations and hedging and contingencies provisions of each Company as of September 30, 2005, as set forth in letters from the Auditors dated December 4, 2005, addressed to each such Company and forwarded to us by the latter and reflecting the best judgment of the Auditors in conformity with generally accepted accounting procedures in Brazil. We also have held discussions with members of the senior management of each of the Companies with respect to their assessment of the past and current business operations, financial condition and prospects of such Companies. The Valuations also take into consideration the distribution of interest on net equity, as well as the payment of dividends as anticipated by the Companies Board of Directors.

In preparing our Valuations, we have assumed and relied, with the express consent of the Companies and without independent verification, on the accuracy, content, truthfulness, consistency, completeness, sufficiency and integrity of the financial, accounting, legal, tax and other information reviewed by or discussed with us, and we have not assumed, and do not hereby assume, any responsibility to independently verify any of the information or to make an independent verification or appraisal of any of the assets or liabilities (contingent or otherwise) of the Companies, nor have we examined the solvency or fair value of the Companies under any laws concerning bankruptcy, insolvency or similar matters. To this effect, we assume no responsibility or liability with respect to the accuracy, truthfulness, integrity, consistency, or sufficiency of such information, for which the respective Companies are solely and exclusively responsible. In addition, we have not assumed any obligation to conduct, and have not conducted, any physical inspection of the properties or facilities of the Companies. With your consent, we have assumed that the financial analyses and forecasts prepared by the senior management of each Company, as approved by the Management of such Company, have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of such Company.

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Disclaimers

(Continued)

You have asked us to prepare our Valuations in connection with the requirement under Article 30 of TCP's By-laws that TCP obtain a determination with respect to the equitable treatment of each of the exchange ratios for the proposed Transactions. Our analysis has been prepared on the basis that, if the Board of Directors of TCP proposed an exchange ratio with respect to each Transaction that falls within the range of exchange ratios implied by the ranges of value indications derived from our Valuations with respect to TCP and the relevant Target involved in such Transaction, applied on a consistent basis, then that exchange ratio would constitute equitable treatment. Our Valuations have been prepared solely based on the discounted cash flow methodology assuming a stable macroeconomic scenario for Brazil. The valuation analyses and the results therefrom do not purport to reflect the prices at which any of the Companies or its securities could be sold, nor do they take into account any element of value that may arise from the accomplishment or expectation of the proposed Transactions. You should further note that we are not an accounting firm and we did not provide accounting or audit services in connection with this Valuation Report. In addition, because these valuation analyses are based upon forecasts of future financial results, they are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such analyses. Given, further, that these analyses are intrinsically subject to uncertainties and various events or factors outside the control of the Companies and Goldman Sachs, neither Goldman Sachs, nor any of its affiliates and representatives, assume any responsibility or liability if future results differ substantially from the projections presented in the Valuations and make no representation or warranty with respect to such projections.

Our Valuations are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. As a result, the valuation analyses are valid exclusively as of the date hereof as future events and developments may affect their conclusions. We do not assume any obligation to update, review, revise or revoke the Valuations as a result of any subsequent event or development. With respect to the Valuations, TCP and its Board of Directors have not authorized us to solicit, nor have we solicited any indication of interest from third parties to acquire, in whole or in part, any Company's shares. As a result, the results determined in the Valuations do not necessarily correspond to, and should not be construed as representative of, the prices at which any Company could be sold in a third-party acquisition transaction, at which any Company's respective shares trade on the date hereof or will trade at any future time, or at which the shares of TCP will trade after the Transactions.

The preparation of economic and financial analyses such as those conducted in the preparation of the Valuations is a complex process that involves subjective judgment and is not susceptible to partial analysis or summary description. In arriving at its conclusions, Goldman Sachs did not attribute any particular weight to any particular factor considered by it; rather, Goldman Sachs made qualitative judgments as to the importance and relevance of all the factors considered therein. Accordingly, Goldman Sachs believes that the Valuations should be considered as a whole and that selecting portions of its analyses or the factors considered therein could result in an incomplete and incorrect understanding of the conclusions of the Valuations. The results presented herein refer solely to the Transactions and do not extend to any other present or future matters or transactions regarding the Companies, the economic group to which they belong or to the sector in which they operate.

The Valuations are exclusively addressed to TCP's Board of Directors and do not address the underlying business decision by TCP to engage in the Transactions and do not constitute a recommendation to any of the Companies and/or the holders of the respective Companies' shares (including, but not limited to, as to whether any such holder should vote in favor of the Transactions or exercise any appraisal rights or other rights with respect thereto). In addition, the Valuations (i) treat the Companies as stand-alone operations and therefore, the analyses and results of the Valuations do not include any operational, tax or other benefits or losses, or synergies, incremental value and/or costs for the Companies, if any, which may arise from the consummation of the Transactions and (ii) do not address the treatment of the different classes of shares of the Companies, and any adjustments intended to offset, or that may reflect, any specific rights associated with any specific class of shares of the Companies. We are therefore not expressing, and the Valuations do not contain, any views relating to the distribution of economic value among the various classes of shares of any of the Companies.

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Disclaimers

(Continued)

Goldman, Sachs & Co. and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. We have been engaged by TCP and, irrespective of whether the Transactions are consummated, we will receive a fee for the services provided by us. Moreover, TCP has agreed to reimburse our expenses and indemnify us for certain liabilities that may arise as a result of our engagement. In addition, we have provided certain investment banking services to the Company from time to time, including having acted as the Company's financial advisors in connection with its rights offerings of 2002 and 2004 and in the voluntary tender offer for the acquisition of TCO shares in 2004. We also have provided and currently are providing certain investment banking services to Telefónica, S.A., one of the indirect controlling shareholders in TCP, including, in its cash offer to acquire the entire issued and to be issued share capital of O2 plc. We also may provide investment banking services to each of the Companies and their affiliates in the future. In connection with the above-described services we have received, and may receive, compensation.

Goldman, Sachs & Co. is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman, Sachs & Co. and its affiliates may provide such services to each of the Companies and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of each of the Companies and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

In preparing the Valuations, in accordance with applicable laws and regulations, we did not take into account (i) the tax consequences of the Transactions for the holders of the Companies' shares, and (ii) the impact of any fees and expenses that may result from the consummation of the Transactions, including, but not limited to, those related to any depositary services that may be charged to the holders of the Companies' ADSs. In addition, pursuant to applicable laws and regulations, we have excluded the tax-related effects associated with the future use by TCP of the non-amortized premium arising from the purchase by TCP of shares of the Targets. The financial calculations contained in the Valuations may not always result in a precise sum due to rounding.

Based upon and subject to the foregoing and based upon other matters as we considered relevant, if the exchange ratio approved by TCP's Board of Directors with respect to each Transaction is within the implied exchange ratios derived from the Valuations with respect to TCP and the relevant Target involved in such Transaction, it is our view that such exchange ratio as of the date hereof would constitute equitable treatment as understood in the manner described above.

GOLDMAN SACHS & COMPANHIA

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Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you (and your employees, representatives and other agents) may disclose any aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits, and all materials of any kind (including tax opinions and other tax analyses) related to those benefits, with no limitations imposed by Goldman Sachs.

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I. Overview of the Transaction

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**Overview of the Transaction
Illustrative Structure of Vivo**

Post-Transaction Proposed Structure

Source: Management of Companies

Note: Does not represent the complete corporate structure

¹ *Future name of Telesp Celular Participações S.A. Vivo will incorporate all assets and liabilities of TSD, CRT and TBE, and all the shares of TCO*

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Valuation Analyses Methodology

Valuation analyses were performed as of September 30, 2005 based on a projection period from 2005 to 2014. All projections used for purposes of the valuations of each of the Companies were prepared by the senior management of that company

Unlevered free cash flows (before financing costs) were projected by the Companies in Reais and subsequently converted to US Dollars at the average projected exchange rate for each year

Illustrative enterprise values of each of the Companies were determined by the sum of:

Net present value indications calculated as of September 30, 2005 with respect to the unlevered free cash flows for the projection period, and

Net present value indications calculated as of September 30, 2005 with respect to the illustrative terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (capex equal to depreciation and excluding temporary tax benefits)

The valuation analyses prepared for Telesp Celular Participações S.A. (TCP) included the following components: (i) projected free cash flows for its wholly owned subsidiaries, Telesp Celular S.A. and Global Telecom S.A.; (ii) adjustments to reflect the net present value of TCP's expenses, and (iii) value indication of TCP's equity interest in TCO, calculated using the Discounted Cash Flow methodology

The illustrative present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate for the unlevered free cash flow was between 3% and 5%

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Valuation Analyses Methodology

The equity value indications calculated for each of the Companies were determined by subtracting from the illustrative enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005, and (ii) the interest on capital and dividends already declared, both converted to US dollars at such date

The indicative equity values indications per share for each of the Companies were determined by dividing the equity value indications by the total number of shares outstanding

Values were adjusted to reflect treasury shares (reduces the number of shares used to determine the equity value indications per share)

The valuation analyses result in aggregate equity value indications for each of the Companies and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains

The illustrative ranges of exchange ratios calculated for the Companies were determined by the consistent comparison of the illustrative equity value indications per share calculated for each of them

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II. Summary of Valuation Analyses

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Summary of Valuation Analyses

Valuation Based on Discounted Cash Flow Methodology

Results of Valuation Analyses Indicative Equity Values (R\$ 000 \$)

¹ *Valuation analyses based on projections prepared by the management of Companies, using a WACC between 11.25% and 12.75% and a perpetuity growth rate between 3% and 5%*

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Summary of Valuation Analyses

Implied Exchange Ratios

TCP Price per Share (R\$)

TCO Price per Share (R\$)

Implied Exchange Ratios (TCP Shares per TCO Shares)¹

¹ *Implied exchange ratios based on the consistent comparison of the equity values indications per share calculated for TCP and TCO*

Table of Contents**Summary of Valuation Analyses****Range of Equity Values per Share****(In Millions of Reais, Except per Share Values)**

	TCP		TCO	
	Range of Indicative Values		Range of Indicative Values	
Enterprise Value	13,778	19,742	5,322	7,286
Net Debt ⁽¹⁾	4,951	4,951	(670)	(670)
Equity Value	8,827	14,791	5,991	7,955
Number of Shares (000 s) ⁽²⁾	662,324	662,324	130,068	130,068
Equity Value per Share	13.33	22.33	46.06	61.16

¹ Includes (i) net financial debt and net contingencies from audited financial statements as of September 30, 2005, and (ii) and dividends and interest on capital already announced but not paid by the Companies

² Shares outstanding as of September 30, 2005 (Source: Management of Companies). Excludes treasury shares

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A. Background Information

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Table of Contents**Macroeconomic Assumptions****Projected for the Fiscal Year Ending December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Gross Domestic Product (GDP) Real Growth	3.2%	3.5%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Inflation Rates										
IPCA	5.5%	4.3%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-DI	1.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-M	1.5%	5.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
FX Rate R\$ / US\$ (end of period)	2.25	2.45	2.56	2.68	2.80	2.85	2.91	2.97	3.03	3.09
FX Rate R\$ / US\$ (average)	2.47	2.40	2.52	2.63	2.75	2.84	2.89	2.95	3.01	3.07

Source: Goldman Sachs Economic Research, BACEN, IBGE and CNI

Table of Contents**Weighted Average Cost of Capital Calculation****Risk-Free Rate**

10-year US Treasury (a)	4,4%
(+) Brazil Sovereign Spread Average (b)	4,6%
(=) Assumed Risk-Free Rate	9,0%

Cost of Equity

US Equity Risk Premium (c)	5,6%
Beta (d)	1,10
(+) Assumed Risk-Free Rate	9,0%
(=) Cost of Equity	15,2%

Cost of Debt

Pre-tax Cost of Debt (e)	9,3%
(x) Marginal Tax Rate	34,0%
(=) Cost of Debt	6,1%

WACC Calculation

Target Debt / Total Capitalization	35,0%
Target Equity / Total Capitalization	65,0%
WACC (Nominal US\$)	12,0%

- (a) Average yield of the 10 year on-the-run U.S. Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (b) Average spread of the 2040 Brazilian Government Bond over the 10 year on-the-run US Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (c) Equity Risk Premium based on US Long-Horizon Equity Risk Premia in US dollars from 1974 to 2003 (Source: International Equity Risk Premia Report 2004 Ibbotson 2004 report)
- (d) Average unlevered beta for comparable international players of 001, relevered, based on Target Debt/ Total Capitalization of 35% (Source: BARRA as of November 14, 2005)
- (e) Assumes spread of 25 bps between Companies cost of debt and the Brazilian Government Bond

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B. Telesp Celular Participações S.A.

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Operational Projections for Telesp Celular S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Telesp Celular S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Global Telecom S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Global Telecom S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Tele Centro Oeste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Centro Oeste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Telesp Celular Participações S.A.****(R\$ mm)****For the Fiscal Year Ending on December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	492	436	599	879	1,234	1,633	2,010	2,373	2,729	3,045
(+) Depreciation and Amortization	1,003	1,224	1,255	1,323	1,352	1,331	1,126	1,043	1,038	1,046
(-) Capex	1,419	1,225	904	926	941	943	943	944	952	974
(-) Change in Working Capital	58	17	(24)	38	34	12	(24)	11	4	(71)
Free Cash Flow	18	419	973	1,238	1,612	2,009	2,217	2,462	2,811	3,188
Terminal Year Free Cash Flow ⁽²⁾										2,600

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value indication adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E - 2014E)

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C. Tele Centro Oeste Celular Participações S.A.

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Operational Projections for Tele Centro Oeste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Centro Oeste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Tele Centro Oeste Celular Participações S.A.****(R\$ mm)****For the Fiscal Year Ending on December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	343	389	494	561	635	718	831	925	1,031	1,136
(+) Depreciation and Amortization	257	255	272	296	312	311	277	273	262	262
(-) Capex	383	322	254	259	258	259	272	289	287	286
(-) Change in Working Capital	(65)	(99)	(20)	(1)	(4)	(7)	(9)	(9)	(0)	0
Free Cash Flow	281	421	532	599	694	778	845	918	1,006	1,112
Terminal Year Free Cash Flow ⁽²⁾										842

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value indications adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E - 2014E)

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Appendix A: Glossary

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Glossary

ARPU: average revenue per user (average for the period) in nominal Reais per month

Beta: Coefficient that measures the non-diversifiable risk to which an asset is subject to. The coefficient is determined by a linear regression of the variation of the price of the asset and the variation of the price of the market portfolio

Capex (capital expenditures): investments in fixed assets

EBITDA: earnings before interest, taxes, depreciation and amortization

EBIT: earnings before interest and taxes

Unlevered net income: earnings before interest, depreciation and amortization, less adjusted taxes

Minutes of Use (MOU): total minutes (outgoing and incoming) per subscriber per month

Market Risk Premium: additional return relative to the risk free rate required by investors, in order to compensate for the higher risk of investing in the stock market

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GOLDMAN SACHS & COMPANHIA REPORT REGARDING TSD

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Tele Sudeste Celular Participações S.A. and Telesp Celular Participações S.A.

Goldman Sachs & Companhia

December 4, 2005

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Disclaimers

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Our Valuations have been prepared for the exclusive use of TCP s Board of Directors in connection with their analysis of the Transactions, as described further below, and should not be used for any other purposes, including, without limitation, to form the capital of TCP under the terms of the Corporation Law, including, but not limited to, its Article 8. Our Valuations have been prepared in both the Portuguese and English languages, and the Portuguese version shall prevail for all purposes.

In connection with preparing our valuation analyses, we have reviewed, among other things: (i) certain financial analyses and forecasts for each of the Companies prepared and approved by the senior management of each such Company; (ii) publicly available financial statements for the years ended December 31, 2002, 2003 and 2004 of each of the Companies, which were audited by Deloitte Touche Tohmatsu - Auditores Independentes (Auditors); (iii) certain other financial information with respect to each of the Companies, including the cash and bank balances, loans and other debt obligations and hedging and contingencies provisions of each Company as of September 30, 2005, as set forth in letters from the Auditors dated December 4, 2005, addressed to each such Company and forwarded to us by the latter and reflecting the best judgment of the Auditors in conformity with generally accepted accounting procedures in Brazil. We also have held discussions with members of the senior management of each of the Companies with respect to their assessment of the past and current business operations, financial condition and prospects of such Companies. The Valuations also take into consideration the distribution of interest on net equity, as well as the payment of dividends as anticipated by the Companies Board of Directors.

In preparing our Valuations, we have assumed and relied, with the express consent of the Companies and without independent verification, on the accuracy, content, truthfulness, consistency, completeness, sufficiency and integrity of the financial, accounting, legal, tax and other information reviewed by or discussed with us, and we have not assumed, and do not hereby assume, any responsibility to independently verify any of the information or to make an independent verification or appraisal of any of the assets or liabilities (contingent or otherwise) of the Companies, nor have we examined the solvency or fair value of the Companies under any laws concerning bankruptcy, insolvency or similar matters. To this effect, we assume no responsibility or liability with respect to the accuracy, truthfulness, integrity, consistency, or sufficiency of such information, for which the respective Companies are solely and exclusively responsible. In addition, we have not assumed any obligation to conduct, and have not conducted, any physical inspection of the properties or facilities of the Companies. With your consent, we have assumed that the financial analyses and forecasts prepared by the senior management of each Company, as approved by the Management of such Company, have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of such Company.

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Disclaimers

(Continued)

You have asked us to prepare our Valuations in connection with the requirement under Article 30 of TCP's By-laws that TCP obtain a determination with respect to the equitable treatment of each of the exchange ratios for the proposed Transactions. Our analysis has been prepared on the basis that, if the Board of Directors of TCP proposed an exchange ratio with respect to each Transaction that falls within the range of exchange ratios implied by the ranges of value indications derived from our Valuations with respect to TCP and the relevant Target involved in such Transaction, applied on a consistent basis, then that exchange ratio would constitute equitable treatment. Our Valuations have been prepared solely based on the discounted cash flow methodology assuming a stable macroeconomic scenario for Brazil. The valuation analyses and the results therefrom do not purport to reflect the prices at which any of the Companies or its securities could be sold, nor do they take into account any element of value that may arise from the accomplishment or expectation of the proposed Transactions. You should further note that we are not an accounting firm and we did not provide accounting or audit services in connection with this Valuation Report. In addition, because these valuation analyses are based upon forecasts of future financial results, they are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such analyses. Given, further, that these analyses are intrinsically subject to uncertainties and various events or factors outside the control of the Companies and Goldman Sachs, neither Goldman Sachs, nor any of its affiliates and representatives, assume any responsibility or liability if future results differ substantially from the projections presented in the Valuations and make no representation or warranty with respect to such projections.

Our Valuations are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. As a result, the valuation analyses are valid exclusively as of the date hereof as future events and developments may affect their conclusions. We do not assume any obligation to update, review, revise or revoke the Valuations as a result of any subsequent event or development. With respect to the Valuations, TCP and its Board of Directors have not authorized us to solicit, nor have we solicited any indication of interest from third parties to acquire, in whole or in part, any Company's shares. As a result, the results determined in the Valuations do not necessarily correspond to, and should not be construed as representative of, the prices at which any Company could be sold in a third-party acquisition transaction, at which any Company's respective shares trade on the date hereof or will trade at any future time, or at which the shares of TCP will trade after the Transactions.

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Goldman, Sachs & Co. and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. We have been engaged by TCP and, irrespective of whether the Transactions are consummated, we will receive a fee for the services provided by us. Moreover, TCP has agreed to reimburse our expenses and indemnify us for certain liabilities that may arise as a result of our engagement. In addition, we have provided certain investment banking services to the Company from time to time, including having acted as the Company's financial advisors in connection with its rights offerings of 2002 and 2004 and in the voluntary tender offer for the acquisition of TCO shares in 2004. We also have provided and currently are providing certain investment banking services to Telefónica, S.A., one of the indirect controlling shareholders in TCP, including, in its cash offer to acquire the entire issued and to be issued share capital of O2 plc. We also may provide investment banking services to each of the Companies and their affiliates in the future. In connection with the above-described services we have received, and may receive, compensation.

Goldman, Sachs & Co. is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman, Sachs & Co. and its affiliates may provide such services to each of the Companies and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of each of the Companies and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

In preparing the Valuations, in accordance with applicable laws and regulations, we did not take into account (i) the tax consequences of the Transactions for the holders of the Companies' shares, and (ii) the impact of any fees and expenses that may result from the consummation of the Transactions, including, but not limited to, those related to any depositary services that may be charged to the holders of the Companies' ADSs. In addition, pursuant to applicable laws and regulations, we have excluded the tax-related effects associated with the future use by TCP of the non-amortized premium arising from the purchase by TCP of shares of the Targets. The financial calculations contained in the Valuations may not always result in a precise sum due to rounding.

Based upon and subject to the foregoing and based upon other matters as we considered relevant, if the exchange ratio approved by TCP's Board of Directors with respect to each Transaction is within the implied exchange ratios derived from the Valuations with respect to TCP and the relevant Target involved in such Transaction, it is our view that such exchange ratio as of the date hereof would constitute equitable treatment as understood in the manner described above.

GOLDMAN SACHS & COMPANHIA

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Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you (and your employees, representatives and other agents) may disclose any aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits, and all materials of any kind (including tax opinions and other tax analyses) related to those benefits, with no limitations imposed by Goldman Sachs.

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I. Overview of the Transaction

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Overview of the Transaction

Illustrative Structure of Vivo

Post-Transaction Proposed Structure

Source: Management of Companies

Note: Does not represent the complete corporate structure

¹ *Future name of Telesp Celular Participações S.A. Vivo will incorporate all assets and liabilities of TSD, CRT and TBE, and all the shares of TCO*

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Valuation Analyses Methodology

Valuation analyses were performed as of September 30, 2005 based on a projection period from 2005 to 2014. All projections used for purposes of the valuations of each of the Companies were prepared by the senior management of that company

Unlevered free cash flows (before financing costs) were projected by the Companies in Reais and subsequently converted to US Dollars at the average projected exchange rate for each year

Illustrative enterprise values of each of the Companies were determined by the sum of:

Net present value indications calculated as of September 30, 2005 with respect to the unlevered free cash flows for the projection period, and

Net present value indications calculated as of September 30, 2005 with respect to the illustrative terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (capex equal to depreciation and excluding temporary tax benefits)

The valuation analyses prepared for Telesp Celular Participações S.A. (TCP) included the following components: (i) projected free cash flows for its wholly owned subsidiaries, Telesp Celular S.A. and Global Telecom S.A.; (ii) adjustments to reflect the net present value of TCP's expenses, and (iii) value indication of TCP's equity interest in TCO, calculated using the Discounted Cash Flow methodology

The illustrative present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate for the unlevered free cash flow was between 3% and 5%

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Valuation Analyses Methodology

The equity value indications calculated for each of the Companies were determined by subtracting from the illustrative enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005, and (ii) the interest on capital and dividends already declared, both converted to US dollars at such date

The indicative equity values indications per share for each of the Companies were determined by dividing the equity value indications by the total number of shares outstanding

Values were adjusted to reflect treasury shares (reduces the number of shares used to determine the equity value indications per share)

The valuation analyses result in aggregate equity value indications for each of the Companies and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains

The illustrative ranges of exchange ratios calculated for the Companies were determined by the consistent comparison of the illustrative equity value indications per share calculated for each of them

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II. Summary of Valuation Analyses

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Summary of Valuation Analyses

Valuation Based on Discounted Cash Flow Methodology

Results of Valuation Analyses Indicative Equity Values (R\$ 000 \$)

¹ *Economic valuation based on projections prepared by the management of Companies, using a WACC between 11.25% and 12.75% and a perpetuity growth rate between 3% and 5%*

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Summary of Valuation Analyses

Implied Exchange Ratios

TCP Price per Share (R\$)

TSD Price per Share (R\$)

Implied Exchange Ratios (TCP Shares per TSD Shares)¹

¹ *Implied exchange ratios based on the consistent comparison of the equity values indications per share calculated for TCP and TSD*

Table of Contents**Summary of Valuation Analyses****Range of Equity Values per Share****(In Millions of Reais, Except per Share Values)**

	TCP		TSD	
	Range of Indicative Values		Range of Indicative Values	
Enterprise Value	13,778	19,742	4,214	5,849
Net Debt ⁽¹⁾	4,951	4,951	(236)	(236)
Equity Value	8,827	14,791	4,450	6,085
Number of Shares (000 s) ⁽²⁾	662,324	662,324	91,831	91,831
Equity Value per Share	13.33	22.33	48.46	66.26

¹ Includes (i) net financial debt and net contingencies from audited financial statements as of September 30, 2005, and (ii) and dividends and interest on capital already announced but not paid by the Companies

² Shares outstanding as of September 30, 2005 (Source: Management of Companies). Excludes treasury shares

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A. Background Information

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Table of Contents**Macroeconomic Assumptions****Projected for the Fiscal Year Ending December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Gross Domestic Product (GDP) Real Growth	3.2%	3.5%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Inflation Rates										
IPCA	5.5%	4.3%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-DI	1.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-M	1.5%	5.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
FX Rate R\$ / US \$ (end of period)	2.25	2.45	2.56	2.68	2.80	2.85	2.91	2.97	3.03	3.09
FX Rate R\$ / US \$ (average)	2.47	2.40	2.52	2.63	2.75	2.84	2.89	2.95	3.01	3.07

Source: Goldman Sachs Economic Research, BACEN, IBGE and CNI

Table of Contents**Weighted Average Cost of Capital Calculation**

Risk-Free Rate	
10-year US Treasury ^(a)	4,4%
(+) Brazil Sovereign Spread Average ^(b)	4,6%
	<hr/>
(=) Assumed Risk-Free Rate	9,0%
	<hr/>
Cost of Equity	
US Equity Risk Premium ^(c)	5,6%
Beta ^(d)	1,10
(+) Assumed Risk-Free Rate	9,0%
	<hr/>
(=) Cost of Equity	15,2%
	<hr/>
Cost of Debt	
Pre-tax Cost of Debt ^(e)	9,3%
(x) Marginal Tax Rate	34,0%
	<hr/>
(=) Cost of Debt	6,1%
	<hr/>
WACC Calculation	
Target Debt / Total Capitalization	35,0%
Target Equity / Total Capitalization	65,0%
	<hr/>
WACC (Nominal US\$)	12,0%
	<hr/>

- (a) Average yield of the 10 year on-the-run U.S. Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (b) Average spread of the 2040 Brazilian Government Bond over the 10 year on-the-run US Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (c) Equity Risk Premium based on US Long-Horizon Equity Risk Premia in US dollars from 1974 to 2003 (Source: International Equity Risk Premia Report 2004 Ibbotson 2004 report)
- (d) Average unlevered beta for comparable international players of 001, relevered, based on Target Debt/ Total Capitalization of 35% (Source: BARRA as of November 14, 2005)
- (e) Assumes spread of 25 bps between Companies cost of debt and the Brazilian Government Bond

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B. Telesp Celular Participações S.A.

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Operational Projections for Telesp Celular S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Telesp Celular S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Global Telecom S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Global Telecom S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Tele Centro Oeste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Centro Oeste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Telesp Celular Participações S.A.****(R\$ mm)****For the Fiscal Year Ending on December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	492	436	599	879	1,234	1,633	2,010	2,373	2,729	3,045
(+) Depreciation and Amortization	1,003	1,224	1,255	1,323	1,352	1,331	1,126	1,043	1,038	1,046
(-) Capex	1,419	1,225	904	926	941	943	943	944	952	974
(-) Change in Working Capital	58	17	(24)	38	34	12	(24)	11	4	(71)
Free Cash Flow	18	419	973	1,238	1,612	2,009	2,217	2,462	2,811	3,188
Terminal Year Free Cash Flow ⁽²⁾										2,600

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value indication adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E - 2014E)

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C. Tele Sudeste Celular Participações S.A.

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Operational Projections for Tele Sudeste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Sudeste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Tele Sudeste Celular Participações S.A.**

(R\$ mm)

For the Fiscal Year Ending on December 31

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	109	187	292	393	508	589	668	745	818	892
(+) Depreciation and Amortization	354	339	296	268	218	223	215	207	208	213
(-) Capex	298	231	200	187	196	206	214	219	228	237
(-) Change in Working Capital	(47)	77	(4)	(11)	(3)	(35)	(6)	(10)	(10)	(6)
Free Cash Flow	211	218	392	485	534	641	675	743	809	873
Terminal Year Free Cash Flow ⁽²⁾										705

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E 2014E)

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Appendix A: Glossary

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Glossary

ARPU: average revenue per user (average for the period) in nominal Reais per month

Beta: Coefficient that measures the non-diversifiable risk to which an asset is subject to. The coefficient is determined by a linear regression of the variation of the price of the asset and the variation of the price of the market portfolio

Capex (capital expenditures): investments in fixed assets

EBITDA: earnings before interest, taxes, depreciation and amortization

EBIT: earnings before interest and taxes

Unlevered net income: earnings before interest, depreciation and amortization, less adjusted taxes

Minutes of Use (MOU): total minutes (outgoing and incoming) per subscriber per month

Market Risk Premium: additional return relative to the risk free rate required by investors, in order to compensate for the higher risk of investing in the stock market

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Valuation Report

Tele Leste Celular Participações S.A. and Telesp Celular Participações S.A.

Goldman Sachs & Companhia

December 4, 2005

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Disclaimers

Goldman Sachs & Co. and Goldman Sachs & Cia. (together, Goldman Sachs) have been engaged by Telesp Celular Participações S.A. (TCP), in accordance with Law No. 6404 of December 15, 1976 (the Corporation Law), as amended, to perform valuation analyses (the Valuations) with respect to each of TCP and each of Celular CRT Participações (CRT), Tele Sudeste Celular Participações S.A. (TSD), Tele Leste Celular Participações S.A. (TBE) and Tele Centro Oeste Celular Participações S.A. (TCO ; together with CRT, TSD and TBE , the Targets ; and together with TCP, the Companies), in connection with the merger of shares of TCO into TCP and the merger of each of the other Targets into TCP (collectively, the Transactions).

Our Valuations have been prepared for the exclusive use of TCP s Board of Directors in connection with their analysis of the Transactions, as described further below, and should not be used for any other purposes, including, without limitation, to form the capital of TCP under the terms of the Corporation Law, including, but not limited to, its Article 8. Our Valuations have been prepared in both the Portuguese and English languages, and the Portuguese version shall prevail for all purposes.

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Disclaimers

(Continued)

Goldman, Sachs & Co. and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. We have been engaged by TCP and, irrespective of whether the Transactions are consummated, we will receive a fee for the services provided by us. Moreover, TCP has agreed to reimburse our expenses and indemnify us for certain liabilities that may arise as a result of our engagement. In addition, we have provided certain investment banking services to the Company from time to time, including having acted as the Company's financial advisors in connection with its rights offerings of 2002 and 2004 and in the voluntary tender offer for the acquisition of TCO shares in 2004. We also have provided and currently are providing certain investment banking services to Telefónica, S.A., one of the indirect controlling shareholders in TCP, including, in its cash offer to acquire the entire issued and to be issued share capital of O2 plc. We also may provide investment banking services to each of the Companies and their affiliates in the future. In connection with the above-described services we have received, and may receive, compensation.

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In preparing the Valuations, in accordance with applicable laws and regulations, we did not take into account (i) the tax consequences of the Transactions for the holders of the Companies' shares, and (ii) the impact of any fees and expenses that may result from the consummation of the Transactions, including, but not limited to, those related to any depositary services that may be charged to the holders of the Companies' ADSs. In addition, pursuant to applicable laws and regulations, we have excluded the tax-related effects associated with the future use by TCP of the non-amortized premium arising from the purchase by TCP of shares of the Targets. The financial calculations contained in the Valuations may not always result in a precise sum due to rounding.

Based upon and subject to the foregoing and based upon other matters as we considered relevant, if the exchange ratio approved by TCP's Board of Directors with respect to each Transaction is within the implied exchange ratios derived from the Valuations with respect to TCP and the relevant Target involved in such Transaction, it is our view that such exchange ratio as of the date hereof would constitute equitable treatment as understood in the manner described above.

GOLDMAN SACHS & COMPANHIA

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Goldman Sachs does not provide accounting, tax or legal advice. In addition, we mutually agree that, subject to applicable law, you (and your employees, representatives and other agents) may disclose any aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits, and all materials of any kind (including tax opinions and other tax analyses) related to those benefits, with no limitations imposed by Goldman Sachs.

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I. Overview of the Transaction

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Overview of the Transaction

Illustrative Structure of Vivo

Post-Transaction Proposed Structure

Source: Management of Companies

Note: Does not represent the complete corporate structure

¹ *Future name of Telesp Celular Participações S.A. Vivo will incorporate all assets and liabilities of TSD, CRT and TBE, and all the shares of TCO*

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Valuation Analyses Methodology

Valuation analyses were performed as of September 30, 2005 based on a projection period from 2005 to 2014. All projections used for purposes of the valuations of each of the Companies were prepared by the senior management of that company

Unlevered free cash flows (before financing costs) were projected by the Companies in Reais and subsequently converted to US Dollars at the average projected exchange rate for each year

Illustrative enterprise values of each of the Companies were determined by the sum of:

Net present value indications calculated as of September 30, 2005 with respect to the unlevered free cash flows for the projection period, and

Net present value indications calculated as of September 30, 2005 with respect to the illustrative terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (capex equal to depreciation and excluding temporary tax benefits)

The valuation analyses prepared for Telesp Celular Participações S.A. (TCP) included the following components: (i) projected free cash flows for its wholly owned subsidiaries, Telesp Celular S.A. and Global Telecom S.A.; (ii) adjustments to reflect the net present value of TCP's expenses, and (iii) value indication of TCP's equity interest in TCO, calculated using the Discounted Cash Flow methodology

The illustrative present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate for the unlevered free cash flow was between 3% and 5%

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Valuation Analyses Methodology

The equity value indications calculated for each of the Companies were determined by subtracting from the illustrative enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005, and (ii) the interest on capital and dividends already declared, both converted to US dollars at such date

The indicative equity values indications per share for each of the Companies were determined by dividing the equity value indications by the total number of shares outstanding

Values were adjusted to reflect treasury shares (reduces the number of shares used to determine the equity value indications per share)

The valuation analyses result in aggregate equity value indications for each of the Companies and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains

The illustrative ranges of exchange ratios calculated for the Companies were determined by the consistent comparison of the illustrative equity value indications per share calculated for each of them

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II. Summary of Valuation Analyses

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Summary of Valuation Analyses

Valuation Based on Discounted Cash Flow Methodology

Results of Valuation Analyses Indicative Equity Values (R\$ 000 ₧)

¹ *Economic valuation based on projections prepared by the management of Companies, using a WACC between 11.25% and 12.75% and a perpetuity growth rate between 3% and 5%*

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Summary of Valuation Analyses

Implied Exchange Ratios

TCP Price per Share (R\$)

TBE Price per Share (R\$)

Implied Exchange Ratios (TCP Shares per TBE Shares)¹

¹ *Implied exchange ratios based on the consistent comparison of the equity values indications per share calculated for TCP and TBE*

Table of Contents**Summary of Valuation Analyses****Range of Equity Values per Share****(In Millions of Reais, Except per Share Values)**

	TCP		TBE	
	Range of Indicative Values		Range of Indicative Values	
Enterprise Value	13,778	19,742	826	1,173
Net Debt ⁽¹⁾	4,951	4,951	328	328
Equity Value	8,827	14,791	498	845
Number of Shares (000 s) ⁽²⁾	662,324	662,324	9,644	9,644
Equity Value per Share	13.33	22.33	51.66	87.58

¹ Includes (i) net financial debt and net contingencies from audited financial statements as of September 30, 2005, and (ii) and dividends and interest on capital already announced but not paid by the Companies

² Shares outstanding as of September 30, 2005 (Source: Management of Companies). Excludes treasury shares

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A. Background Information

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Table of Contents**Macroeconomic Assumptions****Projected for the Fiscal Year Ending December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Gross Domestic Product (GDP) Real Growth	3.2%	3.5%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Inflation Rates										
IPCA	5.5%	4.3%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-DI	1.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
IGP-M	1.5%	5.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
FX Rate R\$ / US \$ (end of period)	2.25	2.45	2.56	2.68	2.80	2.85	2.91	2.97	3.03	3.09
FX Rate R\$ / US \$ (average)	2.47	2.40	2.52	2.63	2.75	2.84	2.89	2.95	3.01	3.07

Source: Goldman Sachs Economic Research, BACEN, IBGE and CNI

Table of Contents**Weighted Average Cost of Capital Calculation****Risk-Free Rate**

10-year US Treasury (a)	4,4%
(+) Brazil Sovereign Spread Average (b)	4,6%
	—
(=) Assumed Risk-Free Rate	9,0%
	—

Cost of Equity

US Equity Risk Premium (c)	5,6%
Beta (d)	1,10
(+) Assumed Risk-Free Rate	9,0%
	—
(=) Cost of Equity	15,2%
	—

Cost of Debt

Pre-tax Cost of Debt (e)	9,3%
(x) Marginal Tax Rate	34,0%
	—
(=) Cost of Debt	6,1%
	—

WACC Calculation

Target Debt / Total Capitalization	35,0%
Target Equity / Total Capitalization	65,0%
	—
WACC (Nominal US\$)	12,0%
	—

- (a) Average yield of the 10 year on-the-run U.S. Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (b) Average spread of the 2040 Brazilian Government Bond over the 10 year on-the-run US Treasury Bond (average for the last 3 months until November 30, 2005) (Source: Factset)
- (c) Equity Risk Premium based on US Long-Horizon Equity Risk Premia in US dollars from 1974 to 2003 (Source: International Equity Risk Premia Report 2004 Ibbotson 2004 report)
- (d) Average unlevered beta for comparable international players of 001, relevered, based on Target Debt/ Total Capitalization of 35% (Source: BARRA as of November 14, 2005)
- (e) Assumes spread of 25 bps between Companies cost of debt and the Brazilian Government Bond

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B. Telesp Celular Participações S.A.

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Operational Projections for Telesp Celular S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Telesp Celular S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Global Telecom S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Global Telecom S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

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Operational Projections for Tele Centro Oeste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Centro Oeste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Telesp Celular Participações S.A.****(R\$ mm)****For the Fiscal Year Ending on December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	492	436	599	879	1,234	1,633	2,010	2,373	2,729	3,045
(+) Depreciation and Amortization	1,003	1,224	1,255	1,323	1,352	1,331	1,126	1,043	1,038	1,046
(-) Capex	1,419	1,225	904	926	941	943	943	944	952	974
(-) Change in Working Capital	58	17	(24)	38	34	12	(24)	11	4	(71)
Free Cash Flow	18	419	973	1,238	1,612	2,009	2,217	2,462	2,811	3,188
Terminal Year Free Cash Flow ⁽²⁾										2,600

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value indication adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E - 2014E)

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C. Tele Leste Celular Participações S.A.

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Operational Projections for Tele Leste Celular Participações S.A.

Population¹ (million) e Penetration (%)

Subscribers (million)

Minutes of Use (MOU)

Average Revenue per User (ARPU) (R\$)

Source: Based on projections prepared by the management of Companies

¹ *Population in regions where Vivo is present*

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Financial Projections for Tele Leste Celular Participações S.A.

Net Revenues (R\$ mm)

Operating Costs and Expenses (R\$ mm)

EBITDA (R\$ mm) and EBITDA Margin (%)

Capex (R\$ mm)

Source: Based on projections prepared by the management of Companies

Table of Contents**Results for Tele Leste Celular Participações S.A.****(R\$ mm)****For the Fiscal Year Ending on December 31**

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Unlevered Net Income ⁽¹⁾	7	15	30	55	104	125	152	170	180	197
(+) Depreciation and Amortization	113	110	98	92	63	62	59	55	57	58
(-) Capex	127	87	74	80	81	81	84	89	88	86
(-) Change in Working Capital	(15)	2	(18)	(17)	(9)	(11)	(5)	(5)	(3)	(6)
Free Cash Flow	9	36	73	84	95	117	131	141	151	175
Terminal Year Free Cash Flow ⁽²⁾										151

Source: Based on projections prepared by the management of Companies

¹ Net Income before interest, depreciation and amortization less adjusted taxes

² Free Cash Flow for terminal value indications adjusted to (i) eliminate temporary tax benefits (ii) average change in working capital for the last two years of projection and (iii) normalized Capex with index Capex / Service Net Revenues equal to average of projected years (2006E - 2014E)

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Appendix A: Glossary

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Glossary

ARPU: average revenue per user (average for the period) in nominal Reais per month

Beta: Coefficient that measures the non-diversifiable risk to which an asset is subject to. The coefficient is determined by a linear regression of the variation of the price of the asset and the variation of the price of the market portfolio

Capex (capital expenditures): investments in fixed assets

EBITDA: earnings before interest, taxes, depreciation and amortization

EBIT: earnings before interest and taxes

Unlevered net income: earnings before interest, depreciation and amortization, less adjusted taxes

Minutes of Use (MOU): total minutes (outgoing and incoming) per subscriber per month

Market Risk Premium: additional return relative to the risk free rate required by investors, in order to compensate for the higher risk of investing in the stock market

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TELESP CELULAR PARTICIPAÇÕES S.A.

ACTUAL NET EQUITY AT MARKET VALUE

VALUATION REPORT

EXECUTIVE SUMMARY

December/2005

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I - OBJECT

PLANCONSULT Planejamento e Consultoria Ltda. was retained by **TELESP CELULAR PARTICIPAÇÕES. S.A.** (TCP) to render the Valuation Report on the Actual Net Equity at Market Value of the Company, on the basis date of September 30, 2005. This paper refers to the corporate restructuring process, whose object is the process of exchange of shares and merger of associated companies, according to the provisions applicable to the calculation of the exchange ratios of shares, under the provisions of article 264 of Law No. 6,404 of December 15, 1976, as amended by Law No. 9,457 of May 5, 1997.

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II - PRESENTATION OF THE COMPANY

1) THE COMPANY

Telesp Celular Participações S.A. is the Holding Company that controls the operators Telesp Celular S.A. (TC) and Global Telecom S.A. (GT) and, on April 25, 2003, it has acquired the majority of the voting capital stock of the Holding Company Tele Centro Oeste Celular Participações S.A. (TCO). All its controlled companies are operators authorized for the rendering of Personal Mobile Services. TC operates in the state of São Paulo, GT operates in the states of Paraná and Santa Catarina and TCP operates in the Federal District and in the states of Goiás and Tocantins, Mato Grosso, Mato Grosso do Sul, Acre, Rondônia, Roraima, Amapá, Amazonas, Pará and Maranhão.

The Company was incorporated pursuant to the laws of the Federative Republic of Brazil under the name of Telesp Celular Participações S.A., a publicly-held company, established for an unlimited term, known as TCP . Its head office is located at Rua Chucri Zaidan 860, Morumbi, São Paulo - SP.

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III - INFORMATION BASIS

The accounting information, showed in the interim balance sheet of the Company reviewed by independent auditors on the basis date of September 30, 2005, has been used as a starting point.

The report is based on interviews with the Company's management and on managerial data, additional information, written or oral, furnished by the Company, ageing schedule of receivables and suppliers, loan transactions controls, and debt hedging, among others.

This report does not constitute an audit report on accounting statements used or on any other information included herein and, therefore, it shall not be interpreted as such.

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IV - SUBSEQUENT EVENTS

This valuation does not reflect events occurred after issuance of this report, as well as any relevant fact occurring between the valuation basis date and the date on which this document was issued that has not been informed to PLANCONSULT.

As of the date of this report, PLANCONSULT is not aware of any event that may substantially change the result of this valuation.

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V - SCOPE

The methodology has been applied to calculate the market value of the Actual Net Equity (ANE) of the Company, and mainly considered the assets and liabilities registered in the accounting information reviewed by the Company's independent auditors, under the rules of IBRACON applicable to the statements on the basis date of September 30, 2005, and further, the interim balance sheets furnished by the Company's subsidiaries.

This methodology is applicable to determine the market value of assets and liabilities of a certain company. Its application considers as starting point the accounting values of assets and liabilities and makes adjustments to several of these items in order to reflect their respective probable realization values.

For that purpose, the following procedures have been carried out:

Reading and analysis of interim balance sheets furnished by the Company and its controlled companies;

Analysis of assets and liabilities accounts registered in the Company's and its controlled companies' balance sheets, aiming at identifying items that might be adjusted, as well as the calculation of their probable market value;

Adjustments of accounting statements to their market value based on the result of our analysis;

Adjustments of property, plant and equipment by their respective market value, based on the analysis carried out by the technical staff of PLANCONSULT with experience in evaluating fixed assets of telecommunications companies;

Calculation of investments values of the Company and its subsidiaries by the equity method of accounting, based on the net equity at market of these subsidiaries;

Calculation of tax effects (income tax and social contribution) on the surplus and deficit resulting from such valuation;

Calculation of the market value of the Company's net equity (Exhibit I).

The details of the foregoing procedures and calculations are set forth in Chapter VIII of this report.

The methodology and scope of this report are aimed at evaluating a company in operation, therefore, except for tax costs and credits, any cost related to expenses ordinarily incurred in the realization of assets or payment of liabilities, as well as those related to bankruptcy or liquidation procedures of companies, such as terminations, costs in connection with judicial disputes, retainment of third parties (legal counsels, advisors,

etc.) have not been considered in our calculations.

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When existing, the total amount of goodwill and negative goodwill registered in the account for investments in controlled companies, the amount prepaid for acquisition of shares concerning the special goodwill reserve and their respective tax credits have been disregarded in the result of this valuation.

The ANE methodology exclusively considers the market value of tangible assets and adjusted liabilities at market, excluding, therefore, market values of intangible assets, which are registered in most of the companies in operation, and disregarding the prospective future profitability of the company.

Consequently, the object of our analysis was not the identification and valuation of the Company's intangible assets, which were not accounted for in the accounting statements, or the identification and quantification of liabilities unregistered and undisclosed by the Company's Management.

The Fixed Assets were valued as follows:

1. Development of the analysis

- 1.1 PLANCONSULT requested from to the Company the existing individual records and/or information of asset or engineer control of all its equity assets, for the basis date of September 30, 2005, containing, but not limited to, the following information:

Number of the asset or of its control

Account

Place

Purchase date

Description of the asset

Original purchase values, monetary adjustment and depreciation

Other information

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The information already available at the accounting and technical files of the Company were used at most in order to preserve the memory of the Company.

The register of offer prices of equipment was also requested, containing the most recently used prices and the prices effectively paid by the Company, as well as the amounts for installation and manpower of contractors.

- 1.2 PLANCONSULT carried out, due to the short amount of time available, by a reduced sampling, a physical inspection of the assets under analysis, jointly with the Company.

On the places where the inspections were carried out, employees of the Company accompanied the staff of PLANCONSULT. These people were familiar with the assets under inspection and could clarify the doubts regarding the physical inventory of the assets.

- 1.3 Based on the accounting file sent by the Company, for the basis date of September 30, 2005, PLANCONSULT processed a summary of the amounts per account.

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Based on such summary, the accounts with relevant amounts were set forth, due to the representation of the accounting values over the total adjusted value of the company and due to the operational status of the account.

2. Items valued at market value

Market Value is considered the value that the asset would obtain in a purchase and sale transaction, within a reasonable term, not being the purchaser and the seller constrained to transact and considering that the parties know their assets in detail.

PLANCONSULT bases their valuation of the Fixed Assets on the ABNT RULES. These rules impose the current rules applicable to valuation, setting forth guidelines that are basic to the good valuation and basically orientate, according to two methods:

Comparative method

The value of the asset is obtained from the comparison of market data regarding other assets of similar characteristics.

Cost method

The value of the asset results from a summary or detailed budget or from the composition of the cost of other assets that are equal (manufacturing cost) or equivalent (replacement cost) to the object of the valuation.

The valuation of fixed assets, as a rule, is carried out through the method of replacement or substitution cost. In the case under analysis, the replacement or substitution cost may be summarized as the sum total of the purchase price of the fixed assets with all the implications of taxes, transportation costs to the place of use, with the costs of materials for installation, respective labor, including in regard to special or regular finish, engineering, supervision, etc.

Information relating to recent purchase of fixed assets (goods and services), resulting from quotations and negotiations with suppliers in the Brazilian market, were obtained from the Company.

Researches on the useful lives of each kind of fixed assets, mainly set forth on account of their use and technological obsolescence, were also carried out, in order to find out the effective depreciation rate to be applied to each asset.

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The depreciation factor adjusts the market value of the asset. By applying the due depreciation to the price (or cost), the market price is found out.

The valuation presented in this work normally fit in the Precise Valuations of the RULES of ABNT (Associação Brasileira de Normas Técnicas), except for the accounts and items that present a lower value (please refer to Chapter II Methodology) and that fit in the Expeditious Valuations .

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The fixed assets with relevant economic values, belonging to the accounts below related to Assets and Installations in Service (BIS), were valued using the traditional methods (at market value):

a) Switch Equipment

BIS Analog central office switching systems

BIS Analog central office switching systems GATEWAY

BIS Analog home location register (HLR)

BIS Other switch equipment Analog

BIS Digital central office switching systems

BIS Digital central office switching systems GATEWAY

BIS Digital home location register (HLR)

BIS Other switch equipment Digital

b) Transmission Equipment

BIS ERB (radio base station) Analog

BIS Microcells Analog

BIS Minicells Analog

BIS Repeater Analog

BIS Antennas Analog

BIS Radios Analog

BIS ERB (radio base station) digital

BIS Microcells digital

BIS Minicells digital

BIS Repeaters digital

BIS Antennas digital

BIS Radios digital

BIS Optical modem digital

BIS Concentrator digital

c) Infrastructure

BIS Towers

BIS Posts

BIS Containers

BIS Energy Equipment

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