

TELESP HOLDING CO  
Form 6-K  
December 16, 2009

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## **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

### **FORM 6-K**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of December, 2009

Commission File Number: 001-14475

## **TELESP HOLDING COMPANY**

(Translation of registrant's name into English)

**Rua Martiniano de Carvalho, 851 21andar**  
**São Paulo, S.P.**  
**Federative Republic of Brazil**  
(Address of principal executive office)

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



## TELESP HOLDING COMPANY

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#### Item

1. Press Release entitled *Telecomunicações de São Paulo S.A. Telesp Quarterly Review* dated on December 16, 2009.
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## **Quarterly Review**

# **Telecomunicações de São Paulo S.A. - TELESP**

Quarter ended September 30, 2009  
with Review Report of Independent Auditors

*(A free translation of the original issued in Portuguese)*

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**Telecomunicações de São Paulo S.A. - TELESP**

Quarterly information

September 30, 2009

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## Special Review Report of Independent Auditors on Quarterly Information

*(A free translation of the original report issued in Portuguese)*

Shareholders, Management and Board Members

### **Telecomunicações de São Paulo S.A. - TELESP**

São Paulo - SP

1. We have reviewed the Quarterly Information (ITR) from parent Company and Consolidated of Telecomunicações de São Paulo S.A. - TELESP, for the quarter ended September 30, 2009, including the balance sheets, the statements of income, shareholders equity and of cash flows, related notes and the performance report. This financial information was prepared by the Company's management.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors - IBRACON, in conjunction with the Brazilian Association of State Boards of Accountancy - CFC, mainly comprising: (a) inquiries of and discussions with the officials responsible for the accounting, financial and operational areas of the Company relating to the main criteria adopted for preparing the Quarterly Information; and (b) review of information and subsequent events that had or might have had relevant effects on the financial position and results of operations of Telecomunicações de São Paulo S.A. - TELESP.

3. Based on our review, we are not aware of any significant changes that should be made to the aforementioned Quarterly Information, for it to be in conformity with the accounting practices adopted in Brazil and with rules set forth by the Brazilian Securities and Exchange Commission - CVM applicable to the preparation of the Quarterly Information.

4. As mentioned in Note 3, as a result of the changes in the accounting practices adopted in Brazil in 2008, the statements of income for the quarter and nine-months period ended September 30, 2008, presented for comparison purposes, were adjusted and are being restated as required by Accounting Procedure NPC 12 - Accounting Practices, Changes in Accounting Estimates and Correction of Errors, approved by CVM Rule No. 506. The statements of cash flows related to the quarter and nine-months period ended September 30, 2008 are presented by Telecomunicações de São Paulo S.A. - TELESP for the first time for Quarterly Information purposes, including the effects of changes in the accounting practices adopted in Brazil in 2008, being, thus, comparable between the quarters presented.

São Paulo, November 10, 2009.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Marques

Accountant CRC-1SP147693/O-5

**Telecomunicações de São Paulo S.A. - TELESP**

## Balance sheets

September 30, 2009 and June 30, 2009

(In thousands of reais - R\$)

*(A free translation of the original report issued in Portuguese)*

|                                    | Note      | Parent Company    |            | Consolidated      |            |
|------------------------------------|-----------|-------------------|------------|-------------------|------------|
|                                    |           | 09/30/09          | 06/30/09   | 09/30/09          | 06/30/09   |
| Assets                             |           |                   |            |                   |            |
| Current assets                     |           | <b>5,720,294</b>  | 5,108,661  | <b>6,308,010</b>  | 5,791,785  |
| Cash and cash equivalents          | <b>4</b>  | <b>1,377,688</b>  | 798,964    | <b>1,547,705</b>  | 933,674    |
| Trade accounts receivable, net     | <b>5</b>  | <b>2,707,752</b>  | 2,750,498  | <b>2,997,139</b>  | 3,139,964  |
| Deferred and recoverable taxes     | <b>6</b>  | <b>1,148,237</b>  | 1,095,540  | <b>1,265,705</b>  | 1,199,878  |
| Inventories                        | <b>7</b>  | <b>118,175</b>    | 110,979    | <b>170,359</b>    | 168,130    |
| Derivatives                        | <b>32</b> | <b>805</b>        | 2,249      | <b>805</b>        | 2,249      |
| Other                              | <b>8</b>  | <b>367,637</b>    | 350,431    | <b>326,297</b>    | 347,890    |
| Noncurrent assets                  |           | <b>13,415,850</b> | 13,508,887 | <b>13,147,775</b> | 13,190,949 |
| Trade accounts receivable, net     |           | -                 | -          | <b>114,178</b>    | 97,775     |
| Deferred and recoverable taxes     | <b>6</b>  | <b>703,543</b>    | 737,924    | <b>713,489</b>    | 747,089    |
| Escrow deposits                    | <b>9</b>  | <b>873,281</b>    | 803,071    | <b>910,253</b>    | 838,403    |
| Credit applications                |           | <b>40,000</b>     | 15,000     | -                 |            |
| Other                              |           | <b>126,424</b>    | 113,113    | <b>168,196</b>    | 153,928    |
| Investments                        | <b>10</b> | <b>1,578,838</b>  | 1,631,157  | <b>306,652</b>    | 296,775    |
| Property, plant and equipment, net | <b>11</b> | <b>8,664,705</b>  | 8,752,014  | <b>9,469,968</b>  | 9,563,794  |
| Intangible assets, net             | <b>12</b> | <b>1,429,059</b>  | 1,456,608  | <b>1,465,039</b>  | 1,493,185  |
| Total assets                       |           | <b>19,136,144</b> | 18,617,548 | <b>19,455,785</b> | 18,982,734 |

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|  | Note      | Parent Company    |            | Consolidated      |            |
|--|-----------|-------------------|------------|-------------------|------------|
|  |           | 09/30/09          | 06/30/09   | 09/30/09          | 06/30/09   |
| Liabilities and shareholders equity              |           |                   |            |                   |            |
| Current liabilities                              |           | <b>5,650,030</b>  | 3,954,922  | <b>5,934,887</b>  | 4,271,618  |
| Loans and financing                              | <b>13</b> | <b>147,532</b>    | 124,479    | <b>147,532</b>    | 124,479    |
| Debentures                                       | <b>14</b> | <b>1,510,297</b>  | 11,176     | <b>1,510,297</b>  | 11,176     |
| Trade accounts payable                           |           | <b>1,651,074</b>  | 1,734,150  | <b>1,843,972</b>  | 1,975,372  |
| Taxes payable                                    | <b>15</b> | <b>874,566</b>    | 936,051    | <b>959,594</b>    | 1,019,242  |
| Dividends and interest on<br>shareholders equity | <b>16</b> | <b>716,307</b>    | 379,039    | <b>716,307</b>    | 379,039    |
| Reserve for contingencies                        | <b>18</b> | <b>175,058</b>    | 130,866    | <b>174,926</b>    | 130,903    |
| Payroll and related accruals                     | <b>17</b> | <b>173,749</b>    | 160,168    | <b>184,519</b>    | 170,290    |
| Derivative obligations                           | <b>32</b> | <b>8,087</b>      | 31,555     | <b>8,087</b>      | 31,555     |
| Other  | <b>19</b> | <b>393,360</b>    | 447,438    | <b>389,653</b>    | 429,562    |
| Non-current liabilities                          |           | <b>2,604,604</b>  | 3,982,952  | <b>2,639,388</b>  | 4,031,442  |
| Loans and financing                              | <b>13</b> | <b>1,730,822</b>  | 1,685,102  | <b>1,730,822</b>  | 1,685,102  |
| Debentures                                       | <b>14</b> | -                 | 1,500,000  | -                 | 1,500,000  |
| Taxes payable                                    | <b>15</b> | <b>41,669</b>     | 41,732     | <b>63,622</b>     | 63,000     |
| Reserve for contingencies                        | <b>18</b> | <b>469,686</b>    | 514,723    | <b>478,080</b>    | 518,177    |
| Reserve for post-retirement benefit<br>plans     | <b>30</b> | <b>157,231</b>    | 154,331    | <b>157,231</b>    | 154,331    |
| Derivatives obligations                          | <b>32</b> | <b>22,210</b>     | 23,804     | <b>22,210</b>     | 23,804     |
| Other  |           | <b>182,986</b>    | 63,260     | <b>187,423</b>    | 87,028     |
| Shareholders equity                              | <b>20</b> | <b>10,881,510</b> | 10,679,674 | <b>10,881,510</b> | 10,679,674 |
| Capital  |           | <b>6,575,480</b>  | 6,575,480  | <b>6,575,480</b>  | 6,575,480  |
| Special goodwill reserve                         |           | <b>63,074</b>     | 63,074     | <b>63,074</b>     | 63,074     |
| Capital reserves                                 |           | <b>2,670,488</b>  | 2,670,488  | <b>2,670,488</b>  | 2,670,488  |
| Legal reserve                                    |           | <b>659,556</b>    | 659,556    | <b>659,556</b>    | 659,556    |
| Adjustments for equity valuation                 |           | <b>71,372</b>     | 68,062     | <b>71,372</b>     | 68,062     |
| Cumulative translation adjustments               |           | <b>(152)</b>      | 2,733      | <b>(152)</b>      | 2,733      |
| Retained earnings                                |           | <b>841,692</b>    | 640,281    | <b>841,692</b>    | 640,281    |
| Total liabilities and shareholders<br>equity     |           | <b>19,136,144</b> | 18,617,548 | <b>19,455,785</b> | 18,982,734 |



See accompanying notes.

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**Telecomunicações de São Paulo S.A. - TELESP**

## Statements of income

Nine months period ended September 30, 2009 and September 30, 2008

(In thousands of reais - R\$, except earnings per share)

*(A free translation of the original report issued in Portuguese)*

|  | Note | Parent Company |             | Consolidated |             |
|--|------|----------------|-------------|--------------|-------------|
|  |      | 09/30/09       | 09/30/08    | 09/30/09     | 09/30/08    |
| Gross operating revenue                                  | 21   | 16,093,851     | 16,200,799  | 17,433,892   | 17,064,523  |
| Revenue deductions                                       | 21   | (5,375,900)    | (5,140,532) | (5,629,178)  | (5,209,819) |
| Net operating revenue                                    | 21   | 10,717,951     | 11,060,267  | 11,804,714   | 11,854,704  |
| Cost of services provided                                | 22   | (6,033,145)    | (5,893,139) | (6,879,078)  | (6,430,207) |
| Gross profit   |      | 4,684,806      | 5,167,128   | 4,925,636    | 5,424,497   |
| Operating expenses                                       |      | (2,151,648)    | (2,449,086) | (2,365,050)  | (2,674,832) |
| Selling  | 23   | (1,687,577)    | (1,829,491) | (1,887,338)  | (1,938,572) |
| General and administrative                               | 24   | (513,321)      | (456,559)   | (500,827)    | (561,707)   |
| Equity accounting in subsidiaries                        | 10   | (88,996)       | (38,689)    | 12,846       | 5,984       |
| Permanent asset disposal, net                            | 25   | (8,879)        | (26,695)    | (20,494)     | (39,853)    |
| Other operating income (expense), net                    | 26   | 147,125        | (97,652)    | 30,763       | (140,684)   |
| Income from operations before financial income (expense) |      | 2,533,158      | 2,718,042   | 2,560,586    | 2,749,665   |
| Financial income   | 27   | 311,180        | 573,161     | 369,185      | 599,767     |
| Financial expense  | 27   | (491,342)      | (753,798)   | (512,626)    | (783,821)   |
| Income before income tax and social contribution         |      | 2,352,996      | 2,537,405   | 2,417,145    | 2,565,611   |
| Income and social contribution taxes                     | 28   | (724,841)      | (841,727)   | (788,990)    | (869,933)   |
| Net income   |      | 1,628,155      | 1,695,678   | 1,628,155    | 1,695,678   |

Outstanding number of shares

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at the balance sheet date

|              |           |                |                |
|--------------|-----------|----------------|----------------|
| in thousands | <b>20</b> | <b>505,841</b> | <b>505,841</b> |
|--------------|-----------|----------------|----------------|

|                          |  |                |                |
|--------------------------|--|----------------|----------------|
| Earnings per share - R\$ |  | <b>3.21871</b> | <b>3.35219</b> |
|--------------------------|--|----------------|----------------|

See accompanying notes.

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**Telecomunicações de São Paulo S.A. TELESP**

Statements of shareholders' equity

September 30, 2009 and December 31, 2008

(In thousands of reais)

*(A free translation of the original report issued in Portuguese)*

|  |           |        |           |          |       |     |         |         |         |           |            |
|--|-----------|--------|-----------|----------|-------|-----|---------|---------|---------|-----------|------------|
| Balances at<br>December 31, 2008   | 6,575,480 | 63,074 | 2,678,195 | (17,719) | 9,824 | 188 | 659,556 | 76,232  | 862     | -         | 10,045,692 |
| Unclaimed dividends<br>and<br>interest on<br>shareholders'<br>equity, net of taxes | -         | -      | -         | -        | -     | -   | -       | -       | -       | 83,537    | 83,537     |
| Adjustments for<br>equity valuation  | -         | -      | -         | -        | -     | -   | -       | -       | -       | -         | -          |
| Cumulative<br>translation<br>adjustments   | -         | -      | -         | -        | -     | -   | -       | (4,860) | (1,014) | -         | (5,874)    |
| Net income for the<br>year   | -         | -      | -         | -        | -     | -   | -       | -       | -       | 1,628,155 | 1,628,155  |
| Appropriations:  | -         | -      | -         | -        | -     | -   | -       | -       | -       | (870,000) | (870,000)  |
| Dividends  | -         | -      | -         | -        | -     | -   | -       | -       | -       | (470,000) | (470,000)  |
| Interest on<br>shareholders'<br>equity   | -         | -      | -         | -        | -     | -   | -       | -       | -       | (400,000) | (400,000)  |
| Withholding tax on<br>interest on<br>shareholders'<br>equity                       | -         | -      | -         | -        | -     | -   | -       | -       | -       | -         | -          |
| Balances at<br>September 30,<br>2009   | 6,575,480 | 63,074 | 2,678,195 | (17,719) | 9,824 | 188 | 659,556 | 71,372  | (152)   | 841,692   | 10,881,510 |

See accompanying notes.

**Telecomunicações de São Paulo S.A. - TELESP**

## Supplementary statements of cash flows

Nine months period ended September 30, 2009 and September 30, 2008

*(A free translation of the original report issued in Portuguese)*

|  | Company          |           | Consolidated     |           |
|--|------------------|-----------|------------------|-----------|
|  | Sep/2009         | Sep/2008  | Sep/2009         | Sep/2008  |
| Cash flows from operations                                       |                  |           |                  |           |
| Net income for the year  | <b>1,628,155</b> | 1,695,678 | <b>1,628,155</b> | 1.695.678 |
| Expenses (revenues) not affecting cash                           | <b>2,124,682</b> | 2,416,101 | <b>2,315,168</b> | 2.556.126 |
| Depreciation and amortization                                    | <b>1,738,111</b> | 1,857,398 | <b>1,900,319</b> | 1.970.443 |
| Monetary and exchange variations                                 | <b>(47,751)</b>  | 47,173    | <b>(49,346)</b>  | 45.666    |
| (Gain) loss from equity pick-up in subsidiaries                  | <b>88,996</b>    | 38,689    | <b>(12,846)</b>  | (5.984)   |
| Gain /(Loss) on permanent asset disposals                        | <b>8,879</b>     | 26,695    | <b>20,494</b>    | 39.853    |
| Amortization of goodwill   | -                | 88,268    | -                | 94.819    |
| Provision for doubtful accounts                                  | <b>330,177</b>   | 349,858   | <b>443,626</b>   | 395.678   |
| Pension and other post-retirement benefits plans, net of funding | <b>8,461</b>     | 8,248     | <b>8,461</b>     | 8.248     |
| Others   | <b>(2,191)</b>   | (228)     | <b>4,460</b>     | 7.403     |
| (Increase) decrease in operating assets:                         | <b>(474,757)</b> | (340,804) | <b>(575,432)</b> | (875,341) |
| Trade accounts receivable  | <b>(184,381)</b> | (435,151) | <b>(320,393)</b> | (753.175) |
| Other current assets   | <b>(176,346)</b> | 118,984   | <b>(143,425)</b> | 28.518    |
| Other noncurrent assets  | <b>(114,030)</b> | (24,637)  | <b>(111,614)</b> | (150.684) |
| Increase (decrease) in operating liabilities:                    | <b>(263,813)</b> | (385,409) | <b>(435,300)</b> | (215,121) |
| Payroll and related accruals                                     | <b>9,586</b>     | (70,262)  | <b>29,523</b>    | (67.465)  |
| Accounts payable and accrued expenses                            | <b>(80,630)</b>  | 80,880    | <b>(181,273)</b> | 202.384   |
| Taxes other than income taxes                                    | <b>(56,703)</b>  | 36,039    | <b>(61,767)</b>  | 39.039    |
| Other current liabilities  | <b>(280,934)</b> | (637,792) | <b>(293,231)</b> | (614.392) |
| Accrued interest   | <b>(14,087)</b>  | (21,415)  | <b>(50,554)</b>  | (21.305)  |
| Income and social contribution taxes                             | <b>95,513</b>    | 120,280   | <b>93,138</b>    | 125.334   |
| Reserve for contingencies  | <b>(50,927)</b>  | 96,172    | <b>(46,260)</b>  | 97.939    |
| Other noncurrent liabilities                                     | <b>114,369</b>   | 10,689    | <b>75,124</b>    | 23.345    |
|  | <b>3,014,267</b> | 3,385,566 | <b>2,932,591</b> | 3.161.342 |
| Cash provided by operations                                      |                  |           |                  |           |

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Cash flows generated from (used in) investing activities

|  |                    |             |                    |             |
|--|--------------------|-------------|--------------------|-------------|
| Advance for future share acquisition                         | <b>(367,500)</b>   | (605,444)   | -                  | 11.895      |
| Acquisition of fixed and intangible assets, net of donations | <b>(1,481,331)</b> | (1,220,857) | <b>(1,743,931)</b> | (1.544.194) |
| Cash from sales of fixed assets and investment               | <b>3,110</b>       | 7,184       | <b>3,495</b>       | 11.969      |
|  | <b>(1,388,464)</b> | (1,819,117) | <b>(1,740,436)</b> | (1.520.330) |

Cash used in investing activities

Cash flows generated from (used in) financing activities

|   |                    |             |                    |             |
|---|--------------------|-------------|--------------------|-------------|
| Loans repaid  | <b>(386,339)</b>   | (906,364)   | <b>(396,854)</b>   | (953.214)   |
| New loans obtained                                  | <b>144,000</b>     | 355,000     | <b>144,000</b>     | 387.500     |
|   | <b>17,701</b>      |             |                    |             |
| Net payment on derivatives contracts                |                    | 18,037      | <b>31,224</b>      | 20.914      |
|   | <b>(1,163,826)</b> |             |                    |             |
| Dividends and interest on shareholders' equity paid |                    | (784,371)   | <b>(1,163,826)</b> | (784.371)   |
|   | <b>(1,388,464)</b> | (1,317,698) | <b>(1,385,456)</b> | (1.329.171) |

Cash used in financing activities

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| (Increase) decrease in cash and cash equivalents | <b>(219,918)</b> | 248,751   | <b>(193,301)</b> | 311,841   |
| Cash and cash equivalents at beginning of year   | <b>1,597,606</b> | 845,805   | <b>1,741,006</b> | 933,275   |
| Cash and cash equivalents at end of year         | <b>1,377,688</b> | 1,094,556 | <b>1,547,705</b> | 1,245,116 |
| Changes in cash during the year                  | <b>(219,918)</b> | 248,751   | <b>(193,301)</b> | 311,841   |
| See accompanying notes.                          |                  |           |                  |           |

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

### 1. Operations and background

#### a) Controlling shareholders

Telecomunicações de São Paulo S.A. - Telesp (hereinafter Telesp or Company), is headquartered at Rua Martiniano de Carvalho, 851, in the capital of the State of São Paulo. Telesp belongs to the Telefónica Group, telecommunications industry leader in Spain and present in several European and Latin American countries. The Company is controlled by Telefónica S.A., which as of September 30, 2009, holds total indirect interest of 87.95% of which 85.57% are common shares and 89.13% are preferred shares.

#### b) Operations

The Company's basic business purpose is the rendering of fixed wire telephone services in the state of São Paulo, under Fixed Switch Telephone Service Concession Agreement - STFC granted by the National Communications Agency (ANATEL), which is in charge of regulating the telecommunications sector in Brazil (note 1.c hereafter). The Company has also authorizations from ANATEL, directly or through its subsidiaries, to provide other telecommunications services, such as data communication to the business market and broadband internet services under the *Speedy and Ajato* brand and pay TV services (i) by satellite all over the country (*Telefónica TV Digital*) and (ii) using MMDS technology in the cities of São Paulo, Rio de Janeiro, Curitiba and Porto Alegre.

According to ANATEL decision published in the Official Gazette on June 22, 2009, the sale of Speedy Services for broadband internet access was suspended since that date. In compliance with such decision, on June 26, 2009 the Company presented a Speedy network stabilization plan to ANATEL. On July 17, 2009, the Company informed ANATEL about conclusion of the Stability Plan implementation. On August 27, 2009 ANATEL released the sale of Speedy.

The Company is registered with the Brazilian Securities Commission (CVM) as a public held company and its shares are traded on the São Paulo Stock Exchange (BOVESPA). The Company is also registered with the US Securities and Exchange Commission (SEC) and its American Depository Shares (ADSs - level II) are traded on the New York Stock Exchange (NYSE).

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 1. Operations and background (Continued)

#### c) The STFC concession agreement

The Company is a concessionaire of the Fixed Switch Telephone Service (STFC) to render local and domestic long-distance calls originated in Region 3, which comprises the State of São Paulo, in Sectors 31, 32 and 34, established in the General Concession Plan (PGO).

The current Concession Agreement's renewal, dated December 22, 2005, in force since January 1, 2006, awarded as an onerous title, will be valid until December 31, 2025. However, the agreement can be reviewed on December 31, 2010, 2015 and 2020. Such condition allows ANATEL to set up new requirements and goals for universalization and quality of telecommunication services, according to the conditions in force at that moment.

The Concession Agreement establishes that all assets owned by the Company and which are indispensable to the provision of the services described on such agreement are considered reversible assets and are deemed to be part of the concession assets. These assets will be automatically returned to ANATEL upon expiration of the concession agreement, according to the regulation in force at that moment. On September 30, 2009, the net book value of reversible assets is estimated at R\$6,425,701 (R\$6,497,170 on June 30, 2009), comprised of switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

Every two years, during the agreement's new 20-year period, companies will have to pay a renewal fee which will correspond to 2% of its prior-year STFC revenue, net of taxes and social contributions. The second payment of this biannual fee occurred on April 30, 2009 by value of R\$203,333 based on the 2008 STFC net revenues.



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***1. Operations and background** (Continued)d) Subsidiaries

The chart below sets out the list of direct and indirect subsidiaries of the Company as well as the percentage ownership shareholdings:

| <b>Subsidiaries</b>                     | <b>Sep/2009</b> | <b>Jun/2009</b> | <b>Sep/2008</b> |
|---|-----------------|-----------------|-----------------|
| A.Telecom S.A.                          | 100%            | 100%            | 100%            |
| Telefônica Data S.A.                    | 100%            | 100%            | 100%            |
| Telefônica Televisão Participações S.A. | -               | -               | 100%            |
| Telefônica Sistemas de Televisão S.A.   | 100%            | 100%            | 100%            |
| Aliança Atlântica Holding B.V.          | 50%             | 50%             | 50%             |
| Companhia AIX de Participações          | 50%             | 50%             | 50%             |
| Companhia ACT de Participações          | 50%             | 50%             | 50%             |
| TS Tecnologia da Informação Ltda.       | -               | -               | 100%            |
| Ajato Telecomunicações Ltda.            | 100%            | 100%            | -               |

**2. Corporate events**a) Merger of TS Tecnologia da Informação Ltda.

On May 22, 2009 the subsidiary TS Tecnologia da Informação Ltda. merged into its controlling company Telefônica Data S.A., for its book value and according to valuation report. Such company ceased to exist after the mentioned operation.

b) Merger of Telefônica Data Brasil Participações Ltda. and Telefônica Televisão Participações S.A.

Pursuant to the Relevant Fact published on October 21, 2008, the Company's Board of Directors approved, on that date, the proposed corporate reorganization involving the Company, Telefônica Data do Brasil Participações Ltda. ( DABR ) and Telefônica Televisão Participações S.A. ( TTP ), as approved at the General Shareholders' Meeting held by Telesp on November 11, 2008.

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

### 2. Corporate events (Continued)

#### b) Merger of Telefônica Data Brasil Participações Ltda. and Telefônica Televisão Participações S.A. (Continued)

The transaction included the following steps:

*1<sup>st</sup> Step:* DABR was merged into Telesp and, as a result, the company and its shares ceased to exist. Telesp shares then owned by DABR were directly assigned to controlling shareholder of SP Telecomunicações Participações Ltda. upon merger, with the rights applicable to outstanding shares issued by TELESP remaining unchanged. DABR's net equity included goodwill from Telesp shares, in the amount of R\$185,511, which was recorded at the acquisition date based on future profits. In accordance with Law No. 9532/1997, amortization of goodwill will provide Telesp with a tax benefit of R\$63,074 to be capitalized by the controlling shareholder upon realization, pursuant to CVM Instruction No. 319/1999. It was guaranteed to other shareholders the preemptive rights in the subscription of capital increases that may occur.

*2<sup>nd</sup> Step:* TTP was merged into Telesp, and, as a result, the company and its shares ceased to exist. Goodwill generated by the acquisition of this company in 2007 was recorded based on expected future profits, in the amount of R\$848,307, and will provide Telesp with a tax benefit of R\$288,424.

For merger purposes, the net equities of TTP and DABR were measured at book value on September 30, 2008 and October 17, 2008, respectively, by an independent appraiser whose appointment was ratified at the General Shareholders Meeting held by Telesp on November 11, 2008. The merged companies had no unrecorded contingent liabilities that would have been assumed by Telesp as a result of this transaction. The transaction is not subject to approval by Brazilian or foreign regulatory entities or anti-trust agencies. No withdrawal rights were exercised since the subsidiaries had no non-controlling interest.

#### c) Capital increase in Telefonica Televisão Participações S.A. ( TTP )

On February 29, 2008, the Company increased capital of Telefônica Televisão with shares held in A.Telecom. With this operation, A.Telecom became a wholly-owned subsidiary of TTP.

On July 25, 2008 the Company increased capital of Telefônica Televisão with shares held in Telefonica Data S/A ( T.Data ). With this operation, T.Data became a wholly-owned subsidiary of TTP.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***3. Presentation of the quarterly information**

The individual and consolidated quarterly information as of September 30, 2009 was prepared in accordance with accounting practices adopted in Brazil, with comprise the provisions of corporate legislation set forth in Law No. 6.404/76, as amended by Law No. 11.638/07 and by Law No. 11.941/09, and the standards established by the Brazilian Securities Commission (CVM). Quarterly information shall be analyzed together with financial statements for the last fiscal year.

As permitted by CVM Resolution No. 565, which approved Technical Pronouncement No. 13, issued by the Brazilian Accounting Pronouncements Committee (CPC), the Company opted for the first-time adoption of Law No. 11638 and of Provisional Executive Order No. 449/08 in its financial statements for the year ended December 31, 2008. Consequently, the September 30, 2008 comparative information already consider the new accounting practices, the effects of which are shown below:

|  | <b>Net Income</b> |                     |
|--|-------------------|---------------------|
|  | <b>Company</b>    | <b>Consolidated</b> |
| Balances per 09/30/2009 financial statements | <b>1,695,678</b>  | <b>1,695,678</b>    |
| Effects of Law No. 11638/07                  | <b>26,842</b>     | <b>26,842</b>       |
| Lease PDTI                                   | -                 | 20,218              |
| Lease - T.Data (lessee)                      | -                 | (443 )              |
| Financial instruments                        | <b>10,147</b>     | 10,147              |
| Deferred taxes                               | <b>(3,080 )</b>   | (3,080 )            |
| Equity pickup                                | <b>19,775</b>     | -                   |
| Financial statements as of 09/30/2008        | <b>1,722,520</b>  | <b>1,722,520</b>    |

Pursuant to accounting pronouncement CPC13, goodwill based on expected future profits has ceased to be amortized as of 2009, being subject to impairment test as defined in accounting pronouncement CPC01 (note 12).

Assets and liabilities are classified as current when their realization or liquidation will probably occur in the next twelve months. Otherwise, they will be classified as non-current assets and liabilities.

Accounting estimates are considered for the quarterly financial information preparation process. Such estimates are based on objective and subjective factors according to management's judgment for the appropriate amounts to be recorded in the quarterly financial information.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***3. Presentation of the quarterly information (Continued)**

Transactions, which involve estimates mentioned above, may result in different amounts those recorded in the quarterly financial information when realized in subsequent periods due to inaccurate results regarding the estimate process. The Company revises its estimation and assumptions periodically.

The consolidated quarterly financial information includes the balance and transactions of direct and indirect subsidiaries according to the equity holdings described in the note 1.d.

In consolidation, all assets, liabilities, revenues and expenses resulting from intercompany transactions and equity holdings between the Company and its subsidiaries have been eliminated.

Some items of the financial information for September 30, 2008 were reclassified to allow their comparability with the current quarter; these reclassifications were considered to be immaterial in relation to the overall financial statements.

**4 . Cash and cash equivalents**

|                        | <b>Company</b>   |                 | <b>Consolidated</b> |                 |
|------------------------|------------------|-----------------|---------------------|-----------------|
|                        | <b>Sep/2009</b>  | <b>Jun/2009</b> | <b>Sep/2009</b>     | <b>Jun/2009</b> |
| Cash and Bank accounts | <b>2,317</b>     | 4,383           | <b>5,776</b>        | 8,036           |
| Short-term investments | <b>1,375,371</b> | 794,581         | <b>1,541,929</b>    | 925,638         |
| Total                  | <b>1,377,688</b> | 798,964         | <b>1,547,705</b>    | 933,674         |

Short-term investments are basically CDB (Bank Deposits Certificate) and indexed under CDI (Certificate for Inter-bank Deposits) rate variation, which are readily liquid and maintained with first line financial institutions.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***5 . Trade accounts receivable, net**

|                                 | Company          |           | Consolidated     |           |
|---------------------------------|------------------|-----------|------------------|-----------|
|                                 | Sep/2009         | Jun/2009  | Sep/2009         | Jun/2009  |
| Billed amounts                  | <b>2,167,631</b> | 2,231,525 | <b>2,551,809</b> | 2,644,737 |
| Accrued unbilled amounts        | <b>1,223,449</b> | 1,206,093 | <b>1,477,486</b> | 1,471,826 |
| Gross accounts receivable       | <b>3,391,080</b> | 3,437,618 | <b>4,029,295</b> | 4,116,563 |
| Allowance for doubtful accounts | <b>(683,328)</b> | (687,120) | <b>(917,978)</b> | (878,824) |
| Total                           | <b>2,707,752</b> | 2,750,498 | <b>3,111,317</b> | 3,237,739 |
| Current                         | <b>1,743,285</b> | 1,758,327 | <b>2,196,085</b> | 2,213,954 |
| Past-due 1 to 30 days           | <b>508,390</b>   | 512,281   | <b>515,179</b>   | 530,587   |
| Past-due 31 to 60 days          | <b>164,358</b>   | 198,418   | <b>160,781</b>   | 200,813   |
| Past-due 61 to 90 days          | <b>108,473</b>   | 117,717   | <b>102,030</b>   | 141,183   |
| Past-due 91 to 120 days         | <b>75,233</b>    | 74,318    | <b>87,385</b>    | 95,638    |
| Past-due More than 120 days     | <b>791,341</b>   | 776,557   | <b>967,835</b>   | 934,388   |
| Total                           | <b>3,391,080</b> | 3,437,618 | <b>4,029,295</b> | 4,116,563 |
| Current                         | <b>2,707,752</b> | 2,750,498 | <b>2,997,139</b> | 3,139,964 |
| Non-current                     | -                | -         | <b>114,178</b>   | 97,775    |

**Deferred and recoverable****6 . taxes**

|                   | Company       |          | Consolidated  |          |
|-------------------|---------------|----------|---------------|----------|
|                   | Sep/2009      | Jun/2009 | Sep/2009      | Jun/2009 |
| Withholding taxes | <b>63,793</b> | 81,444   | <b>82,317</b> | 97,207   |

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|   |                  |           |                  |           |
|---|------------------|-----------|------------------|-----------|
| Recoverable income tax and social contribution                    | <b>82,793</b>    | 49,506    | <b>92,204</b>    | 62,509    |
| Deferred taxes  | <b>1,227,687</b> | 1,286,418 | <b>1,230,100</b> | 1,289,290 |
| Tax loss carry-forwards Income tax                                | -                | -         | <b>1,479</b>     | 643       |
| Tax loss carry-forwards Social contribution                       | -                | -         | <b>532</b>       | 1,265     |
| Reserve for labor, tax and civil contingencies                    | <b>315,345</b>   | 316,001   | <b>315,345</b>   | 316,001   |
| Post-retirement benefit plans                                     | <b>53,458</b>    | 52,472    | <b>53,458</b>    | 52,472    |
| Allowance for doubtful accounts                                   | <b>84,922</b>    | 83,095    | <b>84,922</b>    | 83,095    |
| Allowance for reduction of inventory to recoverable value         | <b>24,272</b>    | 24,225    | <b>24,272</b>    | 24,225    |
| Merged tax credit   | <b>343,734</b>   | 361,806   | <b>343,734</b>   | 361,806   |
| Income tax and social contribution on other temporary differences | <b>405,956</b>   | 448,819   | <b>406,358</b>   | 449,783   |
| ICMS (state VAT)  | <b>470,290</b>   | 410,084   | <b>548,515</b>   | 481,323   |
| Others  | <b>7,217</b>     | 6,012     | <b>26,058</b>    | 16,638    |
| Total   | <b>1,851,780</b> | 1,833,464 | <b>1,979,194</b> | 1,946,967 |
| Current   | <b>1,148,237</b> | 1,095,540 | <b>1,265,705</b> | 1,199,878 |
| Non-current   | <b>703,543</b>   | 737,924   | <b>713,489</b>   | 747,089   |

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***6. Deferred and recoverable taxes (Continued)****6.1 Deferred income and social contribution taxes**

The Company recognized deferred income and social contribution tax assets considering the existence of taxable income in the last five fiscal years and the expected generation of future taxable profit discounted to present value based on a technical feasibility study, approved by the Board of Directors on December 19, 2008, as provided for in CVM Instruction No. 371/2002.

Company estimates the realization of the deferred taxes as of September 30, 2009 as follows:

| Year       | Company   | Consolidated |
|------------|-----------|--------------|
| 2009       | 190,463   | 190,929      |
| 2010       | 455,022   | 456,970      |
| 2011       | 232,834   | 232,834      |
| 2012       | 165,756   | 165,756      |
| Thereafter | 183,612   | 183,611      |
| Total      | 1,227,687 | 1,230,100    |

The recoverable amounts above are based on projections subject to changes in the future.

**6.2 Merged tax credit**

These refer to tax benefits arising from corporate restructuring processes involving goodwill based on expected future profits, to be appropriated pursuant to the limitations imposed by tax legislation.

|                  | Sep/2009       | Jun/2009       |
|------------------|----------------|----------------|
| TTP              | 241,612        | 249,553        |
| DABR (a)         | 51,663         | 53,613         |
| Spanish/Figueira | 50,459         | 58,640         |
|                  | <b>343,734</b> | <b>361,806</b> |
| Current          | 76,455         | 70,415         |
| Non-Current      | 267,279        | 291,391        |

(a) Tax credits generated from goodwill existing in DABR, merged by the Company in October 2008, as a result of the corporate restructuring process mentioned in Note 2.b.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***7 . Inventories**

|   | <b>Company</b>   |                  | <b>Consolidated</b> |                  |
|---|------------------|------------------|---------------------|------------------|
|   | <b>Sep/ 2009</b> | <b>Jun/ 2009</b> | <b>Sep/ 2009</b>    | <b>Jun/ 2009</b> |
| Consumption materials   | <b>120,888</b>   | 113,882          | <b>121,401</b>      | 114,367          |
| Resale items (*)  | <b>58,208</b>    | 59,727           | <b>112,837</b>      | 119,143          |
| Public telephone prepaid cards                                    | <b>10,293</b>    | 8,451            | <b>10,293</b>       | 8,451            |
| Scraps  | <b>175</b>       | 168              | <b>176</b>          | 168              |
| Allowance for reduction to net recoverable value and obsolescence | <b>(71,389)</b>  | (71,249)         | <b>(74,348)</b>     | (73,999)         |
| <b>Total current</b>  | <b>118,175</b>   | 110,979          | <b>170,359</b>      | 168,130          |

(\*) Includes the inventory of IT equipments related to Posto Informático

The allowance for reduction to recoverable value and obsolescence takes into account timely analyses carried out by the Company.

**8 . Other assets**

|  | <b>Company</b>   |                  | <b>Consolidated</b> |                  |
|--|------------------|------------------|---------------------|------------------|
|  | <b>Sep/ 2009</b> | <b>Jun/ 2009</b> | <b>Sep/ 2009</b>    | <b>Jun/ 2009</b> |
| Advances to employees                          | <b>33,012</b>    | 22,103           | <b>34,578</b>       | 23,314           |
| Advances to suppliers                          | <b>17,916</b>    | 16,808           | <b>33,423</b>       | 34,931           |
| Prepaid expenses                               | <b>132,343</b>   | 155,066          | <b>136,170</b>      | 155,166          |
| Receivables from Barramar S.A. (a)             | -                | -                | <b>62,027</b>       | 63,139           |
| Current Related Parties receivables (Note 29)  | <b>181,138</b>   | 159,148          | <b>117,496</b>      | 114,515          |
| Amounts linked to National Treasury securities | <b>11,888</b>    | 11,639           | <b>11,888</b>       | 11,639           |
| Other assets                                   | <b>67,230</b>    | 50,256           | <b>73,234</b>       | 69,671           |
| <b>Total</b>                                   | <b>443,527</b>   | 415,020          | <b>468,816</b>      | 472,375          |



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|             |                |         |                |         |
|-------------|----------------|---------|----------------|---------|
| Current     | <b>367,637</b> | 350,431 | <b>326,297</b> | 347,890 |
| Non-current | <b>75,890</b>  | 64,589  | <b>142,519</b> | 124,485 |

(a) Refers to receivables from Barramar S.A. recorded by the Companhia AIX de Participações, net of allowance for losses.

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***9 . Escrow deposits**

|                                 | <b>Company</b>   |                  | <b>Consolidated</b> |                  |
|---------------------------------|------------------|------------------|---------------------|------------------|
|                                 | <b>Sep/ 2009</b> | <b>Jun/ 2009</b> | <b>Sep/ 2009</b>    | <b>Jun/ 2009</b> |
| Civil litigation                | <b>306,368</b>   | 283,084          | <b>307,335</b>      | 284,050          |
| Tax litigation                  | <b>230,847</b>   | 226,350          | <b>264,416</b>      | 258,898          |
| Labor claims                    | <b>302,971</b>   | 250,764          | <b>303,139</b>      | 250,871          |
| Freeze of assets by court order | <b>33,095</b>    | 42,873           | <b>35,363</b>       | 44,584           |
| <br>                            |                  |                  |                     |                  |
| Total non-current               | <b>873,281</b>   | 803,071          | <b>910,253</b>      | 838,403          |

The amounts presented above refer to escrow deposits for those cases in which an unfavorable outcome is considered possible, remote or probable, for the amount exceeding the amount accrued for. The escrow deposits of suits for which provisions were set up were classified in Provisions to the amount effectively recorded, as shown in Note 18.

**10. Investments**

|  | <b>Company</b>   |                  | <b>Consolidated</b> |                  |
|--|------------------|------------------|---------------------|------------------|
|  | <b>Sep/ 2009</b> | <b>Jun/ 2009</b> | <b>Sep/ 2009</b>    | <b>Jun/ 2009</b> |
| Investments in subsidiaries              | <b>1,327,455</b> | 1,389,662        | -                   | -                |
| Aliança Atlântica Holding B.V.           | <b>60,398</b>    | 60,716           | -                   | -                |
| A.Telecom S.A.                           | <b>719,200</b>   | 731,746          | -                   | -                |
| Companhia AIX de Participações           | <b>69,748</b>    | 60,598           | -                   | -                |
| Companhia ACT de Participações           | <b>18</b>        | 17               | -                   | -                |
| Telefonica Data S.A.                     | <b>194,074</b>   | 243,937          | -                   | -                |
| Telefonica Sistemas de Televisão S.A.    | <b>284,017</b>   | 292,648          | -                   | -                |
| <br>                                     |                  |                  |                     |                  |
| Investments in associates                | <b>49,158</b>    | 41,469           | <b>49,158</b>       | 41,469           |
| GTR Participações e Empreendimentos S.A. | <b>1,910</b>     | 1,758            | <b>1,910</b>        | 1,758            |
| Lemontree Participações S.A.             | <b>13,120</b>    | 11,032           | <b>13,120</b>       | 11,032           |
| Comercial Cabo TV São Paulo S.A.         | <b>28,212</b>    | 23,479           | <b>28,212</b>       | 23,479           |
| TVA Sul Paraná S.A.                      | <b>5,916</b>     | 5,200            | <b>5,916</b>        | 5,200            |
| <br>                                     |                  |                  |                     |                  |
| Other Investments                        | <b>202,225</b>   | 200,026          | <b>257,494</b>      | 255,306          |

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|                   |                  |           |                |         |
|-------------------|------------------|-----------|----------------|---------|
| Portugal Telecom  | <b>150,546</b>   | 152,686   | <b>200,729</b> | 203,582 |
| Zon Multimédia    | <b>14,408</b>    | 12,423    | <b>19,494</b>  | 16,807  |
| Other investments | <b>37,271</b>    | 34,917    | <b>37,271</b>  | 34,917  |
| Total             | <b>1,578,838</b> | 1,631,157 | <b>306,652</b> | 296,775 |

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***10. Investments (Continued)**

Investments in affiliates accounted for under the equity method at September 30, 2009 and June 30, 2009:

| Affiliates  | Net equity | Number of shares (thousands) |         |         |          |         |         | Interest   |       | Voting Capital |
|---|------------|------------------------------|---------|---------|----------|---------|---------|------------|-------|----------------|
|   |            | Total number of shares       |         |         | Interest |         |         | % interest |       |                |
|   |            | ON                           | PN      | Total   | ON       | PN      | Total   |            |       |                |
| GTR Participações e Empreendimentos S.A                       | 2,865      | 878                          | 1,757   | 2,635   | -        | 1,757   | 1,757   | 66.7%      | 0.0%  |                |
| Lemontree Participações S.A. Comercial Cabo TV São Paulo S.A. | 19,680     | 124,839                      | 249,682 | 374,521 | -        | 249,682 | 249,682 | 66.7%      | 0.0%  |                |
| S.A.  | 47,060     | 12,282                       | 12,282  | 24,564  | 2,444    | 12,282  | 14,726  | 59.9%      | 19.9% |                |
| TVA Sul Paraná S.A.   | 7,940      | 13,656                       | 13,656  | 27,312  | 6,691    | 13,656  | 20,347  | 74.5%      | 49.0% |                |

Until September 2009, the Company made an advance for future capital increase, in the amount of R\$40,000 (R\$15,000 until June, 2009), in its wholly-owned subsidiary Telefônica Data S.A. recorded under the heading for capitalization.

The Company and Consolidated equity method in subsidiaries and affiliates is as follows:

|   | Company   |          | Consolidated |           |
|---|-----------|----------|--------------|-----------|
|   | Sep/ 2009 | Set/2008 | Sep/ 2009    | Set/ 2008 |
| Aliança Atlântica                       | 3,972     | 4,181    | -            | -         |
| A. Telecom                              | (16,569)  | 13,096   | -            | 15        |
| Companhia AIX de Participações          | 18,352    | (361)    | -            | -         |
| Companhia ACT de Participações          | 2         | (3)      | -            | -         |
| Telefônica Data S.A.                    | (72,371)  | (18,013) | -            | -         |
| Telefônica Televisão Participações S.A  | -         | (37,589) | -            | -         |
| Telefonica Sistemas de Televisão S.A.   | (35,228)  | -        | -            | -         |
| GTR Participações e Empreendimentos S.A | 434       | -        | 434          | (330)     |
| Lemontree Participações S.A.            | 3,512     | -        | 3,512        | 2,349     |
| Comercial Cabo TV São Paulo S.A.        | 6,998     | -        | 6,998        | 5,336     |
| TVA Sul Paraná S.A.                     | 1,902     | -        | 1,902        | (1,386)   |
|   | (88,996)  | (38,689) | 12,846       | 5,984     |



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***11. Property, Plant and Equipment,  
Net**

|  | Annual<br>depreciation<br>rate % | Company    |                             |                   |            |                             |                   |
|--|----------------------------------|------------|-----------------------------|-------------------|------------|-----------------------------|-------------------|
|  |                                  | Cost       | Sep/2009                    |                   | Cost       | Jun/2009                    |                   |
|  |                                  |            | Accumulated<br>depreciation | Net book<br>value |            | Accumulated<br>depreciation | Net book<br>value |
| Property, plant and equipment  |                                  | 42,247,898 | (34,183,821)                | 8,064,077         | 42,115,573 | (34,007,813)                | 8,107,760         |
| Switching and transmission equipment   | <b>12.50</b>                     | 17,936,468 | (15,814,423)                | 2,122,045         | 17,743,378 | (15,643,302)                | 2,100,076         |
| Transmission equipment, overhead,<br>underground and building cables,<br>teleprinters, |                                  |            |                             |                   |            |                             |                   |
| PABX, energy equipment and furniture   | <b>10.00</b>                     | 12,634,086 | (10,471,811)                | 2,162,275         | 12,545,250 | (10,341,544)                | 2,203,706         |
| Transmission equipment - modems  | <b>66.67</b>                     | 1,230,083  | (838,586)                   | 391,497           | 1,438,708  | (1,064,921)                 | 373,787           |
| Underground and undersea cables, poles<br>and<br>towers                                | <b>5.00 to 6.67</b>              | 626,383    | (421,543)                   | 204,840           | 619,393    | (416,187)                   | 203,206           |
| Subscriber, public and booth equipment   | <b>12.50</b>                     | 2,247,815  | (1,849,738)                 | 398,077           | 2,215,400  | (1,817,125)                 | 398,275           |
| IT equipment   | <b>20.00</b>                     | 596,635    | (530,008)                   | 66,627            | 591,625    | (521,913)                   | 69,712            |
| Buildings and underground cables   | <b>4.00</b>                      | 6,624,794  | (4,171,471)                 | 2,453,323         | 6,612,811  | (4,118,716)                 | 2,494,095         |
| Vehicles   | <b>20.00</b>                     | 50,284     | (38,257)                    | 12,027            | 51,599     | (38,041)                    | 13,558            |
| Land   | -                                | 227,772    | -                           | 227,772           | 227,773    | -                           | 227,773           |
| Others   | <b>4.00 to 20.00</b>             | 73,578     | (47,984)                    | 25,594            | 69,636     | (46,064)                    | 23,572            |
| Property, plant and equipment in<br>progress   | -                                | 600,628    | -                           | 600,628           | 644,254    | -                           | 644,254           |
| Total  |                                  | 42,848,526 | (34,183,821)                | 8,664,705         | 42,759,827 | (34,007,813)                | 8,752,014         |
| Average annual depreciation rates - %  |                                  | 10.32      |                             |                   | 10.34      |                             |                   |
| Assets fully depreciated   |                                  | 23,589,898 |                             |                   | 22,553,672 |                             |                   |

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

**11. Property, Plant and Equipment, Net**  
(Continued)

|   | Annual<br>depreciation<br>rate% | Consolidated |                             |                   |            |                             |                   |
|---|---------------------------------|--------------|-----------------------------|-------------------|------------|-----------------------------|-------------------|
|   |                                 | Cost         | Sep/2009                    |                   | Jun/2009   |                             |                   |
|   |                                 |              | Accumulated<br>depreciation | Net book<br>value | Cost       | Accumulated<br>depreciation | Net book<br>value |
| Property, plant and equipment   |                                 | 43,684,061   | (34,898,569)                | 8,785,492         | 43,504,569 | (34,673,782)                | 8,830,787         |
| Switching and transmission equipment  | <b>12.50</b>                    | 17,974,641   | (15,828,416)                | 2,146,225         | 17,781,551 | (15,656,286)                | 2,125,265         |
| Transmission equipment, overhead,<br>underground and<br>building cables, teleprinters, PABX,<br>energy<br>equipment and furniture | <b>10.00</b>                    | 12,917,333   | (10,534,517)                | 2,382,816         | 12,816,165 | (10,397,130)                | 2,419,035         |
| Transmission equipment Modems   | <b>66.67</b>                    | 1,315,838    | (870,314)                   | 445,524           | 1,516,117  | (1,092,622)                 | 423,495           |
| Underground and undersea cables,<br>poles and towers  | <b>5.00 to 6.67</b>             | 639,566      | (425,963)                   | 213,603           | 632,576    | (420,435)                   | 212,141           |
| Subscriber, public and booth<br>equipment   | <b>12.50</b>                    | 2,310,013    | (1,894,919)                 | 415,094           | 2,277,593  | (1,859,932)                 | 417,661           |
| IT equipment  | <b>20.00</b>                    | 660,432      | (576,355)                   | 84,077            | 655,452    | (567,250)                   | 88,202            |
| Buildings and underground cables  | <b>4.00</b>                     | 6,627,150    | (4,173,257)                 | 2,453,893         | 6,615,167  | (4,120,484)                 | 2,494,683         |
| TV equipment  | <b>8.00 to 33.00</b>            | 815,347      | (449,245)                   | 366,102           | 788,776    | (418,733)                   | 370,043           |
| Vehicles  | <b>20.00</b>                    | 51,718       | (39,472)                    | 12,246            | 53,033     | (39,230)                    | 13,803            |
| Land  | -                               | 227,772      | -                           | 227,772           | 227,773    | -                           | 227,773           |
| Others  | <b>4.00 to 20.00</b>            | 159,113      | (106,111)                   | 53,002            | 154,803    | (101,680)                   | 53,123            |
| Provision for losses  |                                 | (14,862)     | -                           | (14,862)          | (14,437)   | -                           | (14,437)          |
| Property, plant and equipment in<br>progress  | -                               | 684,476      | -                           | 684,476           | 733,007    | -                           | 733,007           |
| Total   |                                 | 44,368,537   | (34,898,569)                | 9,469,968         | 44,237,576 | (34,673,782)                | 9,563,794         |
| Average annual depreciation rates - %   |                                 | 11.01        |                             |                   | 10.89      |                             |                   |
| Assets fully depreciated  |                                 | 23,996,917   |                             |                   | 22,948,864 |                             |                   |





**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***12. Intangible assets, net**

|                   | Company          |           | Consolidated     |           |
|-------------------|------------------|-----------|------------------|-----------|
|                   | Sep/ 2009        | Jun/ 2009 | Sep/ 2009        | Jun/ 2009 |
| Goodwill          | <b>728,052</b>   | 728,052   | <b>728,201</b>   | 728,201   |
| Other intangibles | <b>701,007</b>   | 728,556   | <b>736,838</b>   | 764,984   |
|                   | <b>1,429,059</b> | 1,456,608 | <b>1,465,039</b> | 1,493,185 |

|  | Company        |           | Consolidated   |           |
|--|----------------|-----------|----------------|-----------|
|  | Sep/ 2009      | Jun/ 2009 | Sep/ 2009      | Jun/ 2009 |
| <b>Goodwill</b>                                |                |           |                |           |
| Ajato Telecomunicações Ltda                    | -              | -         | <b>149</b>     | 149       |
| TS Tecnologia da Informação Ltda.              | <b>945</b>     | 945       | <b>945</b>     | 945       |
| Ágio Spanish e Figueira (merged from TDBH) (a) | <b>139,957</b> | 139,957   | <b>139,957</b> | 139,957   |
| Santo Genovese Participações Ltda. (b)         | <b>71,892</b>  | 71,892    | <b>71,892</b>  | 71,892    |
| Telefônica Televisão Participações S.A. (c)    | <b>515,258</b> | 515,258   | <b>515,258</b> | 515,258   |
|  | <b>728,052</b> | 728,052   | <b>728,201</b> | 728,201   |

(a) Goodwill arising from the spin-off of Figueira, which was merged into the Company as a result of the merger of Telefônica Data Brasil Holding S.A. (TDBH) in 2006.

(b) Goodwill arising from the acquisition of control over Santo Genovese Participações Ltda. (controlling shareholder of Atrium Telecomunicações Ltda.), in 2004.

(c) Goodwill arising from the acquisition of TTP (see Note 2.b), which is based on a study of future profitability. For this ITR reporting purposes, the tax credit as of December 31, 2008, in the amount of R\$265,435, was reclassified to Deferred and Recoverable Taxes in the form of tax credits from merger (Note 6), considering that goodwill amortization ceased to be accounted for at December 31, 2008.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

**12. Intangible assets, net**

(Continued)

|                                     | Company                          |           |                             |                   |           |                             |                   |
|-------------------------------------|----------------------------------|-----------|-----------------------------|-------------------|-----------|-----------------------------|-------------------|
|                                     | Annual<br>depreciation rate<br>% | Cost      | Sep/ 2009                   |                   | Jun/ 2009 |                             | Net book<br>value |
|                                     |                                  |           | Accumulated<br>depreciation | Net book<br>value | Cost      | Accumulated<br>depreciation |                   |
| <b>Other intangibles</b>            |                                  |           |                             |                   |           |                             |                   |
| Softwares                           | 20.00                            | 2,464,017 | (1,808,878)                 | 655,139           | 2,413,869 | (1,736,519)                 | 677,350           |
| Customer Portfolio (a)              | 10.00                            | 72,561    | (48,978)                    | 23,583            | 72,561    | (47,165)                    | 25,396            |
| Others                              | 10.00 to 20.00                   | 185,992   | (163,707)                   | 22,285            | 184,993   | (159,183)                   | 25,810            |
| Total                               |                                  | 2,722,570 | (2,021,563)                 | 701,007           | 2,671,423 | (1,942,867)                 | 728,556           |
| Average annual depreciation rates % |                                  | 19.72     |                             |                   | 19.70     |                             |                   |
| Assets fully depreciated            |                                  | 1,093,651 |                             |                   | 1,048,825 |                             |                   |

|                                     | Consolidated                    |           |                             |                   |           |                             |                   |
|-------------------------------------|---------------------------------|-----------|-----------------------------|-------------------|-----------|-----------------------------|-------------------|
|                                     | Annual<br>depreciation<br>rate% | Cost      | Sep/ 2009                   |                   | Jun/ 2009 |                             | Net book<br>value |
|                                     |                                 |           | Accumulated<br>depreciation | Net book<br>value | Cost      | Accumulated<br>depreciation |                   |
| <b>Other intangibles</b>            |                                 |           |                             |                   |           |                             |                   |
| Software                            | 20.00                           | 2,640,701 | (1,955,420)                 | 685,281           | 2,587,598 | (1,879,670)                 | 707,928           |
| Customer Portfolio (a)              | 10.00                           | 72,561    | (48,978)                    | 23,583            | 72,561    | (47,165)                    | 25,396            |
| Others                              | 10.00 to 20.00                  | 196,958   | (168,984)                   | 27,974            | 195,959   | (164,299)                   | 31,660            |
| Total                               |                                 | 2,910,220 | (2,173,382)                 | 736,838           | 2,856,118 | (2,091,134)                 | 764,984           |
| Average annual depreciation rates % |                                 | 19.79     |                             |                   | 19.54     |                             |                   |
| Assets fully depreciated            |                                 | 1,216,566 |                             |                   | 1,170,051 |                             |                   |

(a) Acquisition of IP network customer portfolio from Telefônica Data in December 2002.



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***13. Loans and financing**

| Company/Consolidated        | Balance in Sep/2009 (*) |                      |            |         |           |           |
|-----------------------------|-------------------------|----------------------|------------|---------|-----------|-----------|
|                             | Currency                | Annual interest rate | Maturity   | Current | Long-term | Total     |
| Loans and financing - BNDES | URTJLP                  | TJLP+ 3.73%          | Until 2015 | 141,862 | 1,713,178 | 1,855,040 |
| Mediocrédito                | US\$                    | 1.75%                | 2014       | 5,670   | 17,644    | 23,314    |
| Total                       |                         |                      |            | 147,532 | 1,730,822 | 1,878,354 |

| Company/Consolidated        | Balance in Jun/2009 (*) |                      |            |         |           |           |
|-----------------------------|-------------------------|----------------------|------------|---------|-----------|-----------|
|                             | Currency                | Annual interest rate | Maturity   | Current | Long-term | Total     |
| Loans and financing - BNDES | URTJLP                  | TJLP+ 3.73%          | Until 2015 | 48,381  | 1,663,345 | 1,711,726 |
| Mediocrédito                | US\$                    | 1.75%                | 2014       | 6,312   | 21,757    | 28,069    |
| Untied Loan JBIC            | JPY                     | Libor + 1.25%        | 2009       | 50,676  | -         | 50,676    |
| Resolution 2770             | JPY                     | 1.62% a 5.78%        | 2009       | 19,110  | -         | 19,110    |
| Total                       |                         |                      |            | 124,479 | 1,685,102 | 1,809,581 |

(\*) Amounts presented at fair value, when applicable.

On October 10, 2007, BNDES approved financing of R\$2,034,717 to the Company, of which R\$1,830,864 (principal amount) has already been released and the related investments, evidenced and accepted by BNDES. In September 2009, an installment of R\$144,000 was released, which investments have also already been realized and the Company is in the final phase of evidencing with BNDES. Such financing is indexed to the TJLP (long-term interest rate), a specific referential rate not equivalent to any other market rate. Thus, at September 30, 2009, such instrument was recognized in the balance sheet for the amortized cost, equivalent to its fair value on this date.

**Covenants and guarantees**

The loan from BNDES include restrictive covenants related to the semiannual maintenance of certain financial indices, which up to this date have been met.

The loan from Mediocrédito is secured by the Federal Government and the financing with BNDES is guaranteed by SP Telecomunicações Participações Ltda.

**Consolidated long-term debt maturities**

At September 30, 2009, noncurrent loans and financing mature are as follows:

**13. Loans and financing** (Continued)

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

| <b>Year</b>  | <b>Amounts</b>   |
|--------------|------------------|
| 2010         | 91,777           |
| 2011         | 372,519          |
| 2012         | 372,226          |
| 2013         | 371,930          |
| Thereafter   | 522,370          |
| <b>Total</b> | <b>1,730,822</b> |

**14. Debentures**

|              | <b>Company and Consolidated</b> |                             |                 | <b>Balance in Sep/09</b> |                    |                    |
|--------------|---------------------------------|-----------------------------|-----------------|--------------------------|--------------------|--------------------|
|              | <b>Currency</b>                 | <b>Annual interest rate</b> | <b>Maturity</b> | <b>Current</b>           | <b>Long - term</b> | <b>Total</b>       |
| Debentures   | R\$                             | CDI rate +<br>0.35%         | 2010            | 1,510,297                |                    | - 1,510,297        |
| <b>Total</b> |                                 |                             |                 | <b>1,510,297</b>         |                    | <b>- 1,510,297</b> |

|              | <b>Company and Consolidated</b> |                             |                 | <b>Balance in Jun/2009</b> |                    |                  |
|--------------|---------------------------------|-----------------------------|-----------------|----------------------------|--------------------|------------------|
|              | <b>Currency</b>                 | <b>Annual interest rate</b> | <b>Maturity</b> | <b>Current</b>             | <b>Long - term</b> | <b>Total</b>     |
| Debentures   | R\$                             | CDI rate +<br>0.35%         | 2010            | 11,176                     | 1,500,000          | 1,511,176        |
| <b>Total</b> |                                 |                             |                 | <b>11,176</b>              | <b>1,500,000</b>   | <b>1,511,176</b> |

Debenture conditions were renegotiated on September 1, 2007, date of end of the first Remuneration period and beginning of the second Remuneration period. This period ends on the debentures maturity date; namely September 1, 2010. Debentures are entitled to interest yield, payable on a quarterly basis, corresponding to the interbank deposit certificate index (DI), capitalized at 0.35% p.a. spread.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***15. Taxes payable**

|                                   | <b>Company</b>   |                 | <b>Consolidated</b> |                  |
|-----------------------------------|------------------|-----------------|---------------------|------------------|
|                                   | <b>Sep/ 2009</b> | <b>Jun/2009</b> | <b>Sep/ 2009</b>    | <b>Jun/ 2009</b> |
| Taxes on income (a)               |                  |                 |                     |                  |
| Income tax                        | -                | 72,145          | <b>8,252</b>        | 79,588           |
| Social contribution               | -                | 24,361          | <b>2,766</b>        | 26,900           |
| Deferred Taxes                    |                  |                 |                     |                  |
| Income tax                        | <b>189,343</b>   | 183,162         | <b>189,343</b>      | 183,162          |
| Social contribution               | <b>23,999</b>    | 21,626          | <b>23,999</b>       | 21,626           |
| Indirect taxes                    |                  |                 |                     |                  |
| ICMS (state VAT)                  | <b>588,286</b>   | 568,969         | <b>641,500</b>      | 620,107          |
| PIS and COFINS (taxes on revenue) | <b>75,498</b>    | 68,750          | <b>105,330</b>      | 98,415           |
| Legal Liabilities (b)             | <b>29,321</b>    | 29,051          | <b>29,321</b>       | 29,051           |
| Others (c)                        | <b>9,788</b>     | 9,719           | <b>22,705</b>       | 23,393           |
| Total                             | <b>916,235</b>   | 977,783         | <b>1,023,216</b>    | 1,082,242        |
| Current                           | <b>874,566</b>   | 936,051         | <b>959,594</b>      | 1,019,242        |
| Non-current                       | <b>41,669</b>    | 41,732          | <b>63,622</b>       | 63,000           |

(a) Income and social contribution taxes payable are presented net of payments on an estimate basis (Note 6);

(b) Legal obligations account records tax liabilities, net of escrow deposits, which are being questioned in court.

(c) The item "Others" includes R\$174,285 of FUST payable as of September 30, 2009 (R\$163,116 as of June 30, 2009), net of escrow deposits of R\$182,754 (R\$172,327 as of June 30, 2009), and the difference, in the amount of R\$8,469, is still recorded under assets, as escrow deposits.

In determining and accounting for federal taxes for the period ended September 30, 2009, the Company adopted the rules of the Transition Taxation Regime (RTT) as defined in Law No. 11.941/09.

**16. Dividends and interest payable to shareholders****Company/Consolidated**



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|   | <b>Sep/ 2009</b> | <b>Jun/ 2009</b> |
|---|------------------|------------------|
| Interest on shareholders' equity        | <b>413,428</b>   | 73,633           |
| Telefónica Internacional S.A.           | <b>225,424</b>   | -                |
| SP Telecomunicações Participações Ltda. | <b>74,073</b>    | -                |
| Non-controlling interest                | <b>113,931</b>   | 73,633           |
| <br>                                    |                  |                  |
| Dividends                               | <b>302,879</b>   | 305,406          |
| Non-controlling interest                | <b>302,879</b>   | 305,406          |
| <br>                                    |                  |                  |
| Total                                   | <b>716,307</b>   | 379,039          |

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***16. Dividends and interest payable to shareholders (Continued)**

Most of the interest on shareholders' equity and total dividends payable to non-controlling interest refer to available amounts declared, but not claimed yet.

**17. Payroll and related charges**

|                         | Company        |           | Consolidated   |           |
|-------------------------|----------------|-----------|----------------|-----------|
|                         | Sep/ 2009      | Jun/ 2009 | Sep/ 2009      | Jun/ 2009 |
| Salaries and fees       | <b>25,400</b>  | 23,815    | <b>26,969</b>  | 25,485    |
| Payroll charges         | <b>98,156</b>  | 91,048    | <b>105,202</b> | 97,171    |
| Accrued benefits        | <b>3,510</b>   | 3,535     | <b>3,649</b>   | 3,652     |
| Employee profit sharing | <b>46,683</b>  | 41,770    | <b>48,699</b>  | 43,982    |
| Total                   | <b>173,749</b> | 160,168   | <b>184,519</b> | 170,290   |

**18. Reserves, net**

The Company, as an entity and also as the successor to the merged companies, and its subsidiaries are involved in labor, tax and civil lawsuits filed with different courts. The Company management, based on the opinion of its legal advisors, set up provision for suits whose likelihood of loss is assessed as probable.

The table below shows the breakdown of reserves by nature and the changes in the provision for the third quarter of 2009:

| Consolidated                   | Nature  |           |         | Total     |
|--------------------------------|---------|-----------|---------|-----------|
|                                | Labor   | Tax       | Civil   |           |
| Balances as of 06/30/2009      | 360,259 | 169,496   | 314,087 | 843,842   |
| Additions                      | 13,044  | 697       | 70,912  | 84,653    |
| Write-offs (Reversal/Payments) | (8,377) | (106,958) | (147)   | (115,482) |
| Monetary restatement           | 3,663   | 976       | 28,356  | 32,995    |
| Balances as of 09/30/2009      | 368,589 | 64,211    | 413,208 | 846,008   |

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|                               |          |          |          |           |
|-------------------------------|----------|----------|----------|-----------|
| Escrow deposits               | (98,655) | (59,341) | (35,006) | (193,002) |
| Net balances as of 09/30/2009 | 269,934  | 4,870    | 378,202  | 653,006   |
| Current                       | 38,797   | -        | 136,129  | 174,926   |
| Non-current                   | 231,137  | 4,870    | 242,073  | 478,080   |

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***18. Reserves, net** (Continued)**18.1 Labor contingencies and reserves**

| <b>Risk - Consolidated</b> | <b>Amount involved</b> |                  |
|----------------------------|------------------------|------------------|
|                            | <b>Sep/ 2009</b>       | <b>Jun/ 2009</b> |
| Probable                   | <b>368,589</b>         | 360,259          |
| Possible                   | <b>2,047</b>           | 1,984            |
| <b>Total</b>               | <b>370,636</b>         | 362,243          |

These contingencies involve several lawsuits, mainly related to wage differences, wage equivalence, overtime, employment relationship with employees of outsourced companies and job hazard premium, among others.

- Civil Class Action filed by the Ministry of Labor determining that Telesp not engage a representative company to perform the Company's business activities was altered from remote to possible. The possible risk involved in this civil class action was not quantified in the table above, since, in the event of an unfavorable outcome, it is currently not possible to estimate the Company's loss nor of attributing a limit equivalent to the case amount.

**18.2 Tax contingencies and reserves**

| <b>Risk Consolidated</b> | <b>Amount involved</b> |                  |
|--------------------------|------------------------|------------------|
|                          | <b>Sep/ 2009</b>       | <b>Jun/ 2009</b> |
| Probable                 | <b>64,211</b>          | 169,496          |
| Possible                 | <b>3,418,345</b>       | 3,385,633        |
| <b>Total</b>             | <b>3,482,556</b>       | 3,555,129        |

In connection with the last financial year, the major lawsuits filed this nine-month period are as follows:

- Decision handed down by the São Paulo IRS Office, which did not approve the requests to offset credits arising from determination of negative Income and Social Contribution balance in calendar year 2003, totaling R\$465,859 (principal, fine and interest). An appeal was filed against such decision in the administrative level, which is awaiting judgment in the first stage of tax appeals. According to risk assessment made by the external advisor, of the total amount involved, R\$93,896 stands a possible risk of loss, and the likelihood of loss for the remaining amount is assessed as remote. In view of such risk classification, no provision was set up.

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 18. Reserves, net (Continued)

#### 18.2 Tax contingencies and reserves (Continued)

- Information notice drawn up by the São Paulo State Finance Office, referring to non-payment of ICMS, during the period from January 2006 to December 2007, due on amounts received for purposes of lease of transmission equipment (modem), totaling R\$54,414. The proceeding is at the first administrative level. Considering that the risk was assessed as possible, no provision was made.

- Infraction notices related to nonpayment of ICMS in the period from January 2006 to December 2007, for non-inclusion of revenues from rendering of several supplemental services on the value added basis, in the total amount of R\$434,423 upon determination of the tax basis. Related risk is assessed as possible by legal counsel. The claim is at the first administrative level. Considering the risk level, no provision was made.

- Workers Accident Insurance Compensation (SAT) and joint liability for social security contributions alleged not have been paid, for its contracts of approximately R\$337,086, of which R\$98,660 were provisioned. In September 2009, the Company management discontinued part of the proceedings, settling the amount R\$54,241 through the Tax Recovery Program REFIS, with reduction in fine and interest. The remaining balance was reversed to profit and loss, in the amount of R\$44,418 (see Note 26). The lawsuit is in the 2<sup>nd</sup> lower court and, considering likelihood of loss is deemed possible, no provision was made.

- Social security tax on payment of compensation due to salary adjustment for losses, arising from the Verão and Bresser plans, in the approximate amount of R\$148,503. In view of the Brazilian IRS ex-officio decision, which acknowledged the loss of procedural rights for part of the amounts involved, based on Binding Precedent No. 8 of the Federal Supreme Court, the Company's management decided to reverse the provision recognized for the amounts covered by the barring period, in the amount of R\$2,940, resulting in a provision of R\$25. The likelihood of loss relating to the amounts not covered by the barring period was assessed as possible, therefore no provision was made.

### 18. Reserves, net (Continued)

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***18.3 Civil contingencies and reserves**

| <b>Risk - Consolidated</b> | <b>Amount involved</b> |                  |
|----------------------------|------------------------|------------------|
|                            | <b>Sep/ 2009</b>       | <b>Jun/ 2009</b> |
| Probable                   | <b>413,208</b>         | 314,087          |
| Possible                   | <b>690,420</b>         | 663,724          |
| Total                      | <b>1,103,628</b>       | 977,811          |

In connection with the last financial year, the major lawsuits filed until September are as follows:

- Civil Class Action proposed by the São Paulo State Prosecutor's Office, claiming indemnity to all telecommunications service consumers for material and moral damages suffered during the period from 2004 to 2009, as a result of low quality and faulty of services provided. The intended sentence is generic and the attribution of responsibility to indemnify shall occur through liquidation and execution of the decision by the consumers, the Prosecutor's Office has proposed the execution amount of R\$1 billion in the event the number of activations is not commensurate with the severity of the damage, to be deposited in the Special Fund for Expenses Related to Reimbursement of Damaged Diffused Interests. The possible risk involved in this civil class action was not quantified in the table above, since, in the event of an unfavorable outcome, it is currently not possible to estimate the Company's loss nor attribute a limit equivalent to the case amount.

Contingencies, specially assessed as possible risks, involve matters relating to several legal suits, such as: unknown ledged title to telephone lines, indemnity for material and personal damages, PIS and COFINS on subscription and monthly payment of Fixed Switched Telephone Services (STFC), among others, totaling approximately R\$690,420.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***19. Other liabilities**

|   | Company        |           | Consolidated   |           |
|---|----------------|-----------|----------------|-----------|
|   | Sep/ 2009      | Jun/ 2009 | Sep/ 2009      | Jun/ 2009 |
| Consignments on behalf of third parties         | <b>190,846</b> | 134,042   | <b>167,732</b> | 107,858   |
| Amounts charged to users                        | <b>87,280</b>  | 91,092    | <b>61,536</b>  | 62,289    |
| Withholdings                                    | <b>102,511</b> | 41,998    | <b>105,141</b> | 44,617    |
| Others  | <b>1,055</b>   | 952       | <b>1,055</b>   | 952       |
| Advances from customers                         | <b>75,651</b>  | 69,990    | <b>75,651</b>  | 69,990    |
| Amounts to be refunded to subscribers           | <b>67,773</b>  | 75,508    | <b>67,431</b>  | 69,938    |
| Accounts payable sale of share fractions<br>(a) | <b>112,968</b> | 113,090   | <b>112,968</b> | 113,090   |
| Others  | <b>46,175</b>  | 47,305    | <b>69,478</b>  | 83,395    |
| Total   | <b>493,415</b> | 439,935   | <b>493,260</b> | 444,271   |
| Current   | <b>345,706</b> | 402,644   | <b>337,782</b> | 381,146   |
| Noncurrent                                      | <b>147,709</b> | 37,291    | <b>155,478</b> | 63,125    |

(a) Amounts resulting from the auction of share fractions relating to reverse stock split process in 2005, and TDBH acquisition process in 2006.

**20. Shareholders equity**Capital Stock

Paid-in capital is of R\$6,575,480 at September 30, 2009 and June 30, 2009.

Subscribed and paid-in capital is represented by shares without par value, as follows:

|                         | Sep/ 2009          | Jun/ 2009   |
|-------------------------|--------------------|-------------|
| Total Capital in shares |                    |             |
| Common shares           | <b>168,819,870</b> | 168,819,870 |
| Preferred shares        | <b>337,417,402</b> | 337,417,402 |
| Total                   | <b>506,237,272</b> | 506,237,272 |

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|   |                    |             |
|---|--------------------|-------------|
| Treasury shares                         |                    |             |
| Common shares                           | <b>(210,579)</b>   | (210,579)   |
| Preferred shares                        | <b>(185,213)</b>   | (185,213)   |
| Total                                   | <b>(395,792)</b>   | (395,792)   |
| Outstanding shares                      |                    |             |
| Common shares                           | <b>168,609,291</b> | 168,609,291 |
| Preferred shares                        | <b>337,232,189</b> | 337,232,189 |
| Total                                   | <b>505,841,480</b> | 505,841,480 |
| Book value per outstanding share in R\$ | <b>21.51</b>       | 21.11       |



## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 20. Shareholders equity (Continued)

#### Dividends Accumulated earnings on December 31, 2008

At the Annual Shareholders Meeting held on March 25, 2009 approval was given to allocation of dividends based on the remaining profit balance from 2008, in the amount of R\$395,109, provided for in the profit allocation proposal. Payment of such dividends began on June 17, 2009.

#### Interim dividends 2009 financial year

On May 18, 2009, the Company's Board of Directors approved the statement and payment of interim dividends, in the amount of de R\$ 470,000, based on profit recorded in the quarterly balance sheet as of March 31, 2009. Payment of such dividends began on June 17, 2009.

#### **Interest on shareholders equity 2009**

On September 30, 2009, the Board of Directors approved the credit of interest on shareholders equity for fiscal year 2009 in the amount of R\$400,000, subject to 15% withholding income tax, resulting in the net amount of R\$340,000, to holders of common and preferred shares included in the Company's records by the end of September 30, 2009. The payment of such interest on equity will be disclosed on the date to be decided at the Annual Shareholders Meeting.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***21. Net operating revenue**

|                                   | Company            |             | Consolidated       |             |
|-----------------------------------|--------------------|-------------|--------------------|-------------|
|                                   | Sep/2009           | Sep/2008    | Sep/2009           | Sep/2008    |
| Monthly subscription charges (i)  | <b>3,874,302</b>   | 4,254,483   | <b>3,926,633</b>   | 3,963,817   |
| Activation fees                   | <b>79,110</b>      | 94,152      | <b>79,077</b>      | 94,133      |
| Local service (i)                 | <b>1,782,703</b>   | 1,905,604   | <b>1,830,974</b>   | 2,081,052   |
| LDN - Domestic long-distance      | <b>2,849,203</b>   | 2,739,786   | <b>2,882,426</b>   | 2,805,215   |
| LDI International long-distance   | <b>77,281</b>      | 94,143      | <b>86,810</b>      | 109,209     |
| Interconnection services          | <b>3,039,848</b>   | 3,189,835   | <b>3,108,669</b>   | 3,256,868   |
| Network usage services            | <b>346,294</b>     | 349,818     | <b>346,294</b>     | 349,818     |
| Public telephones                 | <b>312,192</b>     | 339,929     | <b>312,192</b>     | 339,929     |
| Data transmission                 | <b>2,867,823</b>   | 2,486,797   | <b>3,178,524</b>   | 2,734,382   |
| Network access                    | <b>394,743</b>     | 309,693     | <b>369,525</b>     | 285,749     |
| TV Service (i)                    | -                  | -           | <b>448,612</b>     | 244,464     |
| Others (i)                        | <b>470,352</b>     | 436,559     | <b>864,156</b>     | 799,887     |
| Gross operating revenue           | <b>16,093,851</b>  | 16,200,799  | <b>17,433,892</b>  | 17,064,523  |
| Taxes on gross revenue            | <b>(3,992,828)</b> | (4,147,103) | <b>(4,382,082)</b> | (4,446,465) |
| ICMS (State VAT)                  | <b>(3,409,598)</b> | (3,544,216) | <b>(3,654,101)</b> | (3,739,028) |
| PIS and COFINS (taxes on revenue) | <b>(563,694)</b>   | (581,845)   | <b>(696,970)</b>   | (675,6630)  |
| ISS (Municipal service tax)       | <b>(19,536)</b>    | (21,042)    | <b>(31,011)</b>    | (31,774)    |
| Discounts                         | <b>(1,383,072)</b> | (993,4290)  | <b>(1,247,096)</b> | (763,354)   |
| Net operating revenue             | <b>10,717,951</b>  | 11,060,267  | <b>11,804,714</b>  | 11,854,704  |

(i) For a better presentation of Operating Revenue to the market and regulatory agency, ANATEL, the Company made reclassifications to the amounts as of September 2008. The main reclassifications were made between the items Monthly subscription charges, Local service, TV Service and Others.

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Revenues from lease operations are recorded as Others under Gross operating revenue.

Tariff adjustments affecting reported revenues

Tariff adjustment for wireline to wireline services effective as of July 24, 2008. Tariffs increased by 3.01% for Local and National Long Distance (LDN) services. Local network tariffs (TU-RL) also increased by 3.01% as of July 24, 2008.

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**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***21. Net operating revenue (Continued)**

Tariff adjustment of 3.01% for wireline to mobile services (VC1, VC2 and VC3), also is effective as of July 24, 2008. Local network tariffs (VUM) also increased by 2.06% as of July 24, 2008.

Tariff adjustment for wireline to wireline services effective as of September 16, 2009.

Tariff increased by 0.98% for local services and national long distance (LDN).

**22. Cost of services provided**

|                               | Company     |              | Consolidated |              |
|-------------------------------|-------------|--------------|--------------|--------------|
|                               | Sep/2009    | Sep/2008     | Sep/2009     | Sep/2008     |
| Depreciation and amortization | (1,570,852) | (1,677,875 ) | (1,710,015)  | (1,773,831 ) |
| Personnel                     | (113,420)   | (142,368 )   | (134,9100)   | (170,783 )   |
| Materials                     | (20,860)    | (22,424 )    | (108,422)    | (116,940 )   |
| Network interconnection       | (2,871,215) | (2,811,318 ) | (3,064,436)  | (2,845,696 ) |
| Outsourced services           | (1,140,421) | (931,556 )   | (1,408,112)  | (1,100,782 ) |
| Others                        | (316,377)   | (307,598 )   | (453,183)    | (422,175 )   |
| Total                         | (6,033,145) | (5,893,139 ) | (6,879,078)  | (6,430,207 ) |

**23. Selling expenses**

|                                 | Company     |              | Consolidated |              |
|---------------------------------|-------------|--------------|--------------|--------------|
|                                 | Sep/ 2009   | Sep/ 2008    | Sep/ 2009    | Sep/ 2008    |
| Depreciation and amortization   | (108,728)   | (115,980 )   | (108,947)    | (116,183 )   |
| Personnel                       | (259,153)   | (262,604 )   | (273,265)    | (277,443 )   |
| Materials                       | (34,902)    | (46,703 )    | (35,767)     | (46,922 )    |
| Outsourced services             | (935,013)   | (1,014,100 ) | (997,095)    | (1,019,453 ) |
| Allowance for doubtful accounts | (330,177)   | (349,858 )   | (443,626)    | (395,678 )   |
| Others                          | (19,604)    | (40,246 )    | (28,638)     | (82,893 )    |
| Total                           | (1,687,577) | (1,829,491 ) | (1,887,338)  | (1,938,572 ) |



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***24 . General and administrative expenses**

|                               | <b>Company</b>    |                 | <b>Consolidated</b> |                 |
|-------------------------------|-------------------|-----------------|---------------------|-----------------|
|                               | <b>Sep/2009</b>   | <b>Sep/2008</b> | <b>Sep/2009</b>     | <b>Sep/2008</b> |
| Depreciation and amortization | <b>(58,531)</b>   | (63,543)        | <b>(81,357)</b>     | (80,429)        |
| Personnel                     | <b>(130,9420)</b> | (116,124)       | <b>(133,244)</b>    | (121,494)       |
| Materials                     | <b>(5,641)</b>    | (6,578)         | <b>(5,697)</b>      | (6,778)         |
| Outsourced services           | <b>(256,657)</b>  | (238,152)       | <b>(209,406)</b>    | (294,505)       |
| Others                        | <b>(61,5500)</b>  | (32,162)        | <b>(71,123)</b>     | (58,501)        |
| <b>Total</b>                  | <b>(513,321)</b>  | (456,559)       | <b>(500,827)</b>    | (561,707)       |

**25. Permanent asset disposal, net**

|   | <b>Company</b>  |                 | <b>Consolidated</b> |                 |
|---|-----------------|-----------------|---------------------|-----------------|
|   | <b>Sep/2009</b> | <b>Sep/2008</b> | <b>Sep/2009</b>     | <b>Sep/2008</b> |
| Proceeds from sale of property, plant and equipment | <b>3,110</b>    | 7,184           | <b>3,495</b>        | 11,969          |
| Cost of sale of property, plant and equipment       | <b>(11,989)</b> | (33,879)        | <b>(23,989)</b>     | (51,822)        |
| <b>Total</b>  | <b>(8,879)</b>  | (26,695)        | <b>(20,494)</b>     | (39,853)        |

**26. Other operating income(expenses) , net**

|                                       | <b>Company</b>  |                | <b>Consolidated</b> |                  |
|---------------------------------------|-----------------|----------------|---------------------|------------------|
|                                       | <b>Sep/2009</b> | <b>Sep2008</b> | <b>Sep/ 2009</b>    | <b>Sep/ 2008</b> |
| Income                                | <b>572,168</b>  | 379,967        | <b>594,381</b>      | 400,028          |
| Technical and administrative services | <b>33,844</b>   | 37,661         | <b>28,362</b>       | 33,850           |
| Income from Supplies                  | <b>14,803</b>   | 15,063         | <b>26,901</b>       | 18,152           |
| Dividends                             | <b>16,199</b>   | 25,430         | <b>20,343</b>       | 29,599           |

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|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| Fines on telecommunication services                    | <b>107,199</b>   | 114,463   | <b>109,621</b>   | 123,535   |
| Recovered expenses                                     | <b>83,007</b>    | 20,746    | <b>85,689</b>    | 21,756    |
| Reversal of provision for contingencies (a)            | <b>263,498</b>   | 51,968    | <b>265,198</b>   | 53,735    |
| Rent of infrastructure                                 | <b>35,412</b>    | 38,379    | <b>35,412</b>    | 38,379    |
| Amortization of negative goodwill Company AIX          | -                | 6,551     | -                | 6,551     |
| Other income   | <b>18,206</b>    | 69,706    | <b>22,855</b>    | 74,471    |
| <br>   |                  |           |                  |           |
| Expenses   | <b>(425,043)</b> | (477,619) | <b>(563,618)</b> | (540,712) |
| Allowance for reduction to market value of inventories | <b>(6,914)</b>   | (3,531)   | <b>(22,786)</b>  | (4,387)   |
| Amortization of goodwill                               | -                | (94,819)  | -                | (94,819)  |
| Donations and sponsorships                             | <b>(22,178)</b>  | (15,544)  | <b>(22,387)</b>  | (15,647)  |
| Taxes other than income taxes                          | <b>(185,147)</b> | (201,349) | <b>(225,387)</b> | (241,031) |
| Provision for contingencies (a)                        | <b>(192,181)</b> | (142,524) | <b>(196,379)</b> | (144,167) |
| Other expenses   | <b>(18,623)</b>  | (19,852)  | <b>(96,679)</b>  | (40,661)  |
| <br>   |                  |           |                  |           |
| Total  | <b>147,125</b>   | (97,652 ) | <b>30,763</b>    | (140,684) |

(a) As from the 2nd quarter of 2009, the Company management adopts estimates made based on the historical average of payments relating to mass claims processes to set up provision for contingencies, causing the reversal of labor claims of R\$158,478 and supplementation of provision for civil suits of R\$49,474 in the 2nd quarter of 2009. Furthermore, in September 2009, tax suits were reversed in the amount of R\$44,418.

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***27. Financial income (expenses)**

|   | Company          |           | Consolidated     |           |
|---|------------------|-----------|------------------|-----------|
|   | Sep/2009         | Sep/2008  | Sep/2009         | Sep/2008  |
|   | <b>311,180</b>   | 573,161   | <b>369,185</b>   | 599,767   |
| Financial income                        |                  |           |                  |           |
| Income from short-term investments      | <b>116,774</b>   | 82,188    | <b>129,090</b>   | 88,535    |
| Gains on derivative transactions        | <b>52,098</b>    | 384,745   | <b>65,759</b>    | 392,415   |
| Interests receivable                    | <b>24,029</b>    | 30,792    | <b>28,208</b>    | 33,443    |
| Monetary/exchange variations Receivable | <b>116,158</b>   | 72,096    | <b>126,384</b>   | 72,167    |
| Others                                  | <b>2,121</b>     | 3,340     | <b>19,744</b>    | 13,207    |
| Financial expenses                      | <b>(491,342)</b> | (753,798) | <b>(512,626)</b> | (783,821) |
| Interests Payable                       | <b>(340,459)</b> | (299,039) | <b>(343,971)</b> | (305,806) |
| Losses on derivative transactions       | <b>(106,761)</b> | (383,980) | <b>(122,432)</b> | (390,864) |
| Expenses on financial transactions      | <b>(15,481)</b>  | (11,842)  | <b>(23,984)</b>  | (23,492)  |
| Monetary/exchange variations Payable    | <b>(28,641)</b>  | (58,937)  | <b>(22,239)</b>  | (63,659)  |
| Total                                   | <b>(180,162)</b> | (180,637) | <b>(143,441)</b> | (184,054) |

**28. Income and social contribution taxes**

The Company recognizes income tax and social contribution monthly on the accrual basis and pays the taxes on an estimated basis, in accordance with the trial balance for suspension or reduction. The taxes calculated on income until the month of the financial statements are recorded in liabilities or assets, as applicable. Reconciliation of reported income tax expense and combined statutory tax rates

The following table is a reconciliation of the reported tax charges presented in the profit and loss and the amounts calculated applying 34% (income tax of 25% and social contribution of 9%) in September, 2009 and 2008:

|                     | Company          |           | Consolidated     |           |
|---------------------|------------------|-----------|------------------|-----------|
|                     | Sep/2009         | Sep/2008  | Sep/ 2009        | Sep/ 2009 |
| Income before taxes | <b>2,352,996</b> | 2,537,405 | <b>2,417,145</b> | 2,565,611 |

Income tax and Social contribution



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|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
| Income tax and Social contribution tax expense                   | <b>(800,018)</b> | (862,718) | <b>(821,829)</b> | (872,308) |
| Permanent differences  |                  |           |                  |           |
| Equity method  | <b>(30,259)</b>  | (13,154)  | <b>4,368</b>     | 2,035     |
| Unrecognized subsidiaries temporary differences                  | -                | -         | <b>(66,206)</b>  | -         |
| Goodwill on Acquisition of companies                             | -                | (14,145)  | -                | (14,145)  |
| Nondeductible expenses, gifts, incentives and dividends received | <b>(30,857)</b>  | (29,423)  | <b>(41,596)</b>  | (63,242)  |
| Interest on shareholders equity expense I                        | <b>136,000</b>   | 68,000    | <b>136,000</b>   | 68,000    |
| Other itens  |                  |           |                  |           |
| Incentives (cultural, food and transportation)                   | <b>293</b>       | 9,713     | <b>303</b>       | 9,727     |
| Total (income tax + social contribution)                         | <b>(724,841)</b> | (841,727) | <b>(788,990)</b> | (869,933) |

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***28. Income and social contribution taxes (Continued)**Reconciliation of reported income tax expense and combined statutory tax rates (Continued)

The components of deferred income and social contribution tax assets and liabilities are shown in Notes 6 and 15, respectively.

Total income and social contribution taxes payable at September 30, 2009, individual and consolidated amounts respectively to R\$594,346 and R\$658,790.

**29. Transactions with related parties**

The principal balances with related parties are as follows:

|  | <b>Consolidated</b> |                 |
|--|---------------------|-----------------|
|  | <b>Sep/2009</b>     | <b>Jun/2009</b> |
| Assets   |                     |                 |
| Current assets                                 | <b>409,170</b>      | 402,422         |
| Trade accounts receivable                      | <b>291,674</b>      | 287,907         |
| Intercompany receivables                       | <b>117,496</b>      | 114,515         |
| Non-current assets                             | <b>25,678</b>       | 29,443          |
| Intercompany receivables                       | <b>25,678</b>       | 29,443          |
| Total assets                                   | <b>434,848</b>      | 431,865         |
| Liabilities                                    |                     |                 |
| Current liabilities                            | <b>803,612</b>      | 364,677         |
| Trade accounts payable                         | <b>452,244</b>      | 316,261         |
| Dividends and interest on shareholders' equity | <b>299,497</b>      | -               |
| Intercompany payables                          | <b>51,871</b>       | 48,416          |
| Non-current liabilities                        | <b>31,945</b>       | 23,903          |
| Intercompany payables                          | <b>31,945</b>       | 23,903          |
| Total Liabilities                              | <b>835,557</b>      | 388,580         |



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***29. Transactions with related parties (Continued)**

|                             | <b>Consolidated</b> |                 |
|-----------------------------|---------------------|-----------------|
|                             | <b>Sep/2009</b>     | <b>Sep/2008</b> |
| Statement of income         |                     |                 |
| Revenues                    | <b>276,749</b>      | 281,799         |
| Telecommunications services | <b>267,819</b>      | 249,558         |
| Financial income            | <b>5,019</b>        | 83              |
| Other operating income      | <b>3,911</b>        | 32,158          |
| Costs and expenses          | <b>(2,203,420)</b>  | (1,976,453)     |
| Cost of services provided   | <b>(1,771,190)</b>  | (1,610,381)     |
| Selling                     | <b>(354,716)</b>    | (274,391)       |
| General and administrative  | <b>(62,946)</b>     | (91,562)        |
| Financial Expenses          | <b>(14,568)</b>     | (119)           |

Transactions with related parties were carried out at arm's length.

Trade accounts receivable include receivables for telecommunications services, principally Vivo S.A., Atento Brasil S.A., Terra Networks Brasil S.A. and Telefónica de España S.A., particularly for long-distance services and Tiws Brasil Ltda, due the contract of rendering services of rights of use of undersea fiber optic.

Other intercompany receivables in current and non-current assets comprise credits from Telefónica Internacional S.A., Telefônica Serviços Empresariais do Brasil Ltda., Telefônica Del Peru and other group companies, corresponding to services rendered, advisory fees, expenses with salaries and other expenses paid by the Company to be refunded by the related companies.

Trade accounts payable include services provided primarily by Atento Brasil S.A., Vivo S.A., TIWS Brasil, Terra Networks Brasil S.A., Telefônica Pesquisa e Desenvolvimento do Brasil Ltda., and for international long-distance services provided principally by Telefónica de España S.A. We also highlight the rendering of administrative services in the accounting, financial, human resources, property, logistics and IT areas payable to Telefônica Serviços Empresariais do Brasil Ltda.

Other intercompany payables in current and non-current liabilities are comprised mainly of management and technical services payable to Telefónica Internacional S.A., software development and maintenance services payable to Telefônica Pesquisa e Desenvolvimento do Brasil Ltda., and reimbursements payable to Telefônica Serviços Empresariais do Brasil Ltda.

Revenue from telecommunications services comprises mainly billings to Vivo S.A., Terra Networks Brasil S.A. and Atento Brasil S.A.

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 29. Transactions with related parties (Continued)

Other operating revenues are basically from network infrastructure leased to Vivo S.A. and Atento Brasil S.A.

Cost of services provided refers mainly to interconnection and traffic services (mobile terminal) expenses, provided by Vivo S.A. and subsidiaries, call center management services provided by Atento Brasil S.A.

Selling expenses refer mainly to marketing services provided by Atento Brasil S.A. and commissions paid to cellular telephone operators with Vivo S.A.

General and administrative expenses refer to administrative management services provided by Telefônica Serviços Empresariais do Brasil Ltda, and management and technical services payable to Telefônica Internacional S.A.

### 30. Post-retirement benefit plans

The Company maintains the same post-employment benefit plans disclosed in the latest annual financial statements.

On September of 2009, the Company made contributions to the PBS Telesp Plan in the amount of R\$17 (R\$ 20 in the same period of 2008) and to Visão Telesp Plan in the amount of R\$15.068 (R\$14.665 in the same period of 2008).

A. Telecom sponsors two private pension plans for defined contribution; namely, one similar to that of Telesp, denominated Visão Assist Benefits Plan, which is granted to approximately 30% of its employees and another, denominated Visão A. Telecom Benefits Plan, whose basic and additional contributions by sponsor correspond to 30% of basic and additional contribution by participants. The contributions of A. Telecom to these plans totaled R\$241 on September, 2009(R\$464 in the same period of 2008).

Telefonica Data S.A. individually sponsors a defined contribution plan similar to that of the Company, the Visão Telefônica Empresas Benefit Plan. The total contributions to this plan totaled R\$429 on September 30, 2009 (R\$ 464 in the same period of 2008).

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***30. Post-retirement benefit plans (Continued)**

The actuarial valuation of the plans was made in December 2008 and 2007 based on the record of plan members as of August 2008 and 2007, respectively, and the financial information as of October 31, 2008 was updated to December 31, 2008 and August 2007, respectively, and the projected unit credit method was adopted. Actuarial gains or losses for each year were immediately recognized in each of the periods. The plans assets are positioned on to October 31, 2008 updated for December 31, 2008 and December, 31 2007 respectively, where for multiemployer plans (PAMA and PBS-A), apportionment of the plan assets was made based on the sponsoring entity's actuarial liabilities in relation to the plans' total actuarial liabilities.

Actuarial liabilities recorded by the Company as of September 30, 2009 and June 30, 2009 are as follows:

| Plan               | Sep/ 2009 | Jun/ 2009 |
|--------------------|-----------|-----------|
| CTB                | 25,893    | 26,010    |
| PAMA               | 131,338   | 128,321   |
| Total consolidated | 157,231   | 154,331   |

The other plans sponsored by the Company and its subsidiaries record an actuarial surplus (PBS-A, PBS Telesp, Visão Telesp and Visão Telefônica Empresas) and are not recorded in accounting, with the latest actuarial valuation occurred in December 2008.

**31. Insurance**

The Company and its subsidiaries' policies as well as that of the Telefônica Group includes the maintenance of insurance coverage for all assets and liabilities involving significant amounts and high risks based on management's judgment and following Telefônica S.A.'s corporate program guidelines.

The Company and its subsidiaries' management understand that the insurance taken out is sufficient to cover any losses. The major insured assets, liabilities or interests and the related amounts are shown below:

| Type  | Insurance coverage |
|---|--------------------|
| Operational risks (with loss of profits) Optional civil responsibility vehicles | US\$11,009,916 mil |
| ANATEL guarantee insurance  | R\$1,000           |
|   | R\$12,404.5        |

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments**

The table below shows a breakdown of financial assets and liabilities as of September 30, 2009.

| <b>Financial assets</b>                 | <b>Measured at<br/>fair value<br/>through profit<br/>or loss</b> | <b>Available<br/>for sale</b> | <b>Amortized<br/>cost</b> | <b>Total book<br/>value</b> | <b>Total<br/>fair value</b> |
|---|--|-------------------------------|---------------------------|-----------------------------|-----------------------------|
| Current assets                          |  |                               |                           |                             |                             |
| Cash and cash equivalents (Note 4)      | 5,776  | -                             | -                         | 5,776                       | 5,776                       |
| Short-term investments (Note 4)         | 1,541,929  | -                             | -                         | 1,541,929                   | 1,541,929                   |
| Derivatives                             | 805  | -                             | -                         | 805                         | 805                         |
| Noncurrent assets                       |  |                               |                           |                             |                             |
| Interests in other companies            | -  | 257,355                       | -                         | 257,355                     | 257,355                     |
| Amounts linked to the National Treasury | -  | -                             | 11,888                    | 11,888                      | 11,888                      |
| Total financial assets                  | 1,548,510  | 257,355                       | 11,888                    | 1,817,753                   | 1,817,753                   |

**Consolidated**

| <b>Financial liabilities</b>  | <b>Measured at<br/>fair value<br/>through profit<br/>or loss</b> | <b>Amortized<br/>cost</b> | <b>Hedge</b> | <b>Total book<br/>value</b> | <b>Total fair<br/>value</b> |
|-------------------------------|--|---------------------------|--------------|-----------------------------|-----------------------------|
| Current liabilities           |  |                           |              |                             |                             |
| Loans and financing (Note 13) | 5,670  | 141,862                   | -            | 147,532                     | 147,532                     |
| Debentures (Note 14)          | -  | 1,510,297                 | -            | 1,510,297                   | 1,510,297                   |
| Derivatives                   | 53   | -                         | 8,034        | 8,087                       | 8,087                       |
| Noncurrent liabilities        |  |                           |              |                             |                             |
| Loans and financing (Note 13) | 17,644   | 1,713,178                 | -            | 1,730,822                   | 1,730,822                   |
| Derivatives                   | -  | -                         | 22,210       | 22,210                      | 22,210                      |

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|                             |        |           |        |           |           |
|-----------------------------|--------|-----------|--------|-----------|-----------|
| Total financial liabilities | 23,367 | 3,365,337 | 30,244 | 3,418,948 | 3,418,948 |
|-----------------------------|--------|-----------|--------|-----------|-----------|

The Company and its subsidiaries made a valuation of their financial assets and liabilities in relation to market values based on available information and appropriate valuation methodologies. However, the interpretation of market information as well as the selection of methodologies requires considerable judgment and reasonable estimates in order to produce adequate realizable values. As a result the estimates presented do not necessarily indicate the amounts which might be realized in the current market. The use of different market approaches and/or methodologies may have a significant effect on the estimated realizable values.



**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments** (Continued)Interests in other companies

The Company has direct and indirect interests in other companies resulting from the privatization process. These investments, measured at market value, consider the latest quotation available in September 30, 2009 and June 30, 2009.

The table below shows the composition of investments in other companies at market value as of September 30, 2009 and June 30, 2009

|                   | % Partic. | Consolidated<br>Sep/2009 | Jun/2009 |
|-------------------|-----------|--------------------------|----------|
| Portugal Telecom  | 1.21      | <b>200,729</b>           | 203,582  |
| Zon Multimédia    | 0.52      | <b>19,494</b>            | 16,807   |
| Other Investments |           | <b>37,132</b>            | 34,778   |
| Total             |           | <b>257,355</b>           | 255,167  |

## Risk management policy

The Company is exposed to many market risks as a result of its commercial operation and financial instruments related to its financial investments, debts obtained to finance its activities and derivative instruments for hedging its indebtedness.

The principal market risk factors that affect the Company's business are detailed below:

a) *Exchange rate risk*

This risk arises from the possibility that the Company may incur losses due to exchange rate fluctuations which would increase the balances of loans financing and purchase commitments denominated in foreign currency and the related financial expenses. In order to minimize the risk of financial liabilities in foreign currency, the Company enters into hedge contracts (swaps) with financial institutions.

The Company's indebtedness (R\$23,314 on September 30, 2009) and the purchase commitment liabilities (R\$3,289 on September 30, 2009) denominated in foreign currency are significantly affected by the foreign exchange rate risk. As of September 30, 2009, 0.69% (2.95% on June 30, 2009) of the debt was denominated in foreign currency (U.S. dollar); the debt was covered by asset positions on currency hedge transactions (swaps for CDI).

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

### 32. Financial instruments (Continued)

Risk management policy (Continued)

#### b) *Interest rate risk*

This risk arises from the possibility that the Company may incur losses due to internal interest rate fluctuations which may affect negatively the financial results of the indebtedness (debentures) and the short positions of derivatives at floating interest rates to cover the risks of foreign currency-denominated debts.

Debt with BNDES is indexed to the TJLP (Long-term Interest Rate, set on a quarterly basis by the National Monetary Council), which remained at 6.25% p.a. from July 2007 to the end of June 2009. For the quarter beginning July 2009, the rate was reduced to 6% p.a., having a positive impact on this debt installment. Until the end of this quarter, the rate remained at 6% p.a..

In order to minimize its exposure to the local variable interest rate (CDI), the Company invests its excess cash, amounting to R\$1,541,929 (R\$925,638 at June 30, 2009), substantially in short-term investments (Bank Deposit Certificates) based on the CDI rate variation. The book values of these instruments approximate to its market values, since they may be redeemed in the short term.

As of September 30, 2009 the Company also contracted CDI + 0.35% of CDI percentage swap with identical flows of those of debentures (note 15).

In order to partially cover internal interest rate fluctuations in relation to debts exposed to CDI, the Company contracted short-term derivatives amounting to R\$14,000 (CDI x Fixed swap), which transform a portion of net indebtedness associated to the variable interest rate (CDI) into a fixed debt.

#### c) *Debt acceleration risk*

As of September 30, 2009, the Company s had one contract for loan and financing agreements containing restrictive clauses (covenants), typically applicable to such agreements, relating to cash generation, debt ratios and other restrictions. The Company has complied with these restrictive clauses in full, and all economic and financial rates expected in the contracts in force were met.

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

(A free translation of the original report issued in Portuguese)

### 32. Financial instruments (Continued)

Risk management policy (Continued)

#### d) *Credit risk*

This risk arises from the possibility that the Company may incur losses due to the difficulty in receiving amounts billed to its customers. The credit risk on accounts receivable is dispersed. The Company constantly monitors the level of accounts receivable and limits the risk of past-due accounts, interrupting access to telephone lines in case the customer does not pay the related bills in 30 days. Exceptions are made for telecommunication services that must be maintained for security or national defense reasons.

As of September 30, 2009, the Company's customer portfolio had no subscribers whose receivables were individually higher than 1% of the total accounts receivable from services.

The Company is also subject to credit risk related to temporary cash investments and receivables from swap transactions. The Company reduces this exposure by dispersing it among first line financial institutions.

#### e) *Derivatives*

All the Company's derivative instruments have the objective of providing hedge against the risk of variation in foreign exchange and interest rates arising from financial debts, according to the company's risk management policy. As such, any changes in risk factors generate an opposite effect on the hedged end. There are no derivative instruments for speculative purposes and liabilities in foreign exchange are hedged.

The Company has internal controls over its derivative instruments, which, according to management, are adequate to control the risks associated with each market strategy. The Company's results derived from its derivative financial instruments indicate that the risks have been adequately managed.

The Company and its subsidiaries calculate the effectiveness of these hedges in the beginning and on a continuous basis (quarterly), and hedges contracted at September 30, 2009 were considered effective in relation to debts of such coverage. As long as these derivative contracts are considered as hedge accounting according to CPC 14, the hedged debt is also adjusted to fair value in accordance with fair value hedge rules.

**Telecomunicações de São Paulo S.A. - TELESP**

Notes to quarterly information (Continued) September 30, 2009 (In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments (Continued)**Fair value of derivative financial instruments

The discounted cash flow method was used to determine the market value of financial liabilities (when applicable) and derivative instruments (currency and interest rate swap), considering expected settlement or realization of assets and liabilities at the market rates prevailing at balance sheet date.

Fair values are calculated by projecting future operating flows, using BM&F Bovespa curves, and discounting to present value through market DI rates for swaps, as informed by BM&F Bovespa.

The market values of currency coupon swaps vs. CDI were obtained through market currency rates in force at the balance sheet date and projected market rates were obtained from currency coupon curves. The coupon for positions indexed to foreign currencies was determined using the 360-calendar-day straight-line convention; the coupon for positions indexed to CDI was determined using the 252-workday exponential convention.

The consolidated derivative financial instruments shown below are registered with CETIP, being all of them classified as swaps and do not require margin deposits.

| Description          | Index            | Notional value   |           | Fair value       |           | 3 <sup>rd</sup> Quarter Effect     |                             |
|----------------------|------------------|------------------|-----------|------------------|-----------|------------------------------------|-----------------------------|
|                      |                  | Sep/2009         | Jun/2009  | Sep/2009         | Jun/2009  | Amount receivable / (received) (*) | Amount payable / (paid) (*) |
| Swap Contracts       |                  |                  |           |                  |           |                                    |                             |
| Assets               |                  |                  |           |                  |           |                                    |                             |
| Foreign Currency     |                  |                  |           |                  |           |                                    |                             |
| (a)                  |                  | <b>26,351</b>    | 118,167   | <b>23,317</b>    | 97,861    | -                                  |                             |
| Banco do Brasil      | JPY              | -                | 14,500    | -                | 19,110    | -                                  | -                           |
| BES                  | USD              | <b>3,155</b>     | 3,155     | <b>2,740</b>     | 2,975     | -                                  | -                           |
| Citibank             | JPY              | -                | 73,676    | -                | 50,676    | -                                  | -                           |
| Votorantim           | USD              | <b>23,196</b>    | 26,836    | <b>20,577</b>    | 25,100    | -                                  | -                           |
| Variable rates (CDI) |                  |                  |           |                  |           |                                    |                             |
| (b)                  |                  | <b>1,500,000</b> | 1,500,000 | <b>1,514,973</b> | 1,517,100 | 805                                | -                           |
| Banco do Brasil      | CDI + fixed rate | <b>500,000</b>   | 500,000   | <b>504,991</b>   | 505,700   | 286                                | -                           |
| Citibank             | CDI + fixed rate | <b>400,000</b>   | 400,000   | <b>403,993</b>   | 404,560   | 200                                | -                           |
| HSBC                 | CDI + fixed rate | <b>400,000</b>   | 400,000   | <b>403,993</b>   | 404,560   | 210                                | -                           |

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|                    |                     |                |         |                |         |     |   |
|--------------------|---------------------|----------------|---------|----------------|---------|-----|---|
| Votorantim         | CDI + fixed<br>rate | <b>200,000</b> | 200,000 | <b>201,996</b> | 202,280 | 109 | - |
| Variable rates (c) |                     | <b>14,000</b>  | 14,000  | <b>14,497</b>  | 14,187  | -   | - |
| Banco do Brasil    | CDI                 | <b>14,000</b>  | 14,000  | <b>14,497</b>  | 14,187  | -   | - |

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments (Continued)**

Fair value of derivative financial instruments (Continued)

| Description        | Index      | Notional value     |             | Fair value         |             | 3 <sup>rd</sup> Quarter Effect              |                                   |
|--------------------|------------|--------------------|-------------|--------------------|-------------|---|-----------------------------------|
|                    |            | Sep/2009           | Jun/2009    | Sep/2009           | Jun/2009    | Amount<br>receivable /<br>(received)<br>(*) | Amount<br>payable /<br>(paid) (*) |
| Liabilities        |            |                    |             |                    |             |   |                                   |
| Variable rates (a) |            | <b>(26,351)</b>    | (118,167)   | <b>(53,562)</b>    | (151,846)   | -   | (30.245)                          |
| Banco do Brasil    | CDI        | -                  | (14,500)    | -                  | (17,781)    | -   | -                                 |
| BES                | CDI        | <b>(3,155)</b>     | (3,155)     | <b>(6,413)</b>     | (6,276)     | -   | (3.673)                           |
| Citibank           | CDI        | -                  | (73,676)    | -                  | (74,406)    | -   | -                                 |
| Votorantim         | CDI        | <b>(23,196)</b>    | (26,836)    | <b>(47,149)</b>    | (53,383)    | -   | (26.572)                          |
| Variable rates (b) |            | <b>(1,500,000)</b> | (1,500,000) | <b>(1,514,168)</b> | (1,516,134) | -   | -                                 |
| Banco do Brasil    | CDI        | <b>(500,000)</b>   | (500,000)   | <b>(504,705)</b>   | (505,356)   | -   | -                                 |
| Citibank           | CDI        | <b>(400,000)</b>   | (400,000)   | <b>(403,793)</b>   | (404,321)   | -   | -                                 |
| HSBC               | CDI        | <b>(400,000)</b>   | (400,000)   | <b>(403,783)</b>   | (404,308)   | -   | -                                 |
| Votorantim         | CDI        | <b>(200,000)</b>   | (200,000)   | <b>(201,887)</b>   | (202,149)   | -   | -                                 |
| Fixed rates        |            | <b>(14,000)</b>    | (14,000)    | <b>(14,549)</b>    | (14,232)    | -   | (53)                              |
| Banco do Brasil    | fixed rate | <b>(14,000)</b>    | (14,000)    | <b>(14,549)</b>    | (14,232)    | -   | (53)                              |
| Total recognized   |            |                    |             |                    |             | 805   | (30,298)                          |

The operations were entered into considering market rates indexed to the CDI (liability position), while the asset position is based on the same rates applicable to its obligations.

a) *Swaps of foreign currency x CDI (R\$23,317)* swap operations with several maturities until 2014, with the objective of hedging foreign exchange variation for loans with these characteristics (debt fair value of R\$23,314).

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b) *Swap CDI + 0.35% x CDI percentage (R\$1,514,973)* contracted swap operations maturing until 2010 with identical flow as of debentures (Note 14), to cover the risk of fixed spread (0.35%) (fair value of debentures, excluding premium of R\$1,514,973).

c) *CDI x Fixed swap transactions (R\$14,497)* swap transactions maturing in January 2010 contracted to cover partially internal interest rate fluctuations in relation to foreign exchange payables relating to derivatives exposed to the CDI. The Company also has natural hedges in the form of short-term investments based on the CDI variation (R\$1,541,929 at September 30, 2009). The book value of such investments approximates to their market values, as they are redeemable in the short term.

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments (Continued)**Fair value of derivative financial instruments (Continued)The aging list of *swap* contracts as of September 30, 2009 is as follows:

| <b>Swap contracts</b>  | <b>Maturity</b> |             |             |                   | <b>Amount payable/<br/>receivable<br/>09/30/2009</b> |
|------------------------|-----------------|-------------|-------------|-------------------|--|
|                        | <b>2009</b>     | <b>2010</b> | <b>2011</b> | <b>2012 ahead</b> |  |
| Foreign Currency x CDI | -               | (8,035)     | (7,140)     | (15,070)          | (30,245)   |
| BES                    | -               | -           | (3,673)     | -                 | (3,673)  |
| VOTORANTIM             | -               | (8,035)     | (3,467)     | (15,070)          | (26,572)   |
| CDI+Spread x CDI       | 290             | 515         | -           | -                 | 805  |
| BANCO DO BRASIL        | 101             | 185         | -           | -                 | 286  |
| CITIBANK               | 74              | 126         | -           | -                 | 200  |
| HSBC                   | 76              | 134         | -           | -                 | 210  |
| VOTORANTIM             | 39              | 70          | -           | -                 | 109  |
| CDI + fixed rate       | -               | (53)        | -           | -                 | (53)   |
| BANCO DO BRASIL        | -               | (53)        | -           | -                 | (53)   |
| Total                  | 290             | (7,573)     | (7,140)     | (15,070)          | (29,493)   |

For reporting purposes, the Company adopted the hedge accounting method for all of its derivatives. Under this methodology, both the derivative and the hedged item are measured at fair value. Only the derivative associated with the debentures was not considered pursuant to this methodology.

For the period ended September 30, 2009, derivative operations generated a net consolidated loss of R\$56,673 (note 27). At September 30, 2009, 100.00% of the Company's foreign currency denominated debt was covered by asset positions on currency hedge transactions (swaps for CDI), which generated a net consolidated loss of R\$58,204. The Company also has operations involving swap CDI + spread vs. %CDI, in the principal amount of R\$1,500,000, to cover fixed debentures spread, which generated gains of R\$1,584 and CDI x Fixed swap transactions, which led to a consolidated net negative result of R\$53 for the period ended September 30, 2009.



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At September 30, 2009, the balance of R\$805 is recorded as assets and R\$30,298 as liabilities, recognizing the position of derivatives as of that date.

Gains and losses for the period ended September 30, 2009, grouped by contracts, were posted to profit and loss accounts (Note 27), as required by CVM Instruction No. 475/08.

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## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 32. Financial instruments (Continued)

#### Sensitivity analysis of the company's risk variables

CVM Instruction requires listed companies to disclose, in addition to the provisions of item 59 of CPC Technical Pronouncement No 14 - Financial Instruments: Recognition, Measurement and Disclosure, a table showing the sensitivity analysis of each type of market risk inherent in financial instruments considered relevant by management and to which the company is exposed at the closing date of each reporting period, including all operations involving derivative financial instruments.

In compliance with the foregoing, all the operations involving derivative financial instruments were evaluated considering a probable scenario and two scenarios that may adversely impact the Company.

Under the probable scenario, the projected realization of derivative financial instruments considered the future market curves (currency and interest) of BM&F Bovespa upon maturity of each operation. In this context, the probable scenario does not produce impacts on the fair value of financial instruments reported in the financial statements. The two unfavorable scenarios considered 25% and 50% decreases, respectively, for the risk variables upon maturity of the financial instruments.

Considering that the Company has derivative instruments only to cover its financial debt, the changes in scenarios offset by changes the related hedged items, thus indicating that the effects are practically null. For these operations, the Company reported the fair value of the hedged item (debt) and of the hedge derivative financial instrument on separate rows in the sensitivity analysis table in order to provide information on the Company's net exposure for each of the three mentioned scenarios, as shown below:

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Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)***32. Financial instruments (Continued)**

Sensitivity analysis Net exposure

| Operation                       | Risk                               | Probable    | 25% Decrease | 50% Decrease |
|---------------------------------|------------------------------------|-------------|--------------|--------------|
| Hedge (long position)           | Derivatives (risk of USD decrease) | 23,317      | 29,680       | 36.280       |
| USD-denominated debt            | Debts (risk of USD increase)       | (23,314)    | (29,677)     | (36.277)     |
|                                 | Net Exposure                       | 3           | 3            | 3            |
| Hedge (long position)           | Derivatives (risk of CDI decrease) | 1,514,973   | 1,536,748    | 1.558.964    |
| Debentures (CDI)                | Debts (risk of CDI increase)       | (1,514,973) | (1,536,748)  | (1.558.964)  |
|                                 | Net Exposure                       | -           | -            | -            |
| Hedge (Long position)           | Derivatives (risk of CDI increase) | (1,567,730) | (1,593,355)  | (1.619.613)  |
| Hedge (Long position)           | Derivatives (risk of CDI decrease) | 14,497      | 14,571       | 14.572       |
|                                 | Net Exposure                       | (1,553,233) | (1,578,784)  | (1.605.041)  |
| Effect on changes in fair value |                                    |             | (25,551)     | (51,808)     |

Assumptions for analysis of sensitivity

| Risk variable | Probable | 25% Decrease | 50% Decrease |
|---------------|----------|--------------|--------------|
| USD           | 1.778    | 2.223        | 2.667        |
| CDI           | 8.59%    | 10.74%       | 12.89%       |

The net exposure in CDI shown in the sensitivity analysis does not reflect the Company's total exposure to the internal interest rate, considering that, as previously mentioned, the Company uses short-term investments based on the CDI rate variation as a partial natural hedge (R\$1,514,929 at September 30, 2009).

In order to derive the net exposure, all derivatives were considered at fair value, as well as their associated debts (hedged items).

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While the fair values shown in the table above are based on the status of the portfolio as of September 30, 2009, they do not reflect an estimated realization in view of the market dynamics, always monitored by the Company. The use of different assumptions may significantly impact estimates.

## Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

September 30, 2009

(In thousands of reais, unless otherwise stated)

*(A free translation of the original report issued in Portuguese)*

### 33. SUBSEQUENT EVENT

a. On October 7, 2009, Telesp Board of Directors approved the launching of a voluntary public offer for acquisition of up to 100% of the shares issued by GVT (Holding) S.A. for the price of R\$48.00 per share, with payment in cash. The transaction represents an investment totaling R\$6.5 billion, assuming the totality of shares will be acquired.

GVT is a telecommunications service provider actively engaged in Region II of the General Granting Plan, successfully carrying out its strategy to obtain high technology service consumers, with innovative and specially developed products.

Among other conditions usual to this type of offer, the voluntary public offer is subject to the following conditions, also described in the Notice for Voluntary Public Offer, submitted to the Brazilian Securities, Commodities and Futures Exchange (BM&FBOVESPA) on October 7, 2009:

(i) acquisition of a number of shares issued by the Company corresponding to 51% of the result of the addition of: (a) all shares issued by the Company; and (b) shares not issued and covered by the Share Option Plan.

(ii) relief from application of dispersion protection mechanisms relating to the shareholder base provided for GVT's articles of incorporation; and

(iii) approval by ANATEL of GVT's acquisition control without imposition of restrictions and conditions other than the ones usually adopted by ANATEL in prior cases, in the terms detailed in the Public Notice.

On October 8, 2009, Telesp filed a request with ANATEL for pre-approval of the transfer of shares acquired through the offering process. On October 19, 2009, BM&FBOVESPA communicated the Company its authorization to carry out the voluntary public offer auction of up to 100% of GVT shares in its trading system.

On November 4, 2009, Telesp increased the price of the Public Offer (PO) to R\$ 50.50 per share, based on results recorded by GVT in the third quarter of the current year. This increases total investment to approximately R\$6.9 billion. The purpose of such price increase was to corroborate the success of the PO, while showing Telesp's capacity and strengthening its intention of acquiring 100% of GVT shares.

b. Issue of promissory notes: on November 9, 2009, the Board of Directors approved the 2<sup>nd</sup> issue of Promissory Notes by the Company, for public distribution with restricted offer, pursuant to CVM Ruling No. 476, in the total amount of up to R\$6.0 billion, the funds of which will be used exclusively to settle payments that the Company could come to assume in the future as a final result of the auction referring to the Public Offer made on October 8,

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2009, proposed by the Company for acquisition of up to 100% of the shares of GVT capital. 600 Promissory Notes will be issued, at the nominal unit value of R\$10.0 million, for a one-year term, with no guarantee, to be placed by means of restricted efforts, pursuant to CVM Ruling No. 476, with intermediation of financial institutions that are part of the securities distribution system, under the firm commitment underwriting regime. Promissory Notes will bear interest equivalent to accumulated daily average rates of DI (Interbank Deposits) for one day, extra group, at the rate of 109%, considering a reduction of 2.0 p.p., to 107%, should the Company make a full or partial advance redemption in up to 90 days, or reduction of 1.0 p.p., to 108%, should the Company make a full or partial advance redemption between 91 and 180 days.

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Milton Shigueo Takarada

Contador

CRC - 1SP138816/O-8

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**Telecomunicações de São Paulo S.A. - TELESP**

Management comments on consolidated performance

(In millions of reais, unless otherwise stated)

*(A free translation of the original issued in Portuguese)*

September 30, 2009

|                                |               |               | <b>Variation</b> |            |
|--------------------------------|---------------|---------------|------------------|------------|
|                                | <b>Sep/09</b> | <b>Sep/08</b> | <b>%</b>         | <b>R\$</b> |
| Gross operating revenue        | 17,433.9      | 17,064.5      | 2.2              | 369.4      |
| Net operating revenue          | 11,804.7      | 11,854.7      | (0.4)            | (50.0)     |
| Cost of services provided      | (6,879.1)     | (6,430.2)     | 7.0              | (448.9)    |
| Financial income/expenses, net | (143.4)       | (184.0)       | (22.1)           | 40.6       |
| Operating income/expenses      | (2,365.0)     | (2,674.8)     | (11.6)           | 309.8      |
| Operating profit               | 2,417.2       | 2,565.0       | (5.8)            | (147.8)    |
| Net income for the period      | 1,628.2       | 1,695.7       | (4.0)            | (67.5)     |

**1.** Net operating revenue accumulated through September 2009 totaled R\$11,804.7 million, which, when compared to R\$11,854.7 million recorded in the same prior-year period, represented a decrease of R\$50.0 million, or 0.4%. Such changes are mainly due to the decrease in traditional revenues, such as interconnection services, public telephone and local services, the latter being justified by the fall in lines in service and sale of duo and trio (bundles) offering flat rates with unrestricted local calls and to higher discounts granted in the year, with the launching of new promotions. Such effects were offset against the increase in broadband and cable TV services, in addition to increase in revenue from network access, complete IT equipment solution (*Posto Informático*) and national long-distance services.

**2.** Cost of Services increased by R\$448.9, or 7.0%, resulting basically from customer services, TV content, maintenance of private terminals, in addition to expenses with lease of last-mile equipment with other operators and infrastructure and interconnection expenses, due to growth in traffic from mobile service by using 15 code (service provider selection code).

**3.** Financial expenses decreased by R\$40.6 million, or 22.1%, due to increase in income from short-term investments (CDB) and monetary variation gains (restatement of judicial deposits), the effects of which were partially offset against increase in expenses with interest payable to BNDES.

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Management comments on consolidated performance (Continued)

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| Financial Income/Expenses, Net<br>Quarterly comparison | Variation |         |           |        |
|--|-----------|---------|-----------|--------|
|  | Sep/09    | Sep/08  | %         | R\$    |
| Financial income/expenses                              | 129.1     | 88.5    | 45.8      | 40.6   |
| Hedge operations                                       | (56.7)    | 1.5     | (3,886.7) | (58.3) |
| IOF  | (2.4)     | (3.3)   | (27.3)    | 0.9    |
| Interest receivable                                    | 28.2      | 33.4    | (15.7)    | (5.2)  |
| Interest payable                                       | (343.9)   | (305.8) | 12.5      | (38.2) |
| Monetary/exchange variations                           | 104.1     | 8.5     | 1,124.7   | 95.6   |
| Other Financing Income (expense), Net                  | (1.8)     | (6.8)   | (73.5)    | 5.0    |
| Financial income/expenses, net                         | (143.4)   | (184.0) | 22.1      | 40.6   |

4. Operating income decreased 5.8% when compared to the same prior-year period. Part of this result is a consequence of reduction in net operating revenue arising from larger promotional discounts and from increase in interconnection service expenses, infrastructure rent expenses, customer service (except Telesales), in addition to expenses with purchase of content by Telefônica Sistemas de Televisão and access network maintenance/repair (ADSL access network).

**5. Physical Data (\*)**

Progress of the major physical data:

|                                | Unit      | Sep/ 09    | Sep/ 08    | Variation % |
|--------------------------------|-----------|------------|------------|-------------|
| Fixed lines in service         | Line      | 11,352,116 | 11,890,741 | (4.5)       |
| Local traffic                  |           |            |            |             |
| Minutes recorded               | Min. thou | 37,584,015 | 39,159,240 | (4.0)       |
| Exceeding minutes              | Min. thou | 16,484,454 | 21,716,006 | (24.1)      |
| Public telephones in operation | Equipment | 250,410    | 250,290    | (0.0)       |
| ADSL Speedy in operation       | Capacity  | 2,577,873  | 2,455,910  | 5.0         |
| Digital TV (DTH and MMDS)      | Users     | 508,212    | 424,974    | 19.6        |

(\*) Not reviewed by independent auditors





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Management comments on consolidated performance (Continued)

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### 6. Investments

The Company confirms the long-term commitment of the Telefonica Group in Brazil regarding both maintenance and socialization of traditional services and growth of new services, with better and more comprehensive customer services.

Up to September 30, 2009, the Company invested the consolidated amount of R\$1,403.6 million.

#### 6.1 Sale of lines (\*)

June 2009 ended with a total of 11,352,116 lines in service, of which 72.0% are residential clients, 14.2% are non-residential clients, 13.8% are companies and the remaining ones refer to lines for own use and public telephone sets.

#### 6.2 Public telephones (\*)

The Company maintains a public telephone plant with 250,410 units to meet the demands of the São Paulo state population and to continue meeting the determinations of the regulating agency.

(\*) Not reviewed by independent auditors.

### 7. Anatel

#### 7.1 Goals

The quality and universalization goals of the Fixed Switch Telephone Services (STFC) are available for monitoring by the Company, on the ANATEL website at [www.anatel.gov.br](http://www.anatel.gov.br).

#### 7.2 Concession agreement

The STFC concession agreement was extended on December 22, 2005 for a 20-year period, and may be amended on December 31, 2010, December 31, 2015 and December 31, 2020, thus enabling that ANATEL establish new conditions and new universalization and quality goals based on the conditions then prevailing.

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## Telecomunicações de São Paulo S.A. - TELESP

Management comments on consolidated performance (Continued)

(In millions of reais, unless otherwise stated)

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### 8. Tariff Adjustments

#### 8.1. 2009 and 2008 tariff adjustment

(a) Fixed-Fixed tariffs On September 11, 2009, by means of Rulings No. 5179 and 5180, ANATEL approved the STFC tariff adjustment, according to criteria set forth in Local and National Long-Distance Concession Agreements, effective as from November 16, 2009. Tariff increases added up to 0.98%.

(b) Tariff adjustment for Fixed-Fixed calls, effective as from July 24, 2009. Tariff increases were of 3.01% for Local and National Long-Distance services. The local network interconnection tariffs (TU-RL) also increased by 3,01% as from July 24, 2008.

(c) Tariff adjustment for Fixed-Mobile calls (VC1, VC2 and VC3) by 3.01%, effective as from July 24, 2008. Fixed-mobile network interconnection tariffs also increased by 2.06% as from July 24, 2008.

### 9. Number portability

In September 2008, the number portability process was commercially activated among providers that offer the same modality of service. Thus, clients of fixed and mobile telephone services may keep their current telephone number when switching operators or address, since the request is made to the same local area. Telesp, accordingly, directed increased efforts towards the fidelity plans and client retention, despite the number of portability requests not being significant to date. The number portability process was concluded in March 2009 in the country.

### 10. Message from Management

On June 22, 2009, ANATEL determined that Telesp temporarily suspend the sale of Speedy Services. ANATEL requested that the Company prepare, within 30 days, a plan to guarantee the use and availability of the Speedy Services, containing measures related to contingency planning, change management, implementation of network redundancy and critical systems, operational planning and corresponding schedule. On June 26, 2009, the Stability Plan was presented to the Agency, before the established date, with network stabilization measures involving improvement in the IP (Internet Protocol) network and DNS (Domain Name Server).

On July 17, 2009, Telesp informed the Agency about conclusion of the Stability Plan implementation. In addition, the Company carried out a complete reformulation of the customer service area, with training programs, new assessment model, in addition to increasing the number of attendants, ensuring a new relationship with the client. On August 27, 2009, after receiving a notice from the Agency, Telesp resumed the sale of

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Management comments on consolidated performance (Continued)

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Speedy Services, providing more security and reliability. As a result of such measure, the first four days accounted for a volume of calls 2.5 times higher than the historical average, an expressive improvement in the client satisfaction survey and a considerable reduction in the number of complaints.

### **11. Additional Information**

For further details on the Company's performance, please refer to the Press Release available at [www.telefonica.com.br](http://www.telefonica.com.br).

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SIGNATURE

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

**TELESP HOLDING COMPANY**

Date: December 16, 2009

By:

/s/ Norair Ferreira do Carmo

Name: Norair Ferreira do Carmo

Title: Investor Relations Director

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