

Vivo Participacoes S.A.
Form 20-F
April 10, 2006
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As filed with the Securities and Exchange Commission on April 7, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

OR

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

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-14493

VIVO PARTICIPAÇÕES S.A.

(Exact name of Registrant as specified in its charter)

VIVO Holding Company

(Translation of Registrant's name into English)

The Federative Republic of Brazil

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(Jurisdiction of incorporation or organization)

Av. Doutor Chucri Zaidan 860, 04583-110

São Paulo, SP, Brazil

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
Preferred Shares, without par value	New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing 1 preferred share	New York Stock Exchange

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

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

None

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

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares of each class as of December 31, 2005:

Title of Class	Number of Shares Outstanding
Common Stock	250,457,704
Preferred Stock	411,866,638

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

All references in this annual report to:

1xRTT are to 1x Radio Transmission Technology, the CDMA 2000 1x technology, which pursuant to the ITU (International Telecommunication Union) and in accordance with the IMT-2000 rules, is the 3G (third generation) technology;

ADRs are to the American Depositary Receipts evidencing our ADSs;

ADSs are to our American Depositary Shares, each representing 1 share of our non-voting preferred stock. On April 1, 2005, TCP approved a reverse stock split in which every 2,500 preferred shares were converted into one preferred share. There were no reverse splits of ADRs. Thus, there were no fractional ADRs resulting from the reverse split. Since May 4, 2005, each ADR represents one (1) preferred share;

AMPS are to Advanced Mobile Phone System, a radio interface technology for cellular networks based on spectral spreading of the radio signal and channel division in the frequency domain;

ANATEL are to *Agência Nacional de Telecomunicações ANATEL*, the Brazilian telecommunication regulatory agency;

BOVESPA are to the *Bolsa de Valores de São Paulo*, the São Paulo stock exchange;

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

Brazilian Corporate Law are to Law No. 6,404 of December, 1976, as amended by Law No. 9,457 of May 1997 and by Law No. 10,303 of October 2001;

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

CDMA are to Code Division Multiple Access, an aerial interface technology for cellular networks based on spectral spreading of the radio signal and channel division in the code domain;

CDMA 2000 1xEV-DO are to a 3G (third generation) access technology with data transmission speed of up to 2.4 megabytes per second;

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

CVM are to the *Comissão de Valores Mobiliários*, the Brazilian securities commission;

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

GSM are to the Global System for Mobile Communications, a service rendered by concession from ANATEL for a specific frequency range;

Net additions are to the total number of new customers acquired in the period minus the reduction in the number of customers;

NYSE are to the New York Stock Exchange;

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

SMC are to *Serviço Móvel Celular* (Mobile Cellular Service), a service rendered pursuant to a concession granted by ANATEL to provide mobile service in a specific frequency range;

SMP are to *Serviço Móvel Pessoal* (Personal Cellular Service), a service rendered pursuant to an authorization granted by ANATEL to provide mobile service in a specific frequency range;

SMS are to text messaging services for cellular handsets, which allow customers to send and receive alphanumeric messages;

TDMA are to Time Division Multiple Access, a radio interface technology for cellular networks based on spectral spreading of the radio signal and channel division in the time domain;

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Telebrás are to Telecomunicações Brasileiras S.A. Telebrás;

The Merger are to the merger of the Vivo Companies as discussed in Item 4 Information on the Company Merger of the Vivo Companies ;

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

Vivo, TCP, the Company, we, our and us are to *Vivo Participações S.A.* (formerly known as *Telesp Celular Participações*) and consolidated subsidiaries (unless the context otherwise requires);

Vivo brand are to the brand used in Brazil in the operations of the Vivo Companies, which together constitute the assets of the Brasilcel joint venture between *Portugal Telecom* and *Telefônica Móviles*;

Vivo Companies are to TCP (renamed *Vivo Participações S.A.*), TCO, TLE, TSD, and Celular CRT, collectively; and

WAP are to Wireless Application Protocol, an open and standardized protocol started in 1997, which allows access to Internet servers through specific equipment, a WAP Gateway at the carrier, and WAP browsers in customers' handsets.
TCP's subsidiaries and other entities formerly under common control of Brasilcel include:

TCP subsidiaries

Telesp Celular S.A., also referred to as Telesp Celular or TC;

Global Telecom S.A., also referred to as Global Telecom or GT; and

Tele Centro Oeste Celular Participações, or TCO, which includes TCO's B-Band subsidiary, NBT;
Entities formerly under common control of Brasilcel

Celular CRT Participações S.A. and its consolidated subsidiaries, or Celular CRT;

Tele Leste Celular Participações S.A. and its consolidated subsidiaries, or TLE; and

Tele Sudeste Celular Participações S.A. and its consolidated subsidiaries, or TSD;

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

PRESENTATION OF FINANCIAL INFORMATION

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Our consolidated financial statements as of December 31, 2005, 2004 and for the three years in the period ended December 31, 2005 have been prepared in accordance with the accounting practices adopted in Brazil, as prescribed by Brazilian Corporate Law, or the Brazilian GAAP Method, which differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Note 37 to our financial statements appearing elsewhere in this annual report describes the principal differences between the Brazilian Corporate Law Method and U.S. GAAP as they relate to us, and provides a reconciliation to U.S. GAAP of net loss and shareholders' equity. These consolidated financial statements have been audited by *Deloitte Touche Tohmatsu Auditores Independentes*.

Prior to 2003, we presented financial information in our annual report on Form 20-F using the price-level accounting methodology prescribed by the Brazilian Federal Accountancy Council. Beginning with the fiscal year ended December 31, 2003, we changed to the Brazilian Corporate Law Method because we do not primarily rely on price-level accounting in reporting to investors and regulatory authorities in Brazil. For consistency, we have presented all our financial information in this annual report, in accordance with the Brazilian Corporate Law Method. As a result, the financial information included in this annual report as of and for the year ended

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December 31, 2002 or for previous years is different from the information we presented in our annual report for the year ended December 31, 2002 or for previous years. See note 2 to our consolidated financial statements included herein.

Our consolidated financial statements include the results of Telesp Celular. In addition, since December 27, 2002, we have consolidated 100% of the results of Global Telecom, and, since May 1, 2003, we have also consolidated TCO's results due to our acquisition of this company.

FORWARD LOOKING STATEMENTS

Certain sections in this annual report, principally in Item 3.D. Key Information Risk Factors, Item 4 Information on the Company and Item 5 Operating and Financial Review and Prospects, contain information that is forward-looking, including but not limited to:

statements concerning our operations and prospects;

the size of the Brazilian telecommunications market;

estimated demand forecasts;

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

our strategic initiatives and plans for business growth;

industry conditions;

our funding needs and financing sources;

network completion and product development schedules;

expected characteristics of competing networks, products and services;

quantitative and qualitative disclosures about market risks;

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

other factors identified or discussed under Item 3.D. Key Information Risk Factors.

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

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

the cost and availability of financing;

uncertainties relating to political and economic conditions in Brazil;

inflation, interest rate and exchange rate risks;

the Brazilian government's telecommunications policy; and

the adverse determination of disputes under litigation.

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected financial data as of December 31, 2005, 2004 and for the three years in the period ended December 31, 2005 included in this annual report have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report and audited by *Deloitte Touche Tohmatsu Auditores Independentes*. The selected financial data as of December 31, 2003, 2002 and 2001 and for the two years in the period ended December 31, 2002 included in this annual report have been derived from our audited financial statements and notes thereto audited by *Deloitte Touche Tohmatsu Auditores Independentes*, which are not included in this annual report. See "Presentation of Financial Information" above for additional information.

In April 2003, we acquired 64.03% of the outstanding voting capital stock of TCO. We acquired additional shares of voting capital stock of TCO in a public tender offer in November, 2003, bringing the percentage of TCO's outstanding voting capital stock we owned to 86.19%. Since May 1, 2003, TCP has consolidated TCO's results due to the acquisition of its control. In October 2004 we acquired additional preferred shares of TCO in a second public tender offer. In July 2005, we acquired additional shares of voting capital stock of TCO in a capital increase bringing our percentage ownership of TCO's voting capital stock to 90.59% (accounting for treasury shares that were canceled in July 2005).

In February, 2006, TCO became a wholly-owned subsidiary of TCP (at which time TCP was renamed Vivo Participações S.A., or Vivo) pursuant to the Merger (as defined in Item 4.A. "Information on the Company - Our History and Development"), whereby holders of common shares, preferred shares or (where applicable) ADSs of TCO and the other constituent companies received common shares, preferred shares or ADSs, respectively, of TCP. The Merger was completed on March 30, 2006 and on March 31, 2006 our shares began being traded under Vivo's ticker on the BOVESPA and NYSE. Vivo became the holding company of TCO and of the subsidiaries of the other companies. See Item 4.A. "Information on the Company - Our History and Development" below for additional information on the Merger.

Our consolidated financial statements are prepared in accordance with the Brazilian Corporate Law Method, which differs in certain material respects from U.S. GAAP. See note 36 to our consolidated financial statements for a summary of (i) the differences between the Brazilian Corporate Law Method and U.S. GAAP as they relate to us, (ii) a reconciliation to U.S. GAAP of shareholders' equity as of December 31, 2005 and 2004, and (iii) our net gain for the year ended December 31, 2005 and net loss for the years ended December 31, 2004 and 2003.

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

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(in millions of reais, except per share data)				
Income Statement Data:					
<i>Brazilian Corporate Law Method</i>					
Net operating revenue	7,473.1	7,341.0	6,046.3	3,415.0	2,966.1
Cost of services and goods sold	(3,357.5)	(3,326.2)	(3,020.5)	(1,739.4)	(1,724.2)
Gross profit	4,115.6	4,014.8	3,025.8	1,675.6	1,241.9
Operating expenses:					
Selling expenses	(2,626.5)	(1,909.3)	(1,264.9)	(526.9)	(537.3)
General and administrative expenses	(659.4)	(620.6)	(561.3)	(343.2)	(317.5)
Other net operating income (expenses)	(343.0)	(169.9)	(145.0)	(39.8)	(41.1)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	486.7	1,315.0	1,054.6	765.7	346.0
Equity in losses of unconsolidated subsidiary				(890.7)	(653.6)
Net financial expenses	(917.6)	(1,095.4)	(1,133.5)	(808.4)	(541.5)
Operating income (loss)	(430.9)	219.6	(78.9)	(933.4)	(849.1)
Net non-operating income (expenses)	(65.3)	(51.2)	(25.7)	10.0	(0.4)
Extraordinary item				(170.8)	(278.8)
Income (loss) before income taxes and minority interests	(496.2)	168.4	(104.6)	(1,094.2)	(1,128.3)
Income taxes	(246.1)	(327.1)	(277.9)	(46.5)	14.7
Minority interests	(166.9)	(331.5)	(257.7)		
Net income (loss)	(909.2)	(490.2)	(640.2)	(1,140.7)	(1,113.6)
Net income (loss) per shares	(1.3728)	(0.00042)	(0.00055)	(0.00097)	(0.000243)
Dividends declared per thousand preferred shares (R\$)					
Dividends declared per thousand common Shares (R\$)					
<i>U.S. GAAP</i>					
Net operating revenue	9,454.5	10,019.7	7,886.5	4,575.0	3,619.6
Operating income	714.5	1,165.4	951.4	328.8	198.0
Net financial expenses	(913.6)	(985.8)	(345.2)	(1,149.6)	(743.5)
Equity in losses of unconsolidated subsidiaries				(759.1)	(733.8)
Net non-operating income (expenses)	(15.0)	(7.2)	(7.0)	9.8	(0.4)
Extraordinary item, net of tax					(12.7)
Income (loss) before income taxes, minority interests and extraordinary item	(214.1)	172.4	599.2	(1,570.1)	(1,288.9)
Income taxes and minority interest	(382.7)	(673.1)	(698.0)	74.4	97.5
Extraordinary item, net of tax					(12.7)
Net income (loss)	(596.8)	(500.7)	(98.8)	(1,495.7)	(1,204.1)
Basic and diluted net income (loss) per shares common(2)	(2.56)	(3.06)	(0.60)	(15.58)	(18.80)
Weighted average common shares outstanding(2)	232,737,408	163,753,546	163,753,546	163,753,546	64,055,598
Weighted average preferred shares outstanding(2)	410,109,272	304,960,195	304,960,195	178,807,226	119,291,510

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	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
Cash Flow Data:			
Cash flows from operating activities	1,469.8	1,307.3	1,459.7
Cash flows from investing activities	(1,718.2)	(2,291.4)	(1,643.3)
Cash flows from financing activities	(76.8)	1,006.1	1,324.6

	As of December 31,				
	2005	2004	2003	2002	2001
	(in millions of reais, except for per share data)				
Balance Sheet Data:					
<i>Brazilian Corporate Law Method</i>					
Property, plant and equipment, net	5,993.4	5,603.0	5,240.8	4,770.7	3,695.8
Total assets	13,786.7	14,139.4	13,624.7	9,654.4	6,872.2
Loans and financing	5,193.0	4,963.2	6,289.2	4,460.8	2,580.1
Shareholders' equity	4,015.2	2,907.4	3,393.2	4,010.0	2,742.6
Capital Stock	6,670.2	4,373.7	4,373.7	4,373.7	1,873.3
Number of shares as adjusted to reflect changes in capital	662,325	1,171,784,352	1,171,784,352	1,171,784,352	458,367,772
<i>U.S. GAAP</i>					
Property, plant and equipment, net	6,075.3	5,649.7	4,738.3	2,794.5	2,978.0
Total assets	14,469.3	14,226.3	13,546.5	10,202.0	7,218.3
Total liabilities	9,252.1	8,518.3	9,213.7	6,894.7	4,787.4
Shareholders' equity	4,138.9	2,735.6	3,232.0	3,307.3	2,430.9
Capital stock	6,670.2	4,373.7	4,373.7	4,373.7	1,873.3
Number of shares as adjusted to reflect changes in capital	662,325	468,714	468,714	468,714	183,347

- (1) Interest on shareholder's equity is included as part of the dividends and presented net of taxes.
- (2) As a result of the corporate restructuring completed on January 2000, the Company was obligated to issue shares to the controlling shareholder for the amount of the tax benefit on the amortization of intangibles related to our concession that was transferred through the Merger. The numbers of issuable shares, which are determined on the basis of estimates using the Company's share price at the date of the balance sheet, are considered dilutive and are included on the basis of purposes of calculating diluted earnings per share for the year ended December 31, 2001, 2002, 2003, 2004 and 2005. The potentially diluted shares, consisting solely of the estimate of issuable shares mentioned above, have been excluded from the computation for all periods presented as their effect would have been anti-dilutive. As described in Note i to the Company's financial statements, for the year ended December 31, 2005, the Company adopted Emerging Issues Task Force EITF No. 03-6, Participating Securities and the Two-class Method under FASB Statement No. 128. Since preferred shareholders have a liquidation preference over common shareholders, net losses are not allocated to preferred shareholders. Prior period earnings per share amounts presented for comparative purposes were restated to conform to the current year presentation. Additionally, loss per share and share amounts for all periods retroactively reflect the effect of the reverse stock split described in Note i to the Company's financial statements.

Exchange Rates

Before March 14, 2005, there were two principal foreign exchange markets in Brazil:

the commercial rate exchange market; and

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the floating rate exchange market.

Most trade and financial foreign-exchange transactions were carried out on the commercial rate exchange market. The floating market rate generally applied to transactions to which the commercial market rate did not apply. Prior to February 1999, the exchange rate in each market was established independently, resulting in different rates during some periods. Since February 1, 1999, the Central Bank placed the commercial rate exchange market and the floating rate exchange market under identical operational limits, and financial institutions operating in the commercial market were authorized to unify their positions in the two different markets, which led to a convergence in the pricing and liquidity of both markets and a reduction in the difference between their respective rates.

With the enactment of Resolution No. 3,265 dated March 4, 2005 by the National Monetary Council both markets were consolidated into one single foreign exchange market, effective as of March 14, 2005. All foreign exchange transactions are now carried out in this single consolidated market, through institutions authorized to operate in such market.

Foreign exchange rates continue to be freely negotiated, but may be influenced by Central Bank intervention. From March 1995 through January 1999, the Central Bank allowed the gradual devaluation of the real against the U.S. dollar. In January 1999, the Central Bank allowed the real/U.S. dollar exchange rate to float freely. Since then, the real/U.S. dollar exchange rate has been established mainly by the Brazilian interbank market and has fluctuated considerably. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the real float freely or will intervene in the exchange rate market through a currency band system or otherwise, or that the exchange market will not be volatile as a result of political instability or other factors. In light of these factors, we cannot predict that the real will not depreciate or appreciate in value in relation to the U.S. dollar substantially in the future. In addition, exchange rate fluctuations may also affect our financial condition. For more information on these risks, see Risk Factors Risks Relating to Brazil.

The following tables set forth the commercial selling rate, expressed in *reais* per U.S. dollar (R\$/US\$) for the periods indicated, as reported by the Central Bank.

Year ended December 31,	Exchange Rate of R\$ per US\$			Year-End
	Low	High	Average(1)	
2001	1.936	2.801	2.352	2.320
2002	2.271	3.955	2.931	3.533
2003	2.822	3.662	3.071	2.889
2004	2.654	3.205	2.917	2.654
2005	2.163	2.762	2.434	2.341

Source: Central Bank of Brazil, PTAX.

(1) Represents the average of the exchange rates (PTAX) on the last day of each month during the relevant period.

Month Ended	Exchange Rate of R\$ per US\$	
	Low	High
October 31, 2005	2.234	2.289
November 30, 2005	2.163	2.252
December 31, 2005	2.180	2.374
January 31, 2006	2.212	2.346
February 28, 2006	2.118	2.222
March 31, 2006	2.107	2.224

Source: Central Bank of Brazil, PTAX.

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this annual report. The risks described below are not the only ones we face. Our business, results of operations or financial condition could be harmed if any of these risks materializes and, as a result, the trading price of the ADSs could decline.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business, operations and the market price of our preferred shares and our ADSs.

In the past, the Brazilian government has intervened in the Brazilian economy and occasionally made drastic changes in policy. The Brazilian government's actions to control inflation and affect other policies have often involved wage and price controls, currency devaluations, capital controls, and limits on imports, among other things.

Our business, financial condition, results of operations and the market price of our preferred shares and ADSs may be adversely affected by changes in government policies, as well as general economic factors, including:

currency fluctuations;

exchange control policies;

internal economic growth;

inflation;

price instability;

energy policy;

interest rates;

liquidity of domestic capital and lending markets;

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tax policies (including reforms currently under discussion in the Brazilian Congress); and

other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty as to future government policies may contribute to an increase in the volatility of the Brazilian securities markets and securities issued abroad by Brazilian companies. The Brazilian economy grew 2.3% in 2005, 4.9% in 2004 and 0.5% in 2003. Due to the limited economic growth in recent years, it is not certain whether the current economic policy will prevail. We cannot predict Brazil's monetary, tax, social security and other policies, nor if such policies will cause an adverse impact to the economy and to our business and results of operations or the market price of our preferred shares and ADSs.

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Tax reforms may affect our prices.

The Brazilian government has proposed tax reforms that are currently being considered by the Brazilian Congress. If we experience a higher tax burden as a result of the tax reform, we may have to pass the cost of that tax increase to our customers. This increase may have a material negative impact on the dividends paid by our subsidiaries to us and on our revenues and operating results.

Political instability may have an adverse impact on the Brazilian economy.

Political crises in Brazil in the past have affected the trust of investors and the public in general, as well as the development of the economy. Political crises may have an adverse impact on the Brazilian economy, our business, financial condition and results of operations and the market price of our preferred shares and ADSs.

Inflation and certain government measures to curb inflation may have adverse effects on the Brazilian economy, the Brazilian securities market and/or our business and operations.

Brazil has historically experienced extremely high rates of inflation. Inflation and certain of the Brazilian government's measures taken in the attempt to curb inflation have had significant negative effects on the Brazilian economy. Since 1994, Brazil's inflation rate has been substantially lower than in previous periods. However, inflationary pressures persist, and actions taken in an effort to curb inflation, coupled with public speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. In 2005, the general price index, or the IGP-DI (the *Índice Geral de Preços - Disponibilidade Interna*), an inflation index developed by the *Fundação Getúlio Vargas*, a private Brazilian foundation, reflected inflation of 1.22%, compared to 12.13% in 2004 and 7.7% in 2003.

Future measures taken by the Brazilian government may have an adverse impact on the Brazilian economy, our business, financial condition and results of operation, or on the market price of our preferred shares and ADSs. If Brazil experiences significant inflation, we may be unable to increase service rates to our customers in amounts that are sufficient to cover our increasing operating costs, and our business may be adversely affected. In addition, high inflation generally leads to higher domestic interest rates and, as a result, the cost of servicing our *real*-denominated debt may increase. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets.

Fluctuations in the value of the real against the value of the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated or U.S. dollar-linked obligations and could lower the market value of our preferred shares and ADSs.

The Brazilian currency has been devalued frequently over the past four decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the real depreciated by 15.7% and 34.3% against the U.S. dollar in 2001 and 2002, respectively. In 2003 and 2004, the real appreciated against the U.S. dollar by 22.3% and 8.8%, respectively, and in 2005 the real appreciated by 11.8% against the U.S. dollar.

Devaluation of the real relative to the U.S. dollar could create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. The sharp depreciation of the real in relation to the U.S. dollar may generate inflation and governmental measures to fight possible inflationary outbreaks, including the increase in interest rates. On the other hand, appreciation of the real against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments, as well as dampen export-driven growth. Devaluations of the real would

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reduce the U.S. dollar value of distributions and dividends on our preferred shares and ADSs and may also reduce the market value of such securities. Any such macroeconomic effects could adversely affect our net operating revenues and our overall financial performance.

Devaluation of the real relative to the U.S. dollar may increase the cost of our indebtedness in foreign currency. It would also reduce the U.S. dollar value of our revenues and distribution of dividends. As of December 31, 2005, TCP had R\$5.2 billion in consolidated total debt, of which approximately 62% was denominated in foreign currencies, such as the U.S. dollar, Japanese yen and the UMBNDES (an index of several currencies predominantly influenced by the U.S. dollar). Significant costs relating to our network infrastructure and handset costs are payable or linked to payment by us in U.S. dollars. At the same time, while our foreign currency debt obligations were covered by derivative contracts as of December 31, 2005 and we may derive income from these and other derivative transactions, all of our operating revenues are generated in *reais*. To the extent that the value of the real decreases relative to the U.S. dollar, Japanese yen and UMBNDES, our debt becomes more expensive to service and it becomes more costly for us to acquire the technology and the goods that are necessary to operate our business. Although we currently hedge our foreign currency debt, we may decide to change our hedging policy in the future. In addition, when the value of the real increases relative to the U.S. dollar, Japanese yen and UMBNDES, the decrease in the cost of servicing our debt is offset by our losses on the derivatives associated with it. See Item 3. Key Information Exchange Rates for more information on exchange rates.

Fluctuations in interest rates may have an adverse effect on our business and on the market price of our preferred shares and ADSs.

Between February and July 2002, the Central Bank reduced the basic interest rate from 19% to 18%. Between October 2002 and February 2003, the Central Bank increased the basic interest rate by 8.5 percentage points, to 26.5%. In June 2003 the Central Bank started again reducing the basic interest rate. In 2004 and in the first months of 2005 the Central Bank increased the basic interest rate. As of December 31, 2005, the basic interest rate is 18%. As of December 31, 2005, TCP's total indebtedness was R\$5,193.0 million. Approximately 38% of such indebtedness is denominated in *reais* and mostly pegged to the CDI (*Certificado Depositário Interbancário*) rate, a Brazilian interbank rate. All other debt was denominated in foreign currencies and fully covered by derivative contracts so that the final cost of the debt and the associated derivative is the CDI rate. As a consequence, an increase in the CDI interest rates and inflation indexes would increase the costs of our debt, which could adversely affect the market's perception of the value of our shares.

Brazilian government exchange control policies could adversely affect our ability to make payments on foreign currency-denominated debt.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Central Bank has centralized certain payments of principal on external obligations. Many factors could cause the Brazilian government to institute a more restrictive exchange control policy, including, without limitation, the extent of Brazilian foreign currency reserves, the availability of sufficient foreign exchange, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund, or IMF, and political constraints to which Brazil may be subject. A more restrictive policy could affect the ability of Brazilian debtors (including us) to make payments outside of Brazil to meet foreign currency-denominated obligations.

Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and our business.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other

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emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil. Any adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, including our preferred shares and ADSs, causing the market price and liquidity of those securities to suffer.

Risks Relating to the Brazilian Telecommunications Industry and Us

Extensive government regulation of the telecommunications industry may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

Our business is subject to extensive government regulation, including any changes that may occur during the period of our concession to provide telecommunication services. ANATEL, which is the main telecommunications industry regulator in Brazil, regulates, among other things:

industry policies and regulations;

licensing;

tariffs;

competition;

telecommunications resource allocation;

service standards;

technical standards;

interconnection and settlement arrangements; and

universal service obligations.

This extensive regulation and the conditions imposed by our authorization to provide telecommunication services may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

Our results have been affected, and may continue to be affected in the medium and long term, as a result of the new SMP rules.

In 2002, ANATEL changed the Personal Mobile Service (*Serviço Móvel Pessoal*), or SMP, regime (first enacted in December 2000), encouraging companies operating under the Mobile Cellular Service (*Serviço Móvel Celular*), or SMC, regime to migrate to the SMP regime.

Under the SMP regime, we no longer receive payments from our customers for outbound long-distance traffic but receive payments for the use of our network in accordance with a network usage payment plan. However, the interconnection fees that we receive from long-distance operators may not compensate us for the revenues that we would have received from our customers for outbound long-distance traffic. Until June 30, 2004, SMP service providers were able to opt to establish a price cap or freely negotiate their interconnection charges. Now, free negotiation is the rule, subject to ANATEL regulations relating to the traffic capacity and interconnection infrastructure that must be made

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available to requesting parties. In 2005, ANATEL began permitting free negotiations for mobile interconnection, or VU-M, fees and by July, 2005, local-fixed concessionaires and mobile operators had reached a provisional agreement in respect of VU-M fees for local calls, or VC-1 (the agreement guaranteed a 4.5% increase in fees). ANATEL approved that provisional agreement and in March, 2006, approved another provisional agreement for VU-M fees for long-distance calls, or VC-2 and VC-3. ANATEL is currently studying a new model to determine values for interconnection fees and is expected to have completed such model by mid-2007. This model is expected to set fees according to respective costs of current market participants.

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In addition, under the SMP regime, an SMP operator used to pay for the use of another SMP operator's network in the same registration area only if the traffic carried from the first operator to the second exceeded 55% of the total traffic exchanged between them. In that case, only those calls that surpassed the 55% level were subject to payment for network usage. As a result, if the traffic we terminate for other SMP operators exceeds the traffic they terminate for our company, our revenues and results of operations may be affected. In the twelve months ended December, 31, 2005, for example, this regulatory change contributed to a decrease in our revenues from interconnection fees charged to other companies. See Item 5 Operating and Financial Review and Prospects.

At various times, there have been discussions about reversing the billing system described in the previous paragraph or, alternatively, taking it further by eliminating all payments for network usage between SMP networks. This rule remains in effect under Resolution nº 408, published by ANATEL in 2005, which sets forth the partial bill and keep rule in respect of payments for interconnection among SMP networks, although a fully developed cost-model has not yet been developed or implemented. We cannot predict whether the current regulatory regime will remain in place or whether any future regulatory change could have an adverse effect on our results of operations.

If the inflation adjustment index now applied to our prices is changed, the new index may not be adequate.

The Brazilian government currently uses the General Price Index, or the IGP-DI (the *Índice Geral de Preços Disponibilidade Interna*), an inflation index developed by the *Fundação Getúlio Vargas*, a private Brazilian economic organization, in connection with the prices charged in the telecommunications industry. Beginning in 2007, we expect the Brazilian government to begin to regulate the telecommunications industry based on a model that would analyze companies costs based on a hypothetical company's costs and other factors. In connection with the introduction of this model, the Brazilian government may use a different inflation adjustment mechanism, the IST index (*Índice de Serviços de Telecomunicações*), beginning in 2008. If this new inflation adjustment mechanism, or any other mechanism chosen by the Brazilian government in the future, does not adequately reflect the true effect of inflation on our prices, our results of operations could be adversely affected.

ANATEL's proposal regarding the consolidation of prices could have an adverse effect on our results.

ANATEL has proposed new regulations on interconnection rules, some of which could have an adverse effect on our results. The public consultation period on ANATEL's proposal ended on October 18, 2004, but final regulations have not been promulgated except for the new General Regulation of Interconnection (*Regulamento Geral de Interconexão* - Resolution number 410/2005, or RGI), the Regulation of Separation and Allocation of Costs (Resolution number 396/2005) and the Regulation of Industrial Exploration of Dedicated Lines (*Exploração Industrial de Linha Dedicada* - Resolution number 402/2005, or EILD). The proposals that may adversely affect our results are (1) a proposal that two SMP providers controlled by the same economic group receive only one instead of two interconnection charges (VU-M) for calls originated and terminated in their networks, (2) a proposal for new negotiation rules for VU-M prices by which ANATEL would have a role in determining prices rather than the current, free-market negotiation of prices and (3) a proposal for VU-M price unification among SMP providers of the same economic group having significant market power according to criteria still to be defined. If these regulations take effect, they would have an adverse effect on our results of operations because (1) our interconnection charges would drop significantly, thereby reducing our revenues, (2) ANATEL may allow more favorable prices for economic groups without significant market power and (3) the prices we charge in some regions in which we operate are higher than those in some other regions, and consolidation of those prices, competitive pressures and other factors would reduce our average prices and thereby reduce our revenues.

ANATEL's Public Consultation number 642 of 2005 relates to alterations in the regulation of SMP. While counter arguments thereunder must have been sent to ANATEL before January 16, 2006, none have been made. In the proposed regulation, ANATEL notes areas of vital importance for mobile business, such as the necessity

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for retail stores in the cities within an operator's coverage areas, increases in the validity periods of prepaid cards; an extension of the period for blocking use by insolvent customers and a limiting of the period of time after which customers may leave service plans. We have presented our arguments to ANATEL against the proposals that may have adverse effects on our business. If these new regulations take effect, they may have adverse effects on our revenues and results of operations.

We face substantial competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications industry. We not only compete with companies that provide SMP service and trunking but also with companies that provide fixed-line telecommunications and Internet access services, due to the trend towards the convergence and substitution of SMP services for these other services.

We expect competition to intensify as a result of the entrance of new competitors and the rapid development of new technologies, products and services. Our ability to compete successfully will depend on our marketing techniques and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by our competitors. If we do not keep pace with technological advances, or if we fail to respond timely to changes in competitive factors in our industry, we could continue to lose market share and could suffer a decline in our revenue. Competition from other SMP communications service providers in the regions in which we operate has also affected, and may continue to affect, our financial results by causing, among other things, a decrease in our customer growth rate, decreases in prices and increases in selling expenses.

These factors have already contributed to a negative effect on our market share and our results of operations and could have a material adverse effect on our business and results of operations in the future. As a result of competitive pressures, for example, our market share decreased from 51.4% as of December 31, 2004 to 45.2% as of December 31, 2005, and our market share of net additions to our customer base decreased from 40.0% for the twelve months ended December 31, 2004 to 24.8% for the twelve months ended December 31, 2005. In addition, our net additions of customers decreased 40.6% from the twelve months ended December 31, 2004 to the twelve months ended December 31, 2005. Similarly, the market share of TCO, TLE, TSD and Celular CRT in their authorized areas declined in the same period, and the market share of net additions to the customer base of these companies declined significantly. Net additions of customers of each of these companies also declined significantly from the twelve months ended December 31, 2004 to the twelve months ended December 31, 2005. In addition, our selling expenses for the twelve months ended December 31, 2005 grew at a significantly higher rate than our net operating revenue compared to the twelve months ended December 31, 2004, and similar trends existed at each of TCO, TLE, TSD and Celular CRT.

Recently, there has been consolidation in the Brazilian telecommunications market, and we believe this trend may continue. Consolidation may result in increased competitive pressures within our market. We may be unable to respond adequately to pricing pressures resulting from consolidation, which would adversely affect our business, financial condition and results of operations.

In September 2004, Brasil Telecom, the fixed-line incumbent in nine states in Brazil and the Federal District (ANATEL's Region II), launched GSM operations in those states. Brasil Telecom's authorization area overlaps with TCO's in the Brazilian Federal District and in the states of Acre, Goias, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins, overlaps with all of Global Telecom's authorization area (the states of Paraná and Santa Catarina) and overlaps with Celular CRT's authorization area. The entrance of Brasil Telecom into these markets will increase the competition that Global Telecom, Celular CRT and TCO face in some states. Brasil Telecom has announced that its marketing strategy will be the convergence between its fixed and mobile services, and it is the only company in those states that offers both fixed and cellular services. The entrance of Brasil Telecom into the cellular markets in these states will increase competition for Global Telecom, Celular CRT and TCO and could have a material adverse effect on our results of operations.

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Our results of operations have been negatively affected by a decrease in our customer growth and could also be affected if our rate of customer turnover increases.

Our rate of acquisition of new customers has declined significantly, primarily due to competition and increased market penetration. For example, our net additions of customers decreased 40.6% from the twelve months ended December 31, 2004 to the twelve months ended December 31, 2005 due to a decrease in the rate of addition of new prepaid customers to 1,530,000 new prepaid customers in the twelve months ended December 31, 2005, compared to 2,982,000 new prepaid customers in the comparable period of the prior year. This decrease in the rate of new additions of customers has negatively affected our results of operations and could continue to do so in the future. In addition, if our rate of customer turnover were to increase significantly, our results of operations and our competitive position could be adversely affected. Several factors in addition to competitive pressures could influence our rate of acquisition of new customers and our rate of customer turnover, including limited network coverage, lack of sufficient reliability of our services and economic conditions in Brazil.

The industry in which we conduct our business is subject to rapid technological changes and these changes could have a material adverse effect on our ability to provide competitive services.

The telecommunications industry is subject to rapid and significant technological changes. Our success depends, in part, on our ability to anticipate and adapt in a timely manner to technological changes. We expect that new products and technologies will emerge and that existing products and technologies will be further developed.

The advent of new products and technologies could have a variety of consequences for us. These new products and technologies may reduce the price of our services by providing lower-cost alternatives, or they may be superior to, and render obsolete, the products and services we offer and the technologies we use, requiring investment in new technology. The cost of upgrading our products and technology in order to continue to compete effectively could be significant, and our ability to fund the upgrading may depend on our ability to obtain additional financing.

Certain debt agreements of our subsidiaries, including TCO and its subsidiaries, contain financial covenants, and any default under such debt agreements may have a material adverse effect on our financial condition and cash flows.

Certain existing debt agreements contain restrictions and covenants and require the maintenance or satisfaction of specified financial ratios and tests. After the Merger, the ability of our subsidiaries to meet these financial ratios and tests can be affected by events beyond our and their control, and we cannot assure you that they will meet those tests. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these agreements. The existing debt agreements also contain cross-default provisions, so that in certain circumstances, if an event of default occurs under any subsidiary's agreement, the lenders could elect to declare all amounts outstanding under all of such subsidiary's agreements to be immediately due and payable, enforce their interests against collateral pledged under the agreements and, in certain circumstances, restrict their ability to make additional borrowings.

Our controlling shareholders have a great deal of influence over our business.

As of December 31, 2005, PT Móveis SGPS, S.A. and Telefónica Móviles, S.A., our principal shareholders, owned, directly and indirectly, approximately 92.5% of our common shares and 66.1% of our total capital. PT Móveis SGPS, S.A. is 100% controlled by Portugal Telecom, SGPS, S.A. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders. Due to their share ownership, our principal shareholders have the power to control us and our subsidiaries, including the power to elect our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of our dividends.

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In addition, *Portugal Telecom* and *Telefónica Móviles* share their participation in us equally. Any disagreement or dispute between them may have an impact on the decision-making capabilities of our management.

Brasilcel and its subsidiaries hold 89.03% of our common shares after the Merger (accounting for that 16,010 preferred shares of dissenting TCP shareholders, totaling R\$104,385.20, were purchased from the dissenters and will be sold back into the market, at our discretion, but in all cases within 6 months, as required by Brazilian law.

Improper use of our network can adversely affect our costs and results of operations.

We incur costs associated with the unauthorized use of our wireless networks, including administrative and capital costs associated with detecting, monitoring and reducing the incidence of fraud. Fraud also affects interconnection costs, capacity costs and payments to other carriers for non-billable fraudulent roaming. See Item 4.A Information on the Company Fraud Detection and Prevention of this annual report for more information regarding the improper use of our network and our efforts to prevent it. Improper use of our network can also increase our selling expenses if we have to increase our provision for doubtful accounts to reflect amounts we do not believe we can collect for improperly made calls. Our subsidiary TCO, for example, recently increased its provision for doubtful accounts more than TLE, TSD and Celular CRT because of previously undetected improper use of TCO's network. Any unexpected increase in the improper use of our network in the future could materially adversely affect our costs and results of operations.

The cellular industry, including us, may be harmed by reports suggesting that radio frequency emissions cause health problems and interfere with medical devices.

Media and other reports have suggested that radio frequency emissions from wireless handsets and base stations may cause health problems. If consumers harbor health-related concerns, they may be discouraged from using wireless handsets. These concerns could have an adverse effect on the wireless communications industry and, possibly, expose wireless providers, including us, to litigation. We cannot assure you that further medical research and studies will refute a link between the radio frequency emissions of wireless handsets and base stations and these health concerns. Government authorities could increase regulation of wireless handsets and base stations as a result of these health concerns or wireless companies, including us, could be held liable for costs or damages associated with these concerns, which could have an adverse effect on our business, financial condition and results of operation. The expansion of our network may be affected by these perceived risks if we experience problems in finding new sites, which in turn may delay the expansion and may affect the quality of our services. On July 2, 2002, ANATEL published Resolution No. 303 that limits emission and exposure for fields with frequencies between 9 kHz and 300 GHz. In addition, the Brazilian government is developing specific legislation for the deployment of radio frequency transmission stations that will supersede the existing state and municipal laws. The new laws may create additional transmission regulations which, in turn, could have an adverse effect on our business.

Our investment in Global Telecom S.A. has adversely affected, and is expected to continue to adversely affect, our financial performance.

Our investment in Global Telecom S.A. presents operational and financial risks. Global Telecom started operations in 1999, and its principal competitor in its concession area has been in operation for a longer period of time and has a larger market share in that area. Global Telecom has had substantial net losses of R\$270.6 million in 2005 (R\$180.3 million in 2004 and R\$436.0 million in 2003) resulting in significant part from indebtedness and increased expenses in connection with the rapid expansion of its network infrastructure and upgrading its marketing and commercial capabilities.

Our investment in Global Telecom S.A. is expected to continue to have a material effect on our financial condition and results because of the indebtedness we incurred to make the investment. Global Telecom (which began operations in December 1998) has reported net losses for each of the three years ended December 31, 2005.

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We face risks associated with litigation.

We and our subsidiaries are party to a number of lawsuits and other proceedings. An adverse outcome in, or any settlement of, these or other lawsuits could result in significant costs to us. In addition, our senior management may be required to devote substantial time to these lawsuits, which they could otherwise devote to our business. See Item 8 Financial Information Consolidated Statements and Other Financial Information Legal Matters

In addition, pursuant to the Merger, we assumed the liabilities of TLE, TSD and Celular CRT, including the risks they face from litigation. TCP will assume the liabilities of TLE, TSD and Celular CRT and will assume all the risks relating to those liabilities. See Risks Relating to the Merger, below.

We may be required to record impairment charges relating to goodwill and long-lived assets in the future for purposes of U.S. GAAP.

For U.S. GAAP purposes, we are required to test our goodwill for impairment at least annually. The difference between the book value of a reporting unit under U.S. GAAP and its market value may indicate that an impairment exists. This impairment test is described in Note 36.d to our unaudited condensed consolidated interim financial statements included in this prospectus. TCP, in particular, has substantial goodwill, including goodwill relating to TCO with a carrying value of R\$717.7 million as of December 31, 2005. We expect that we may be required to record impairment charges relating to our goodwill in future periods, and this would have an adverse effect on our results of operations.

In addition, we are required to record impairment charges on long-lived assets, including property, plant and equipment and finite-lived intangible assets (including concessions) if the carrying value of those assets exceeds their fair market value for purposes of U.S. GAAP. This annual impairment test is also described in Note 36.d to our unaudited condensed consolidated interim financial statements included in this prospectus. When we performed our last impairment test, our evaluation of our ability to recover the carrying value of our long-lived assets was based upon projections of future operations that assumed a higher level of revenues and gross margin percentages than we have historically achieved. We may not be successful in achieving these improvements in our revenues and gross margin percentages due to the competitive environment, changes in technology or other factors. If we are unable to achieve these improvements, we may be required to record impairment charges relating to our long-lived assets in future periods, and this could have an adverse effect on our operations.

Risks Relating to Our Securities

Holders of our preferred shares or ADSs may not receive any dividends.

According to Brazilian Corporate Law and our bylaws, we must generally pay dividends to all shareholders of at least 25% of our annual net income, as determined and adjusted under the Brazilian Corporate Law. These adjustments to net income for purposes of calculating the basis for dividends include allocations to various reserves that effectively reduce the amount available for the payment of dividends. However, we were unable to pay minimum dividends in for the fiscal years ended December 31, 2001, 2002, 2003, 2004 and 2005 because we had net losses. In addition, according to Brazilian Corporate Law, we need not pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in light of our financial condition. See Part Six: Shareholder Rights Description of TCP Capital Stock Allocations of Profits.

Since we are a holding company, our income consists of distributions from our subsidiaries in the form of dividends or other advances and payments. We do not generate our own operating revenues, and we are dependent on dividends and other advances and payments for our cash flow, including to make any dividend payments or to make payments on our indebtedness.

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Exchange controls and restrictions on remittances abroad may adversely affect holders of our ADSs.

Brazilian law provides that whenever there is a significant imbalance in Brazil's balance of payments or a significant possibility that such imbalance will exist, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil (as it did for approximately six months in 1989 and early 1990) and on the conversion of Brazilian currency into foreign currencies. These restrictions could hinder or prevent the Brazilian custodian of the preferred shares underlying the ADSs or holders who have exchanged the ADSs for the underlying preferred shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for our preferred shares will hold the *reais* that it cannot convert for the account of holders of the ADSs who have not been paid. Neither the custodian nor the depository will be required to invest the *reais* or be liable for any interest.

Holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are organized under the laws of Brazil, and most of our directors and executive officers and our independent public accountants reside or are based in Brazil. Substantially all of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for holders of the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Actual or anticipated sales of a substantial number of our ADSs could decrease the market prices of our ADSs.

Sales of a substantial number of our preferred shares could negatively affect the market prices of our preferred shares and the ADSs. If, in the future, existing or future holders of preferred shares make substantial sales of shares, the market price of our preferred shares and, by extension, the ADSs may decrease significantly. As a result, holders of the ADSs may not be able to sell the ADSs at or above the price they paid for them.

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our ADSs.

Investments in securities, such as the preferred shares or the ADSs, of issuers from emerging market countries, including Brazil, involves a higher degree of risk than investing in securities of issuers from more developed countries.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. These features may substantially limit the ability to sell the preferred shares underlying the ADSs at a price and time at which holders wish to do so. The São Paulo Stock Exchange had a market capitalization of US\$482.1 billion as of December 31, 2005, and an average monthly trading volume of approximately US\$13.8 billion for the first twelve months of 2005.

In comparison, the NYSE had a domestic market capitalization of US\$13.3 trillion (excluding funds and non-U.S. companies) as of December 31, 2005. A liquid and active market may never develop for our common shares, preferred shares or the ADSs, and as result the ability of holders to sell at the desired price or time may be significantly hindered.

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Holders of our ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.

Holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and the Brazilian Corporate Law. Our corporate affairs are governed by our bylaws and the Brazilian Corporate Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, or elsewhere outside Brazil. The rights under Brazilian Corporate Law of a holder of our common shares or preferred shares to protect its interests with respect to actions by us or our directors or executive officers may be fewer and less well-defined than under the laws of those other jurisdictions. In addition, holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our bylaws and the Brazilian Corporate Law.

Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our common shares, preferred shares or ADSs at a potential disadvantage. In addition, the disclosure required of public companies in Brazil may be less complete or informative than that required of public companies in the United States or in certain other countries.

Our preferred shares and our ADSs generally do not have voting rights.

In accordance with Brazilian Corporate Law and our by-laws, holders of our preferred shares, and therefore of our ADSs, are not entitled to vote at meetings of our shareholders, except in limited circumstances. In accordance with Brazilian Corporate Law and our bylaws, holders of preferred shares will have full voting rights in the event that we do not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until we again pay minimum dividends.

Because we did not pay minimum dividends for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, the holders of preferred shares have been able to exercise voting rights since the general shareholders' meeting held in March 2004. However, once we again pay minimum dividends, those voting rights will cease. See Item 10.B. Additional Information Memorandum and Articles of Association.

Holders of our ADSs may find it difficult to exercise even their limited voting rights at our shareholders' meetings.

Holders of our ADSs may exercise the limited voting rights with respect to our preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in certain newspapers in Brazil. To the extent that holders of our preferred shares are entitled to vote at a shareholders' meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of the ADSs will receive notice of a shareholders' meeting by mail from the depositary following our notice to the depositary requesting the depositary to do so, and they may not receive voting materials in time to instruct the depositary to vote the preferred shares underlying their ADSs. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. If voting instructions for all or part of the ADSs are not received timely by the depositary, the depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise voting rights, and will have no recourse if the preferred shares underlying their ADSs are not voted as requested.

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You might be unable to exercise preemptive rights with respect to our preferred shares unless there is a current registration statement in effect that covers those rights or unless an exemption from registration applies.

You will not be able to exercise the preemptive rights relating to our preferred shares underlying any ADSs you own unless a registration statement under the U.S. Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights, or unless an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary, or, if the preemptive rights cannot be sold, they will lapse and you will not receive any value for them. For more information on the exercise of your rights see Item 10. Additional Information.

An exchange of ADSs for preferred shares risks loss of certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the certificate of foreign capital registration, which permits The Bank of New York, as depositary, to convert dividends and other distributions with respect to preferred shares into foreign currency, and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for preferred shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain their own certificate of foreign capital registration, or unless they qualify under Resolution 2,689 of the Central Bank of Brazil, dated January 26, 2000, known as Resolution 2,689 issued by BACEN, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration.

If holders of ADSs do not qualify under Resolution 2,689, they will generally be subject to less favorable tax treatment on distributions with respect to our preferred shares. There can be no assurance that the depositary's certificate of registration or any certificate of foreign capital registration obtained by holders of ADSs will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in the ADSs may not be imposed in the future.

Holders of our ADSs could be subject to Brazilian income tax on capital gains from sales of ADSs.

Brazilian Law No. 10,833, dated December 29, 2003, provides that gains on the disposition of assets located in Brazil by non-residents of Brazil, whether to other non-residents or to Brazilian residents, will be subject to Brazilian taxation. The common shares and preferred shares are expected to be treated as assets located in Brazil for purposes of the law, and gains on the disposition of common shares and preferred shares, even by non-residents of Brazil, are expected to be subject to Brazilian taxation. In addition, the ADSs may be treated as assets located in Brazil for purposes of the law, and therefore gains on the disposition of ADSs by non-residents of Brazil may also be subject to Brazilian taxation. Although the holders of ADSs outside Brazil may have grounds to assert that Law No. 10,833 does not apply to sales or other dispositions of ADSs, it is not possible to predict whether that understanding will ultimately prevail in the courts of Brazil, given the general and unclear scope of Law No. 10,833 and the absence of judicial court rulings in respect thereto. See Item 5. The Merger Material Tax Considerations Brazilian Tax Considerations.

Risks Relating to the Merger

As a result of the Merger, TCP assumed the liabilities of TLE, TSD and Celular CRT and assumed all the risks relating to those liabilities.

You should be aware that because TCP assumed the liabilities of TLE, TSD and Celular CRT as a result of the Merger of these targets with TCP, any existing known or unknown financial obligation, legal liability or other contingent liability or risk of each of TLE, TSD and Celular CRT became the responsibility of TCP. These

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liabilities could cause TCP to be required to make payments, incur charges or take other actions that could adversely affect TCP's financial position and results of operations and the price of TCP's securities. As a result, you should carefully consider the information about each of TLE, TSD and Celular CRT that is included in the sections on risk factors in Amendment No. 1 to the Form F-4 of TCP filed with the Commission on January 24, 2006 and in the Form 20-Fs of TLE and TSD filed with the Commission on April 15, 2005.

We are more leveraged than any of TCO, TSD or Celular CRT, and a significant portion of our cash flow will have to be used to service our obligations.

As of December 31, 2005, TCP, TCO, TSD and Celular CRT had R\$5,652.8 million of consolidated total debt on a pro forma basis, only R\$108.9 million of which was attributable to TCO, R\$317.0 million to TLE, R\$0 million to TSD and R\$142.7 million to Celular CRT. We are subject to the risks normally associated with significant amounts of debt, which could have important consequences to you. Our indebtedness could, among other things:

require us to use a substantial portion of our cash flow from operations to pay our obligations, thereby reducing the availability of our cash flow to fund working capital, operations, capital expenditures, dividend payments, strategic acquisitions, expansion of our operations and other business activities;

increase our vulnerability to general adverse economic and industry conditions;

limit, along with financial and other restrictive covenants in our debt instruments, our ability to borrow additional funds or dispose of assets; and

place us at a competitive disadvantage compared to our competitors that have less debt.

We may also need to refinance all or a portion of our debt on or before maturity, and we may not be able to do this on commercially reasonable terms or at all.

There is no clear guidance under Brazilian law regarding the income tax consequences to investors resulting from the Merger.

There is no specific legislation, nor administrative or judicial precedent regarding the income tax consequences to investors resulting from the Merger. Based on the opinion of its external tax advisors, TCP believes that there are reasonable legal grounds to sustain that the receipt (resulting from the Merger) by a non-Brazilian holder of ADSs or by a U.S. person of common or preferred shares that are registered as foreign portfolio investments under Resolution 2,689/00 of the National Monetary Council or are registered as foreign direct investments under Law No. 4,131/62 would not be subject to income tax pursuant to Brazilian tax law. However, this position may not prevail, in which case TCP would be liable to the Brazilian tax authorities for withholding and collecting the taxable capital gains of shareholders resident abroad. While such shareholders would not be directly liable to Brazilian tax authorities, TCP would be entitled to reimbursements from them. Alternatively there could be a withholding tax of 15% on interest paid on shareholders equity that shareholders will receive pursuant to the Merger.

The capital gain arising from the disposition of TCP's shares registered as a direct foreign investment in Brazil could be calculated based on the historical amount in Brazilian currency of the investment, rather than the amount in foreign currency registered with the Central Bank of Brazil.

There is uncertainty concerning the currency to be used for the purposes of calculating the cost of acquisition of shares registered with the Central Bank of Brazil as a direct investment. Even though a recent precedent of a Brazilian administrative court supports the view that capital gains should be based on the positive difference between the cost of acquisition of the shares in the applicable foreign currency and the value of disposition of those shares in the same foreign currency, tax authorities are not bound by such precedents.

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ITEM 4. INFORMATION ON THE COMPANY

A. Our History and Development

General

We are incorporated under the laws of the Federative Republic of Brazil under the name Vivo Participações S.A., known as Vivo (and prior to the Merger, under the name Telesp Celular Participações S.A., or TCP). We have the legal status of *a sociedade por ações*, or a stock corporation, operating under the Brazilian Corporate Law. Our principal executive offices are located at Avenida Doutor Chucri Zaidan, 860, 04583-110, São Paulo, SP, Brazil. Our telephone number is +55 11 5105-1182, our facsimile number is +55 11 5105-2247, and our website is *www.vivo.com.br*. The information on our website is not part of this Form 20-F. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

According to market share data published by ANATEL, we are a leading provider of cellular telecommunications services in Brazil through our subsidiaries Telesp Celular S.A., or Telesp Celular; Global Telecom S.A. or Global Telecom; Tele Centro Oeste S.A., or TCO; and the subsidiaries of Celular CRT Participações S.A., or Celular CRT; Tele Leste Celular Participações S.A., or TLE; and Tele Sudeste Celular Participações S.A., or TSD;

The following chart shows our corporate structure as of December 31, 2005:

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Telebrás and the Privatization

TCP was created as a result of a restructuring of Telebrás in 1998. Before 1972, there were more than 900 telecommunications companies operating throughout Brazil. Between 1972 and 1975, Telebrás and its operating subsidiaries known as the predecessor companies, and collectively known as the Telebrás System, were created, acquiring almost all of the telecommunications companies in Brazil, and creating a near monopoly over the provision of public telecommunications services in Brazil.

In 1995, the federal government began a comprehensive reform of Brazil's telecommunications regulatory system. In July 1997, Brazil's national congress adopted the General Telecommunications Law, which provided for the establishment of a new regulatory framework, the introduction of competition and the privatization of the Telebrás System. In January 1998, in preparation for the restructuring and privatization of the Telebrás System, the cellular telecommunications operations of the Telebrás System were spun off into separate companies. In May 1998, the Telebrás System was restructured to form, in addition to Telebrás, twelve new holding companies. Virtually all of the predecessor companies assets and liabilities were allocated to the new holding companies, which we refer to as the new holding companies. TCP was one of the new holding companies. TCP was allocated all of the share capital held by Telebrás in Telesp Celular, one of the cellular operating companies that had provided cellular telecommunications service in the state of São Paulo since 1993. The Brazilian government's common shares of Telesp's capital stock were purchased by the Portugal Telecom group.

Global Telecom

Global Telecom is a B Band cellular concessionaire in the states of Paraná and Santa Catarina. Global Telecom began commercial operations in December 1998. In February 2001, we acquired an 81.61% indirect economic interest in Global Telecom for R\$902 million. On December 27, 2002, we acquired the remaining shares of Global Telecom for R\$290.3 million.

Brasilcel

TCP is controlled by Brasilcel N.V., or Brasilcel, with headquarters in the Netherlands, a joint venture between Portugal Telecom and Telefónica Móviles. Through the Vivo Companies, this joint venture controls 34.5% of the total market in Brazil, according to ANATEL, with 29.8 million customers as of December 31, 2005, according to market share data published by ANATEL. Its operations cover an area of approximately 136 million inhabitants, or 73.7% of the Brazilian population, and approximately 83.3% of its GDP. Portugal Telecom and Telefónica Móviles are managing the joint venture on an equal basis.

In December 2002, Portugal Telecom and Telefónica transferred to Brasilcel all of their direct and indirect interests in the following companies:

TCP

TCP controls an A Band operator in the state of São Paulo, Global Telecom, a B Band operator in the states of Paraná and Santa Catarina and Tele Centro Oeste Celular Participações S.A.

Tele Leste Celular Participações S.A. (TLE)

TLE, which controls A Band operations in the states of Bahia and Sergipe, was one of the operating subsidiaries of Telebrás that was spun off as an individual company in July 1998. It received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the states of Bahia and Sergipe, namely, Telebahia Celular and Telergipe Celular.

TLE was purchased by a consortium formed by Iberdrola Investimentos Sociedade Unipessoal Ltda., an investment company controlled by Iberdrola S.A. and Telefónica Internacional S.A., a subsidiary of Telefónica. On May 17, 1999, Iberoleste Participações S.A. purchased 3.07% of Telebahia's capital stock and 6.54% of Telergipe's capital stock in a tender offer. In February 2000, Telefónica and

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Iberdrola transferred their shares to Iberoleste, maintaining their same percentage interest in the consortium. On April 5, 2001, Telefónica purchased all the capital stock directly and indirectly held by the Iberdrola Group in TLE.

Tele Sudeste Celular Participações S.A. (TSD)

TSD, which controls A Band operators in the states of Rio de Janeiro and Espírito Santo, was one of the operating subsidiaries of Telebrás that was spun off as an individual company in July 1998. TSD received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the States of Rio de Janeiro and Espírito Santo, namely, Telerj Celular and Telest Celular, respectively.

TSD was purchased by a consortium of Telefónica Internacional S.A., Iberdrola Investimentos Sociedade Unipessoal Ltda., NTT Mobile Communications Network, Inc. and Itochu Corporation. In May 2000, Telefónica acquired 67.51% of TSD's capital stock through an exchange offer. On April 5, 2001, Telefónica purchased from the Iberdrola group, with the authorization of ANATEL, 7% of the capital stock of Sudestecel Participações S.A., a holding company that controlled TSD.

Celular CRT Participações S.A. (Celular CRT)

Celular CRT controls an A Band operator in the state of Rio Grande do Sul. Cellular telecommunications services were first offered in the state of Rio Grande do Sul in December 1992 by a business unit of Celular CRT Companhia Riograndense de Telecomunicações. The fixed and cellular operations of Celular CRT were split on June 25, 1998, and the cellular operations were spun off as Celular CRT. On May 4, 1999, Celular CRT obtained its registration as a publicly-held company with the CVM for the trading of its shares on the over-the-counter market organized by Sociedade Operadora do Mercado de Ativos SOMA, starting on May 17, 1999. On September 8, 1999, Celular CRT registered with the Extremo Sul Stock Exchange and BOVESPA, pursuant to the applicable laws. The main shareholder of Celular CRT was the state of Rio Grande do Sul.

In 1996, the state of Rio Grande do Sul sold part of its stake in Celular CRT to Telefónica. In 1998, the remaining stake of the state of Rio Grande do Sul was sold to Telefónica. In 1999, Portugal Telecom subscribed a share capital increase of Celular CRT.

Acquisition of TCO

On April 25, 2003, TCP acquired 64.03% of the outstanding voting capital stock of TCO from Fixcel S.A. for approximately R\$1,505.6 million, corresponding to R\$19.48719845 per each lot of 1,000 shares acquired. TCO is an A Band operator providing cellular telecommunications services in the Federal District of Brazil, as well as in the Brazilian states of Goiás, Mato Grosso do Sul, Mato Grosso, Rondônia, Acre and Tocantins. The agreement also included the acquisition of TCO's B Band subsidiary NBT, which provides cellular telecommunications service in the Brazilian states of Amapá, Amazonas, Maranhão, Pará and Roraima. On May 25, 2003, in compliance with Brazilian legislation, we launched a tender offer for the common shares of TCO not owned by us. The acceptance period ended on November 18, 2003. As a result of the shares tendered, we acquired 74.2% of the outstanding available common shares at the price of R\$16.73 per 1,000 common shares. The total purchase price for the new shares amounted to R\$538.8 million. At December 31, 2003 we held 90.73% of TCO's ordinary shares, representing a 29.31% interest in TCO, excluding treasury stocks. We also announced the intention to launch an exchange offer for the remaining shares of TCO through which we would have become TCO's sole shareholder. This would have been followed by a merger of TCO into TCP. After the launch of the exchange offer, the CVM raised questions on to its compliance with Brazilian law. Although TCP and TCO believed, and believe, that the exchange offer complied with applicable law, TCP and TCO decided to terminate the exchange offer in January, 2004. See the sections TCO's Corporate Restructuring and Merger of the Vivo Companies, below, for more information on developments to TCO since we acquired it.

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Introduction of the Vivo Brand

In April 2003, Brasilcel launched the brand name Vivo, under which TCP, TCO, TLE, TSD and Celular CRT have been operating together ever since. The creation of the Vivo brand constituted a consolidation of the commercial models throughout the entire country into a common commercial strategy and replaced the different brands under which the different companies offered their services in their respective states. The commercial strategy of Vivo is to increase its customer base as well as revenues by retaining customers as well as maintaining their distribution channels. The launching of the Vivo brand was accompanied by loyalty programs and other measures designed to contribute to the success of the commercial strategy. Guided by a common management team, Vivo designs marketing, promotional and other initiatives common to all the companies and then tailors those activities to the particular markets of those companies.

TCO's Corporate Restructuring

On June 30, 2004, the management of TCP and TCO approved the corporate restructuring of TCO and its subsidiaries Telegoiás Celular S.A., Telems Celular S.A., Telemat Celular S.A., Teleacre Celular S.A. and Teleron Celular S.A. The reasons for restructuring were: (i) to effectuate an improvement in TCO's and its subsidiaries' cash flow, resulting from the transfer of TCP's R\$511 million tax benefit to TCO, generated by the amortization of a goodwill in the amount of R\$1,503 million, originally paid upon the acquisition of TCO and its subsidiaries by TCP in 2003 and (ii) to effectuate a simplification of the corporate structure of TCO's subsidiaries, improving TCO's capitalization, benefiting the minority shareholders of TCO's subsidiaries.

VTO Voluntary Public Tender Offer

On October 8, 2004, Telesp Celular Participações concluded its public tender offer (VTO) for up to 84,252,534,000 preferred shares of TCO by TCP. The number of preferred shares tendered in the VTO exceeded the maximum number to be acquired by TCP. Due to a pro-rata allocation, TCP purchased 0.5547 preferred shares for each preferred share tendered by a TCP holder. After the VTO, on January 7, 2005, the number of TCO shares held by TCP represents 32.76% of the total preferred shares and 50.65% of the total capital stock of TCO. Also under the VTO, Avista Participações Ltda., a subsidiary of Brasilcel, purchased:

common shares of TLE representing 10.0% of TLE's total common shares and preferred shares of TLE representing 29.51% of TLE's total preferred shares;

common shares of TSD representing 3.27% of TSD's total common shares and preferred shares of TSD representing 4.89% of TSD's total preferred shares.

common shares of Celular CRT representing 4.48% of Celular CRT's total common shares and preferred shares of Celular CRT representing 23.44% of Celular CRT's total preferred shares.

Rights Offering

On November 8, 2004, TCP announced a capital increase of up to R\$2,053,895,871.47, upon private subscription, with an issuance of 410,779,174,294 new shares, of which 143,513,066,618 are common shares and 267,266,107,676 are preferred shares, for the issuance price of five reais (R\$5.00) per lot of one thousand shares, for both types of shares of the Company, identical in every aspect to those currently existing.

The capital increase was carried out in three subscription stages, with due regard to preemptive rights, and ended by an auction of the remaining shares held on January 4, 2005, which was confirmed by the Board of Directors at a meeting held on January 7, 2005, whereby the capital stock was increased to R\$6,427,557,341.20, represented by 1,582,563,526,803 shares, of which 552,896,931,154 are common shares and 1,029,666,595,649 are preferred shares. Following the rights offering, Brasilcel held 94.9% of our common shares, 50.0% of our preferred shares, and 65.7% of our total capital stock.

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Brasilcel s Capital Increases of TLE, TSD, and Celular CRT

In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of TLE, TSD and Celular CRT in respective capital increases. As a result of those transactions, Brasilcel held:

68.72% of TLE s common shares, 40.95% of TLE s preferred shares and 50.67% of TLE s total capital stock;

92.01% of TSD s common shares, 90.27% of TSD s preferred shares and 91.03% of TSD s total capital stock; and

90.57% of Celular CRT s common shares, 51.47% of Celular CRT s preferred shares and 68.77% of Celular CRT s total capital stock (excluding treasury shares).

Merger of the Vivo Companies

In February 2006, shareholders of the Vivo Companies approved their consolidation with one another through a Brazilian law procedure (the Merger) whereby TCO became a wholly-owned subsidiary of TCP pursuant to a merger of shares (*incorporação de ações*) of TCO and a merger of companies (*incorporação de empresas*) of TLE, TSD and Celular CRT with and into TCP, with TCP as the surviving company. Holders of common shares, preferred shares or (where applicable) ADSs of TCO, TLE, TSD and Celular CRT received common shares, preferred shares or ADSs, respectively, of TCP upon approval of the Merger by the requisite percentage of the voting shareholders of TCP, on one hand, and of TCO, TLE, TSD and Celular CRT, as applicable, on the other hand. Upon the completion of the Merger, TCP was renamed Vivo Participações S.A. and has become the holding company of TCO and of the remaining subsidiaries of TLE, TSD and Celular CRT.

The boards of executive officers (*Conselhos de Administração*) of each of the constituent companies to the Merger completed their respective approval processes for the Merger by December 4, 2005 and their respective shareholders approved the transaction as of February 22, 2006. The reasons for the Merger were to align the interests of the shareholders of TCP, TCO, and TLE, TSD and Celular CRT, which were previously under common control; to improve the liquidity of the resultant securities; to simplify the shareholding and organizational structure of the Vivo companies and expand its shareholder base; and to take advantage of important synergies among the companies, which were already operating under the common Vivo brand.

Pursuant to the Merger, Brasilcel and its subsidiaries now hold 89.03% of TCP s common shares. Under the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, governing the Merger, TCP underwent a capital increase in the amount of R\$2,631,136,636.01 as a result of the Merger, from R\$6,670,152,498.26 to R\$9,301,289,134.27. The agreements also provided that Celular CRT s preferred shares held in treasury be transferred to TCP in connection with the Merger. At a TCP Shareholders Meeting held on February 22, 2006, TCP reduced its capital in the amount of R\$3,147,782,181.54, from R\$6,670,152,498.26 to R\$3,522,370,316.72, as approved by management and the shareholders and in accordance with Brazilian Corporate Law, which permits reductions in capital up to the amount of accumulated losses, which, in turn, allows a more accurate valuation of the company and opens a possibility for eventual future distributions of dividends. The total capital of TCP is R\$6,153,506,952.73 due to an increase in the amount of R\$2,631,136,636.01 as a result of the Merger. For more information on the Merger, see the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification among Telesp Celular Participações S.A. and Tele Centro Oeste Celular Participações S.A., Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. dated December 4, 2005, which is included as an exhibit to this report.

CVM regulations permit the acquiror of a publicly held company to capitalize the tax benefits arising from the amortization of goodwill generated in the acquisition of that company, so long as preemptive rights are extended to the other shareholders of the publicly held company in connection with the capital increase. At the time of the Merger, any rights previously held by TCP, in connection with its existing investment in TCO, or by certain

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controlling shareholders, in the case of TSD, TLE and Celular CRT, to capitalize credits of such companies will remain in effect. As a result, upon the Merger TCP retained its prior rights to capitalize its credits in TCO and such controlling shareholders acquired the right to use their credits in future capital increases of TCP.

Capital Expenditures

The primary focus of our capital expenditure program has been, and continues to be, the improvement of the capacity of the services we currently offer and the provision of new services as well as the development of information systems.

The following tables set forth our total capital expenditures for the companies and periods indicated:

	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
TCP			
Switching equipment	343.2	380.1	167.2
Transmission equipment	589.8	450.7	232.8
Information technology	386.2	285.8	157.4
Others(1)	238.5	275.4	151.2
Total capital expenditures	1,557.7	1,392.0	708.6

	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
Telesp Celular			
Switching equipment	216.2	175.9	131.0
Transmission equipment	313.2	172.8	122.3
Information Technology	360.4	251.5	101.9
Others(1)	120.9	158.9	100.5
Total capital expenditures	1,010.7	759.1	455.7

	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
Global Telecom			
Switching equipment	25.4	47.5	10.3
Transmission equipment	126.9	124.5	45.5
Information Technology	6.4	15.7	16.8
Others(1)	30.9	26.8	18.8
Total capital expenditures	189.6	214.5	91.4

	Year ended December 31, 2005		
	(in millions of reais)		
TCO			
Switching equipment	101.6	156.7	25.9
Transmission equipment	149.7	153.4	65.0
Information Technology	19.4	18.6	38.7
Others(1)	86.7	89.7	31.9

Total capital expenditures	357.4	418.4	161.5
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	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
TLE			
Switching equipment	29.9	39.2	12.2
Transmission equipment	56.8	27.7	16.5
Information technology	5.6	6.1	8.5
Others(1)	35.9	30.5	34.0
Total capital expenditures	128.2	103.5	71.2

	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
TSD			
Switching equipment	90.2	90.6	59.3
Transmission equipment	112.8	64.8	161.0
Information technology	11.6		3.4
Others(1)	82.5	85.9	31.2
Total capital expenditures	297.1	241.3	254.9

	Year ended December 31,		
	2005	2004	2003
	(in millions of reais)		
Celular CRT			
Switching equipment	59.7	72.2	23.1
Transmission equipment	119.3	84.5	101.9
Information technology	4.2		
Others(1)	56.2	47.6	17.7
Total capital expenditures	239.4	204.3	142.7

(1) Consisting primarily of free handset rentals, network construction, furniture and fixtures, office equipment and store layouts. Our combined capital expenditure estimate for 2006 is approximately R\$1.1 billion including investments in network expansion, introduction of products and services that aim at maximizing the use of cellular telephony, besides seeking the constant improvement of the quality of services provided to our customers.

We intend to fund these capital expenditures mostly with cash generated from operations. See Item 5B. Liquidity and Capital Resources.

B. Business Overview

According to data regarding market share published by ANATEL, we are among the leading providers of cellular telecommunications services in Brazil, with the help of our subsidiaries, Telesp Celular, Global Telecom and TCO, as well as that of the operations we acquired through the Merger from TLE, TSD and Celular CRT. Telesp Celular is the leading cellular operator in the state of São Paulo and in Brazil. Global Telecom is a cellular operator in the states of Paraná and Santa Catarina. TCO is the leading cellular operator in the states of Acre, Amazonas, Amapá, Distrito Federal, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondônia, Roraima and Tocantins. As of the Merger TLE was a leading provider of cellular telecommunications services in the states of Bahia and Sergipe through its subsidiaries Telebahia Celular S.A., or Telebahia, and Telergipe Celular, or Telergipe, which have become part of TCP pursuant to the Merger. As of the Merger, TSD was a

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leading provider of cellular telecommunications services in the states of Rio de Janeiro and Espirito Santo through its subsidiaries Telerj Celular S.A., or Telerj, and Telest Celular S.A., or Telest, which have become part of TCP pursuant to the Merger. Immediately prior to the Merger, Celular CRT Participações S.A. was a leading provider of cellular telecommunications services in the state of Rio Grande do Sul through its subsidiary Celular CRT S.A. part of TCP pursuant to the Merger.

Telesp Celular uses a frequency range known as A Band that covers 100% of the municipalities in its authorized areas in the state of São Paulo. At December 31, 2005, Telesp Celular had 10,476 million cellular lines in service, which represented a 13.5% increase from December 31, 2004, and a market share of approximately 49.2% in São Paulo.

Global Telecom uses a frequency range known as B Band that covers 59.0% of the municipalities in the states of Paraná and Santa Catarina and 92.3% of the population of Paraná and Santa Catarina. At December 31, 2005, Global Telecom had 2,910 million cellular lines in service, which represented a 12.8% net increase from December 31, 2004, and a market share of approximately 34.5% in those states.

Tele Centro Oeste Celular is the leading cellular operator, by number of customers, in its authorization area. TCO uses a frequency range known as A Band that covers 53.0% of the municipalities in the states of Acre, Distrito Federal, Goiás, Mato Grosso, Mato Grosso do Sul, Rondônia and Tocantins, and 90.6% of the population of those states. Tele Centro Oeste Celular, through its subsidiary, NBT, also uses a frequency range known as B Band that covers 33.3% of the municipalities in the states of Amazonas, Amapá, Maranhão, Pará and Roraima, and 70.6% of the population of those states. At December 31, 2005, Tele Centro Oeste Celular had 6,815 million cellular lines in service, which represented a 17.1% net increase from December 31, 2004, and a market share of approximately 45.5% in those states.

Through the operations acquired from TLE, we provide mobile telecommunications services in TLE's areas on the A Band frequency range in an area with more than 15.9 million people, representing 8.6% of Brazil's population, and encompassing 16 metropolitan areas with populations in excess of 100,000 people. These operations cover 33.1% of the municipalities and 70.3% of the population in this area. As of December 31, 2005, TLE and its subsidiaries had 1.5 million cellular lines in service and a market share of approximately 31.8% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by ANATEL.

Through the operations acquired from TSD, we provide mobile telecommunications services in TSD's areas on the A Band frequency range in an area covering approximately 89,774 square kilometers, representing approximately 1.1% of Brazil's territory. This area is home to more than 18.9 million people, representing 10.2% of Brazil's population. These operations cover 100% of the municipalities in this area. As of December 31, 2005, TSD and its subsidiaries had 4.7 million cellular lines in service and a market share of approximately 42.6% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by ANATEL.

Through the operations acquired from Celular CRT, we provide mobile telecommunications services on the A Band frequency range in an area with more than 10.9 million people, representing 5.9% of Brazil's population. As of December 31, 2005, Celular CRT had 3.4 million cellular lines in service and a market share of approximately 48.3% in its authorized area, estimated based on the total number of cellular lines in service in that area as published by ANATEL.

Table of Contents**Our Operations**

The following tables set forth information of Telesp Celular, Global Telecom, TCO, TLE, TSD and Celular CRT cellular telecommunications base, coverage and related matters at the dates and for the years indicated.

Telesp Celular

	Year ended December 31,		
	2005	2004	2003
Cellular lines in service at year-end (in thousands)	10,476	9,232	7,495
Contract customers	1,779	1,603	1,475
Prepaid customers	8,696	7,629	6,020
Growth in cellular lines in service during year	13.5%	23.2%	23.7%
Churn(1)	18.7%	18.9%	22.7%
Estimated population of concession areas (in millions)(2)	39.7	39.1	38.0
Estimated covered population (in millions)(3)	39.7	38.5	37.4
Percentage of population covered(4)	100%	98.5%	98.5%
Penetration at year-end(5)	53.0%	42.7%	30.3%
Percentage of municipalities covered	100%	79.6%	76.7%
Average monthly minutes of use per customer(6)	81	93.0	107
Market share(7)	49.2%	55.2%	63.4%

Global Telecom

	Year ended December 31,		
	2005	2004	2003
Cellular lines in service at year-end (in thousands)	2,910	2,579	1,691
Contract customers	366	298	280
Prepaid customers	2,543	2,281	1,411
Growth in cellular lines in service during year	12.8%	52.5%	43.7%
Churn(1)	20.0%	13.7%	19.4%
Estimated population of concession areas (in millions)(2)	16.1	15.9	15.5
Estimated covered population (in millions)(3)	14.9	14.0	12.8
Percentage of population covered(4)	92.3	88.0%	82.8%
Penetration at year-end(5)	51.4%	39.8%	24.0%
Percentage of municipalities covered	59.0%	42.3%	28.6%
Average monthly minutes of use per customer(6)	58	74	94
Market share(7)	34.5%	41.3%	45.0%

TCO

	Year ended December 31,		
	2005	2004	2003
Cellular lines in service at year-end (in thousands)	6,815	5,820	4,112
Contract customers	970	945	950
Prepaid customers	5,845	4,875	3,162
Growth in cellular lines in service during year	17.1%	41.6%	34.1%
Churn(1)	19.2%	23.4%	25.1%
Estimated population of concession areas (in millions)(2)	33.8	33.0	31.8
Estimated covered population (in millions)(3)	27.1	25.5	24.2
Percentage of population covered(4)	80.4	77.2%	76.3%
Penetration at year-end(5)	44.0%	34.8%	23.3%

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Percentage of municipalities covered	44.7%	41.3%	49.2%
Average monthly minutes of use per customer(6)	73	87	103
Market share(7)	45.5%	51.3%	55.6%

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TLE

	Year ended December 31,		
	2005	2004	2003
Cellular lines in service at year-end	1,477	1,320	1,126
Contract customers	323	292	291
Prepaid customers	1,154	1,028	835
Customer growth during the year	11.9%	17.3%	16.4%
Churn(1)	33.6%	35.3%	34.3%
Estimated population of region at year-end (million)(2)	15.8	15.6	15.3
Estimated covered population at year-end (million)(3)	11.1	10.8	10.4
Percentage of population covered at year-end(4)	70.3	69.3%	68.1%
Penetration at year-end(5)	29.2%	0.2%	13.4%
Percentage of municipalities covered	33.1	31.3%	30.6%
Average monthly minutes of use per customer(6)	89	89	106
Estimated market share(7)	31.8%	42.3%	55.2%

TSD

	Year ended December 31,		
	2005	2004	2003
Cellular lines in service at year-end	4,740	4,376	3,709
Contract customers	1,476	1,259	1,156
Prepaid customers	3,264	3,117	2,552
Customer growth during the year	8.3%	18.0%	7.4%
Churn(1)	29.5%	31.3%	30.6%
Estimated population of Region at year-end (millions)(2)	18.8	18.6	18.1
Estimated covered population at year-end (millions)(3)	18.8	18.6	18.1
Percentage of population of Region covered at year-end(4)	100%	100%	100%
Penetration at year-end(5)	58.8%	49.1%	41.0%
Percentage of municipalities covered	100%	100%	100%
Average monthly minutes of use per customer(6)	92		