

TELESP HOLDING CO
Form 6-K
August 25, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

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

For the month of August, 2009

Commission File Number: 001-14475

TELESP HOLDING COMPANY

(Translation of registrant's name into English)

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

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

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

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

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

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

TELESP HOLDING COMPANY

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1. Press Release entitled *Quarterly Review - Telecomunicações de São Paulo S.A. Telesp* dated on June 30, 2009.
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Quarterly Review

Telecomunicações de São Paulo S.A. -TELESP

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

(A free translation of the original issued in Portuguese)

Telecomunicações de São Paulo S.A. - TELESP

Quarterly information

June 30, 2009

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Special Review Report of Independent Auditors on Quarterly Information

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

Shareholders, Management and Board Members

Telecomunicações de São Paulo S.A. - TELESP

São Paulo - SP

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

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

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

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

São Paulo, July 27, 2009.

ERNST & YOUNG

Audidores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Marques

Accountant CRC-1SP147693/O-5

Alexandre Hoepfers

Accountant CRC-SC021011/O-3-T-PR-S-SP

Telecomunicações de São Paulo S.A. - TELESP

Balance sheets

June 30, 2009 and March 31, 2009

(In thousands of reais R\$)

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

	Note	Parent Company		Consolidated	
		06/30/09	03/31/09	06/30/09	03/31/09
Assets					
Current assets		5,108,661	5,801,006	5,791,785	6,550,076
Cash and cash equivalents	4	798,964	1,586,415	933,674	1,783,683
Trade accounts receivable, net	5	2,750,498	2,780,209	3,139,964	3,163,691
Deferred and recoverable taxes	6	1,095,540	973,839	1,199,878	1,088,398
Inventories	7	110,979	125,818	168,130	173,300
Derivatives	32	2,249	39,756	2,249	39,756
Other	8	350,431	294,969	347,890	301,248
Noncurrent assets		13,508,887	13,632,021	13,190,949	13,272,224
Trade accounts receivable, net		-	-	97,775	87,386
Deferred and recoverable taxes	6	737,924	787,742	747,089	796,540
Escrow deposits	9	803,071	704,556	838,403	737,883
Credit applications		15,000	125,000		-
Other		113,113	112,584	153,928	161,486
Investments	10	1,631,157	1,525,711	296,775	286,754
Property, plant and equipment, net	11	8,752,014	8,899,667	9,563,794	9,688,046
Intangible assets, net	12	1,456,608	1,476,761	1,493,185	1,514,129
Total assets		18,617,548	19,433,027	18,982,734	19,822,300

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	Note	Parent Company		Consolidated	
		06/30/09	03/31/09	06/30/09	03/31/09
Liabilities and shareholders equity					
Current liabilities		3,954,922	4,858,891	4,271,618	5,201,068
Loans and financing	13	124,479	242,004	124,479	242,004
Debentures	14	11,176	14,308	11,176	14,308
Trade accounts payable		1,734,150	1,726,792	1,975,372	1,997,948
Taxes payable	15	936,051	881,756	1,019,242	948,443
Dividends and interest on shareholders equity	16	379,039	1,153,114	379,039	1,153,114
Reserve for contingencies	18	130,866	131,305	130,903	131,343
Payroll and related accruals	17	160,168	122,290	170,290	130,921
Derivative obligations	32	31,555	21,471	31,555	21,471
Other	19	447,438	565,851	429,562	561,516
Non-current liabilities		3,982,952	4,056,103	4,031,442	4,103,199
Loans and financing	13	1,685,102	1,714,355	1,685,102	1,714,355
Debentures	14	1,500,000	1,500,000	1,500,000	1,500,000
Taxes payable	15	41,732	41,303	63,000	61,456
Reserve for contingencies	18	514,723	566,238	518,177	569,771
Reserve for post-retirement benefit plans	30	154,331	152,412	154,331	152,412
Derivatives obligations	32	23,804	20,669	23,804	20,669
Other		63,260	61,126	87,028	84,536
Shareholders equity	20	10,679,674	10,518,033	10,679,674	10,518,033
Capital		6,575,480	6,575,480	6,575,480	6,575,480
Special goodwill reserve		63,074	63,074	63,074	63,074
Capital reserves		2,670,488	2,670,488	2,670,488	2,670,488
Legal reserve		659,556	659,556	659,556	659,556
Adjustments for equity valuation		68,062	56,562	68,062	56,562
Cumulative translation adjustments		2,733	10,233	2,733	10,233
Retained earnings		640,281	482,640	640,281	482,640
Total liabilities and shareholders equity		18,617,548	19,433,027	18,982,734	19,822,300

See accompanying notes.

Telecomunicações de São Paulo S.A. - TELESP

Statements of income

Six-month periods ended June 30, 2009 and June 30, 2008

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

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

	Note	Parent Company		Consolidated	
		06/30/09	06/30/08	06/30/09	06/30/08
Gross operating revenue	21	10,754,729	10,639,715	11,702,932	11,173,651
Revenue deductions	21	(3,575,037)	(3,390,394)	(3,808,311)	(3,419,496)
Net operating revenue	21	7,179,692	7,249,321	7,894,621	7,754,155
Cost of services provided	22	(4,035,877)	(3,895,256)	(4,595,265)	(4,231,875)
Gross profit		3,143,815	3,354,065	3,299,356	3,522,280
Operating expenses		(1,431,712)	(1,608,189)	(1,563,315)	(1,754,496)
Selling	23	(1,191,417)	(1,178,985)	(1,314,472)	(1,258,159)
General and administrative	24	(337,178)	(296,296)	(327,724)	(354,042)
Equity accounting in subsidiaries	10	(42,045)	(5,599)	5,156	5,732
Permanent asset disposal, net	25	(5,891)	(27,572)	(13,618)	(29,138)
Other operating income (expense), net	26	144,819	(99,737)	87,343	(118,889)
Income from operations before financial income (expense)		1,712,103	1,745,876	1,736,041	1,767,784
Financial income	27	253,535	443,117	291,985	457,849
Financial expense	27	(360,889)	(762,946)	(379,182)	(780,277)
Income before income tax and social contribution		1,604,749	1,426,047	1,648,844	1,445,356
Income and social contribution taxes	28	(576,858)	(517,686)	(620,953)	(536,995)
Reversal of interest on shareholders equity		-	200,000	-	200,000

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Net income		1,027,891	1,108,361	1,027,891	1,108,361
Outstanding number of shares at the balance sheet date in thousands	20	505,841	505,841		
Earnings per share - R\$		2,03204	2,19113		

See accompanying notes.

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Telecomunicações de São Paulo S.A. TELESP

Statements of shareholders' equity

June 30, 2009 and December 31, 2008

(In thousands of reais)

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

	Capital	Special goodwill reserve	Share premium	Treasury shares	Capital reserves Donations and subsidies for investments	Tax incentives	Income reserves Legal reserve	Adjustments for equity valuation	Cumulative translation adjustments	Retained earnings	Total shareholders' equity
Balances at December 31, 2008	6,575,480	63,074	2,678,195	(17,719)	9,824	188	659,556	76,232	862	-	10,112,128
Unclaimed dividends and interest on shareholders' equity, net of taxes	-	-	-	-	-	-	-	-	-	82,390	82,390
Adjustments for equity valuation	-	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	(8,170)	1,871	-	-
Net income for the year	-	-	-	-	-	-	-	-	-	1,027,891	1,027,891
Appropriations:	-	-	-	-	-	-	-	-	-	(470,000)	(470,000)
Dividends	-	-	-	-	-	-	-	-	-	(470,000)	(470,000)
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
Withholding tax on interest on shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
	6,575,480	63,074	2,678,195	(17,719)	9,824	188	659,556	68,062	2,733	640,281	10,112,128

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Balances at
June 30, 2009

See accompanying notes.

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Telecomunicações de São Paulo S.A. - TELESP

Supplementary statements of cash flows

Six-month periods ended June 30, 2009 and June 30, 2008

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

	Company		Consolidated	
	2009	2008	2009	2008
Cash flows from operations				
Net income for the year	1,027,891	1,108,361	1,027,891	1,108,361
Expenses (revenues) not affecting cash	1,409,344	1,562,276	1,554,604	1,664,965
Depreciation and amortization	1,179,232	1,241,611	1,286,883	1,315,193
Monetary and exchange variations	(44,780)	(14,304)	(46,376)	(18,604)
(Gain) loss from equity pick-up in subsidiaries	42,045	5,599	(5,156)	(5,732)
Gain /(Loss) on permanent asset disposals	5,891	27,572	13,618	29,138
Amortization of goodwill	-	58,811	-	58,811
Provision for doubtful accounts	222,543	237,488	295,222	273,422
Pension and other post-retirement benefits plans, net of funding	5,561	5,499	5,561	5,499
Others	(1,148)	-	4,852	7,238
(Increase) decrease in operating assets:	(285,073)	(257,199)	(462,629)	(492,822)
Trade accounts receivable	(119,493)	(346,263)	(282,355)	(446,392)
Other current assets	(100,430)	89,152	(104,077)	23,735
Other noncurrent assets	(65,150)	(88)	(76,197)	(70,165)
Increase (decrease) in operating liabilities:	(134,380)	(533,365)	(271,665)	(475,668)
Payroll and related accruals	(987)	(75,471)	18,300	(72,535)
Accounts payable and accrued expenses	(27,735)	(19,155)	(124,471)	3,387
Taxes other than income taxes	(82,836)	2,274	(88,701)	4,464
Other current liabilities	(139,005)	(568,982)	(137,401)	(549,592)
Accrued interest	(10,158)	(23,661)	(49,082)	(23,479)
Income and social contribution taxes	183,194	85,159	186,559	83,676
Reserve for contingencies	(50,082)	68,058	(50,186)	68,310
Other noncurrent liabilities	(6,771)	(1,587)	(26,683)	10,101
Cash provided by operations	2,017,782	1,880,073	1,848,201	1,804,836

Cash flows generated from (used in) investing activities

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Acquisition of subsidiary, net of cash acquired	-	-	-	-
Advance for future share acquisition	(350,000)	(228,332)	-	11,895
Acquisition of fixed and intangible assets, net of donations	(1,034,376)	(858,661)	(1,229,052)	(1,030,661)
Cash from sales of fixed assets and investment	1,541	5,623	1,642	8,891
Cash received on merger	-	-	-	-
Cash used in investing activities	(1,382,835)	(1,081,370)	(1,227,410)	(1,009,875)
Cash flows generated from (used in) financing activities				
Loans repaid	(316,471)	(839,181)	(324,528)	(883,312)
New loans obtained	-	355,000	-	387,500
Net payment on derivatives contracts	45,123	12,835	58,646	15,999
Dividends and interest on shareholders' equity paid	(1,162,241)	(782,256)	(1,162,241)	(782,256)
Cash used in financing activities	(1,433,589)	(1,253,602)	(1,428,123)	(1,262,069)
(Increase) decrease in cash and cash equivalents	(798,642)	(454,899)	(807,332)	(467,108)
Cash and cash equivalents at beginning of year	1,597,606	845,805	1,741,006	933,275
Cash and cash equivalents at end of year	798,964	390,906	933,674	466,167
Changes in cash during the year	(798,642)	(454,899)	(807,332)	(467,108)

See accompanying notes.

Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information

June 30, 2009

(In thousands of reais, unless otherwise stated)

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

1. Operations and background

a) Controlling shareholders

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

b) Operations

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

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

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

Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

June 30, 2009

(In thousands of reais, unless otherwise stated)

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

1. Operations and background (Continued)

c) The STFC concession agreement

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

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

The Concession Agreement establishes that all assets owned by the Company and which are indispensable to the provision of the services described on such agreement are considered reversible assets and are deemed to be part of the concession assets. These assets will be automatically returned to ANATEL upon expiration of the concession agreement, according to the regulation in force by that moment. On June 30, 2009, the net book value of reversible assets is estimated at R\$6,497,170 (R\$6,702,586 on March 31, 2009), comprised mainly of switching and transmission equipment and public use terminals, external network equipment, energy equipment and system and operation support equipment.

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

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Telecomunicações de São Paulo S.A. - TELESP

Notes to quarterly information (Continued)

June 30, 2009

(In thousands of reais, unless otherwise stated)

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

1. Operations and background (Continued)

d) Subsidiaries

The chart below sets out the list of direct and indirect subsidiarie