

HALOZYME THERAPEUTICS INC

Form 8-K

February 20, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

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CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): February 20, 2018

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HALOZYME THERAPEUTICS, INC.  
(Exact name of registrant as specified in its charter)

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Delaware 001-32335 88-0488686  
(State or other jurisdiction (Commission (IRS Employer  
of incorporation) File Number) Identification No.)  
11388 Sorrento Valley Road, San Diego, California 92121  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (858)  
794-8889

Not Applicable  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On February 20, 2018, Halozyme Therapeutics, Inc. issued a press release to report its financial results for the fourth quarter and full year ended December 31, 2017. A copy of the press release is attached as Exhibit 99.1, which is furnished under Item 2.02 of this report and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No. Description

99.1 Press release dated February 20, 2018

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SIGNATURES

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

HALOZYME THERAPEUTICS, INC.

February 20, 2018 By: /s/ Harry J. Leonhardt, Esq.

Name: Harry J. Leonhardt, Esq.

Title: Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary

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Exhibit Index

Exhibit No. Description

99.1 Press release dated February 20, 2018

> **Consolidated**

	<b>Jun/2008</b>	<b>Mar/2008</b>	<b>Jun/2008</b>	<b>Mar/2008</b>		
Billed amounts	<b>2,335,273</b>	2,249,188	<b>2,445,627</b>	2,342,943	Accrued unbilled amounts	<b>1,156,857</b>
1,180,424	<b>1,288,370</b>	1,323,140				
Gross accounts receivable	<b>3,492,130</b>	3,429,612	<b>3,733,997</b>	3,666,083	Allowance for doubtful accounts	
<b>(711,629)</b>	(765,701)	<b>(781,970)</b>	(825,573)			
Total	<b>2,780,501</b>	2,663,911	<b>2,952,027</b>	2,840,510		
Current	<b>1,786,079</b>	1,770,500	<b>2,027,401</b>	2,062,868	Past-due □ 1 to 30 days	<b>517,267</b>
513,248					493,500	<b>541,283</b>
Past-due □ 31 to 60 days	<b>181,514</b>	169,632	<b>186,150</b>	159,452	Past-due □ 61 to 90 days	<b>100,507</b>
86,783	<b>91,600</b>	100,129				
Past-due □ 91 to 120 days	<b>74,562</b>	75,073	<b>71,482</b>	68,525	Past-due □ more than 120 days	
<b>832,201</b>	834,124	<b>816,081</b>	761,861			
Total	<b>3,492,130</b>	3,429,612	<b>3,733,997</b>	3,666,083		

**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

## NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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

**6. Deferred and Recoverable Taxes**

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Withholding taxes	<b>29,584</b>	18,265	<b>40,118</b>	27,282
Recoverable income tax and social contribution	<b>118,093</b>	117,599	<b>123,494</b>	122,207
Deferred taxes	<b>927,493</b>	929,655	<b>974,061</b>	976,090
Tax loss carry-forwards □ Income tax	-	-	<b>1,855</b>	3,552
Tax loss carry-forwards □ Social contribution tax	-	-	<b>111</b>	482
Reserve for contingencies	<b>340,299</b>	328,249	<b>340,628</b>	328,568
Post-retirement benefit plans	<b>34,314</b>	33,380	<b>34,314</b>	33,380
Allowance for doubtful accounts	<b>80,429</b>	83,584	<b>95,216</b>	96,010
Allowance for reduction of inventory to market value	<b>30,104</b>	29,797	<b>30,104</b>	29,797
Merged tax credit (a)	<b>86,550</b>	93,527	<b>86,550</b>	93,527
Income tax on other temporary differences	<b>261,615</b>	265,529	<b>283,296</b>	287,344
Social contribution tax on other temporary differences	<b>94,182</b>	95,589	<b>101,987</b>	103,430
ICMS (state VAT) (b)	<b>348,932</b>	375,111	<b>408,837</b>	430,837
Other	<b>4,154</b>	5,069	<b>13,378</b>	11,227
Total	<b>1,428,256</b>	1,445,699	<b>1,559,888</b>	<u>1,567,643</u>

Current	<b>918,410</b>	940,419	<b>1,034,832</b>	1,046,163
Non-current	<b>509,846</b>	505,280	<b>525,056</b>	521,480

- (a) Amount recorded by the Company as a result of the spin-off of Telefonica Data S.A. (former Telefonica Empresas S.A.) in July 2006.
- (b) Refers to credits on the acquisition of property, plant and equipment items, available for offset against VAT obligations in 48 months.

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

## NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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**6. Deferred and Recoverable Taxes (Continued)**Deferred income and social contribution taxes

Considering the existence of taxable income in the last five fiscal years and the expected generation of future taxable profit discounted to present value based on a technical and feasibility business plan, approved by the Board of Directors on December 10, 2007, as provided for CVM Instruction No. 371/2002, the Company estimates the realization of the deferred taxes as follows:

<b>Year</b>	<b>Parent Company</b>	<b>Consolidated</b>
2008	352,355	386,915
2009	253,496	263,707
2010	95,186	95,712
2011	53,977	54,359
Thereafter	172,479	173,368
<b>Total</b>	<b>927,493</b>	<b>974,061</b>

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

Merged tax credit

Generated from the acquisition of investment from Figueira Administração e Participações S.A. in 2001, which held telecommunications network operating assets of Banco Itaú S.A. as well as the investments at Galáxia Administrações e Participações S.A., a company that owns the Multimedia Communication Service (SCM) authorization.

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

## NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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

**6. Deferred and Recoverable Taxes (Continued)**Merged tax credit (Continued)

The book entries maintained for Company's corporate and tax purposes were based on specific goodwill and provision accounts (merged), and the corresponding amortization, provision reversal and, the tax credit realization are as follows:

**Parent Company/Consolidated**

	<b>Jun/2008</b>	<b>Mar/2008</b>
<u>Balance Sheet</u>		
Goodwill, net of accumulated amortization	<b>254,556</b>	275,079
Provision, net of reversals	<b>(168,008)</b>	(181,552)
Net amount □ tax credit	<b>86,550</b>	93,527
<u>Income Statement</u>		
Goodwill amortization in the year	<b>(41,043)</b>	(41,043)
Reversal of provision in the year	<b>27,088</b>	27,088
Tax credit in the year	<b>13,955</b>	13,955
Effect on P&L in the year	-	-

As presents above, goodwill amortization, net of provision reversal and of the corresponding tax credit, do not affect the net income of the period.

For presentation purposes, the net amount of R\$86,550 (R\$58,641 under non-current assets and R\$27,909 under current assets), basically represented by merged tax credit, was classified in the balance sheet as deferred and recoverable taxes. Goodwill amortization and provision reversal are recognized in the accounting records as operating income and expenses, and the related tax credit is recognized as provision for income and social contribution taxes.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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#### 7. Inventories

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Consumption materials	<b>120,280</b>	112,686	<b>120,513</b>	112,843
Resale items	<b>58,388</b>	58,662	<b>88,401</b>	90,554
Public telephone prepaid cards	<b>12,125</b>	10,149	<b>12,125</b>	10,149
Scraps	<b>157</b>	218	<b>158</b>	218
Allowance for reduction to market value and obsolescence	<b>(88,540)</b>	(87,639)	<b>(89,057)</b>	(88,150)
Total current	<b>102,410</b>	94,076	<b>132,140</b>	125,614

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

#### 8. Other Assets

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008



Advances to employees	<b>17,501</b>	5,413	<b>22,602</b>	6,406
Advances to suppliers	<b>18,759</b>	18,625	<b>20,599</b>	20,580
Prepaid expenses	<b>99,675</b>	107,268	<b>100,503</b>	108,717
Receivables from Barramar S.A. (a)	-	-	<b>58,535</b>	58,751
Intercompany receivables (Note 30)	<b>126,603</b>	219,006	<b>106,261</b>	97,292
Amounts linked to National Treasury securities	<b>10,855</b>	10,672	<b>10,855</b>	10,672
Advances for future capital increases (b)	<b>40,010</b>	-	-	-
Other assets	<b>58,038</b>	62,116	<b>81,100</b>	89,225
<b>Total</b>	<b>371,441</b>	423,100	<b>400,455</b>	391,643
Current	<b>264,569</b>	357,205	<b>275,047</b>	254,908
Non-current	<b>106,872</b>	65,895	<b>125,408</b>	136,735

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

(b) Advances for future capital increases R\$10,010 to Telefônica Televisão Participações S.A. and R\$30.000 to Telefônica Data S.A.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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

### 9. Escrow Deposits

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Civil litigation	<b>180,696</b>	165,055	<b>180,733</b>	165,091
Tax litigation	<b>256,553</b>	253,451	<b>283,635</b>	256,086
Labor claims	<b>66,611</b>	77,032	<b>66,684</b>	77,107
Judicial Blocked	<b>83,329</b>	66,667	<b>83,346</b>	66,667

Total non-current	<b>587,189</b>	562,205	<b>614,398</b>	564,951
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## 10. Investments

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Investments carried under the equity method	<b>947,830</b>	650,579	-	-
Telefônica Televisão Participações S.A.	<b>678,723</b>	528,390	-	-
Telefônica Data S.A.	<b>153,912</b>	4,617	-	-
Aliança Atlântica Holding B.V.	<b>58,904</b>	60,581	-	-
Companhia AIX de Participações	<b>56,270</b>	56,969	-	-
Companhia ACT de Participações	<b>21</b>	22	-	-
Investments in associates	-	-	<b>33,768</b>	28,966
GTR Participações e Empreendimentos S.A.	-	-	<b>1,758</b>	1,686
Lemontree Participações S.A.	-	-	<b>8,323</b>	6,862
Comercial Cabo TV São Paulo S.A.	-	-	<b>18,331</b>	14,994
TVA Sul Paraná S.A.	-	-	<b>5,356</b>	5,424
Negative and positive goodwill on acquisition of investments (see table below)	<b>885,355</b>	912,849	<b>889,722</b>	919,400
Investments carried at cost	<b>96,304</b>	96,304	<b>147,419</b>	152,606
Portugal Telecom	<b>75,362</b>	75,362	<b>124,502</b>	129,489
Zon Multimédia	<b>6,704</b>	6,704	<b>8,679</b>	8,879
Other investments, net of provision for losses	<b>14,238</b>	14,238	<b>14,238</b>	14,238
Total	<b>1,929,489</b>	1,659,732	<b>1,070,909</b>	1,100,972

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 NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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**10. Investments** (Continued)

Breakdown of goodwill (negative goodwill) on investment acquisition, net of amortization, is as follows:

<u>Parent Company</u>	<u>Jun/2008</u>	<u>Mar/2008</u>
Companhia AIX de Participações	<b>(4,367)</b>	(6,551)
TS Tecnologia da Informação Ltda.	<b>945</b>	945
Santo Genovese Participações Ltda.	<b>77,883</b>	80,878
Telefônica Televisão Participações S.A.	<b>810,894</b>	837,577
Total	<b>885,355</b>	912,849

The Company's equity in subsidiaries is as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun/2008</u>	<u>Jun/2007</u>	<u>Jun/2008</u>	<u>Jun/2007</u>
Aliança Atlântica	<b>3,915</b>	(1,147)	-	(4,351)
A. Telecom (a)	<b>13,096</b>	45,561	<b>15</b>	-
Companhia AIX de Participações	<b>213</b>	(4,489)	-	-
Companhia ACT de Participações	<b>(2)</b>	-	-	-
Telefonica Data S.A.	<b>(19,041)</b>	(28,062)	-	-
Telefônica Televisão Participações S.A.	<b>6,227</b>	-	-	-
GTR Participações e Empreendimentos S.A	-	-	<b>(289)</b>	-
Lemontree Participações S.A.	-	-	<b>2,193</b>	-
Comercial Cabo TV São Paulo S.A.	-	-	<b>4,986</b>	-
TVA Sul Paraná S.A.	-	-	<b>(1,173)</b>	-
	<b>4,408</b>	11,863	<b>5,732</b>	(4,351)

(a)

This refers to income from January to February of 2008, recorded by A.Telecom, which became a wholly-owned subsidiary of Telefonica Televisão Participações S.A. (Note 2.a).

## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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

### 11. Property, Plant and Equipment, Net

	Annual depreciation rate %	Cost	Parent Company		
			Jun/2008 Accumulated depreciation	Net book value Cost	
Property, plant and equipment in service		<b>40,845,196</b>	<b>(32,121,364)</b>	<b>8,723,832</b>	40,714,452
	<b>12.50 to</b>				
Switching and transmission equipment	<b>20.00</b>	<b>17,238,294</b>	<b>(14,967,644)</b>	<b>2,270,650</b>	17,177,937
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	<b>10.00</b>	<b>12,408,311</b>	<b>(9,881,039)</b>	<b>2,527,272</b>	12,435,013
	<b>20.00 and</b>				
Transmission equipment - modems	<b>25.00</b>	<b>1,209,449</b>	<b>(889,663)</b>	<b>319,786</b>	1,128,535
Underground and undersea cables, poles and Towers	<b>5.00 to 6.67</b>	<b>413,743</b>	<b>(253,365)</b>	<b>160,378</b>	412,720
Subscriber, public and booth equipment	<b>12.50</b>	<b>2,117,809</b>	<b>(1,654,028)</b>	<b>463,781</b>	2,105,134
IT equipment	<b>20.00</b>	<b>572,455</b>	<b>(502,026)</b>	<b>70,429</b>	572,139
Buildings and underground cables	<b>4.00</b>	<b>6,544,124</b>	<b>(3,897,947)</b>	<b>2,646,177</b>	6,536,634
Vehicles	<b>20.00</b>	<b>51,069</b>	<b>(35,848)</b>	<b>15,221</b>	59,801
Land	-	<b>228,117</b>	-	<b>228,117</b>	228,136

Other	<b>4.00 to 20.00</b>	<b>61,825</b>	<b>(39,804)</b>	<b>22,021</b>	58,403
Property, plant and equipment in progress	-	<b>470,879</b>	-	<b>470,879</b>	333,394
Total		<b>41,316,075</b>	<b>(32,121,364)</b>	<b>9,194,711</b>	41,047,846
Average annual depreciation rates - %		<b>10.21</b>			10.14
Assets fully depreciated		<b>19,457,107</b>			18,967,139

## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008 (In thousands of reais, unless otherwise stated)

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

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

		<b>Consolidated</b>			
		<b>Jun/2008</b>			
	<b>Annual depreciation rate%</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	<b>Cost</b>
Property, plant and equipment		<b>41,988,619</b>	<b>(32,599,655)</b>	<b>9,388,964</b>	41,757,958
Switching and transmission equipment	<b>12.50 to 20.00</b>	<b>17,259,972</b>	<b>(14,977,458)</b>	<b>2,282,514</b>	17,199,616
Transmission equipment, overhead, underground and building cables, teleprinters, PABX, energy equipment and furniture	<b>10.00</b>	<b>12,585,155</b>	<b>(9,913,460)</b>	<b>2,671,695</b>	12,593,684
Transmission equipment - modems	<b>20.00</b>	<b>1,436,536</b>	<b>(934,141)</b>	<b>502,395</b>	1,297,041
Underground and undersea cables, poles and towers	<b>5.00 to 6.67</b>	<b>427,518</b>	<b>(257,002)</b>	<b>170,516</b>	426,490

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Subscriber, public and booth equipment	<b>12.50</b>	<b>2,179,802</b>	<b>(1,688,014)</b>	<b>491,788</b>	2,167,168
IT equipment	<b>20.00</b>	<b>689,591</b>	<b>(550,499)</b>	<b>139,092</b>	688,779
Buildings and underground cables	<b>4.00</b>	<b>6,546,323</b>	<b>(3,899,658)</b>	<b>2,646,665</b>	6,538,834
TV equipment	<b>8.00 to 20.00</b>	<b>442,131</b>	<b>(256,202)</b>	<b>185,929</b>	420,038
Vehicles	<b>20.00</b>	<b>52,463</b>	<b>(36,891)</b>	<b>15,572</b>	61,185
Land	-	<b>228,117</b>	-	<b>228,117</b>	228,130
Other	<b>4.00 to 20.00</b>	<b>141,011</b>	<b>(86,330)</b>	<b>54,681</b>	136,981
Provision for losses		<b>(3,953)</b>	-	<b>(3,953)</b>	(3,323)
Property, plant and equipment in progress	-	<b>577,820</b>	-	<b>577,820</b>	438,817
Total		<b>42,562,486</b>	<b>(32,599,655)</b>	<b>9,962,831</b>	42,193,452
Average annual depreciation rates - %		<b>10.40</b>			10.33
Assets fully depreciated		<b>19,718,401</b>			19,220,830

## 12. Intangible Assets Net

	Annual depreciation rate %	Cost	Accumulated depreciation	Parent Company	
				Net book value	Cost
					Jun/2008
Trademarks and patents	<b>10.00</b>	<b>1,511</b>	<b>(1,511)</b>	-	1,511
Software	<b>20.00</b>	<b>2,140,048</b>	<b>(1,442,484)</b>	<b>697,564</b>	2,100,103
Other	<b>20.00</b>	<b>158,714</b>	<b>(127,430)</b>	<b>31,284</b>	158,711
Total		<b>2,300,273</b>	<b>(1,571,425)</b>	<b>728,848</b>	2,260,323
Average annual depreciation rates %		<b>20.00</b>			20.00
Assets fully depreciated		<b>800,570</b>			774,868

**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

## NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

(In thousands of reais, unless otherwise stated)

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**12. Intangible Assets Net** (Continued)

	Annual depreciation rate%	Cost	Consolidated		Accumula deprecia
			Jun/2008	Mar/2008	
			Net book value	Cost	
Trademarks and patents	10.00	1,536	25	1,536	(1,498,041)
Software	20.00	2,299,371	725,399	2,259,041	(1,498,041)
Other	20.00	169,569	37,755	169,690	(127,000)
Total		2,470,476	763,179	2,430,267	(1,627,000)
Average annual depreciation rates %	20.00			20.00	
Assets fully depreciated		908,724		812,571	

**13. Deferred Charges**

Deferred charges as of June 30, 2008 and March, 31, 2008 are as follows:

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Pre-operating expenses	-	-	3,158	3,403

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Cost	-	-	<b>9,491</b>	139,251
Accumulated amortization	-	-	<b>(6,333)</b>	(135,848)
Goodwill on acquisition of the IP network	<b>32,652</b>	34,466	<b>32,652</b>	34,466
Cost	<b>72,561</b>	72,561	<b>72,561</b>	72,561
Accumulated amortization	<b>(39,909)</b>	(38,095)	<b>(39,909)</b>	(38,095)
Spanish and Figueira goodwill (merged from TDBH)	<b>167,046</b>	180,590	<b>167,046</b>	180,590
Cost	<b>301,276</b>	301,276	<b>301,276</b>	301,276
Accumulated amortization	<b>(134,230)</b>	(120,686)	<b>(134,230)</b>	(120,686)
Other	-	-	<b>4,162</b>	4,491
Cost	-	-	<b>12,059</b>	12,059
Accumulated amortization	-	-	<b>(7,897)</b>	(7,568)
	<b>199,698</b>	215,056	<b>207,018</b>	222,950

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**14. Loans and Financing**

	Parent Company/Consolidated			Balance as of Jun/2008		
	Currency	Annual interest rate	Maturity	Current	Long-term	Total
Loans and financing - BNDES	URTJLP	9.73%	Up to 2015	<b>9,563</b>	<b>801,276</b>	<b>810,839</b>
☐Mediocrédito☐	US\$	1.75%	2014	<b>4,994</b>	<b>23,940</b>	<b>28,934</b>



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Loans in foreign currency (*)	Up to 2009	<b>330,205</b>	<b>50,531</b>	<b>380,736</b>
Total company		<b>344,762</b>	<b>875,747</b>	<b>1,220,509</b>
Working capital loan in foreign currency (*)	Up to 2009	<b>30,759</b>	<b>-</b>	<b>30,759</b>
Total Consolidated		<b>375,521</b>	<b>875,747</b>	<b>1,251,268</b>

Parent Company/Consolidated			Balance as of Mar/2008			
	Currency	Annual interest rate	Maturity	Current	Long- term	Total
Loans and financing - BNDES	URTJLP	9.73%	Up to 2015	9,349	800,795	810,144
☐Mediocrédito☐	US\$	1.75%	2014	5,349	26,304	31,653
Loans in foreign currency (*)			Up to 2009	380,599	58,929	439,528
Total company				395,297	886,028	1,281,325
Working capital loan in foreign currency (*)	R\$		Up to 2009	35,811	-	35,811
Total Consolidated				431,108	886,028	1,317,136

The loan obtained from the National Bank for Social and Economic Development (*BNDES*) includes covenants relating to financial ratios, which have been fully met as of date.

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**14. Loans and Financing (Continued)**

(\*) Loans in foreign currency are as follows:

<b>Consolidated</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Balance as of Jun/2008</b>
☐Resolução 2770☐	JPY	0.50% to 5.78%	<b>201,412</b>	<b>3,051</b>	<b>204,463</b>
☐Resolução 2770☐	EUR	5.74%	<b>62,159</b>	<b>1,508</b>	<b>63,667</b>
☐Resolução 2770☐	JPY	1.00%	<b>27,907</b>	<b>92</b>	<b>27,999</b>
☐Resolução 2770☐	USD	9.57%	<b>2,700</b>	<b>61</b>	<b>2,761</b>
<i>Untied Loan ☐JBIC</i>	JPY	Libor + 1.25%	<b>111,542</b>	<b>1,063</b>	<b>112,605</b>
			<b>405,720</b>	<b>5,775</b>	<b>411,495</b>

<b>Consolidated</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Balance as of Mar/2008</b>
☐Resolução 2770☐	USD	8.60%	2,961	62	3,023
☐Resolução 2770☐	JPY	0.50% to 5.78%	268,511	3,548	272,059
☐Resolução 2770☐	EUR	5.74%	68,505	667	69,172
<i>☐Untied Loan ☐JBIC</i>	JPY	Libor + 1.25%	130,561	524	131,085
			<b>470,538</b>	<b>4,801</b>	<b>475,339</b>

**15. Debentures**

**Parent Company / Consolidated**

	<b>Annual interest rate</b>	<b>Maturity</b>	<b>Jun2008</b>	<b>Mar/2008</b>
Debentures	CDI + 0.35%	Up to 2010	<b>1,513,957</b>	1,512,342

Current	<b>13,957</b>	12,342
Non-current	<b>1,500,000</b>	1,500,000

Debenture conditions were renegotiated on September 1, 2007, final date of the first Remuneration period and open of the second Remuneration period. This period is expected to end on the debentures maturity date, on September 1, 2010. Debentures are subject to interest payable on a quarterly basis.

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### 16. Taxes Payable

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Taxes on income (a)				
Income tax	<b>106,619</b>	104,573	<b>108,415</b>	112,309
Social contribution tax	<b>122,076</b>	128,990	<b>122,076</b>	128,990
Indirect taxes				
ICMS (state VAT)	<b>617,705</b>	623,098	<b>661,404</b>	672,359
PIS and COFINS (taxes on revenue)	<b>70,079</b>	70,946	<b>83,459</b>	78,824
Legal Liabilities (b)	<b>24,326</b>	23,818	<b>24,326</b>	23,818
Other (c)	<b>25,357</b>	24,899	<b>35,618</b>	35,464
Total	<b>966,162</b>	976,324	<b>1,035,298</b>	1,051,764
Current	<b>927,570</b>	937,789	<b>996,390</b>	1,012,773
Non-current	<b>38,592</b>	38,535	<b>38,908</b>	38,991

- (a) Income and social contribution taxes payable are presented net of payments on an estimate basis (Note 6);
- (b) Legal obligations account records tax liabilities, net of judicial deposits, which are being questioned in court, as prescribed by CVM Resolution No, 489/2005;
- (c) The item "Others" include values of "FUST" payable R\$140,203 (R\$127,669 as of March 31, 2008), net of judicial deposits of R\$121,564 (R\$109,864 as of March 31, 2008);

## 17. Payroll and Related Charges

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Salaries and fees	<b>21,427</b>	21,088	<b>23,732</b>	22,726
Payroll charges	<b>88,988</b>	84,728	<b>96,695</b>	91,646
Accrued benefits	<b>5,744</b>	3,333	<b>6,086</b>	3,478
Employee profit sharing	<b>50,282</b>	30,328	<b>53,263</b>	32,097
Organizational Restructuring Program	<b>13,976</b>	67,964	<b>13,976</b>	67,964
Total	<b>180,417</b>	207,441	<b>193,752</b>	217,911

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## 18. Dividends and Interest on Shareholders' Equity

	Parent Company/Consolidated	
	Jun/2008	Mar/2008
Interest on shareholders' equity	<b>111,659</b>	273,724
Telefónica Internacional S.A.	-	118,912
SP Telecomunicações Holding Ltda.	-	36,371

Telefônica Data do Brasil Ltda.	-	2,702
Minority	<b>111,659</b>	115,739
Dividends	<b>330,794</b>	720,043
Telefônica Internacional S.A.	-	232,676
SP Telecomunicações Holding Ltda.	-	71,168
Telefônica Data do Brasil Ltda.	-	5,288
Minority	<b>330,794</b>	410,911
Total	<b>442,453</b>	993,767

### 19. Reserves, Net

The Company, as an entity and also as the successor to the merged companies, and its subsidiaries are involved in labor, tax and civil lawsuits filed with different courts. The Company's management regularly assesses the risk level of each legal claim in order to adopt the adequate accounting treatment. Based on the opinion of its legal advisors, the Company's management establishes provisions for the cases whose unfavorable outcome is deemed probable. The table below shows the breakdown of reserves by nature and activities during the second quarter of 2008:

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### NOTES TO QUARTERLY INFORMATION (Continued)

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### 19. Reserves, Net (Continued)

Consolidated	Nature			Total
	Labor	Tax	Civil	
Balances as of 03/31/2008	472,001	184,759	231,406	888,166
Additions	12,092	3,470	16,051	31,613
Write-offs	(18,680)	(11)	(8,203)	(26,894)
Monetary restatement	23,935	512	5,259	29,706

Balances as of 06/30/2008	<b>489,348</b>	<b>188,730</b>	<b>244,513</b>	<b>922,591</b>
Escrow deposits	<b>(145,896)</b>	<b>(57,918)</b>	<b>(9,190)</b>	<b>(213,004)</b>
Net balances as of 06/30/2008	<b>343,452</b>	<b>130,812</b>	<b>235,323</b>	<b>709,587</b>
Current	<b>52,631</b>	<b>852</b>	<b>112,313</b>	<b>165,796</b>
Non-current	<b>290,821</b>	<b>129,960</b>	<b>123,010</b>	<b>543,791</b>

### 19.1. Labor contingencies and reserves

The Company has several reserves related to labor claims, amounting to R\$489,348, consolidated, to cover cases considered as probable of losses. The amounts involved and respective risk levels are as follows:

Risk	Amount involved		
	Telesp	A,Telecom	Total
Probable	488,661	687	489,348
Possible	1,249	-	1,249
Total	489,910	687	490,597

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

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**19. Reserves, Net** (Continued)**19.2 Tax contingencies and reserves**

Risk	Amount involved			
	Telesp	AIX	A,Telecom	Total
Probable	186,310	2,420	-	188,730
Possible	2,840,054	-	17,042	2,857,096
Total	3,026,364	2,420	17,042	3,045,826

The Company, based on the assessment of the Company's legal counsel and management, a reserve for tax contingencies amounting to R\$188,730 was recorded on June 30, 2008.

In the Second quarter of 2008, there were no significant changes in tax provisions and contingencies as compared to those disclosed in the latest annual financial statements.

**19.3 Civil contingencies and reserves**

Risk	Amount involved			
	Telesp	Telefonica Televisão	A.Telecom	Total
Probable	244,172	62	279	244,513
Possible	513,496	-	49	513,545
Total	757,668	62	328	758,058

The Company has recorded several provisions for civil suits in the total amount of R\$244,513.

As of June 30, 2008, the Company has a provision of R\$98,785 for fines relating to Administrative Proceedings filed by ANATEL against Telesp, considered by the legal advisors as a probable risk of loss.

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**19. Reserves, Net** (Continued)**19.3 Civil contingencies and reserves** (Continued)

On May 12, 2008, the Company obtained a favorable ruling on the proceedings related to Telephone Communitarian Plan (PCT) in the municipalities of Diadema, São Caetano do Sul, São Bernardo do Campo and Ribeirão Pires, with total value of R\$318,555. In view of this fact, the possible risk level of this case has been changed to remote.

**20. Other Liabilities**

	Parent Company		Consolidated	
	Jun/2008	Mar/2008	Jun/2008	Mar/2008
Consignments on behalf of third parties	<b>146,798</b>	147,797	<b>132,975</b>	135,996
Advances from customers	<b>68,871</b>	59,176	<b>64,412</b>	57,671
Amounts to be refunded to subscribers	<b>62,016</b>	56,200	<b>78,525</b>	64,467
Concession renewal fee	<b>50,995</b>	25,904	<b>50,995</b>	25,904
Accounts payable □ sale of shares (a)	<b>113,661</b>	114,017	<b>113,661</b>	114,017
Accounts payable for the acquisition of Telefonica Televisão Participações S.A. (b)	-	23,640	-	23,640
Deferred revenues	-	-	<b>7,131</b>	7,187
Other	<b>52,427</b>	50,657	<b>89,294</b>	80,357
<b>Total</b>	<b>494,768</b>	477,391	<b>536,993</b>	509,239
Current	<b>453,471</b>	438,952	<b>474,136</b>	450,846
Non-current	<b>41,297</b>	38,439	<b>62,857</b>	58,393

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



- (b) As of March 31, 2008, the amount payable to Abril Group for the acquisition of Telefonica Televisão Participações S.A. corresponds to R\$300,791, of which R\$277,151 is held in financial investments in the Company's name, These amounts are net, and were settled on April 17, 2008.

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**21. Shareholders' Equity**

Capital

As of June 30, 2008, paid-up capital is R\$6,575,198. Subscribed and paid-up capital is represented by shares with no par value, held as follows:

	<b>Jun/2008</b>
Total Capital in shares	
Common shares	<b>168,819,870</b>
Preferred shares	<b>337,417,402</b>
Total	<b>506,237,272</b>
Treasury shares	
Common shares	<b>(210,579)</b>
Preferred shares	<b>(185,213)</b>
Total	<b>(395,792)</b>
Outstanding shares	
Common shares	<b>168,609,291</b>
Preferred shares	<b>337,232,189</b>
Total	<b>505,841,480</b>
Book value per outstanding share in R\$	<b>20,56</b>

Dividends □ Net income on December 31, 2007

On March 26, 2008, the General Shareholders' Meeting approved dividends based on the accumulated earnings and dividends and interest on shareholders' equity prescribed in 2007, in the amount of R\$350,938.

Dividends per share are as follows:

	<b>Types of shares</b>	
	<b>Common</b>	<b>Preferred (*)</b>
Amounts in R\$ per share	0.6504090	0.7154500

(\*) 10% higher than dividends for each common share, as per article 7 of the Company's by-laws.

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

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**21. Shareholders' Equity** (Continued)

Dividends - Net income on December 31, 2007 (Continued)

These dividends were assigned to holders of common and preferred shares, as presented in the Company's records by the end of March 26, 2008, and were paid as from June 23, 2008.

Interim dividends and interest on shareholders' equity - 2008

The Board of Directors meeting held on May 20, 2008, approved distribution of interim dividends of R\$485,000, based on profits disclosed in the March 31, 2008 quarterly balance sheet.

Dividends per share are as follows:

	<b>Types of shares</b>	
	<b>Common</b>	<b>Preferred (*)</b>
Amounts in R\$ per share	0.898872	0.988760

(\*) 10% higher than dividends for each common share, as per article 7 of the Company's bylaws.

On this same meeting also approved distribution of interest on shareholders' equity in the gross amount of R\$200,000, subject to withholding tax at 15%, obtaining a net interest of R\$170,000, according to article 9 of Law N<sup>o</sup> 9,249/95.

The distribution per share is as follows:

<u>Amounts in R\$ per share</u>	<u>Tax immune or exempt for legal entity (gross value)</u>	<u>Withholding tax</u>	<u>Legal entity and individuals (net value)</u>
Common shares	0.370669	0.055600	0.315068
Preferred shares (*)	0.407736	0.061160	0.346575

(\*) 10% higher than dividends for each common share, as per article 7 of the Company's bylaws.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

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#### 21. Shareholders' Equity (Continued)

Dividends and interest on shareholders' equity were assigned to holders of common and preferred shares, as presented in the Company's records by the end of May 20, 2008 and were paid as from June 23, 2008.

As provided for by article 28 of the Company's By-Laws, interest on shareholders' equity may be included in minimum compulsory dividends for 2008.

#### 22. Net Operating Revenue

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun/2008</u>	<u>Jun/2007</u>	<u>Jun/2008</u>	<u>Jun/2007</u>
Monthly subscription charges	<b>2,817,499</b>	2,874,083	<b>2,742,939</b>	2,874,083

Activation fees	<b>66,430</b>	55,766	<b>66,420</b>	55,766
Local service	<b>1,235,618</b>	1,397,904	<b>1,258,620</b>	1,477,155
LDN ☐ Domestic long-distance (i)	<b>1,790,857</b>	1,617,387	<b>1,832,540</b>	1,674,523
LDI ☐ International long-distance (i)	<b>62,719</b>	55,902	<b>72,892</b>	72,733
Interconnection services (i)	<b>2,093,039</b>	1,972,580	<b>2,136,703</b>	2,057,340
Network usage services	<b>228,602</b>	204,824	<b>228,602</b>	204,824
Public telephones (i)	<b>233,459</b>	248,737	<b>233,459</b>	248,737
Data transmission	<b>1,632,192</b>	1,284,972	<b>1,790,742</b>	1,414,640
Network access	<b>188,502</b>	174,391	<b>172,874</b>	157,954
Service of TV	-	-	<b>169,935</b>	-
Other	<b>290,798</b>	294,954	<b>468,102</b>	424,404
	<hr/>	<hr/>	<hr/>	<hr/>
Gross operating revenue	<b>10,639,715</b>	10,181,500	<b>11,173,828</b>	10,662,159
Taxes on gross revenue	<b>(3,390,394)</b>	(3,140,385)	<b>(3,446,585)</b>	(3,288,172)
	<hr/>	<hr/>	<hr/>	<hr/>
ICMS (State VAT)	<b>(2,338,105)</b>	(2,264,396)	<b>(2,459,378)</b>	(2,356,639)
PIS and COFINS (taxes on revenue)	<b>(381,738)</b>	(371,630)	<b>(434,696)</b>	(404,276)
ISS (Municipal service tax)	<b>(14,167)</b>	(15,074)	<b>(21,277)</b>	(21,041)
IPI (Federal VAT)	<b>(656,384)</b>	(489,285)	<b>(531,234)</b>	(506,216)
	<hr/>	<hr/>	<hr/>	<hr/>
Net operating revenue	<b>7,249,321</b>	7,041,115	<b>7,727,243</b>	7,373,987

(i) For a better presentation of Operating Revenue to the market and regulatory agency, ANATEL, the Company made reclassifications to the amounts as of June 2007. The main reclassifications were made between the items ☐LDN ☐ Domestic long-distance☐, ☐LDI ☐ International long-distance☐, ☐Interconnection services☐, ☐Public telephones☐ and ☐Other☐.

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## 22. Net Operating Revenue (Continued)

### Tariff adjustments affecting recorded revenue

On July 17, 2007, the National Telecommunications Agency (ANATEL) approved the annual tariff adjustment for the Fixed Switched Telephone Service (STFC):

- Basic Local Plan: 2.21%
- Basic National Long-Distance Plan: 2.21% on average
- Local to mobile calls (VC-1): 3.29%
- National Long-Distance to mobile calls (VC-2 and VC-3): 3.29%

### 23. Cost of Services Provided

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Depreciation and amortization	<b>(1,118,769)</b>	(1,133,005)	<b>(1,181,421)</b>	(1,159,969)
Personnel	<b>(108,925)</b>	(96,784)	<b>(128,642)</b>	(121,217)
Materials	<b>(14,866)</b>	(22,024)	<b>(16,095)</b>	(22,829)
Network interconnection	<b>(1,852,286)</b>	(1,752,289)	<b>(1,873,652)</b>	(1,777,315)
Outside services	<b>(596,719)</b>	(541,148)	<b>(698,097)</b>	(612,817)
Other	<b>(201,387)</b>	(170,127)	<b>(292,597)</b>	(228,248)
Total	<b>(3,892,952)</b>	<u>(3,715,377)</u>	<b>(4,190,504)</b>	<u>(3,922,395)</u>

### 24. Selling Expenses

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Depreciation and amortization	<b>(8,061)</b>	(9,110)	<b>(8,197)</b>	(9,173)
Personnel	<b>(173,931)</b>	(160,615)	<b>(183,477)</b>	(169,304)
Materials	<b>(31,851)</b>	(38,479)	<b>(31,973)</b>	(38,583)
Outside services	<b>(648,771)</b>	(571,692)	<b>(654,695)</b>	(580,771)
Allowance for doubtful accounts	<b>(237,488)</b>	(324,043)	<b>(265,927)</b>	(335,438)
Other	<b>(9,071)</b>	(12,717)	<b>(36,585)</b>	(12,023)
Total	<b>(1,109,173)</b>	<u>(1,116,656)</u>	<b>(1,180,854)</b>	<u>(1,145,292)</u>

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**25. General and Administrative Expenses**

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Depreciation and amortization	<b>(114,781)</b>	(130,830)	<b>(131,879)</b>	(137,974)
Personnel	<b>(81,898)</b>	(128,488)	<b>(85,719)</b>	(145,529)
Materials	<b>(4,593)</b>	(7,056)	<b>(4,753)</b>	(7,781)
Outside services	<b>(150,908)</b>	(188,644)	<b>(178,564)</b>	(199,828)
Other	<b>(16,232)</b>	(16,016)	<b>(31,547)</b>	(18,091)
Total	<b>(368,412)</b>	(471,034)	<b>(432,462)</b>	(509,203)

**26. Financial Income (Expenses)**

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Financial income	<b>137,755</b>	131,048	<b>145,040</b>	136,719
Income from short-term investments	<b>56,058</b>	17,124	<b>60,797</b>	21,338
Interests receivable	<b>16,116</b>	18,932	<b>16,321</b>	20,133
Monetary/exchange variations				
Receivable	<b>64,323</b>	92,852	<b>64,369</b>	92,959
Other	<b>1,258</b>	2,140	<b>3,553</b>	2,289
Financial expenses	<b>(447,714)</b>	(515,458)	<b>(461,465)</b>	(520,713)

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Interests on Shareholders' Equity	<b>(200,000)</b>	(221,000)	<b>(200,000)</b>	(221,000)
Interests payable	<b>(193,574)</b>	(149,413)	<b>(197,837)</b>	(152,114)
Losses on derivative transactions	<b>(38,095)</b>	(101,757)	<b>(41,100)</b>	(101,810)
Expenses on financial transactions	<b>(4,889)</b>	(42,195)	<b>(12,030)</b>	(44,419)
Monetary/exchange variations				
Payable (a)	<b>(11,156)</b>	(1,093)	<b>(10,498)</b>	(1,370)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>(309,959)</b>	(384,410)	<b>(316,425)</b>	(383,994)
	<hr/>	<hr/>	<hr/>	<hr/>

(a) Contains the present value adjustment from 2007, related to the assets for long term in the total amount of R\$ (581) □  
Note 3.

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

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**27. Other Operating Income, Net**

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
	<hr/>	<hr/>	<hr/>	<hr/>
Income	<b>197,523</b>	273,290	<b>216,701</b>	279,771
Technical and administrative services	<b>25,580</b>	25,275	<b>23,129</b>	23,533
Amortization of negative goodwill □				
Company AIX	<b>4,367</b>	4,367	<b>4,367</b>	4,367
Income from supplies	<b>7,898</b>	41,098	<b>10,987</b>	41,098
Dividends	<b>14,515</b>	10,073	<b>18,394</b>	13,208
Fines on telecommunication services	<b>66,413</b>	58,910	<b>74,416</b>	60,999
Recovered expenses	<b>10,077</b>	76,399	<b>10,925</b>	79,836
Reversal of provision for contingencies	<b>21,937</b>	32,569	<b>23,456</b>	32,655
Rent of shared infrastructure	<b>22,552</b>	21,212	<b>22,552</b>	21,212
Other revenue	<b>24,184</b>	3,387	<b>28,475</b>	2,863
Expenses	<b>(323,928)</b>	(223,555)	<b>(362,321)</b>	<u>(248,064)</u>

Allowance for reduction to market value of inventories	<b>(2,035)</b>	(3,030)	<b>(2,937)</b>	(3,017)
Amortization of goodwill	<b>(63,179)</b>	(33,079)	<b>(63,179)</b>	(33,079)
Donations and sponsorships	<b>(10,259)</b>	(9,479)	<b>(10,517)</b>	(9,489)
Taxes other than income taxes	<b>(133,189)</b>	(123,612)	<b>(159,861)</b>	(135,679)
Provision for contingencies	<b>(104,766)</b>	(44,803)	<b>(104,960)</b>	(47,347)
Other	<b>(10,500)</b>	(9,552)	<b>(20,867)</b>	(19,453)
Total	<b>(126,405)</b>	49,735	<b>(145,620)</b>	31,707

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

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### 28. Non-operating Income, Net

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Income	<b>32,159</b>	168,066	<b>35,490</b>	168,539
Proceeds from sale of property, plant and equipment and investments (a)	<b>5,623</b>	138,718	<b>8,891</b>	138,757
Other revenue	<b>22,393</b>	25,925	<b>22,393</b>	25,925
Fines	<b>4,143</b>	3,423	<b>4,206</b>	3,857
Expenses	<b>(33,196)</b>	(54,410)	<b>(38,030)</b>	(54,453)
Cost of sale of property, plant and equipment and investments (a)	<b>(33,195)</b>	(54,374)	<b>(38,029)</b>	(54,417)
Other	<b>(1)</b>	(36)	<b>(1)</b>	(36)
Total	<b>(1,037)</b>	113,656	<b>(2,540)</b>	114,086



- (a) Refers mainly to the sale of the property situated in Barra Funda in the amount of R\$134,555, with residual value written down in March 2007 of R\$46,044.

## 29. Income and Social Contribution Taxes

### Reconciliation of tax expenses and standard rates

Reconciliation of the reported tax charges and the amounts calculated by applying 34% (income tax of 25% and social contribution tax of 9%) in June 30, 2008 and 2007 are shown in the table below:

	Parent Company		Consolidated	
	Jun/2008	Jun/2007	Jun/2008	Jun/2007
Income before taxes	<b>1,445,791</b>	1,528,892	<b>1,464,570</b>	1,554,545
<u>Income tax and Social contribution taxes</u>				
Income tax and Social contribution tax expense	<b>(491,569)</b>	(519,823)	<b>(497,954)</b>	(528,545)
Permanent differences				
Equity pick-up	<b>1,499</b>	4,034	<b>1,949</b>	(1,480)
Nondeductible expenses, gifts, incentives and dividends received	<b>(37,190)</b>	(43,935)	<b>(50,034)</b>	(55,352)
Other				
Incentives (cultural, food and transportation)	<b>6,218</b>	5,274	<b>6,218</b>	5,274
Total (income tax + social contribution tax)	<b>(521,042)</b>	(554,450)	<b>(539,821)</b>	(580,103)

Net income for June 30, 2007 considers the tax effect on the adjustment to present value of noncurrent assets in the amount of R\$197 □ Note 3.1.

Deferred tax assets and liabilities are shown in Notes 6 and 16, respectively.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

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**30. Transactions with Related Parties**

The principal balances with related parties are as follows:

	<b>Consolidated</b>	
	<b>Jun/2008</b>	<b>Mar/2008</b>
<u>ASSETS</u>		
<u>Current assets</u>	<b>356,935</b>	314,485
Trade accounts receivable	<b>250,674</b>	217,193
Intercompany receivables	<b>106,261</b>	97,292
<u>Non-current assets</u>	<b>16,728</b>	23,543
Intercompany receivables	<b>16,728</b>	23,543
Total Assets	<b>373,663</b>	338,028
<u>LIABILITIES</u>		
<u>Current liabilities</u>	<b>383,757</b>	822,804
Trade accounts payable	<b>341,174</b>	314,443
Dividends and Interest on shareholders' equity	-	467,117
Intercompany payables	<b>42,583</b>	41,244
<u>Non-current liabilities</u>	<b>12,381</b>	8,829
Intercompany payables	<b>12,381</b>	8,829
Total Liabilities	<b>396,138</b>	831,633
		<b>Consolidated</b>
	<b>Jun/2008</b>	<b>Jun/2007</b>
<u>STATEMENT OF INCOME</u>		
<u>Revenues</u>	<b>168,304</b>	137,684

Telecommunications services	<b>168,304</b>	120,146
Other operating revenue	-	17,538
<b>Costs and expenses</b>	<b>(1,244,136)</b>	(1,128,133)
Cost of services provided	<b>(962,123)</b>	(885,523)
Selling	<b>(197,149)</b>	(178,754)
General and administrative	<b>(84,864)</b>	(63,856)

Trade accounts receivable include receivables for telecommunications services, mainly represented by Vivo S.A. and Atento Brasil S.A. related with long-distance services.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

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#### 30. Transactions with Related Parties (Continued)

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

Trade accounts payable include services provided primarily by Atento Brasil S.A., Vivo S.A. and TIWS Brasil S.A.. We also highlight the rendering of administrative services in the accounting, financial, human resources, property, logistics and IT areas payable to Telefônica Serviços Empresariais do Brasil Ltda.

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

The cost of services provided refers mainly to expenses on interconnection and traffic services (mobile terminal) provided by Vivo Group S.A., system maintenance services for internet operation provided by Terra Networks Brasil S.A. and call center management services provided by Atento Brasil S.A.

#### 31. Post-Retirement Benefit Plans

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

In the first half of 2008, the Company made contributions to the PBS Telesp Plan in the amount of R\$15 (R\$24 in the same period of 2007) and to "Visão" Telesp plan in the amount of R\$9,980 (R\$12,302 in the same period of 2007).

A.Telecom individually sponsors two defined contribution plans: "Visão" Assisted Benefits Plan, similar to that of Telesp, and Visão A.Telecom Benefits Plan, which cover 53% of its employees. The sponsor's basic and additional contributions to Visão A.contributions. A.Telecom contributions to such plans amount to R\$101 (R\$317 in the same period of 2007).

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

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### 31. Post-Retirement Benefit Plans (Continued)

Telefonica Data S.A. (former Telefonica Empresas S.A.) individually sponsors a defined contribution plan similar to that of the Company, the Visão Telefônica Empresas Benefits Plan. The contributions made to this plan in 2008 amount to R\$321 (R\$408 in the same period of 2007).

The table below shows the actuarial deficit recorded at June 30, 2008 and March 31, 2008 for the following post-employment plans:

Plan	Jun/2008	Mar/2008
CTB	21,827	21,308
PAMA	79,098	76,867
Total parent company and consolidated	100,925	98,175

The other plans sponsored by the Company and its subsidiaries record an actuarial surplus (PBS-A, PBS Telesp, Visão Telesp and Visão Telefônica Empresas) and are not recorded in accounting, with the latest actuarial valuation occurred in December 2007.

### 32. Insurance (unaudited)

The Company and its subsidiaries' policies as well as that of the Telefónica Group includes the maintenance of insurance coverage for all assets and liabilities involving significant amounts and high risks based on management's judgment and following Telefónica S.A.'s corporate program guidelines. In this context, Telecomunicações de São Paulo S.A. - Telesp complies with the Brazilian legislation for contracting insurance coverage.

The major insurances contracted by the Company are shown below:

Type	Insurance coverage
Operational risks (with loss of profits)	US\$10,788,108 mil
Optional civil responsibility - vehicles	R\$1,000
ANATEL guarantee insurance	R\$10,463.8

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

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### 33. Financial Instruments

Carrying and market values of financial instruments as of June 30, 2008 and March 31, 2008 are as follows:

	Consolidated			
	Jun/2008		Mar/2008	
	Book value	Market value	Book Value	Market value
Loans, financing and debentures	(2,765,225)	(2,654,132)	(2,829,478)	(2,753,848)
Derivatives	(142,671)	(137,855)	(80,657)	(69,604)
Cash and cash equivalents	466,167	466,167	897,838	897,838
	<b>(2,441,729)</b>	<b>(2,325,820)</b>	(2,012,297)	(1,925,614)

The discounted cash flow method was used to determine the market value of loans, financings, debentures and derivatives (exchange and interest rate swap) considering expected settlement of liabilities or realization of assets at the market rates prevailing at balance sheet date.

The Company has a total direct and indirect interest of 1.16% in Portugal Telecom and 0.52% in Zon Multimédia valued by the cost method. The investment at market value is based on the last quotation of June 2008 from the Lisbon Stock Exchange for Portugal Telecom and Zon Multimédia equivalent to €7.21 (€7.36 in March 2008) and €5.28(€7.29 in March 2008) respectively:

	<b>Jun/2008</b>		<b>Consolidated Mar/2008</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Portugal Telecom	<b>124,502</b>	<b>192,612</b>	129,489	216,504
Zon Multimédia	<b>8,679</b>	<b>21,420</b>	8,879	32,575
	<b>133,181</b>	<b>214,032</b>	138,368	249,079

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### NOTES TO QUARTERLY INFORMATION (Continued)

June 30, 2008

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### 33. Financial Instruments (Continued)

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

a) Exchange rate risk

As of June 30, 2008, 15.93% (17.92% on March 31, 2008) of the debt was denominated in foreign currency (U.S. dollar and yen); 99.33% (99.30% on March 31, 2008) of

this debt was covered by asset positions on currency hedge transactions (swaps for CDI). At June 30, 2008, derivative operations generated consolidated net negative result of R\$41,187. By the fact of being foreign currency hedge transactions, part of the consolidated net negative result of R\$41,187 was offset by the income of exchange variation debts, in the amount of R\$21,238. At June 30, 2008, liability of R\$142,671 was recorded to recognize net derivatives position at that date.

The book and market values of the Company's exposure to the exchange rate risk as of June 30, 2008 and March 31, 2008 are as follows:

	<b>Consolidated</b>			
	<b>Jun/2008</b>		<b>Mar/2008</b>	
	<b>Book value</b>	<b>Market value</b>	<b>Book value</b>	<b>Market value</b>
Liabilities				
Loans and financing	<b>440,429</b>	<b>436,023</b>	506,992	502,469
Purchase commitments	<b>16,034</b>	<b>16,034</b>	14,052	14,052
Asset position on swaps	<b>437,473</b>	<b>436,030</b>	503,439	502,475
Net exposure	<b>(18,990)</b>	<b>(16,027)</b>	(17,605)	(14,046)

b) Interest rate risk

To prevent against the exchange risk and variable interest rates on these foreign currency debts (Libor), the Company has hedge transactions in order to peg these debts to local currency, at floating rates indexed to the CDI (Inter-bank Deposit Certificate), in a way that the Company's financial result is affected by the CDI variation. The balance of loans and financing also includes debentures issued in 2004 with interest based on the variation of the CDI of R\$1,513,957 (R\$1,512,342 as of March 31, 2008), as described in Note 15.

(In thousands of reais, unless otherwise stated)

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**33. Financial Instruments** (Continued)

b) Interest rate risk (Continued)

The Company invests its excess cash with a view to reducing its exposure to local interest rate fluctuations (CDI) in the total amount of R\$451,644 (R\$897,103 as of March 31, 2008), mainly in short-term instruments, based on the CDI variation, which also reduces such risk. The book values of these instruments approximate market values, since they may be redeemed in the short term.

As of June 30, 2008, the Company had swap transactions □ CDI at fixed rate, to partially hedge against fluctuations in internal interest rates. Hedge operations amounts contracted total R\$50,000 generated a net consolidated positive result of R\$102.8 on the first half of 2008 and this temporary earnings is recorded in income. The Company also contracted swap transactions - CDI + 0.35% of CDI percentage swap with identical flows of those of debentures (Note 15) issued by the Company, which generated net negative result of R\$16.2.

c) Debt acceleration risk

As of June 30, 2008, the Company's loan and financing agreements contain restrictive clauses (covenants), typically applicable to such agreements, relating to cash generation, debt ratios and other restrictions. The Company has fully complied with these restrictive clauses, and such covenants do not restrict its ability to conduct its ordinary course of business.

d) Credit risk

As of June 30, 2008, the Company's customer portfolio had no subscribers whose receivables were individually higher than 1% of the total accounts receivable from services.

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



**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

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**34. Subsequent Event**

On July 2 and 3, 2008, technical problems that affected the Company's data transmission network generated instabilities and partial or repeated interruptions in services rendered to certain public agencies as well as private companies. Services were fully resumed in the São Paulo State at the end of July 3, 2008.

The Company will provide compensation to all Speedy service subscribers through a discount related to the 36 hours in which the service presented problems, on the terms of applicable regulations. In addition, it will grant a credit equivalent to 84 hours as compensation. As such, Speedy service account will consider a reduction equivalent to 5 days or 120 hours, whose effect on operating revenue for July/08 is estimated at R\$24 million. Conversations with customers and government agencies have already started to define applicable compensation, according to ruling contractual and commercial provisions.

The Company made due communications to insurance companies, whose contracts are established according to the Concession Agreement as well as good market practices.

The above effect has not generated any impact on the June 30, 2008 Quarterly Financial Information (ITR).

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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	<u>Jun/08</u>	<u>Jun/07</u>	<u>%</u>	<u>Variation</u> <u>R\$</u>
Gross Operating Revenue	11,173.8	10,662.2	4.8	511.7

Net Operating Revenue	7,727.2	7,374.0	4.8	353.2
Cost of Services Provided	(4,190.5)	(3,922.4)	(6.8)	(268.1)
Financial Income/Expenses, Net	(316.4)	(384.0)	17.6	67.6
Operating Revenue /Expenses	(1,753.2)	(1,627.1)	(7.8)	(126.1)
Operating Income	1,467.1	1,440.5	(1.8)	(26.6)
Net Income for the Period	1,124.7	1,195.4	(5.9)	(70.7)

- Accumulated net operating revenues to June 2008 was R\$7,727.2 million, an increase of R\$353.2 million or 4.8% over the R\$7,374.0 million reported in the same prior year period. This increase was mainly due to the expansion of Speedy services, to the increase in revenues from national long-distance services, to the pay-TV services, in addition to the performance of other revenues, including IT workstation services and digital network services. These effects were partly offset by the decrease in revenues from local services, public telephone services and subscription fees, the latter resulting from the decrease in the average plant in service and from the increase in alternative fixed-telephony plans with lower subscription fees.
- The cost of services provided increased by R\$268.1 or 6.8%, mainly as a result of interconnection expenses, of increased mobile traffic using the □15□ code (Carrier Selection Code), of customer services, advertising and TV content, in addition to the rental of last mile traffic from other carriers, of infrastructure (ruracel and EILD) and of poles and pipes. These effects were partly offset by the decrease in expenses on supplies, as a result of the decrease in telephone card expenses after the change in the inductive cards mix, with increased sales of 40-unit inductive cards over 20-unit cards, as well as the decrease in fuel costs, in the corporate restructuring program (PRO) costs, detecta devices and vehicle and property maintenance.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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- The negative financial result improved by R\$67.5 million, or 17.6%, mainly justified by the elimination of CPMF expenses after its extinguishment in January 2008, and by the decrease in losses on derivative transactions. These effects were partly offset by the payment of interest amounts to BNDES and the decrease in foreign exchange variation expenses driven by lower exchange rates.

#### A. Net Financial Result

Year on Year	Jun/08	Jun/07	Variation	
			%	R\$

Income/(loss) from financial transactions	<b>54.5</b>	21.5	152.6	32.9
Income/(loss) from hedge operations	<b>(41.1)</b>	(101.8)	59.6	60.7
CPMF	<b>(0.6)</b>	(42.2)	98.4	41.6
IOF	<b>(1.5)</b>	-	(100.0)	(1.5)
Interest receivable	<b>16.3</b>	20.1	(18.9)	(3.8)
Interest payable	<b>(197.8)</b>	(152.1)	(30.9)	(45.7)
Monetary/foreign exchange variations	<b>53.8</b>	91.6	41.2	(37.8)
Interest on shareholders' equity	<b>(200.0)</b>	(221.0)	(9.5)	21.0
	<hr/>	<hr/>	<hr/>	<hr/>
Net financial result	<b>(316.4)</b>	(383.9)	17.6	67.5
	<hr/>	<hr/>	<hr/>	<hr/>

4. Operating income decreased 1.8% as compared to the same prior year period. This is partly due to the increase in operating expenses, especially those relating to fixed-mobile interconnection services carried out with other carriers, rental of infrastructure, last mile from other carriers, telesales, customer service and retention, maintenance of terminals and boards and co-billing; offset by the increase in revenues, mainly from packet data switching services and from Speedy and TV services.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

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#### 5. Physical data (\*)

Changes in the major physical data:

	<b>Unit</b>	<b>Jun/08</b>	<b>Jun/07</b>	<b>Variation %</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Installed lines	Line	14,584,614	14,478,254	0.7
Fixed lines in operation	Line	11,893,468	12,036,987	(1.2)
Local traffic				
	Thousand			
Recorded pulses	minutes	26,357,173	25,735,339	2.4
	Thousand			
Exceeding pulses	minutes	14,652,538	15,263,605	(4.0)

Public telephones in operation	Machines	250,297	250,395	(0.0)
ADSL □ Speedy in operation	Capacity	2,295,308	1,811,432	26.7
Digital TV (DTH, DTHi and MMDS)	Users	346,894	-	100

(\*) Not reviewed by independent auditors.

## 6. Investments

The Company confirms its long-term commitment to the Telefonica Group in Brazil aimed not only at maintaining and expanding the traditional services to the society in general but also at offering new services and better serving its customers.

By June 30, 2008, the Company had invested the consolidated amount of R\$945.9 million.

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

June 2008 closed with a total 11,893,468 lines in operation, 74% of which refers to residential customers, 14% to non-residential customers and 7% to corporate customers; the remaining refers to own lines and Public Phones.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

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## 6. Investments (Continued)

### 6.2 Public use telephony (\*)

The Company has a Public Use Telephone plant with 250,297 units, to meet the demands of the São Paulo state population and the requirements of the regulatory agency.

### 6.3 Internet

In February 2008, the Company pioneered in launching optic fiber internet access (Fiber to the Home □ FTTH) to

the residential segment in the Jardins neighborhood in São Paulo. In addition to internet connection at 8, 16 and 30 Mb, the Company now also offers packages including Wi-Fi network, Digital TV and 2000 monthly minutes in local and interstate calls, security packages, caller ID service, technical assistance services and dedicated call center.

(\*) Not reviewed by independent auditors.

7. ANATEL

7.1 Goals

The quality and universalization goals of the Fixed Switched Telephone Services (STFC) are available for the society follow-up on the National Communications Agency (ANATEL) site, at [www.anatel.gov.br](http://www.anatel.gov.br).

7.2 Concession contract

The STFC concession contract was extended on December 22, 2005 for a further 20 years, and may be amended on December 31, 2010, December 31, 2015 and December 31, 2020. This condition enables ANATEL to establish new provisions and goals for purposes of universalization and quality, considering the conditions prevailing on the occasion.

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**TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

(A free translation of the original issued in Portuguese)

8. Corporate restructuring processes in 2007 and 2008

8.1 Capital increase in Telefonica Televisão Participações S.A., formerly Navytree Participações S.A.

On February 29, 2008, the Company contributed capital to Telefonica Televisão with shares held in the capital of A.Telecom. As a result of this operation, A.Telecom has become a wholly-owned subsidiary of Telefonica Televisão.

8.2 Acquisition of Telefonica Televisão Participações S.A, formerly Navytree Participações S.A.

On October 31, 2007, ANATEL concluded the regulatory analysis of the association between Abril Group and Telesp signed on October 29, 2006, and approved the operation.

Accordingly, the Company acquired 100% of the capital of Telefonica Televisão Participações S.A., a company that owns interests in companies providing subscription TV services. Telefonica Televisão holds the following ownership interests:

	<b>Interest</b>	
	<b>ON</b>	<b>PN</b>
Telefônica Sistemas de Televisão S.A.	100.00%	-
Comercial Cabo TV São Paulo S.A.	19.90%	100.00%
Lemontree Participações S.A.	-	100.00%
TVA Sul Paraná S.A.	49.90%	100.00%
GTR-T Participações e Empr. S.A.	-	100.00%

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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#### 9. Alternative fixed telephony plans (\*)

The alternative fixed telephony plans optimize the installed capacity of Telesp, promote customers' loyalty and better serve the different market segments offering more adequate alternatives for access to fixed telephony services. In the second quarter of 2008, the base of alternative plans represented 41% of total lines in operation. The Minute Plans, which offer progressive discounts based on the contractual number of minutes, are available for fixed-fixed, fixed-mobile and intrastate long-distance calls.

Trio Telefônica is the joint offering of pay-TV, broadband and local call services, launched by the Company in August 2007. Offered throughout the Company's concession area, these combo services represent a differentiated market option due to their flexibility in combining TV packages and broadband speeds. Subscribers may

choose from mini-packages divided into channel categories, such as knowledge, children-oriented, entertainment, action, world, movies. In October 2007, the Company launched packages including GloboSat's content and established a commercial and operational partnership with TVA, strengthening and expanding even more its integrated pay-TV offering.

IT Workstation - launched in 2007, this service is offered to the corporate segment as a customized IT infrastructure solution. For monthly payments, Telesp offers both medium- and large-sized customers a package combining voice, data, internet access, network management and equipment. The integrated Information Technology and communication service offering is one of the company's strategic pillars in the corporate market segment.

Pay-TV is offered in packages or as a stand-alone product, this service is broadcast via satellite (DTH) and via MMDS (Multichannel Multipoint Distribution Service). Since this product has been launched, the company has grown rapidly, with 346,894 customers in the second quarter of 2008, an increase by 65,210 customers, or 23.2%, over the first quarter of 2008.

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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#### 9. Alternative fixed telephony plans (\*) (Continued)

Broad Band services are offered through ADSL and MMDS technologies under the "Speedy" and "Ajato" brand, respectively. In the second quarter of 2008, the number of customers totaled 2,295,308, up 6% from the first quarter of 2008. When compared to June 2007, the number of accesses grew by 484 thousand, or 26.7%, in line with the growth pace recorded in the past quarters. Investments in broadband services have been a priority and strengthen Telesp's commitment to its customers to expand the offer and quality of its products and services, always allowing for a better service and rendering the Company more competitive.

(\*)Not reviewed by independent auditors

#### 10. Migration from pulses to minutes

At March 31, 2007, the Company started a process of migration of the collection system from pulses to minutes, according to renewal of the Concession Contract, which was concluded at July 31, 2007. In addition to the basic plan, the Company offers the PASOO plan (mandatory alternative plan). The main differences between these plans are:

**Basic Plan**

**PASOO**

Residential subscription	R\$ 38.80	R\$ 38.80
Residential bundled minutes	200 minutes	400 minutes
Non-residential bundled minutes	150 minutes	360 minutes
Regular hours		
Call completion (within bundled minutes)	N/A	4 minutes
Call completion tariff (unbundled minutes)	N/A	R\$ 0.14995
Local minute price	R\$ 0.09767	R\$ 0.03747
Minimum tariff time	30 seconds	N/A
Tariff time	6 seconds	6 seconds
Charged calls	>3 seconds	all
Reduced tariff hours		
Call completion (within bundled minutes)	2 minutes	4 minutes
Call completion tariff (unbundled minutes)	R\$ 0.19534	R\$ 0.14995

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## TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP

### MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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#### 11. Tariff adjustments

##### 11.1 Tariff adjustment on July 17, 2007

Increase in the fixed-to-fixed tariff rates through Rulings No. 66,028 and No. 66,031 □ The National Telecommunications Agency (ANATEL) approved the tariff increase percentages for the STFC, as per criteria established in the Local and National Long-Distance Concession Contracts, effective as of July 20, 2007. The tariff increases were the same for Local and LDN, namely 2.21%.

Increase in the fixed-to-mobile tariff rates through Ruling No. 66,029 □ The National Telecommunications Agency (ANATEL) approved the increase of 3.29% for calls made between fixed and mobile telephones (VC1, VC2 and VC3) in all of TELESP's concession area, sectors 31, 32 and 34 of Region III. On this same date, ANATEL approved an increase of 2.25% in the fixed-to-mobile interconnection tariff (VUM), referring to VC1, VC2 and VC3. These



increases became effective as of July 20, 2007.

11.2

Tariff adjustment on July 21, 2008

Increase in the fixed-to-fixed tariff rates - On July 21, 2008, through Rulings No. 4,288 and No. 4,289, the National Telecommunications Agency (ANATEL) approved the tariff increase for the Fixed Switched Telephone Service (STFC), as per criteria established in the Local and National Long- Distance Concession Contracts, effective as of July 24, 2008. The tariff increase was 3.01%.

Increase in the fixed-to-mobile tariff rates - On July 21, 2008, through Ruling No. 4,290, the National Telecommunications Agency (ANATEL) approved the increase of 3.01% for calls made between fixed and mobile telephones (VC1, VC2 and VC3) in all of TELESP's concession area, sectors 31, 32 and 34 of Region III. On the same date, an increase of 2.06% was approved for the fixed-to-mobile interconnection tariff (VUM), referring to VC1, VC2 and VC3. These increases became effective as of July 24, 2008.

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## **TELECOMUNICAÇÕES DE SÃO PAULO S.A. - TELESP**

MANAGEMENT COMMENTS ON CONSOLIDATED PERFORMANCE (Continued)

June 30, 2008

(In millions of reais, unless otherwise stated)

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12. Additional information

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

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SIGNATURE

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

**TELESP HOLDING COMPANY**

Date: August 18, 2008

By:           /s/ Norair Ferreira do Carmo          

Name: Norair Ferreira do Carmo

Title: Investor Relations Director

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