

*(Convenience Translation into English from the
Original Previously Issued in Portuguese)*

Telefonica Data Brasil Holding S.A. - TDBH

*Interim Financial Statements for the Quarter
Ended March 31, 2005 and Independent
Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Management of
Telefônica Data Brasil Holding S.A.
São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Telefônica Data Brasil Holding S.A. and subsidiary (Company and Consolidated), consisting of the balance sheets as of March 31, 2005, and the related statements of operations for the quarter then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiary.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously audited the Company and consolidated balance sheets as of December 31, 2004, and reviewed the Company and consolidated statements of operations for the quarter ended March 31, 2004, presented for comparative purposes, and issued an unqualified opinion thereon and unqualified special review report thereon, dated February 4, 2005 and April 30, 2004, respectively.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, May 4, 2005

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Maurício Pires de Andrade Resende
Engagement Partner

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TELEFÔNICA DATA BRASIL HOLDING S.A.

BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004
(In thousands of Brazilian reais - R\$)

ASSETS	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Company		Consolidated	
	Mar/2005	Dec/2004	Mar/2005	Dec/2004		Mar/2005	Dec/2004	Mar/2005	Dec/2004
Current assets	-	-	146,800	157,603	Current liabilities	299	826	341,778	373,959
Cash and cash equivalents	-	-	16,846	27,379	Loans and financing	-	-	194,143	193,630
Cash and banks	-	-	1,543	18,612	Accounts payable	293	379	47,115	66,056
Temporary cash investments	-	-	15,303	8,767	Taxes payable	-	-	11,788	13,643
Receivables	-	-	129,954	130,224	Payroll and related charges	-	-	19,549	23,829
Trade accounts receivable	-	-	105,669	98,209	Temporary losses on derivatives	-	-	17,517	31,208
Allowance for doubtful accounts	-	-	(16,795)	(15,962)	Intercompany payables	6	447	47,349	41,488
Deferred and recoverable taxes	-	-	21,794	17,529	Other	-	-	4,317	4,105
Inventories	-	-	3,468	3,433	Long-term liabilities	-	-	1,378	1,175
Intercompany receivables	-	-	13,770	25,283	Reserve for contingencies	-	-	733	668
Other	-	-	2,048	1,732	Other	-	-	645	507
Long-term assets	9,602	10,726	225,268	228,405	Shareholders' equity	587,261	586,302	587,261	586,302
Deferred and recoverable taxes	-	-	222,942	226,151	Capital	702,879	702,879	702,879	702,879
Intercompany receivables	9,602	10,726	2,320	2,246	Accumulated deficit	(115,618)	(116,577)	(115,618)	(116,577)
Other	-	-	6	8					
Permanent assets	577,958	576,402	558,349	575,428					
Investments	577,958	576,402	294,307	297,521					
Property, plant and equipment	-	-	263,692	277,434					
Assets and installations in service	-	-	554,783	530,981					
Construction in progress	-	-	18,738	32,048					
Depreciation and amortization	-	-	(309,829)	(285,595)					
Deferred charges	-	-	350	473					
Total assets	587,560	587,128	930,417	961,436	Total liabilities and shareholders' equity	587,560	587,128	930,417	961,436

The accompanying notes are an integral part of these financial statements.

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TELEFÔNICA DATA BRASIL HOLDING S.A.

STATEMENTS OF OPERATIONS

FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004

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

	Company		Consolidated	
	Mar/2005	Mar/2004	Mar/2005	Mar/2004
Gross operating revenue	-	-	210,977	172,286
Deductions :	-	-	(36,769)	(31,971)
ICMS (state VAT)	-	-	(23,590)	(21,360)
PIS and COFINS (taxes on revenue)	-	-	(12,062)	(9,385)
ISS (service tax)	-	-	(1,117)	(1,226)
Net operating revenue	-	-	174,208	140,315
Cost of services provided	-	-	(121,701)	(101,827)
Gross profit	-	-	52,507	38,488
Operating income (expenses)	959	(4,294)	(49,039)	(44,356)
Selling	-	-	(18,920)	(13,668)
General and administrative	(596)	(522)	(16,949)	(19,947)
Financial expenses, net	-	-	(9,569)	(8,345)
Other, net	(3,215)	(816)	(3,601)	(2,396)
Equity pick-up	4,770	(2,956)	-	-
Income (loss) from operations	959	(4,294)	3,468	(5,868)
Other nonoperating income, net	-	-	4	63
Income (loss) before income and social contribution taxes	959	(4,294)	3,472	(5,805)
Income and social contribution taxes	-	-	(2,513)	1,511
Net income (loss)	959	(4,294)	959	(4,294)
<i>Shares outstanding at end of quarter (thousands)</i>	<i>1,071,153,386</i>	<i>1,071,153,386</i>		
Earnings (loss) per thousand shares (R\$)	0.00	(0.01)		

The accompanying notes are an integral part of these financial statements.

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Telefônica Data Brasil Holding S.A.

**Notes to the Interim Financial Statements
for the Quarter Ended March 31, 2005
(Amounts in thousands of Brazilian reais - R\$)**

1. OPERATIONS AND BACKGROUND

Telefônica Data Brasil Holding S.A. (the “Company”) was formed on January 30, 2001, as a result of a partial spin-off of Telecomunicações de São Paulo S.A. (“Telesp”), represented by the investment in the wholly-owned subsidiary Telefônica Empresas S.A. and receivables from that subsidiary, approved at an Extraordinary Shareholders’ Meeting held on the same date.

The Company is registered with the Brazilian Securities Commission (CVM) as a publicly traded 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 Depositary Shares – ADS’s – Level I, are traded on the New York Stock Exchange (NYSE).

The Company’s principal activities are:

- Controlling a subsidiary that operates packet-switched network services, as well as providing other telecommunications and related services.
- Promoting, through subsidiaries or affiliates, the expansion and implementation of packet-switched network services and other related services in its concession area.
- Promoting, performing or assisting in fund-raising from internal and external sources for the Company or its subsidiary.
- Effecting or promoting the import of assets and services for its subsidiary, performing other similar or related activities and holding equity interests in other companies.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The Company and consolidated interim financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

The consolidated interim financial statements include the balances and transactions of the wholly-owned subsidiary Telefônica Empresas S.A., in accordance with standards established by the CVM.

In consolidation, all intercompany balances and transactions have been eliminated and the subsidiary’s accounting practices are consistent with those of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The interim financial statements for the quarter ended March 31, 2005 have been prepared in accordance with principles, practices and criteria applied consistently with those used to prepare the financial statements for the last fiscal year, and should be read together with those financial statements.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	Mar/2005	Dec/2004
Cash and banks	1,543	18,612
Temporary cash investments	15,303	8,767
Total	<u>16,846</u>	<u>27,379</u>

Temporary cash investments are composed of highly liquid investments.

5. TRADE ACCOUNTS RECEIVABLE, NET

	Consolidated	
	Mar/2005	Dec/2004
Billed amounts	72,119	60,468
Unbilled amounts	33,550	37,741
	<u>105,669</u>	<u>98,209</u>
Allowance for doubtful accounts	(16,795)	(15,962)
Total	<u>88,874</u>	<u>82,247</u>
Current	68,571	64,319
Past-due – 1 to 30 days	10,204	8,198
Past-due – 31 to 60 days	3,469	4,368
Past-due – 61 to 90 days	3,081	2,107
Past-due – 91 to 120 days	812	1,032
Past-due – more than 120 days	19,532	18,185
Total	<u>105,669</u>	<u>98,209</u>

6. DEFERRED AND RECOVERABLE TAXES

	Consolidated	
	Mar./2005	Dec/2004
Recoverable taxes:		
Income and social contribution taxes	1,499	1,043
ICMS (state VAT)	23,945	20,556
PIS and COFINS (taxes on revenue)	899	1,999
Other	3,100	2,216
	<u>29,443</u>	<u>25,814</u>
Deferred taxes:		
Income tax on temporary differences	11,510	16,485
Social contribution tax on temporary differences	4,144	5,995
Income tax loss carryforwards	35,235	30,890
Social contribution tax loss carryforwards	12,792	11,228
Transferred tax credit	151,612	153,268
	<u>215,293</u>	<u>217,866</u>
Total	<u>244,736</u>	<u>243,680</u>
Current	21,794	17,529
Long-term	<u>222,942</u>	<u>226,151</u>

The balances of recoverable income and social contribution taxes are being offset against other federal taxes.

The consolidated balance of income tax loss carryforwards (R\$35,235) and social contribution tax loss carryforwards (R\$12,792) refer to the subsidiary Telefônica Empresas S.A. and were calculated on income tax losses and social contribution tax losses of R\$140,938 and R\$142,134, respectively, as of the balance sheet date. Prevailing tax law allows for tax losses to be offset against future taxable income up to a limit of 30% of annual taxable income. The Company's management expects to recover the tax credits as of March 31, 2005 as follows:

Year	Amount
2006	10,819
2007	29,598
2008	43,349
2009	51,149
2010	40,594
2011	39,784
	<u>215,293</u>

Income and social contribution tax credits were recorded based on the provisions of CVM Instruction No. 371 of June 27, 2002, and a technical feasibility study of the generation of future taxable income, approved by the Company's management. Such study is based on estimates subject to future changes.

Transferred tax credit

The corporate restructuring in 2001 (note 9.b) was implemented in such a manner to prevent the amortization of the transferred goodwill from adversely affecting future income, both in the consolidated financial statements and in the financial statements of the subsidiary Telefônica Empresas S.A.

The subsidiary's accounting records for corporate and tax purposes are found in specific (transferred) goodwill and provision accounts and the corresponding amortization, reversal of the provision and realization of the tax credit are as follows:

	<u>Mar/2005</u>	<u>Dec/2004</u>
Goodwill	445,918	450,789
Provision	(294,306)	(297,521)
Net	<u>151,612</u>	<u>153,268</u>
	<u>Mar/2005</u>	<u>Mar/2004</u>
Goodwill amortization	(4,871)	(1,236)
Provision reversal	3,215	816
Tax credit	1,656	420
Effect on income	<u>-</u>	<u>-</u>

For the calculation of the transferred tax credit, income and social contribution tax rates are 25% and 9%, respectively.

As shown above, goodwill amortization, net of reversal of the provision and the related tax credit, did not generate any effects on net income (loss) for the periods ended March 31, 2005 and 2004.

For a fair presentation of the Company's financial position and results of operations, the net amount of R\$151,612 (R\$153,268 as of December 31, 2004) which essentially represents the transferred tax credit, was reclassified in the balance sheet to deferred and recoverable taxes, in long-term assets, in accordance with CVM Instruction No. 349, of March 6, 2001. Goodwill amortization and provision reversal are recognized in the accounting records as operating income and expenses and the subsidiary's corresponding tax credit is recognized in the financial statements as provision for income and social contribution taxes.

7. INVENTORIES

	Consolidated	
	Mar/2005	Dec/2004
Maintenance materials	943	948
Assets held for sale	5,376	5,336
Allowance for reduction to realizable value	(2,851)	(2,851)
Total	<u>3,468</u>	<u>3,433</u>

8. OTHER ASSETS

	Consolidated	
	Mar/2005	Dec/2004
Prepaid expenses	717	752
Advances to employees	753	760
Advances to suppliers	505	6
Other	79	222
Total	<u>2,054</u>	<u>1,740</u>
Current	2,048	1,732
Long-term	<u>6</u>	<u>8</u>

9. INVESTMENTS

a. Investment balance

	Company	
	Mar/2005	Dec/2004
Telefônica Empresas S.A.	283,651	278,881
Goodwill on investment acquisition	294,307	297,521
Total	<u>577,958</u>	<u>576,402</u>

The ownership interest in the wholly-owned subsidiary Telefônica Empresas S.A. arises from the spun-off portion of the equity of Telesp, and includes the special goodwill reserve resulting from the corporate restructuring described below.

The principal data on the subsidiary are as follows:

	<u>Mar/2005</u>	<u>Dec/2004</u>
Capital	235,235	235,235
Capital reserves (goodwill and donation)	156,341	156,341
Accumulated deficit	(107,925)	(112,695)
Subsidiary's shareholders' equity	<u>283,651</u>	<u>278,881</u>
Number of common shares without par value outstanding at the balance sheet date and held by the Company	241,526	241,526
Ownership percentage	100%	100%
	<u>Mar./2005</u>	<u>Mar./2004</u>
Subsidiary's gain (loss) recorded as equity pick-up by the Company	4,770	(2,956)

b. Corporate Restructuring of subsidiaries

In June 2001, the Company increased the capital of Figueira Administração e Participações S.A. ("Figueira") by R\$495,080, equivalent to 50% of its capital, represented by 3,837,651 common and 7,675,302 preferred shares. Figueira was a subsidiary of Banco Itaú S.A. and held operational assets related to the telecommunication network operation for this bank, as well as investments corresponding to 73% of total capital (20% of voting capital and 100% of preferred shares) of Galáxia Administração e Participações S.A. (company holding the authorization to provide Multimedia Communication Service).

In July 2001, Figueira was partially spun-off, with the transfer of operational assets and investments to the wholly-owned subsidiary Spanish Participações S.A. ("Spanish"), at the book value, in accordance with a specialized company's report, dated July 27, 2001, and the spun-off net worth was R\$37,828.

This operation generated goodwill of R\$456,478 (R\$445,918, net of amortization as of March 31, 2005), based upon the subsidiary's expected future profitability, to be amortized over the period established by prevailing tax legislation and regulation.

According to the Extraordinary General Shareholders' Meeting and Shareholders' Meetings held on October 26, 2001, the shareholders of the companies involved approved a corporate restructuring proposal, including capital contribution to subsidiary through investment and subsequent mergers without change to voting rights, dividends receipts and equity rights of Telefônica Empresas S.A.'s shareholders, based on the book values of the companies involved and the appraisal report prepared by a specialized firm. This restructuring did not require prior authorization from the National Telecommunication Agency (ANATEL) or any other regulatory authorities.

The transferred goodwill was recorded in deferred charges in counterpart to a special goodwill reserve. The special goodwill reserve in Telefônica Empresas S.A. was set up in favor of the controlling shareholder in view of the future tax benefit to be earned. In the individual balance sheet, the aforementioned goodwill is classified as goodwill on investment acquisition, net of tax credit of R\$151,612 (R\$153,268 on December 31, 2004). In the consolidated balance sheet, the tax credit is recorded in long-term assets, due to its nature.

In accordance with the business plans prepared by management, this goodwill is recoverable in future transactions within ten years after the acquisition. Management is periodically conducting analyses regarding the recovery of goodwill in comparison to the results generated after the acquisition, based on the projection of expected future operating results. As of March 31, 2005, these studies indicated that no reserve is required for the amount recorded in the financial statements, and that no changes are required in the goodwill amortization criteria defined below:

Year	Amount
2005	14,615
2006	35,781
2007	57,515
2008	86,900
2009	91,296
2010	91,296
2011	68,515
	<u>445,918</u>

10. PROPERTY, PLANT AND EQUIPMENT, NET

	Annual depreciation rates%	Consolidated					
		Mar/2005			Dec/2004		
		Cost	Depreciation	Net book value	Cost	Depreciation	Net book value
Assets and installations in service:		554,783	(309,829)	244,954	530,981	(285,595)	245,386
Switching and transmission equipment	20.0	281,237	(181,491)	99,746	272,721	(169,575)	103,146
Transmission equipment, aerial and underground cables, buildings, teleprinters, energy equipment and furniture	10.0	17,079	(6,295)	10,784	16,494	(5,880)	10,614
Private automatic switching center	20.0	149,032	(67,046)	81,986	140,524	(59,757)	80,767
IT equipment	20.0	17,318	(8,373)	8,945	16,289	(7,813)	8,476
Buildings and underground cables	4.0	211	(24)	187	211	(22)	189
Vehicles	20.0	3,292	(1,186)	2,106	3,221	(1,049)	2,172
Leasehold improvements	20.0	27,226	(19,036)	8,190	26,536	(17,703)	8,833
Software	20.0	59,079	(26,074)	33,005	54,676	(23,494)	31,182
Other	12.5	309	(304)	5	309	(302)	7
Assets and construction in progress	-	18,738	-	18,738	32,048	-	32,048
Total		<u>573,521</u>	<u>(309,829)</u>	<u>263,692</u>	<u>563,029</u>	<u>(285,595)</u>	<u>277,434</u>
Average depreciation rate %				19.79			20.01
Balance of fully depreciated assets				<u>58,564</u>			<u>46,655</u>

11. DEFERRED CHARGES

	Consolidated	
	Mar/2005	Dec/2004
Preoperating expenses (i)	2,447	2,447
Accumulated amortization	(2,097)	(1,974)
Total	<u>350</u>	<u>473</u>

(i) Preoperating costs with amortization period of five years.

12. LOANS AND FINANCING

	Annual interest rate	Maturity	Consolidated
			Mar/2005 Current
Loans in foreign currency	(*)	Until 2006	190,553
Financing in local currency	103% of CDI	Until 2005	3,590
Total			<u>194,143</u>

	Annual interest rate	Maturity	Consolidated
			Dec/2004 Current
Loans in foreign currency	(*)	Until 2005	187,185
Financing in local currency	103% of CDI	Until 2005	6,445
Total			<u>193,630</u>

The foreign currency loans are composed as follows:

	Currency	(*) Annual interest rate	Consolidated Mar/2005		
			Principal	Interest	Total Balance
Resolution No. 2770	USD	1.25% to 5.90%	111,171	1,305	112,476
Resolution No. 2770	JPY	1.40% and 1.90%	77,699	378	78,077
			<u>188,870</u>	<u>1,683</u>	<u>190,553</u>

	Currency	(*) Annual interest rate	Consolidated Dec/2004		
			Principal	Interest	Total Balance
Resolution No. 2770	USD	1.25% to 5.70%	101,028	1,818	102,846
Resolution No. 2770	JPY	1.30% and 1.40%	83,798	541	84,339
			<u>184,826</u>	<u>2,359</u>	<u>187,185</u>

To reduce the risk of losses due to exchange rate fluctuations which would increase debt balance in foreign currency, the subsidiary has hedge (swap) operations as described in Note 26.

13. TAXES PAYABLE

	Consolidated	
	Mar/2005	Dec/2004
Indirect taxes:		
ICMS (state VAT)	6,633	8,062
PIS and COFINS (taxes on revenue)	4,430	4,567
Other	725	1,014
Total	<u>11,788</u>	<u>13,643</u>

14. PAYROLL AND RELATED CHARGES

	Consolidated	
	Mar/2005	Dec/2004
Salaries	2,921	2,618
Payroll charges	11,254	10,295
Benefits	446	573
Employee profit sharing	3,880	8,015
Sales bonus	1,048	2,328
Total	<u>19,549</u>	<u>23,829</u>

15. OTHER LIABILITIES

	Consolidated	
	Mar/2005	Dec/2004
Recoverable values	1,581	2,176
Consignments for third parties	2,427	1,619
Accrued pension plans (see note 23)	644	506
Other	310	311
	<u>4,962</u>	<u>4,612</u>
Current	<u>4,317</u>	<u>4,105</u>
Long-term	<u>645</u>	<u>507</u>

16. RESERVE FOR CONTINGENCIES

The subsidiary Telefônica Empresas S.A. is a party to lawsuits involving labor and civil matters, arising from the normal course of its operations. Company management, based on the opinion of legal counsel, recognized a reserve for the lawsuits for which the chance of an unfavorable outcome was considered probable, in the amount of R\$733 (R\$668 as of December 31, 2004).

Shown below are the amounts involved and respective risks of unfavorable outcome:

Nature	Risk of unfavorable outcome			Total
	Probable	Possible	Remote	
Labor	733	6,068	369	7,170
Civil	-	659	2,283	2,942
Total	<u>733</u>	<u>6,727</u>	<u>2,652</u>	<u>10,112</u>

17. SHAREHOLDERS' EQUITY

a. Capital

As of March 31, 2005 and December 31, 2004, subscribed and paid-up capital is R\$702,879, represented by shares without par value held as follows:

	Mar/2005	Dec/2004
Common shares	358,716,131,431	358,716,131,431
Preferred shares	712,437,254,531	712,437,254,531
Total outstanding shares	<u>1,071,153,385,962</u>	<u>1,071,153,385,962</u>
Net book value per thousand shares – R\$	<u>0.55</u>	<u>0.55</u>

The Company is authorized to increase capital up to the limit of 1,500,000,000,000 shares, either common or preferred. The Board of Directors has the right to decide on capital increases and the consequent issuance of shares, within the authorized capital limit, with no obligation to maintain the proportion of each type of share, except that preferred shares, nonvoting or with restricted voting rights, cannot exceed 2/3 of the issued shares.

Each common share is entitled to one vote at the Shareholders' Meetings; preferred shares are nonvoting, except under the terms established in the bylaws and legislation, and have preference to: (i) capital redemption, without premium, and (ii) dividends 10% higher than those attributed to common shares.

Shareholders have preferential rights in capital increases, in proportion to the number of shares held; based on a decision of the Board of Directors, the preferential right can be excluded in cases provided for by the Company's bylaws.

18. GROSS OPERATING REVENUE

	Consolidated	
	Mar/2005	Mar/2004
Packet-switched data services	169,359	133,425
Commissions (i)	23,239	28,217
Solutions and other	18,379	10,644
Total	<u>210,977</u>	<u>172,286</u>

(i) Refers to the commission on voice services provided by Telesp to customers of the subsidiary Telefônica Empresas S.A. (Note 24).

19. COST OF SERVICES PROVIDED

	Consolidated	
	Mar/2005	Mar/2004
Rentals (i)	(61,118)	(50,574)
Depreciation and amortization	(23,487)	(21,075)
Personnel	(10,076)	(8,960)
Outside services	(24,781)	(14,329)
Leasing	(1,006)	(4,629)
Other	(1,233)	(2,260)
Total	<u>(121,701)</u>	<u>(101,827)</u>

(i) Includes rent paid to Telesp for use of the network (Note 24).

20. OPERATING INCOME (EXPENSES)

a. Selling expenses

	Consolidated	
	Mar/2005	Mar/2004
Personnel	(11,493)	(9,786)
Outside services	(6,295)	(2,434)
Allowance for doubtful accounts	(862)	(1,076)
Depreciation and amortization	(5)	(7)
Other	(265)	(365)
Total	<u>(18,920)</u>	<u>(13,668)</u>

b. General and administrative expenses

	Company		Consolidated	
	Mar/2005	Mar/2004	Mar/2005	Mar/2004
Outside services	(572)	(497)	(10,228)	(10,153)
Personnel	(20)	(19)	(4,015)	(5,793)
Rent	-	-	(911)	(2,355)
Depreciation and amortization	-	-	(1,098)	(1,118)
Other	(4)	(6)	(697)	(528)
Total	<u>(596)</u>	<u>(522)</u>	<u>(16,949)</u>	<u>(19,947)</u>

c. Other operating income (expenses), net

	Company		Consolidated	
	Mar/2005	Mar/2004	Mar/2005	Mar/2004
Other operating income:				
Reversal of reserves	-	-	1,201	256
Recovered expenses	-	-	34	174
Other	-	-	169	206
	<u>-</u>	<u>-</u>	<u>1,404</u>	<u>636</u>
Other operating expenses:				
Taxes other than on income	-	-	(1,546)	(2,232)
Amortization of goodwill	(3,215)	(816)	(3,215)	(816)
Other	-	-	(244)	16
	<u>(3,215)</u>	<u>(816)</u>	<u>(5,005)</u>	<u>(3,032)</u>
Total	<u>(3,215)</u>	<u>(816)</u>	<u>(3,601)</u>	<u>(2,396)</u>

21. FINANCIAL EXPENSES, NET

	Consolidated	
	Mar/2005	Mar/2004
Financial income		
Interest on temporary cash investments	641	138
Gains on derivative transactions	22,877	5,274
Monetary/Exchange variations on assets	3,127	-
Other	217	50
	<u>26,862</u>	<u>5,462</u>
Financial expenses		
Interest	(1,401)	(2,991)
Losses on derivative transactions	(34,089)	(7,431)
Monetary/Exchange variations on liabilities	(114)	(2,692)
Other	(827)	(693)
	<u>(36,431)</u>	<u>(13,807)</u>
Total	<u>(9,569)</u>	<u>(8,345)</u>

22. INCOME AND SOCIAL CONTRIBUTIONS TAXES

The table below shows a reconciliation of the recorded tax expense with the amount that resulted from applying the combined tax rate of 34% (25% for income tax and 9% for social contribution tax on income):

	Consolidated	
	Mar/2005	Mar/2004
Income (loss) before taxes	<u>3,472</u>	<u>(5,805)</u>
<u>Social contribution tax:</u>		
Social contribution tax expense	(312)	522
Permanent differences		
Nondeductible expenses	(10)	(2)
Goodwill amortization	(289)	(73)
Other	(54)	(47)
Social contribution tax expense in the statement of operations	<u>(665)</u>	<u>400</u>
<u>Income tax:</u>		
Income tax expense	(868)	1,451
Permanent differences:		
Nondeductible expenses	(1)	(5)
Gifts	(27)	-
Donations	-	-
Goodwill amortization	(803)	(204)
Other	(149)	(131)
Income tax expense in the statement of operations	<u>(1,848)</u>	<u>1,111</u>
Total income and social contribution taxes	<u>(2,513)</u>	<u>1,511</u>

23. POST-RETIREMENT BENEFIT PLANS

The subsidiary Telefônica Empresas S.A. is a sponsor of the Visão Telefônica Empresas Benefit Plan, a defined contribution plan administered by Fundação Sistel de Seguridade Social - Sistel, which was approved by the Secretariat for Pension Plans (Ministry of Social Security) on April 3, 2001.

In 2005, Visão Prev Sociedade de Previdência Complementar was created to manage Visão Telefônica Empresas Plan and other plans. The said Plan was transferred on February 18, 2005 to the new managing entity. The transfer of these plans was approved by the National Supplementary Pension Plan Superintendency – Previc (formerly Secretariat for Pension Plans) through Administrative Rule No. 123, October 7, 2004.

The plan is funded by contributions made by the participants and the sponsor, credited to individual accounts. The subsidiary is responsible for funding all administrative expenses and plan maintenance, including risks related to death and disability of participants. The subsidiary's contributions to the Visão Telefônica Empresas Plan are the same as those of participants, ranging from 2% to 9% of the contribution salary, based on the percentage chosen by the participant.

In the first quarter of 2005, the subsidiary made contributions to the Visão Telefônica Empresas Plan in the amount of R\$699 (R\$548 in the first quarter of 2004).

Telefônica Empresas S.A. elected to record the effects of the actuarial calculations required by CVM Resolution No. 371, of December 13, 2000. For the plan's actuarial valuation, the projected unit credit method was adopted; the plan's assets are determined as of November 30, 2004, as permitted by IBRACON (Brazilian Institute of Independent Auditors) Technical Interpretation No. 01/01, ratified by CVM through Circular No. 01/02.

The position of the plans as of March 31, 2005 and December 31, 2004, whose liabilities are recorded in the account "Other liabilities" (Note 15), is as follows:

<u>Plan</u>	<u>Mar/2005</u>	<u>Dec/2004</u>
Visão	<u>644</u>	<u>506</u>

Shown below are expenses estimated for 2005 as per actuaries' report:

Cost of current service	(606)
Interest cost	(322)
Expected return on plan assets	358
Employee's contribution	<u>17</u>
Total expenses (reversals) for 2005	<u>(553)</u>

24. RELATED-PARTY TRANSACTIONS

The principal intercompany balances arise from transactions with Group companies, which were carried out under usual market conditions for these types of operations as follows:

	Consolidated	
	Mar/2005	Dec/2004
ASSETS		
<u>Current assets</u>		
Trade accounts receivable	20,030	27,168
Intercompany receivables	13,770	25,283
<u>Long-term assets</u>		
Other	2,320	2,246
Total assets	<u>36,120</u>	<u>54,697</u>
LIABILITIES		
<u>Current liabilities</u>		
Trade accounts payable	2,354	6,465
Other	47,349	41,488
Total liabilities	<u>49,703</u>	<u>47,953</u>
	Mar/2005	Mar/2004
STATEMENTS OF OPERATIONS		
<u>Revenues</u>		
Data services	48,442	28,870
Commissions	23,239	28,217
	<u>71,681</u>	<u>57,087</u>
<u>Operating costs and expenses</u>		
Cost of services provided	(40,353)	(32,805)
Selling expenses	(2,892)	(889)
General and administrative expenses	(4,313)	(1,939)
Financial expenses, net	(107)	-
	<u>(47,665)</u>	<u>(35,633)</u>

The amounts of the transactions with related parties presented in the table above refer to the following businesses:

- Trade accounts receivable and intercompany receivables in current assets refer primarily to data communication services, integrated solutions and commissions receivable from Telecomunicações de São Paulo S.A. – Telesp, Telefonica International Whole Sale, Telesp Celular S.A and Terra Networks Brasil S.A.
- Other assets in long-term assets refer mainly to accounts receivable that are not related to the operations of the Company.

- Trade accounts payable and other liabilities refer primarily to rental of network and infrastructure payable to Telecomunicações de São Paulo S.A. – Telesp, IT development expenses to Telefônica Datacorp, international internet transit services to Telefonica International Whole Sale and Emergia Brasil Ltda, and management services to Telefônica Gestão de Serviços Compartilhados do Brasil Ltda.
- Gross revenue from services refers mainly to data communication services provided by the subsidiary Telefônica Empresas S.A. to Telecomunicações de São Paulo S.A. – Telesp, Terra Networks Brasil S.A. and Telesp Celular S.A. and also, commissions received for management of customers who use voice transmission services, on the amount of these services billed by Telesp to its customers.
- Costs of services provided refer primarily to rental of networks and infrastructure paid to Telecomunicações de São Paulo S.A. – Telesp, and rental of internet links payable to Emergia Brasil Ltda.
- Selling expenses refer mainly to call center services – “Call Center” – provided by Atento Brasil S.A. and commissions payable to Telesp.
- General and administrative expenses refer mainly to management services provided by Telefônica Gestão de Serviços Compartilhados do Brasil Ltda and fixed telephone services provided by Telecomunicações de São Paulo S.A. – Telesp.

25. INSURANCE

It is the policy of the Company and its subsidiary, as well as of the Telefonica Group, to obtain insurance coverage for all high-risk assets and liabilities of significant values, based on management’s judgment, according to instructions of the Telefônica S.A. corporate program. The Company fully complies with the Brazilian legislation for contracting insurance policies.

In the first quarter of 2005, insurance expenses were R\$225 (R\$246 in the first quarter of 2004).

The principal insurance policies contracted by the Company are as follows:

Type	Insured amount
Operating risks (loss of profits)	US\$200,372,000
Optional civil liability – vehicles	R\$1,000

26. FINANCIAL INSTRUMENTS

Under the terms of CVM Instruction No. 235/95, the Company and its wholly-owned subsidiary determined the fair values of their assets and liabilities using available market information and appropriate valuation methodologies. However, both the interpretation of market data and the selection of valuation methodologies require considerable judgment and reasonable estimates in order to produce the most adequate fair value. Consequently, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values.

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

a. Exchange Rate Risk

This risk arises from the possibility that the subsidiary Telefônica Empresas S.A. may incur losses due to exchange rate fluctuations, which would increase the balances of loans and financing denominated in foreign currency and the related financial expenses. To reduce this type of risk, management enters into hedge contracts (swaps) with first-class financial institutions.

The subsidiary's indebtedness and the results of operations are significantly affected by the exchange rate risk. As of March 31, 2005, part of the subsidiary's debt denominated in foreign currencies was hedged by swap transactions (swaps for CDI). Swap transactions were made to hedge the total debt in foreign currencies. Gains or losses on these transactions are recorded in the statement of operations. As of March 31, 2005, these transactions generated a consolidated loss of R\$11,212. Gains or losses from hedge transactions to cover trade accounts payable are recorded part in "Construction in Progress" and part in "Operating expenses" and resulted in a consolidated loss of R\$777. The Company and its subsidiary recorded a provision in the amount of R\$17,517 in the current liabilities to recognize temporary loss on these operations.

The Company's and its subsidiary's net exposure to exchange rate risk, at book and fair values, is as follows:

	Consolidated			
	Mar/2005		Dec/2004	
	Book value	Fair value	Book value	Fair value
Liabilities				
Loans and financing	190,553	190,964	187,185	188,243
Trade accounts payable (i)	8,864	8,864	15,289	15,289
Foreign exchange swap – asset position	199,417	199,807	202,514	203,553
Net exposure (excess coverage)	-	19	(40)	(21)

(i) The trade accounts payable balance refers principally to liabilities with affiliated companies (R\$5,197).

The valuation method applied for calculating the fair value of loans, financing and hedge instruments (currency swap) was the discounted cash flow, considering expected settlement of liabilities and realization of assets at rates prevailing in the market on the balance sheet date.

b. Interest Rate Risk

This risk arises from the possibility that the Company and its subsidiary may incur losses due to interest rate fluctuations, internally and externally, which would affect financial expenses.

As of March 31, 2005, the Company had R\$194,143 in loans and financing (R\$193,630 as of December 31, 2004), of which R\$190,553 in foreign currency at fixed interest rates (R\$187,185 as of December 31, 2004) and R\$3,590 in local currency at variable interest rates (CDI) (R\$6,445 as of December 31, 2004). Although part of the debt had been contracted in foreign currency at fixed rates, the Company makes use of hedge operations in order to link these debts to the local currency at interest rates indexed to CDI (interbank deposit rates), and therefore this portion of the loans and financing is also subject to impacts arising from CDI variation. On the other hand, the Company invests the excess cash (from temporary cash investments) of R\$16,846 (R\$27,379 as of December 31, 2004), primarily in short-term instruments subject to CDI variation, thus reducing this risk. The carrying amounts of these financial instruments approximate fair values due to the short-term nature.

c. Credit Risk

The risk arises from the possibility that the subsidiary may incur losses due to the difficulty of collecting amounts billed to its customers. The credit risk on accounts receivable is dispersed. The subsidiary constantly monitors the level of accounts receivable and limits the default risks by interrupting the supply of services. Exceptions are made for services that must be maintained for security or national defense reasons.

As of March 31, 2005, Telefónica Group companies represented approximately 20% of the subsidiary's total service receivables.

The Company is also subject to credit risk related to temporary cash investments and receivables from swap transactions. The Company reduces this exposure by diversification of the credit portfolio among first class financial institutions, based on a strict credit policy.

* * * * *

TELEFÔNICA DATA BRASIL HOLDING S.A.

Comments on Consolidated Performance

March 2005

Telefônica Data Brasil Holding S.A. was established on January 30, 2001, as a result of a partial spin-off of Telecomunicações de São Paulo S.A. (“Telesp”), represented by the investment in the wholly-owned subsidiary Telefônica Empresas S.A. and receivables from that subsidiary.

HIGHLIGHTS ON RESULTS

Unaudited data in thousands of Brazilian reais (R\$)	Consolidated-Accumulated		
	Mar./05	Mar./04	Variation
Net operating revenue	174,208	140,315	24.2%
EBITDA ^{1/}	40,842	25,344	61.2%
EBITDA margin (%)	23.4%	18.1%	5.4 p.p.
Operating income(loss)	3,468	(5,868)	-159.1%
Income before tax and profit sharing	3,472	(5,805)	-159.8%
Net income	959	(4,294)	-122.3%
Outstanding shares (billions)	1,071,2	1,071,2	0.0%
EPS (000)	0.001	(0.004)	-122.3%

1/ Income before depreciation/amortization and financial income (expense) - EBITDA

Note: The Financial Statements as of March 31, 2004 were reclassified when applicable to better comparison.

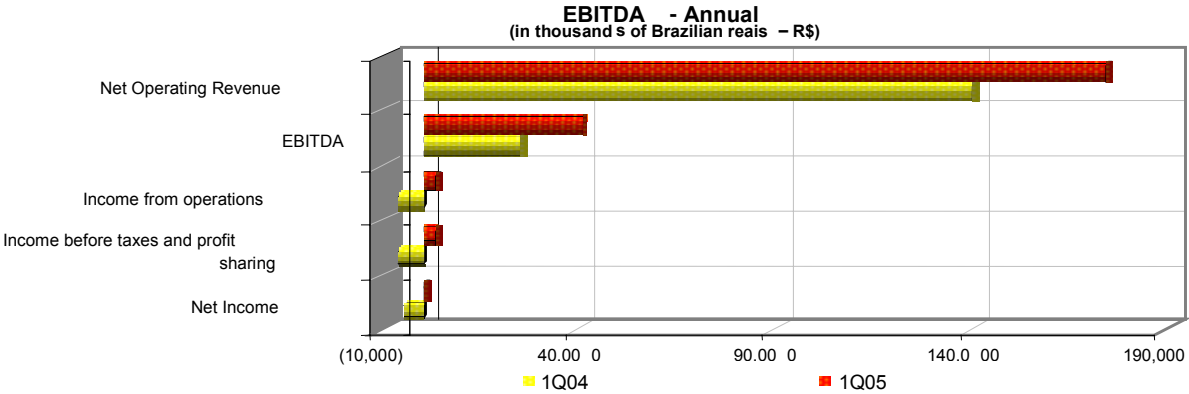
HIGHLIGHTS

- **Net operating revenue** in the 1Q05 was R\$174.2 million, an increase of R\$33.9 million or 24.2% compared to the R\$140.3 million in the same period of last year. When comparing the 1Q05 with the 4Q04, the increase was R\$4.5 million.
- The **EBITDA** is up by 61.2%, from R\$25.3 million in the 1Q04 to R\$40.8 in the 1Q05, increasing EBITDA margin from 18.1% to 23.4%. When comparing the 1Q05 to the 4Q04, the increase was R\$ 13.2 million or 47.7%, increasing EBITDA margin from 16.3% to 23.4%, showing a growth in the business of the company and, also, an efficient plan of cost reduction.
- The **net result** showed a positive evolution of 122.3%, an improvement of R\$ 5.3 million when comparing the 1Q05 to the 1Q04. When comparing the 1Q05 with the 4Q04, there was an improvement of R\$ 6.9 million or 116.2%.

HIGHLIGHTS ON REVENUES FOR THE 1Q05:

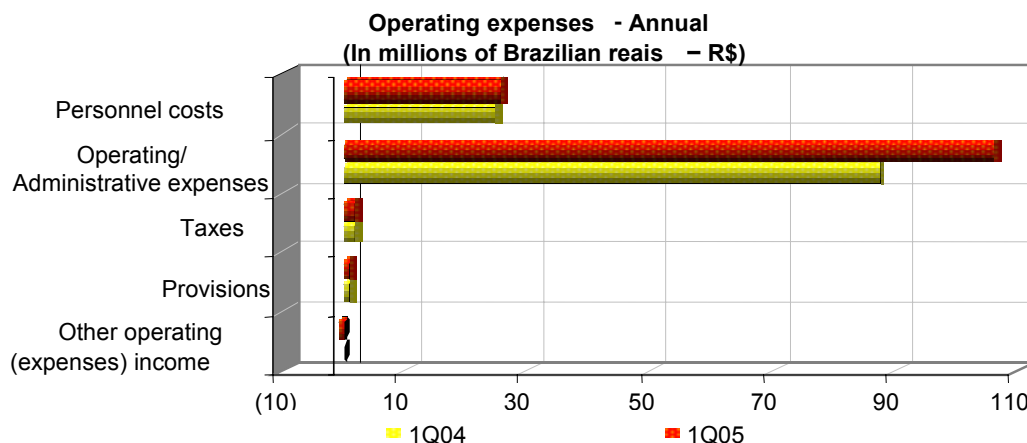
- Gross operating revenues** were R\$211.0 million in the 1Q05, showing an improvement of R\$38.7 million when compared to the 1Q04, which was R\$172.3 million. In the 1Q05, there was an increase of R\$7.0 million when compared to the 4Q04. This performance is explained as follows:

 - Packet-switched data services**, when comparing the 1Q05 to the 1Q04, showed an increase of R\$35.9 million or 26.9%. In the 1Q05, there was an improvement of R\$14.7 million or 9.5% compared to the 4Q04, mainly because of the growth in business communications and internet services, including data center services.
 - Commissions** are mainly related to the revenues from voice services from Telesp. When comparing the 1Q05 to the 1Q04, there was a decrease of R\$5,0 million or 17.6%. When comparing the 1Q05 to the 4Q04, there was decrease of R\$2.3 million.
 - Other services** represent revenues from integrated solutions services provided to customers, IT outsourcing and telecommunications. These services showed an increase of R\$7.7 million, when comparing the 1Q05 to the 1Q04. When comparing the 1Q05 with the 4Q04, there was a decrease of R\$5.4 million or 22.6%. The difference between quarters is due mainly to the sale of solutions to the customer VIVO in the last quarter of 2004.
- Deductions** refer to taxes. When comparing the 1Q05 to the 1Q04, deductions increased by R\$4.8 million, or 15.0%. This increase is due to an increase in PIS and COFINS (taxes on revenue) rates from 0.65% to 1.65%, and from 3% to 7.6%, respectively in February 2004.



HIGHLIGHTS ON OPERATING EXPENSES/OTHER OPERATING INCOME FOR THE 1Q05:

Operating expenses in the 1Q05, when compared to the 1Q04, increased R\$18.4 million or 16.0%. When comparing the 1Q05 to the 4Q04, decrease was R\$8.7 million or 6.1%.



The variations are explained as follows:

- **Personnel expenses** represented 14.7% of the Net Operating Revenue, compared to 17.5% in the 1Q04, a decrease of 2.8 p.p. In 1Q05, these expenses reached R\$ 25.6 million, showing a decrease of 0.6 million or 2.4%, when compared to the 4Q04.
- **Administrative expenses**, that include outside services and rental of infrastructure, represented 60.8% of Net Operating Revenue in the 1Q05, compared to 62.2% in the 1Q04, a decrease of 1.3 p.p. When comparing the 1Q05 with the 4Q04, there was a decrease of 5.8 p.p. (60.8% and 66.7% respectively). The main variations were in dedicated Internet rental and last mile.
- **Taxes** in the 1Q05, when compared to the 1Q04, decreased R\$0.6 million. When comparing the 1Q05 with the 4Q04, there was an increase of R\$0.3 million or 24.3%.
- **Allowance for doubtful accounts** in the 1Q05 represented 0.50% and, in the 1Q04, 0.77% of the net operating revenue. The Company continues making efforts to keep this variable under control.
- **Depreciation** amounted to R\$27.8 million in the 1Q05, representing an increase of R\$4.9 million or 21.6% when compared to the 1Q04. When comparing the 1Q05 with the 4Q04, the variation was R\$ 2.0 million or 7.6%, mainly due to the increase of the plant in service.
- **Financial income** in the 1Q05 improved R\$21.4 million and financial expenses, R\$22.6 million, generating a financial loss of R\$1.2 million when comparing the 1Q05 to the 1Q04. When comparing the 1Q05 to the 4Q04, there was a variation of R\$0.1 million, mainly due to the increase in interest expenses on loans, resulting from an increase in CDI (interbank deposit rate). Since the Company's indebtedness and results of operations are significantly affected by the exchange rate risk, the Company enters into hedge contracts with financial institutions to reduce the risk of fluctuations in exchange rates.

Loans and financing: As of March 31, 2005, the Company had R\$194.1 million in loans and financing (R\$193.6 million as of December 31, 2004), of which R\$190.6 million in foreign currency at fixed interest rates (R\$187.2 million as of December 31, 2004) and R\$3.6 million in local currency at variable interest rates (CDI) (R\$6.4 million as of December 31, 2004). On the other hand, the Company invests the excess balance of cash (from temporary cash investments) of R\$16.8 million (R\$27.4 million as of December 31, 2004), primarily in short-term instruments based on variation of the CDI, thus reducing this risk. The carrying values of these financial instruments approximate fair values due to their short-term maturity.

Additional Information

- **Transactions with Related Parties** are carried out under usual market conditions for these types of operations. The main transactions of Company and its subsidiary with related parties refer to loan agreements with Group companies, telecommunications services and other services provided, in addition to commissions receivable for voice transmission services provided by Telesp to the subsidiary's customers and commissions payable for data transmission services rendered to Telesp's customers.

Shareholders' Equity – Capital

As of March 31, 2005 and December 31, 2004, subscribed and paid-up capital is R\$702,879, represented by 358,716,131,431 common shares and 712,437,254,531 preferred shares, all registered and without par value. On April 4, 2002, when took place the 1st Annual Shareholders' Meeting and the 2nd Extraordinary Shareholders' Meeting, the Company was authorized to increase its capital up to the limit of 1,500,000,000,000 shares, either common or preferred. The Board of Directors has the right to decide on capital increases and the consequent issuance of shares, within the authorized capital limit, with no obligation to maintain the proportion of each type of share, except that preferred shares, nonvoting or with restricted voting rights, cannot exceed 2/3 of the issued shares.

Operations and Background

Telefônica Data Brasil Holding S.A. was established on January 30, 2001, as a result of a partial spin-off of Telecomunicações de São Paulo S.A. ("Telesp"), represented by the investment in the wholly-owned subsidiary Telefônica Empresas S.A. and receivables from that subsidiary, approved at an Extraordinary Shareholders' Meeting on the same date. In the partial spin-off process of Telecomunicações de São Paulo S.A. – Telesp and in the formation of the Company, one share of the same class was attributed to each share held by Telesp's shareholders, with the same rights of the previously held shares outstanding. On May 8, 2001, the Company was registered as a publicly-traded company with the Brazilian Securities Commission (CVM) and its shares are traded on the São Paulo Stock Exchange. The Company is also registered with the US Securities and Exchange Commission (SEC) and its American Depositary Shares – ADS's – Level I are traded on the New York Stock Exchange (NYSE).

Principal Objectives

Telefônica Data Brasil Holding S.A. is engaged in controlling a subsidiary that provides packet-switched network services, as well as other telecommunications and related services.

Its subsidiary Telefônica Empresas operates all over the country and has the largest data transmission structure in the State of Sao Paulo. The company provides services to 26 states and the Federal District. It serves big companies and corporations, integrating communication and information technology with integrated solutions to customers.

The Company's goal is to consolidate in the market as a service provider to big companies, distinguishing itself from the traditional telecommunications operators. This can be achieved by strengthening business solution services. By understanding the evolution of each market segment, the Telefônica Empresas' professionals can integrate in a unique solution, connectivity, data center, applications and outsourcing services and equipment. Also, based on specific needs of a customer, they can create, for example, people location services through cellular terminals, implement sales force automation projects, integrate production chains with different platforms, among others, based on the specific necessity of a customer.

The data communication services are input to development of innovation projects to big companies. In this way, Telefônica Empresas grows even closer to customers by creating lasting partnerships, based on its capacity to add value to the business of big companies.

Tables

Table 1 contains the Statements of operations of TELEFÔNICA DATA BRASIL HOLDING. Table 2 shows the Balance Sheets of TELEFÔNICA DATA BRASIL HOLDING and Table 3 shows loans and financing and capital structure of TELEFÔNICA DATA BRASIL HOLDING.

Note: This publication contains forecasts of future events, which do not constitute facts happened in the past and reflect only the Company's management's expectations. Certain terms are intended to identify those forecasts, which involve risks or uncertainties forecast or not by the Company. Therefore, the future results of operations of the Company may differ from current expectations and the reader must not rely solely upon the forecasts presented herein. These forecasts issue an opinion only on the date on which they are made and the Company is not bound to update them based on new information or future events.