

A free translation from Portuguese into English of the Valuation Report of Net Assets at Book Value in accordance with the accounting practices adopted in Brazil

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## Valuation report of net assets at book value


The  
Board of Directors and Shareholders  
**Vivo Participações S.A.**

### 1. Specialized firm and technical responsible

Ernst & Young Terco Auditores Independentes S.S. (Ernst & Young Terco), a firm located in the city of São Paulo, at Av. Juscelino Kubitschek, 1830, Tower I – 8th floor, Itaim Bibi, CEP: 04543-900, registered with the National Corporate Entities' Registry under CNPJ/MF No. 61.366.936/0001-25, originally enrolled with the São Paulo State Regional Accounting Council under CRC 2SP015199/O-6, with its Articles of Organization filed with the 1st Registry of Deeds and Documents and Civil Registry of Legal Entities of São Paulo under No. 122.272 on August 9, 1989, the last amendment of which, dated June 27, 2011, is registered in microfilm under No. 379394, on September 01, 2011, herein represented by the undersigned partner, Mr. **DRAYTON TEIXEIRA DE MELO**, Brazilian, married, accountant, bearer of Identity Card RG No. 2.974.800 SSP/PE, enrolled with the São Paulo Regional Accounting Council under CRC No. 1SP236947/O-3 and with the Individual Taxpayers' Registry under CPF/MF No. 515.710.054-04, domiciled in the city of São Paulo-SP, at Av. Juscelino Kubitschek, 1830, Tower I, 8th floor, with same office address as the represented party, hereby designated as valuation expert by **VIVO PARTICIPAÇÕES S.A.** ("Vivo Part." or "Company") to conduct the valuation of net assets at book value as of August 31, 2011, summarized in Attachment I, in accordance with accounting practices adopted in Brazil, presents hereinafter the result of the work performed.

### 2. Valuation objective

Valuation report of net assets at book value as of August 31, 2011 of VIVO PARTICIPAÇÕES S.A. to be used in the merger of Vivo Part. into Telecomunicações de São Paulo S.A. – TELESP.



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### **3. Work scope**

The valuation report of net assets at book value is being issued in connection with the audit of the balance sheet as of August 31, 2011, prepared under the responsibility of Company's management.

We conducted our examination in accordance with generally accepted auditing standards in Brazil which comprised, among other procedures: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company; (b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts disclosed; and (c) an assessment of the accounting practices used and significant estimates made by Company's management.

### **4. Conclusion**

Based on the work performed, we conclude that the value of the net assets at book value of VIVO PARTICIPAÇÕES S.A., as per balance sheet as of August 31, 2011, summarized in Attachment I, amounts to R\$10.293.315.101,48 (ten billion, two hundred and ninety three million, three hundred and fifteen thousand, one hundred and one reais and fourty eight cents), accounted for in the book records, in accordance with the accounting practices adopted in Brazil.

### **5. Information and clarification regarding professional independence and conflicts of interest**

In compliance with the requirements of the Brazilian Securities and Exchange Commission (CVM), we inform the following:

- (a) according to professional standards established by the National Association of State Boards of Accountancy (CFC), we are not aware of any conflicts of interest, whether direct or indirect, or of any other circumstances that could represent a conflict of interest in connection with the services provided by us, described above; and



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- (b) we are not aware of any action by the Parent Company or by Company's management with the objective of biasing, restricting, hampering or committing any acts that have or could have impaired access, use or knowledge related to information, assets, documents or work methodologies that are significant to the quality of the respective conclusions.

São Paulo, September 12, 2011.

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC 2SP015199/O-6

Drayton Teixeira de Melo  
Accountant CRC 1SP236947/O-3

## Attachment I to valuation report of net assets at book value

	Balance sheet of Vivo Participações S.A. as of August 31, 2011	Determined assets and liabilities of the branch of Vivo Participações S.A. in the State of Minas Gerais, extracted from the balance sheet of Vivo Participações S.A. as of August 31, 2011
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and equivalents	480.268.941,34	757.222,04
Trade accounts receivable, net	303.988.708,72	303.988.708,72
Inventories	33.053.819,41	33.053.819,41
Interest on own capital and dividends	1.211.907.279,84	-
Recoverable taxes	92.288.445,64	61.567.994,16
Prepaid expenses	42.322.382,68	41.773.122,02
Escrow deposits, blockages and contract collateral	9.001.498,66	-
Other assets	14.612.519,86	12.565.318,77
<b>Total current assets</b>	<b>2.187.443.596,15</b>	<b>453.706.185,12</b>
<b>NON CURRENT</b>		
Long term portion of investments pledged as collateral	3.664.603,49	-
Deferred and recoverable taxes	872.285.041,17	80.668.006,81
Derivative contracts	12.629.663,22	-
Prepaid expenses	6.249.187,81	5.422.089,31
Escrow deposits, blockages and contract collateral	796.269.905,13	-
Other assets	123.015,23	103.625,00
Investments	7.535.222.543,49	-
Property, plant and equipment, net, comprised of:	677.298.569,54	677.298.569,54
Property and land	8.426.346,29	8.426.346,29
Other property, plant and equipment	668.872.223,25	668.872.223,25
Intangible assets, net	2.142.615.533,27	167.854.203,64
<b>Total non current assets</b>	<b>12.046.358.062,35</b>	<b>931.346.494,30</b>
<b>Total assets</b>	<b>14.233.801.658,50</b>	<b>1.385.052.679,42</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Payroll and related accruals	21.781.435,68	21.781.435,68
Trade accounts payable	371.072.986,95	368.684.374,90
Taxes payable	33.588.779,86	9.038.533,35
Loans, financing and debentures	42.997.647,34	1.113.543,37
Derivative contracts	3.575.253,16	-
Interest on own capital and dividends	1.221.297.961,29	-
Provisions	14.933.321,58	-
Deferred revenues	59.522.559,65	59.522.559,65
Debits with related parties	1.350,00	1.350,00
Reverse stock split	203.139.993,82	-
<b>Total current liabilities</b>	<b>1.971.911.289,33</b>	<b>460.141.796,95</b>
<b>NON CURRENT</b>		
Taxes payable	990.859.788,58	21.898.490,65
Loans, financing and debentures	908.615.120,40	22.674.849,63
Derivative contracts	4.770.613,12	-
Provisions	60.409.698,24	43.708.139,41
Deferred revenues	3.598.895,88	3.598.895,88
Other liabilities	321.151,47	-
<b>Total non current liabilities</b>	<b>1.968.575.267,69</b>	<b>91.880.375,57</b>
<b>NET ASSETS AT BOOK VALUE</b>	<b>10.293.315.101,48</b>	<b>833.030.506,90</b>

