



Message from the chief executive officer

"To be the biggest telecommunications operator in Brazil and one of the biggest in the world is important, but to be the best in what really matters to the customer is still more important. Likewise, to be a reference in the development of high-end technology will make no difference if that technology does not provide useful services to the customer. We wish to transform Vivo in an **unforgettable customer experience** for both existing and potential new fans."

Roberto Lima

Consolidated Performance

The company recorded 29,030 thousand **customers** in the end of the quarter. **ARPU** remained stable at R\$ 30, which evidences the quality of Vivo customer base, representing an increase of 18.1% over 1Q06. **SAC** in the first quarter 2007 showed a 20.0% reduction over 1Q06. **Churn** of 2.6% in the quarter, stable in relation to the previous quarter, especially recorded in the value segment, in which we maintained the churn under strict control.

**Service revenue** grew 15.4%, increasing the **total net revenue** in 10.6% in relation to 1Q06, recording R\$ 2,850.8 million in the quarter. By eliminating the effects of the partial Bill&Keep in the 1Q07 net service revenue would remain stable between 1Q07 and 1Q06. **Data revenue** plus SVA's accounted for 8.2% of the service revenue

**Operating expenses** showed an increase of 8.7% in relation to the 1Q06. The following facts have contributed to this increase: the growth in Human Resources costs due to the adjustment provided for the Collective Union Agreement in November 2006 and in the cost of services rendered due to termination of the partial Bill&Keep. However, the cost of goods sold decreased by 18.7% and the selling expenses were reduced by 12.9% in comparison to the 1Q06. The Provision for Bad Debt - PDD in 1Q07 was of R\$ 107.4 million, representing 2.7% of the total gross revenue, a 33.3% reduction in relation to the same period of the previous year.

The **EBITDA** in 1Q07 was R\$ 757.0 million, an increase of 5.6% in relation to 1Q06, resulting in an EBITDA Margin of 26.6%. By eliminating the effects of the termination of the partial Bill&Keep system, the EBITDA would be in the amount of R\$ 745.8 million or a margin of 29.7%.

The **operating cash flow** (EBITDA-CAPEX) of R\$ 521.6 million increased by 19.7% in relation to 1Q06. Added to the increase in working capital generated R\$ 296.7 million in the quarter, while the 1Q06 used resources in the amount of R\$ 114 million.

The **net debt** in the amount of R\$3,305.1 million presents a reduction of 26.0% in relation to 1Q06. S&P confirmed Vivo's rating and charge its outlook from "negative" to "stable". Part of the short term debt was turned into a long-term debt, the short-term debt representing 32% of the total debt.

**Capex** in the quarter, among others, was due to performing the required activities for the GSM/EDGE overlay. As a result, investments made in 1Q07 reached R\$ 235.4 million, representing 8.3% of net revenue. Investments are mainly related to quality maintenance and coverage expansion.

Loss of R\$ 19.3 million in the quarter against loss of R\$ 179.3 in 1Q06.

Vivo is the brand of a joint venture between Portugal Telecom and Telefonica in 2002.

It is the leading cell phone operator in Brazil with a market share of 37.6% in its operation area. It is also the largest mobile telephony group in the South Hemisphere and the world's 10th largest operator providing this service.

Tickers

Common (Bovespa)	VIVO 3
Preferred (Bovespa)	VIVO4
ADR (NYSE)	VIV

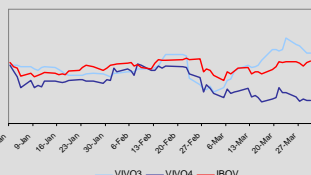
Stockholding Breakdown on 03/31/2007



Free Float Treasury shares Controlling Shareholder Group

Free Float-Common	10.7%
Free Float- Preferred	52.0%
Free Float- Total	36.9%
Treasury Shares	0.3%
Controlling Group	62.8%
Total Common	524,931,665
Total Preferred	917,186,080

Stock Performance over 1Q07



1Q07 Database

Daily avg. Volume	R\$ 26 mm
Vivo ON Upside	6.8%
Vivo PN Upside	(18.1%)
Ibovespa	3.0%
ITEL	4.4%



CONSOLIDATED INCOME STATEMENTS - VIVO

RS million	1Q07	4Q06	%Δ	1Q06	%Δ
<b>Net Revenues</b>	2.850,8	2.936,5	-2,9%	2.577,0	10,6%
Net service revenues	2.609,3	2.646,7	-1,4%	2.261,7	15,4%
Net handset revenues	241,5	289,8	-16,7%	315,3	-23,4%
<b>Operating Costs</b>	(2.093,8)	(2.078,9)	0,7%	(1.859,9)	12,6%
Personnel	(173,7)	(184,8)	-6,0%	(155,7)	11,6%
Cost of services rendered	(716,4)	(733,2)	-2,3%	(434,0)	65,1%
Cost of handsets	(351,5)	(407,0)	-13,6%	(432,6)	-18,7%
Selling expenses	(619,3)	(676,3)	-8,4%	(711,3)	-12,9%
General & administrative expenses	(156,3)	(159,8)	-2,2%	(129,0)	21,2%
Other operating revenue (expenses)	(76,6)	82,2	n.d.	2,7	n.d.
<b>Ebitda</b>	757,0	857,6	-11,7%	717,1	5,6%
<b>Margin %</b>	26,6%	29,2%	-2,7 p.p.	27,8%	-1,3 p.p.
<b>Net Financial Income</b>	(118,7)	(146,6)	-19,0%	(186,2)	-36,3%
<b>Net Income</b>	(19,3)	885,6	-102,2%	(179,3)	-89,2%
<b>Total debt</b>	5.482,6	4.500,4	21,8%	5.652,8	n.d.
<b>Net Debt</b>	4.464,4	3.553,3	25,6%	4.156,3	n.d.
<b>Capex</b>	235,4	1.059,0	-77,8%	281,3	-16,3%

CONSOLIDATED OPERATING PERFORMANCE - VIVO

	1Q07	4Q06	%Δ	1Q06	%Δ
<b>Customers (thousand)</b>	29.030	29.053	-0,1%	30.138	-3,7%
<b>Market Share</b>	37,6%	38,2%	-0,6 p.p.	43,5%	-5,9 p.p.
<b>Net additions (thousand)</b>	(23)	328	-107,0%	333	-106,9%
<b>Share of net additions</b>	-1,8%	11,0%	-12,8 p.p.	16,0%	-17,8 p.p.
<b>Market penetration (*)</b>	56,0%	55,0%	1,0 p.p.	50,9%	5,1 p.p.
<b>SAC (R\$)</b>	100	115	-13,0%	125	-20,0%
<b>Monthly Churn</b>	2,6%	2,5%	0,1 p.p.	1,8%	0,8 p.p.
<b>ARPU (in R\$/month)</b>	30,0	30,6	-2,0%	25,4	18,1%
<b>Total MOU (minutes)</b>	75	82	-8,5%	68	10,3%

(\*) source: Anatel

NET DEBT - VIVO

	Mar 31. 07	Dec 31. 06	Mar 31. 06
Short Term	1.283,4	1.590,3	2.193,7
Long Term	2.773,8	2.910,1	3.288,9
<b>Total debt</b>	<b>4.057,2</b>	<b>4.500,4</b>	<b>5.482,6</b>
Cash and cash equivalents	(1.241,6)	(1.447,6)	(1.659,8)
Derivatives	489,5	500,5	641,6
<b>Net Debt</b>	<b>3.305,1</b>	<b>3.553,3</b>	<b>4.464,4</b>



## Vivo is the highest value brand in mobile telephony in Brazil for the second consecutive year

In a research conducted by British Brand Finance, Vivo was elected the highest value brand for the second consecutive year among mobile telephony operators in Brazil. Its growth was 6.5% over 2005, with it was valued at R\$ 1.75 billion this year, reinforcing its image attributes in the market.

## Launching of new service plans

By unifying its system platforms, Vivo has launched new plans, named "Vivo Escolha", combining simplicity, freedom of choice of services and advantages to customers, who can now choose the combination of advantages that better suits their usage profile.

## The Cell Phone Market in Brazil

The mobile telephony closed the 1Q07 with 102 million lines in Brazil, of which 80.4% are prepaid and 19.6% are postpaid. The net additions on the Brazilian market in the 1st quarter of 2007 totaled 966 thousand. The penetration level reached 54.3% in March.

**More than  
338 thousand  
recharge points**

**Total of  
8,134  
points of sale**

**40% national  
retail share  
leadership**

## Technology: CDMA + GSM/EDGE

Vivo has become the sole cell phone operator in Brazil to offer a full range of products and services using two technologies. This initiative will provide Vivo with greater competitiveness, with a more diversified offer to the customers. In addition, the new consumption requirements of the market segment will be more adequately satisfied by the GSM/EDGE technology.

GSM/EDGE offers the "Enhanced GPRS (EGPRS) - a connectivity solution based on the Internet Protocol (IP), which

supports a variety of applications used by corporations and the general public at rates up to 40 kbit/s, similar to a dial-up connection – which can be used for package applications, such as Internet connections, and applications requiring high transmission rates, such as: e-mail, video streaming, multimedia messages and location-based services.

EDGE triples the data transmission rate offered by the GSM.

## Organizational Structure Simplification

Changes have simplified its organization, made it easier to instruct customers and improved results. VIVO Participações and VIVO S.A. were created as a result of the merger of the 5 holding companies and the 14 operators. Simplification of the corporate structure, increased transparency, management and functional modernization and cost reductions are some of the key gains provided by the Merger Project.

## Corporate Governance

A permanent search for improving corporate governance practices to assure maximum transparency and reliability for its operations and the results of its business offers in the market.

Vivo is managed by a Board of Directors comprised of at least 3 and a maximum of 12 members, all of them shareholders of the holding company, besides a Statutory Audit Council, a Disclosure Committee and an Audit Committee.

## Social Responsibility



**TODOS PELA EDUCAÇÃO**

A Vivo apóia esta causa.

Vivo, as a company aware of its role in the social development of Brazil, is committed to education. As a result, it supports the "All for Education" commitment by helping to spread the principles of mobilization and awareness of our society about the importance of this issue for the future of our country.

## Sustainability

Vivo has adopted a clear behavior towards social development and the preservation of natural resources for future generations.

Through its human resource policy, it also provides for valuation and recognition of its employees as the main instruments for carrying out its corporate strategy and achieving the best results for all the publics involved in its operations.

## Environment

Vivo was the first company in Brazil to collect handsets for recycling through a campaign: "Your useless handset can link the world to a better future";

**96 thousand** used batteries delivered for safe disposal;  
**244 tons** of recycled materials.

## Investor Relations

Our Investor Relations Office acts with a focus on the improvement of the disclosure of information to shareholders and analysts, in order to keep a close relationship with the market and supply the material required for the fair pricing and valuation of our Company.

### Contact

**Email:** ir@vivo.com.br

**Telephone:** 5511-7420-1172

**Fax:** 5511-7420-2247