

Vivo

Brazilian market leader in cellular telephony, Vivo is the brand of a joint venture between Portugal Telecom and Telefónica, which started in 2002.

Covering more than **2.3 thousand municipalities**, the company has the country's largest network, reaching 91.4% of the population. It is also the largest mobile telephony group in the South Hemisphere and the world's 10th largest operator providing this service.

Corporate Governance

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

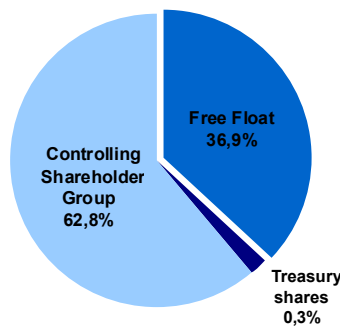
It is managed by a Board of Directors comprised of at least 3 and a maximum of 12 members, all of them shareholders of the holding company, besides a Statutory Audit Council, a Disclosure Committee and an Audit Committee.

Capital Market

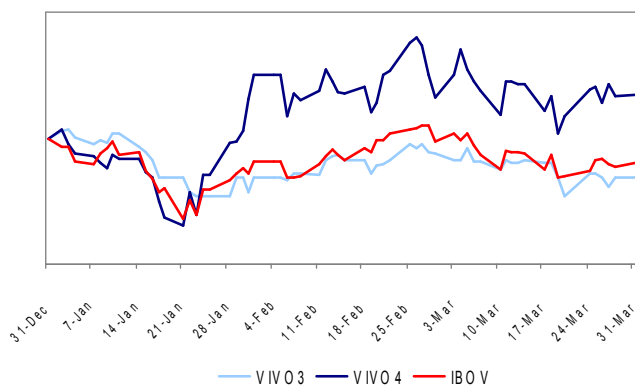
Vivo's shares are listed on the São Paulo Stock Exchange (Bovespa) and are traded under VIVO3 ticker for common shares and VIVO4 for preferred shares. At the NYSE, the ADRs are traded under the VIV ticker.

The Capital stock is represented by 524,931,665 common shares and 917,186,080 preferred shares.

**Stockholding breakdown
on 03/31/2008**



Stock performance



Highlights

- ◇ Successful in the **3rd Generation Frequencies Auction** with the acquisition of all the J Band lots;
- ◇ **Nationwide digital coverage**;
- ◇ **Best service quality**, awarded an excellence prize in customer service, domestic mobile telephone category, from "Consumidor Moderno" magazine;
- ◇ **34,323 thousand customers** ensuring its leadership with a 27.3% market share;
- ◇ The **GSM** operation reached **more than 14.6 million** accesses, representing more than 42% of the customers base, a 30.4% growth over 4Q07;
- ◇ More than **412 thousand recharge points** in March 2008;
- ◇ The biggest handset distribution network, with more than **8,800 points of sale**;

Telemig

On August 02, Vivo entered into a stock purchase and sale agreement with Telpart Participações S.A. aiming the control acquisition of Telemig, corresponding to 22.72% of the total capital stock. Additionally, Vivo will purchase from Telpart stock subscription rights for R\$ 87 million.

On April 03, Vivo communicated that all conditions and formalities required for the acquisition of shares in Telemig Participações and, indirectly, of its controlled company Telemig Celular, as set forth in the stock purchase agreement entered into August 02, 2007 were satisfied, with the payment of the total amount of R\$ 1.23 billion being effected in that date, whereby it undertook the direct share control in Telemig Celular Participações.

On April 11, the application for registration of the MTO (Mandatory Tender Offer) by Sale of the Share Control was filed, for the purchase of all the outstanding common shares of Telemig Celular Participações and of Telemig Celular, containing a draft invitation to bid. The actual launching of the Offering is subject to registration with and authorization by the CVM and BOVESPA, under the terms of CVM Instruction no. 361/02. As soon as the registration of such offering is granted by CVM, Vivo Part will cause a full invitation to bid to be published in the relevant newspapers, containing the final information.

On April 14, Vivo Part executed a stock purchase agreement with Vivo S.A. for acquisition of 100% of the capital stock of TCO IP S.A., with the latter becoming a wholly-owned subsidiary of Vivo Part. The acquisition was effected based on the shareholders' equity recorded in the balance sheet as of March 31, 2008, in the total amount of R\$ 146,067.11, with cash payment within up to five business days from the execution of the agreement.

With the slogan "What is good can become even better", Vivo marks its arrival to Minas Gerais state.

Vivo is successful in the 3G Frequencies Auction

In December, we acquired the J Band lots in the auction of 3G frequencies, which will allow us to offer third generation services throughout Brazil with WCDMA technology.

Vivo has paid 92.5% average premium over the minimum price set in the auction call notice. For all lots acquired, Vivo offer was around R\$ 1.1 billion for a period of 15 years postponed for 15 years more.

Operating Performance

The company recorded 34,323 thousand **customers** in the 1Q08, representing an increase of 18.2% in relation to the 1Q07 and 2.5% in relation to the previous quarter. The competitive positioning, the quality leadership and the best portfolio of plans and handsets contributed to such growth.

The **SAC** of R\$ 95 in the 1Q08 decreased by 5.0% in relation to 1Q07 and by 7.8% in relation to 4Q07 as a result of lower expenses with customer acquisition subsidies and a greater participation of handsets and SIM Cards in the GSM technology, which have a lower cost. There was also a reduction in advertising and commission expenses due to the period's seasonality and since no relevant campaign was launched.

The **Churn** of 2.6% in the quarter, stable in relation 1Q07, shows that actions implemented with focus on customer loyalty and activation of the customer base were efficient, despite the intense commercial activity recorded between the two periods.

The **ARPU** of R\$ 29.8 in the quarter was practically stable in relation to 1Q07, despite the 5.3 million customers increase in the period. The 2.5% increase in the outgoing ARPU evidences the better customer mix.

The **MOU** remained stable in 1Q08 in relation to 1Q07. However, the outgoing MOU increased by 7.7%, a growth that resulted from higher outgoing traffic through usage incentive campaigns.

	1Q08	4Q07	%Δ	1Q07	%Δ
Customers (thousand)	34.323	33.484	2.5%	29.030	18.2%
Market Share (*)	27.3%	27.7%	-0.4 p.p.	28.4%	-1.1 p.p.
Net additions (thousand)	839	2.164	-61.2%	(23)	n.a.
Share of net additions (*)	17.4%	26.3%	-8.9 p.p.	-1.0%	18.4 p.p.
Market penetration	68.0%	65.6%	2.4 p.p.	56.0%	12.0 p.p.
SAC (R\$)	95	103	-7.8%	100	-5.0%
Monthly Churn	2.6%	2.1%	0.5 p.p.	2.6%	0.0 p.p.
ARPU (R\$/month)	29.8	31.1	-4.2%	30.0	-0.7%
Total MOU (minutes)	75	80	-6.3%	75	0.0%

(*) Source: Anatel

Financial Performance

Total net revenue grew 16.9% over 1Q07, due to the growth of 15.8% in the **service revenue**, which represents growth in all components. In relation to the 4Q07, the total net revenue was reduced by 1.2%, especially due to the drop in the revenue from sales of handsets and for a lower commercial activity, slightly offset by the increase in the service revenue. **Data revenue** plus **VAS** accounted for 10.4% of the service revenue in the 1Q08, a 47.7% nominal increase over 1Q07.

Operating costs decreased 3.8% in the 1Q08 and increased 13.2% in the year. The following facts have contributed to this increase: growth in the interconnection costs caused by a growth in the total outgoing traffic, higher third party's service expenses, growth in number of gross activations and an increase in the Fistel fee. The Provision for Bad Debt was of R\$ 81.7 million in the quarter, representing 1.8% of the total gross revenue.

The 1Q08 **EBITDA** increased 27% when compared to the 1Q07 and 5.8% in relation to the 4Q07. The **EBITDA margin** reached 28.8% an

amount of R\$961.2 million.

The **operating cash flow** recorded R\$ 704.6 million, a growth of 35.1% in relation to 1Q07, evidencing the growth and capacity to generate resources to finance the development of the Company.

The **net debt** in the amount of R\$ 2,907.7 million presented an increase of 12.7% in relation to 4Q07. In relation to the 1Q07 the net debt presented a reduction of 12.0% because of the better generation of operating cash.

Vivo has continued to expand its coverage in order to meet the increase in the customer base and expansion of the GSM network. For achieving this goal, the 1Q08 **CapEx** totaled R\$ 256.6 million, which represents 7.7% of its net revenue. This investment made it possible for Vivo to keep its coverage leadership and achieve Anatel's quality goals.

Net profit of R\$ 89.6 million in the quarter, an increase of 216.6% in relation to the 4Q07.

R\$ million	1Q08	4Q07	%Δ	1Q07	%Δ
Net Revenues	3,332.0	3,372.2	-1.2%	2,850.8	16.9%
Net service revenues	3,022.6	2,986.4	1.2%	2,609.3	15.8%
Net handset revenues	309.4	385.8	-19.8%	241.5	28.1%
Operating Costs	(2,370.8)	(2,463.9)	-3.8%	(2,093.8)	13.2%
Ebitda	961.2	908.3	5.8%	757.0	27.0%
Ebitda Margin %	28.8%	26.9%	1.9 p.p.	26.6%	2.3 p.p.
Net Financial Income	(70.5)	(111.4)	-36.7%	(118.7)	-40.6%
Net Income	89.6	28.3	216.6%	(19.3)	n.a.
Capex	256.6	977.1	-73.7%	235.4	9.0%
Net Debt	2,907.7	2,579.3	12.7%	3,305.1	-12.0%

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