

Vivo

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

Its network, the biggest in Brazil, provides nationwide services, with CDMA, GSM and W-CDMA coverage. It is also the largest mobile telecom group in the South Hemisphere and the world's 10th largest operator.

Corporate Governance

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

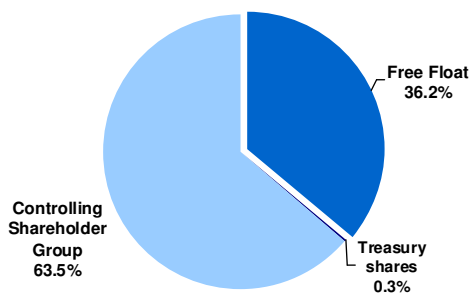
It is managed by a Board of Directors comprised of at least 3 and a maximum of 12 members, all of them shareholders of the holding company, besides a Statutory Audit Council, a Disclosure Committee and an Audit Committee.

Capital Market

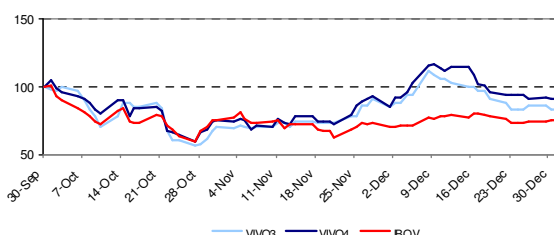
Vivo's shares are listed on the São Paulo Stock Exchange (Bovespa) and are traded under VIVO3 ticker for common shares and VIVO4 for preferred shares. At the NYSE, the ADRs are traded under the VIV ticker.

The Capital stock is represented by 134,150,345 common shares and 234,369,011 preferred shares.

Stockholding breakdown
on 12/31/2008



Stock Performance



Highlights

- ◇ In December, Vivo's customer base reached **44,945 thousand customers**, with a 29.8% market share, reaffirming its **leadership** in the domestic market;
- ◇ The **GSM** operation reached **more than 30.4 million** accesses, representing more than 67.8% of the total customer base;
- ◇ More than **570 thousand recharge points** in December 2008;
- ◇ The biggest handset distribution network, with more than **10 thousand points of sale**;
- ◇ Self-supported **Data and VAS revenue**, which grew 20.8% in relation to 4Q07, representing 10% of the net service revenue in 4Q08;
- ◇ **EBITDA margin** in the quarter of **32.7%** growing 6.6 percentile points over 4Q07;
- ◇ In the year-to-date 2008, the **EBITDA** reached **R\$ 4,867.5 million**, an increase of 37.3% in relation to the year-to-date for the previous year;
- ◇ The **allowance for doubtful accounts** was R\$ 59.5 million in the quarter, representing **1.0% of the gross revenue**, which represents a reduction of 28.2% in relation to 4Q07.

Dividends and Interest on Own Capital

On December 17, 2008, the Board of Directors of the Company, approved the crediting of interest on own capital, pursuant to article 9 of Law 9.249/95 and Resolution n.º 207/96 of the Brazilian Securities and Exchange Commission, in the total amount of R\$ 161,113,275.00 (R\$ 0.438528010149 per common and preferred share), with deduction of 15% withholding income tax, resulting in total net interest of R\$ 136,946,283.75 (R\$ 0.372748808626 per common and preferred share, except for shareholders proven to be tax-immune or exempted).

The corresponding credit shall be posted to the accounting records of the Company based on the shareholding position as of December 30, 2008, that is, the shares are ex-interest as from January 02, 2009.

The amount of the interest on own capital, net of the applicable withholding income tax, shall be deducted from the amount of the mandatory dividend and of the statutory dividend of the common and preferred shares, for fiscal year 2008, for all effects provided for in the corporate law.

The Management has further proposed the payment of dividends in the amount of R\$ 265,685,315.22 (R\$ 0.723158613772 per common and preferred share), resulting in a total net amount of Interest on Own Capital plus Dividends of R\$ 1.095907422398 per common and preferred share, which shall be confirmed at the General Shareholders Meeting to be held in 2009.

Financing of 3G licenses

Having adhered to the financing of the 3G license, the company managed to keep holding its cash position at a time of market turbulence and also extending its debt profile. The cost of the financing was pursuant to the IST (Telecommunications Industry Index) plus interest of 1% monthly. The payment shall be made in six equal and annual installments, with maturity dates within up to 36, 48, 60, 72, 84 and 96 months counted as from April 29, 2008 (date of execution of the instrument of authorization for use of radiofrequencies).

Operating Performance

The company recorded **44,945 thousand customers** in the 4Q08, representing an increase of 20.2% in relation to the 4Q07 and 6.3% in relation to 3Q08. The promotions implemented during the quarter and all over the year, the quality differential, the attractiveness of the services, the especial efforts to value the customer base and the portfolio of plans and handsets contributed to such growth, keeping Vivo in an absolute leadership position, with 29.8% market share in the end of the quarter.

The **SAC** of R\$74 in the 4Q08 decreased by 24.5% in relation to 4Q07 and by 2.6% in relation to 3Q08. The reduction was achieved as a result of lower expenses with customer acquisition subsidies, especially due to higher efficiency of the owned stores, in addition to reduction in publicity and commission expenses, even though with an intense commercial activity in 4Q08.

The **Churn** of 2.5% in the quarter, with a slight increase of 0.2 percentile points in relation to 3Q08 and 4Q07, reflecting Vivo's success in the efforts to retain customers.

The **ARPU** of R\$ 29.1 in the quarter recorded a reduction of 5.8% in relation to the 4Q07, despite the 20.2% increase in the customer base in the last 12 months. The outgoing ARPU has grown more than the incoming ARPU, constantly decreasing the dependence of revenue from interconnection traffic.

The **MOU** increased by 6.3% in relation to 4Q07, with an increase of 22.7% in the outgoing MOU. The campaigns conducted in the period stimulated the outgoing traffic, reducing the interconnection dependence. In the comparison with 3Q08, which period was still marked by the promotional actions started in the previous quarter due to holidays, the blended MOU decreased by 4.5%.

	4Q08	3Q08	%Δ	4Q07	%Δ
Customers (thousand)	44,945	42,277	6.3%	37,384	20.2%
Market Share (*)	29.8%	30.0%	-0.2 p.p.	30.9%	-1.1 p.p.
Net additions (thousand)	2,668	1,842	44.8%	2,449	8.9%
Share of net additions (*)	27.1%	24.2%	2.9 p.p.	29.8%	-2.7 p.p.
Market penetration	79.1%	73.1%	6.0 p.p.	63.5%	15.6 p.p.
SAC (R\$)	74	76	-2.6%	98	-24.5%
Monthly Churn	2.5%	2.6%	-0.1 p.p.	2.3%	0.2 p.p.
ARPU (R\$/month)	29.1	29.4	-1.0%	30.9	-5.8%
Total MOU (minutes)	85	89	-4.5%	80	6.3%

(*) Source: Anatel

Financial Performance

Total **net revenue** grew 14.0% over 4Q07, due to the growth in the **service revenue**, which represents growth in all components. In relation to the 3Q08, the total net revenue increased by 4.7%, with highlight for the 10.4% increase in the revenue from handsets, as a result of the commercial activity. **Data revenue** plus **VAS** has continued to represent 10.0% of the Total Service Revenue, having recorded a growth of 20.8% in 4Q08 over 4Q07.

Operating costs increased by 4.3% in the quarter and by 3.9% in the year. Have contributed to this growth the increase of 12.2% in the interconnection costs caused by an increase in the total outgoing traffic and an increase in the Fistel Fee, due to the growth in the customer base. There was also an increase of 1.5% in the selling expenses over 4Q07, reflecting the increase in expenses with third-party services, such as: publicity and advertising, outsourced labor and client care. The increase was almost fully offset by a reduction in the allowance for doubtful accounts.

The **EBITDA** in the 4Q08 was R\$ 1,396.3 million, an increase of 42.6% in relation to 4Q07. The **EBITDA margin** of 32.7% represents

an increase of 6.6 percentile points.

The **operating cash flow** recorded a positive result of R\$76.5 million, stimulated by the growth in the Ebitda even with increased investments. This fact, added to the variation in the working capital, in the year-to-date, has accounted for a positive result of R\$202.1 million.

The **net debt** increased in 4Q08, mainly in relation to 4Q07, due to the large amount of investments along the year, among which worthy of mention are the acquisition of 3G licenses and the acquisition of Telemig Celular Participações S/A, offset by cash generation in the period.

The **CapEx** in the quarter amounted R\$1,319.8 million, which represents 30.9% of net revenue, applied to the increase in the GSM/EDGE capacity and continuance with the expansion of the footprint of the WCDMA/HSUPA network.

Net income of R\$215.5 million in the 4Q08 and of R\$389.7 million in the year.

R\$ million	4Q08	3Q08	%Δ	4Q07	%Δ
Net Revenues	4,268.3	4,078.2	4.7%	3,744.3	14.0%
Net service revenues	3,788.8	3,644.0	4.0%	3,316.9	14.2%
Net handset revenues	479.5	434.2	10.4%	427.4	12.2%
Operating Costs	(2,872.0)	(2,753.9)	4.3%	(2,765.4)	3.9%
Ebitda	1,396.3	1,324.3	5.4%	978.9	42.6%
Ebitda Margin %	32.7%	32.5%	0.2 p.p.	26.1%	6.6 p.p.
Net Financial Income	(282.8)	(192.1)	47.2%	(102.9)	174.8%
Net Income	215.5	133.9	60.9%	26.2	722.5%
Capex	1,319.8	868.4	52.0%	1,195.7	10.4%
Net Debt	5,302.1	3,968.5	33.6%	2,088.9	153.8%

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