

Vivo Participacoes S.A.  
Form 6-K  
August 18, 2010

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 6-K

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of the  
Securities Exchange Act of 1934

**For the month of August, 2010**

**Commission File Number 1-14493**

### **VIVO PARTICIPAÇÕES S.A.**

(Exact name of registrant as specified in its charter)

### **VIVO Holding Company**

(Translation of Registrant's name into English)

**Av. Roque Petroni Jr., no.1464, 6<sup>th</sup> floor part, "B"building  
04707-000 - São Paulo, SP**

**Federative Republic of Brazil**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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Registration with CVM SHOULD not BE CONSTRUED AS AN appreciation on the company. company management is responsible for the information provided.

#### 01.01 - IDENTIFICATION

|   |   |   |
|---|---|---|
| 1 - CVM CODE 01771-0                          | 2 - COMPANY NAME<br>VIVO PARTICIPAÇÕES S.A. | 3 - Brazilian IRS Registry of Legal Entities (CNPJ)<br>02.558.074/0001-73 |
| 4 - Registration Number (NIRE)<br>35300158792 |   |   |

**01.02 - HEAD OFFICE**

|   |                                   |                                   |                           |                 |
|---|-----------------------------------|-----------------------------------|---------------------------|-----------------|
| 1 - ADDRESS<br>Av. Roque Petroni Júnior, 1464 |                                   |                                   | 2 - DISTRICT<br>Morumbi   |                 |
| 3 - ZIP CODE<br>04707-000                     |                                   | 4 - MUNICIPALITY<br>São Paulo     |                           | 5 - STATE<br>SP |
| 6 - AREA CODE<br>11                           | 7 - TELEPHONE NUMBER<br>7420-1172 | 8 - TELEPHONE NUMBER<br>7420-1182 | 9 - TELEPHONE NUMBER<br>- | 10 - TELEX<br>- |
| 11 - AREA CODE<br>11                          | 12 - FAX<br>7420-2247             | 13 - FAX<br>-                     | 14 - FAX<br>-             |                 |
| 15 - E-MAIL                                   |                                   |                                   |                           |                 |

**01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)**

|   |                                   |                               |                            |                 |
|---|-----------------------------------|-------------------------------|----------------------------|-----------------|
| 1 - NAME<br>Cristiane Barretto Sales                              |                                   |                               |                            |                 |
| 2 - ADDRESS<br>Av. Roque Petroni Junior, 1464                     |                                   |                               | 3 - DISTRICT<br>Morumbi    |                 |
| 4 - ZIP CODE<br>04707-000   |                                   | 5 - MUNICIPALITY<br>São Paulo |                            | 6 - STATE<br>SP |
| 7 - AREA CODE<br>11   | 8 - TELEPHONE NUMBER<br>7420-1362 | 9 - TELEPHONE NUMBER<br>-     | 10 - TELEPHONE NUMBER<br>- | 11 - TELEX<br>- |
| 12 - AREA CODE<br>11  | 13 - FAX<br>7420-2982             | 14 - FAX<br>7420-6752         | 15 - FAX<br>-              |                 |
| 16 - E-MAIL<br><a href="mailto:ri@vivo.com.br">ri@vivo.com.br</a> |                                   |                               |                            |                 |

**01.04—GENERAL INFORMATION / INDEPENDENT ACCOUNTANT**

| CURRENT YEAR   |            | CURRENT QUARTER |               |            | PRIOR QUARTER  |               |            |
|--|------------|-----------------|---------------|------------|--|---------------|------------|
| 1 - BEGINNING  | 2 - END    | 3 - QUARTER     | 4 - BEGINNING | 5 - END    | 6 - QUARTER  | 7 - BEGINNING | 8 - END    |
| 01/01/2010   | 12/31/2010 | 1               | 01/01/2010    | 03/31/2010 | 4  | 10/01/2009    | 12/31/2009 |
| 9 - AUDITOR<br>Ernst & Young Auditores Independentes S/S |            |                 |               |            | 10 - CVM CODE<br>00471-5   |               |            |
| 11 - NAME OF RESPONSIBLE PARTNER<br>Luiz Carlos Passetti |            |                 |               |            | 12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER<br>001.625.898-32 |               |            |

**01.05 - CAPITAL COMPOSITION**

| NUMBER OF SHARES(IN THOUSANDS) | 1<br>03/31/2010 | 2<br>12/31/2009 | 3<br>03/31/2009 |
|--------------------------------|-----------------|-----------------|-----------------|
| <b>SUBSCRIBED CAPITAL</b>      |                 |                 |                 |
| 1 - COMMON                     | 137,269         | 137,269         | 136,275         |
| 2 - PREFERRED                  | 263,445         | 263,445         | 238,064         |

|                       |         |         |         |
|-----------------------|---------|---------|---------|
| 3 - TOTAL             | 400,714 | 400,714 | 374,339 |
| <b>TREASURY STOCK</b> |         |         |         |
| 4 - COMMON            | 0       | 0       | 0       |
| 5 - PREFERRED         | 1,123   | 1,123   | 1,123   |
| 6 - TOTAL             | 1,123   | 1,123   | 1,123   |

**01.06 - CHARACTERISTICS OF THE COMPANY**

|  |
|--|
| 1 - TYPE OF COMPANY<br>Commercial, industrial and others |
| 2 - SITUATION<br>Operating                               |
| 3 - SHARE CONTROL NATURE<br>Private holding              |
| 4 - ACTIVITY CODE<br>1130 - Telecommunications           |
| 5 - MAIN ACTIVITY<br>Cellular Telecommunications Service |
| 6 - TYPE OF CONSOLIDATION<br>Total                       |

**1.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS**

|          |   |          |
|----------|---|----------|
| 1 - ITEM | 2 - Brazilian IRS Registry of Legal Entities (CNPJ) | 3 - NAME |
|----------|---|----------|

**01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

| 1 - ITEM | 2 - EVENT | 3 - APPROVAL | 4 - YIELD                        | 5 - DATE OF PAYMENT | 6 - TYPE OF SHARE | 7 - YIELD PER SHARE |
|----------|-----------|--------------|----------------------------------|---------------------|-------------------|---------------------|
| 01       | AGO       | 04/16/2010   | Interest on Shareholders' equity | 04/19/2010          | Common            | 0.1107577459        |
| 02       | AGO       | 04/16/2010   | Interest on Shareholders' equity | 04/19/2010          | Preferred         | 0.1107577459        |
| 03       | AGO       | 04/16/2010   | Dividends                        | 04/19/2010          | Common            | 0.9138918337        |
| 04       | AGO       | 04/16/2010   | Dividends                        | 04/19/2010          | Preferred         | 0.9138918337        |
| 05       | AGO       | 04/16/2010   | Interest on Shareholders' equity | 10/25/2010          | Common            | 0.1107577459        |
| 06       | AGO       | 04/16/2010   | Interest on Shareholders' equity | 10/25/2010          | Preferred         | 0.1107577459        |
| 07       | AGO       | 04/16/2010   | Dividends                        | 10/25/2010          | Common            | 0.9138918337        |
| 08       | AGO       | 04/16/2010   | Dividends                        | 10/25/2010          | Preferred         | 0.9138918337        |

**01.09—SUBSCRIBED CAPITAL AND CHANGES IN CURRENT YEAR**

| 1 - ITEM | 2 - DATE OF CHANGE | 3 - CAPITAL<br>(In thousands of reais) | 4 - CHANGE AMOUNT<br>(In thousands of reais) | 5 - CHANGE NATURE | 6 - NUMBER OF SHARES ISSUED<br>(Thousand) | 7 - SHARE PRICE ON ISSUE DATE<br>(In reais) |
|----------|--------------------|--|--|-------------------|---|---|
|          |                    |  |  |                   |   |   |

**01.10—INVESTOR RELATIONS OFFICER**

|            |               |
|------------|---------------|
| 1 - DATE   | 2 - SIGNATURE |
| 07/21/2010 |               |

A free translation from Portuguese into English of quarterly information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and specific norms issued by IBRACON, CFC and CVM

**FEDERAL PUBLIC SERVICE****BRAZILIAN SECURITIES COMMISSION (CVM)****ITR – QUARTERLY INFORMATION****Corporation Law****COMMERCIAL, INDUSTRIAL & OTHER TYPES OF COMPANY****As of 06/30/2010**

|              |                         |   |
|--------------|-------------------------|---|
| 1 – CVM CODE | 2 - COMPANY NAME        | 3 – Brazilian IRS Registry of Legal Entities (CNPJ) |
| 01771-0      | VIVO PARTICIPAÇÕES S.A. | 02.558.074/0001-73                                  |

**02.01 - BALANCE SHEET - ASSETS (IN THOUSANDS OF REAIS)**

| 1 – CODE      | 2 - ACCOUNT DESCRIPTION                      | 3 – 06/30/2010 | 4 - 12/31/2009 |
|---------------|--|----------------|----------------|
| 1             | TOTAL ASSETS                                 | 12,407,571     | 11,892,840     |
| 1.01          | CURRENT ASSETS                               | 887,094        | 514,273        |
| 1.01.01       | CASH AND CASH EQUIVALENTS                    | 166,034        | 257,111        |
| 1.01.01.01    | CASH AND CASH EQUIVALENTS                    | 166,034        | 257,111        |
| 1.01.02       | CREDITS                                      | 296,527        | -              |
| 1.01.02.01    | TRADE ACCOUNTS RECEIVABLE, NET               | 296,527        | -              |
| 1.01.02.02    | OTHER RECEIVABLES                            | -              | -              |
| 1.01.03       | INVENTORIES                                  | 21,810         | -              |
| 1.01.04       | OTHER  | 402,723        | 257,162        |
| 1.01.04.01    | SHORT-TERM INVESTMENTS PLEDGED AS COLLATERAL | 2,278          | -              |
| 1.01.04.02    | INTEREST ON SHAREHOLDERS AND DIVIDENDS       | 185,967        | 246,092        |
| 1.01.04.02    | RECOVERABLE TAXES                            | 144,718        | 8,666          |
| 1.01.04.03    | DEPOSITS AND BLOCKAGES ESCROW                | 8,820          | 1,072          |
| 1.01.04.04    | PREPAID EXPENSES                             | 54,494         | 998            |
| 1.01.04.05    | OTHER ASSETS                                 | 6,446          | 334            |
| 1.02          | NONCURRENT ASSETS                            | 11,520,477     | 11,378,567     |
| 1.02.01       | LONG-TERM RECEIVABLES                        | 1,947,107      | 1,173,899      |
| 1.02.01.01    | OTHER RECEIVABLES                            | -              | -              |
| 1.02.01.02    | RECEIVABLES FROM RELATED PARTIES             | -              | -              |
| 1.02.01.02.01 | FROM ASSOCIATED COMPANIES                    | -              | -              |
| 1.02.01.02.02 | FROM SUBSIDIARY COMPANIES                    | -              | -              |
| 1.02.01.02.03 | FROM OTHER RELATED PARTIES                   | -              | -              |
| 1.02.01.03    | OTHER  | 1,947,107      | 1,173,899      |
| 1.02.01.03.01 | DEFERRED AND RECOVERABLE TAXES               | 1,346,527      | 1,157,645      |
| 1.02.01.03.02 | DEPOSITS AND BLOCKAGES ESCROW                | 586,224        | 5,927          |
| 1.02.01.03.03 | PREPAID EXPENSES                             | 5,106          | 1,570          |
| 1.02.01.03.04 | OTHER ASSETS                                 | 549            | 549            |
| 1.02.01.03.05 | DERIVATIVE CONTRACTS                         | 8,971          | 8,208          |
| 1.02.02       | PERMANENT ASSETS                             | 9,573,370      | 10,204,668     |
| 1.02.02.01    | INVESTMENTS                                  | 7,401,517      | 8,864,837      |

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|               |  |           |           |
|---------------|--|-----------|-----------|
| 1.02.02.01.01 | ASSOCIATED COMPANIES                   | -         | -         |
| 1.02.02.01.02 | GOODWILL ON ASSOCIATED COMPANIES       | -         | -         |
| 1.02.02.01.03 | SUBSIDIARY COMPANIES                   | 7,401,413 | 8,864,733 |
| 1.02.02.01.04 | GOODWILL ON ACQUISITION OF INVESTMENTS | -         | -         |
| 1.02.02.01.05 | OTHER INVESTMENTS                      | 104       | 104       |
| 1.02.02.02    | PROPERTY AND EQUIPMENT                 | 640,142   | 2         |
| 1.02.02.03    | INTANGIBLE ASSETS                      | 1,531,711 | 1,339,829 |

**02.02 - BALANCE SHEET – LIABILITIES AND SHAREHOLDERS’ EQUITY (IN THOUSANDS OF REAIS)**

| 1 - CODE      | 2 - ACCOUNT DESCRIPTION                    | 3 – 06/30/2010 | 4 – 12/31/2009 |
|---------------|--|----------------|----------------|
| 2             | TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY | 12,407,571     | 11,892,840     |
| 2.01          | CURRENT LIABILITIES                        | 1,259,256      | 819,311        |
| 2.01.01       | LOANS AND FINANCING                        | 105            | -              |
| 2.01.02       | DEBENTURES                                 | 29,680         | 266,256        |
| 2.01.03       | SUPPLIERS                                  | 361,431        | 2,345          |
| 2.01.04       | TAXES PAYABLE                              | 122,165        | 36,609         |
| 2.01.05       | DIVIDENDS PAYABLE                          | 441,037        | 319,287        |
| 2.01.06       | PROVISIONS                                 | 16,784         | 1,168          |
| 2.01.06.01    | PROVISION FOR CONTINGENCIES                | 16,784         | 1,168          |
| 2.01.07       | PAYABLES TO RELATED PARTIES                | 451            | 327            |
| 2.01.08       | OTHER                                      | 287,603        | 193,319        |
| 2.01.08.01    | PAYROLL AND SOCIAL CHARGES                 | 21,085         | 393            |
| 2.01.08.02    | DERIVATIVE CONTRACTS                       | 2,252          | 2,302          |
| 2.01.08.03    | OTHER LIABILITIES                          | 264,266        | 190,624        |
| 2.02          | NONCURRENT LIABILITIES                     | 2,073,693      | 1,814,838      |
| 2.02.01       | LONG-TERM LIABILITIES                      | 2,073,693      | 1,814,838      |
| 2.02.01.01    | LOANS AND FINANCING                        | 12,830         | -              |
| 2.02.01.02    | DEBENTURES                                 | 1,410,884      | 1,803,609      |
| 2.02.01.03    | PROVISIONS                                 | 16,163         | 341            |
| 2.02.01.03.01 | PROVISION FOR CONTINGENCIES                | 16,163         | 341            |
| 2.02.01.04    | PAYABLES TO RELATED PARTIES                | -              | -              |
| 2.02.01.05    | ADVANCE FOR FUTURE CAPITAL INCREASE        | -              | -              |
| 2.02.01.06    | OTHER                                      | 633,816        | 10,888         |
| 2.02.01.06.01 | TAXES PAYABLE                              | 583,266        | -              |
| 2.02.01.06.02 | DERIVATIVE CONTRACTS                       | 9,332          | 10,552         |
| 2.02.01.06.03 | OTHER LIABILITIES                          | 41,218         | 336            |
| 2.03          | DEFERRED INCOME                            | -              | -              |
| 2.05          | SHAREHOLDERS’ EQUITY                       | 9,074,622      | 9,258,691      |
| 2.05.01       | CAPITAL STOCK                              | 8,780,150      | 8,780,150      |
| 2.05.02       | CAPITAL RESERVES                           | 518,678        | 518,678        |
| 2.05.03       | REVALUATION RESERVE                        | -              | -              |
| 2.05.03.01    | OWN ASSETS                                 | -              | -              |
| 2.05.03.02    | CONTROLLED AND NON CONTROLLED SUBSIDIARIES | -              | -              |
| 2.05.04       | PROFIT RESERVES                            | 891,996        | 1,503,921      |
| 2.05.04.01    | LEGAL                                      | 164,524        | 164,524        |
| 2.05.04.02    | STATUTORY                                  | -              | -              |

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|               |   |             |             |
|---------------|---|-------------|-------------|
| 2.05.04.03    | CONTINGENCIES                               | 11,070      | 11,070      |
| 2.05.04.04    | REALIZABLE PROFIT RESERVES                  | -           | -           |
| 2.05.04.05    | RETENTION OF PROFITS                        | -           | -           |
| 2.05.04.06    | SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS | -           | 611,925     |
| 2.05.04.07    | OTHER PROFIT RESERVES                       | 716,402     | 716,402     |
| 2.05.04.07.01 | TREASURY STOCK                              | (11,070)    | (11,070)    |
| 2.05.04.07.02 | RESERVE FOR EXPANSION                       | 727,472     | 727,472     |
| 2.05.05       | ADJUSTMENTS OF EQUITY EVALUATION            | (1,749,650) | (1,749,650) |
| 2.05.05.03    | ADJUSTMENTS BUSINESS COMBINATION            | (1,749,650) | (1,749,650) |
| 2.05.06       | RETAINED EARNINGS/ACCUMULATED DEFICIT       | 633,448     | 205,592     |

**03.01 - STATEMENT OF OPERATIONS (IN THOUSANDS OF REAIS)**

| 1 - CODE   | 2 - ACCOUNT DESCRIPTION                                   | 3 -<br>04/01/2010<br>to<br>06/30/2010 | 4 - 01/01/2010<br>to 06/30/2010 | 5 -<br>04/01/2009<br>to<br>06/30/2009 | 6 - 01/01/2009<br>to 06/30/2009 |
|------------|---|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|
| 3.01       | GROSS SALES AND/OR SERVICES                               | 245,503                               | 245,503                         | -                                     | -                               |
| 3.02       | DEDUCTIONS  | (78,288)                              | (78,288)                        | -                                     | -                               |
| 3.03       | NET SALES AND/OR SERVICES                                 | 167,215                               | 167,215                         | -                                     | -                               |
| 3.04       | COST OF SALES AND/OR SERVICES                             | (79,948)                              | (79,948)                        | -                                     | -                               |
| 3.05       | GROSS PROFIT  | 87,267                                | 87,267                          | -                                     | -                               |
| 3.06       | OPERATING EXPENSES/INCOME                                 | 168,877                               | 380,648                         | 181,634                               | 313,425                         |
| 3.06.01    | SELLING EXPENSES  | (32,066)                              | (32,066)                        | -                                     | -                               |
| 3.06.02    | GENERAL AND ADMINISTRATIVE EXPENSES                       | (17,931)                              | (23,920)                        | (2,291)                               | (7,316)                         |
| 3.06.03    | FINANCIAL   | (28,689)                              | (59,041)                        | (51,084)                              | (111,258)                       |
| 3.06.03.01 | FINANCIAL INCOME  | 9,936                                 | 21,309                          | 4,275                                 | 20,655                          |
| 3.06.03.02 | FINANCIAL EXPENSES  | (38,625)                              | (80,350)                        | (55,359)                              | (131,913)                       |
| 3.06.04    | OTHER OPERATING INCOME                                    | 2,719                                 | 2,757                           | 17                                    | 189                             |
| 3.06.05    | OTHER OPERATING EXPENSES                                  | (7,327)                               | (7,591)                         | (31)                                  | (115)                           |
| 3.06.06    | EQUITY IN EARNINGS OF SUBSIDIARY AND ASSOCIATED COMPANIES | 252,171                               | 500,509                         | 235,023                               | 431,925                         |
| 3.07       | OPERATING RESULT  | 256,144                               | 467,915                         | 181,634                               | 313,425                         |
| 3.08       | NONOPERATING INCOME (LOSS)                                | -                                     | -                               | -                                     | -                               |
| 3.08.01    | REVENUES  | -                                     | -                               | -                                     | -                               |
| 3.08.02    | EXPENSES  | -                                     | -                               | -                                     | -                               |
| 3.09       | INCOME (LOSS) BEFORE TAXES AND PROFIT SHARING             | 256,144                               | 467,915                         | 181,634                               | 313,425                         |
| 3.10       | PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES        | 560                                   | 560                             | -                                     | -                               |
| 3.11       | DEFERRED INCOME TAX                                       | (20,705)                              | (40,619)                        | 64                                    | 1,296                           |
| 3.12       | STATUTORY INTEREST/CONTRIBUTIONS                          | -                                     | -                               | -                                     | -                               |
| 3.12.01    | INTEREST  | -                                     | -                               | -                                     | -                               |
| 3.12.02    | CONTRIBUTIONS   | -                                     | -                               | -                                     | -                               |
| 3.13       |   | -                                     | -                               | -                                     | -                               |

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|      |  |         |         |         |         |
|------|--|---------|---------|---------|---------|
|      | REVERSAL OF INTEREST ON SHAREHOLDERS' EQUITY |         |         |         |         |
| 3.15 | PROFIT /LOSS FOR THE PERIOD                  | 235,999 | 427,856 | 181,698 | 314,721 |
|      | NUMBER OF SHARES, EX-TREASURY (THOUSAND)     | 399,591 | 399,591 | 373,216 | 373,216 |
|      | EARNINGS PER SHARE                           | 0.59060 | 1.07073 | 0.48684 | 0.84327 |
|      | LOSS PER SHARE                               |         |         |         |         |

**04.01 - STATEMENTS OF CASH FLOWS INDIRECT METHOD (IN THOUSANDS OF REAIS)**

| 1 - CODE   | 2 - ACCOUNT DESCRIPTION   | 3 - 04/01/2010<br>to 06/30/2010 | 4 - 01/01/2010<br>to 06/30/2010 | 5 - 04/01/2009<br>to 06/30/2009 | 5 - 01/01/2009<br>to 06/30/2009 |
|------------|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 4.01       | NET CASH FLOW FROM OPERATING ACTIVITIES                         | (26,963)                        | (54,673)                        | (101,498)                       | (104,450)                       |
| 4.01.01    | CASH FLOW FROM OPERATING ACTIVITIES                             | 38,358                          | 1,207                           | (52,881)                        | (114,127)                       |
| 4.01.01.01 | NET INCOME (LOSS)   | 235,999                         | 427,856                         | 181,698                         | 314,721                         |
| 4.01.01.02 | RESULT OF INTEREST CORPORATE                                    | (252,171)                       | (500,509)                       | (235,023)                       | (431,925)                       |
| 4.01.01.03 | DEPRECIATION AND AMORTIZATION                                   | 15,766                          | 15,766                          | -                               | -                               |
| 4.01.01.04 | LOSSES ON INVESTMENT  | -                               | -                               | -                               | 80                              |
| 4.01.01.05 | RESIDUAL COST OF FIXED ASSETS DISPOSALS                         | 3,976                           | 3,976                           | -                               | -                               |
| 4.01.01.06 | WRITE-OFF AND REVERSALS OF PROVISIONS FOR LOSSES ON INVENTORIES | (1,245)                         | (1,245)                         | -                               | -                               |
| 4.01.01.07 | LOSSES IN FORWARD, SWAP AND OPTION CONTRACTS                    | 789                             | (1,893)                         | 1,492                           | 5,250                           |
| 4.01.01.08 | LOSSES (GAINS) ON LOANS, FINANCING AND DEBENTURES               | 606                             | 2,569                           | -                               | -                               |
| 4.01.01.09 | MONETARY AND VARIATION  | 790                             | 790                             | -                               | -                               |
| 4.01.01.10 | ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE                      | 1,986                           | 1,986                           | -                               | -                               |
| 4.01.01.11 | PLANS FOR POST-EMPLOYMENT BENEFITS                              | (107)                           | (107)                           | -                               | -                               |
| 4.01.01.12 | PROVISION (RESERVE) FOR CONTINGENCIES                           | 2,838                           | 2,933                           | (18)                            | (159)                           |
| 4.01.01.13 | PROVISION (REVERSE) FOR SUPPLIERS                               | 9                               | 49                              | (979)                           | (811)                           |
| 4.01.01.14 | PROVISION FOR TAXES   | 7,773                           | 7,773                           | 13                              | 13                              |
| 4.01.01.15 | PROVISION FIDELITY PROGRAM                                      | 644                             | 644                             | -                               | -                               |
| 4.01.01.16 | PROVISION (REVERSE) DEFERRED INCOME TAXES                       | 20,705                          | 40,619                          | (64)                            | (1,296)                         |
| 4.01.02    | CHANGES IN ASSETS AND LIABILITIES                               | (65,321)                        | (55,880)                        | (48,617)                        | 9,677                           |
| 4.01.02.01 | TRADE ACCOUNTS RECEIVABLE                                       | 2,050                           | 2,050                           | -                               | -                               |
| 4.01.02.02 | INVENTORIES   | (587)                           | (587)                           | -                               | -                               |
| 4.01.02.03 | DEFERRED AND RECOVERABLE  | (25,416)                        | (334)                           | (453)                           | 32,311                          |

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|            |  |           |             |           |           |
|------------|--|-----------|-------------|-----------|-----------|
|            | TAXES  |           |             |           |           |
| 4.01.02.04 | OTHER CURRENT AND<br>NONCURRENT ASSETS                       | 2,317     | 2,307       | (945)     | (1,916)   |
| 4.01.02.05 | PAYROLL AND RELATED<br>ACCRUALS                              | 2,710     | 2,893       | 30        | 205       |
| 4.01.02.06 | TRADE ACCOUNTS PAYABLE                                       | 7,939     | 8,009       | (383)     | (522)     |
| 4.01.02.07 | TAXES PAYABLE  | (1,783)   | (36,911)    | 12        | (44,535)  |
| 4.01.02.08 | CHARGES ON LOANS, FINANCING<br>AND DEBENTURES                | (42,714)  | (23,585)    | (46,847)  | 24,656    |
| 4.01.02.09 | PROVISION FOR CONTINGENCIES<br>(PAYMENTS)                    | (750)     | (767)       | (5)       | (7)       |
| 4.01.02.10 | OTHER CURRENT AND<br>NONCURRENT LIABILITIES                  | (9,087)   | (8,955)     | (26)      | (105)     |
| 4.01.03    | OTHER  | -         | -           | -         | -         |
| 4.02       | NET CASH FLOW FROM INVESTING<br>ACTIVITIES                   | 1,044,732 | 1,127,099   | 260,585   | 438,786   |
| 4.02.01    | ADDITIONS TO PROPERTY, PLANT<br>AND EQUIPMENT AND INTANGIBLE | (12,539)  | (12,539)    | -         | -         |
| 4.02.02    | RESOURCES FROM ACQUISITION<br>AND MERGER AND SOCIETY         | 122,813   | 122,813     | -         | -         |
| 4.02.03    | RECEIVED FOR SUBSCRIPTION TO<br>MINORITY                     | -         | -           | -         | 8,842     |
| 4.02.04    | RECEIVED OF INTEREST OS<br>SHAREHOLDERS' EQUITY              | 934,435   | 1,016,802   | 260,585   | 429,944   |
| 4.02.05    | RESOURCES FROM THE DISPOSAL<br>OF FIXED ASSETS               | 23        | 23          | -         | -         |
| 4.03       | NET CASH FLOW FROM FINANCING<br>ACTIVITIES                   | (876,730) | (1,163,503) | (550,139) | (340,335) |
| 4.03.01    | LOANS, FINANCING AND<br>DEBENTURES FUNDING                   | -         | -           | -         | 210,000   |
| 4.03.02    | LOANS, FINANCING AND<br>DEBENTURES PAID                      | (459,777) | (669,815)   | (550,000) | (550,000) |
| 4.03.03    | PAYMENT OF THE REVERSE STOCK<br>SPLIT                        | -         | (83)        | (127)     | (307)     |
| 4.03.04    | INTEREST ON SHAREHOLDERS'<br>EQUITY AND DIVIDENDS PAID       | (416,953) | (493,605)   | (12)      | (28)      |
| 4.05       | INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS          | 141,039   | (91,077)    | (391,052) | (5,999)   |
| 4.05.01    | OPENING BALANCE OF CASH AND<br>CASH EQUIVALENTS              | -         | 257,111     | -         | 10,706    |
| 4.05.02    | CLOSING BALANCE OF CASH AND<br>CASH EQUIVALENTS              | 141,039   | 166,034     | (391,052) | 4,707     |

**05.01 - STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FROM 04/01/2010 TO 06/30/2010 (IN THOUSANDS OF REAIS)**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  |  |  |
|--|--|--|--|--|--|



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| 1 -<br>CODE | 2 -<br>ACCOUNT<br>DESCRIPTION  | 3-<br>CAPITAL | 4-<br>CAPITAL<br>RESERVES | 5-<br>REVALUATION<br>RESERVE | 6-<br>INCOME<br>RESERVES | 7- RETAINED<br>EARNINGS<br>ACCUMULATED<br>EARNINGS | ADJU<br>OF<br>VALU |
|-------------|--|---------------|---------------------------|------------------------------|--------------------------|--|--------------------|
| 5.01        | OPENING BALANCE  | 8,780,150     | 518,678                   | -                            | 1,503,921                | 397,449  | (                  |
| 5.02        | PRIOR YEAR<br>ADJUSTMENT   | -             | -                         | -                            | -                        | -  |                    |
| 5.03        | ADJUSTED BALANCE   | 8,780,150     | 518,678                   | -                            | 1,503,921                | 397,449  | (                  |
| 5.04        | NET INCOME/LOSS<br>FOR THE YEAR                                      | -             | -                         | -                            | -                        | 235,999  |                    |
| 5.05        | DESTINATIONS   | -             | -                         | -                            | (611,925)                | -  |                    |
| 5.05.01     | DIVIDENDS  | -             | -                         | -                            | (611,925)                | -  |                    |
| 5.05.02     | INTEREST ON<br>SHAREHOLDERS'<br>EQUITY                               | -             | -                         | -                            | -                        | -  |                    |
| 5.05.03     | OTHER<br>DESTINATIONS  | -             | -                         | -                            | -                        | -  |                    |
| 5.05.03.01  | LEGAL RESERVE  | -             | -                         | -                            | -                        | -  |                    |
| 5.08        | INCREASE/DECREASE<br>CAPITAL   | -             | -                         | -                            | -                        | -  |                    |
| 5.08.01     | CAPITAL INCREASE -<br>WITH RESERVES                                  | -             | -                         | -                            | -                        | -  |                    |
| 5.08.02     | CAPITAL INCREASE -<br>SHARES MERGER                                  | -             | -                         | -                            | -                        | -  |                    |
| 5.12        | OTHER  | -             | -                         | -                            | -                        | -  |                    |
| 5.12.01     | UNCLAIMED<br>DIVIDENDS AND<br>INTEREST ON<br>SHAREHOLDERS'<br>EQUITY | -             | -                         | -                            | -                        | -  |                    |
| 5.13        | FINAL BALANCE  | 8,780,150     | 518,678                   | -                            | 891,996                  | 633,448  | (                  |

**05.02 - STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 06/30/2010  
(IN THOUSANDS OF REAIS)**

| 1 -<br>CODE | 2 -<br>ACCOUNT<br>DESCRIPTION   | 3-<br>CAPITAL | 4-<br>CAPITAL<br>RESERVES | 5-<br>REVALUATION<br>RESERVE | 6-<br>INCOME<br>RESERVES | 7-RETAINED<br>EARNINGS<br>ACCUMULATED<br>EARNINGS | ADJU<br>OF<br>VALU |
|-------------|---------------------------------|---------------|---------------------------|------------------------------|--------------------------|---|--------------------|
| 5.01        | OPENING BALANCE                 | 8,780,150     | 518,678                   | -                            | 1,503,921                | 205,592   | (                  |
| 5.02        | PRIOR YEAR<br>ADJUSTMENT        | -             | -                         | -                            | -                        | -   |                    |
| 5.03        | ADJUSTED BALANCE                | 8,780,150     | 518,678                   | -                            | 1,503,921                | 205,592   | (                  |
| 5.04        | NET INCOME/LOSS<br>FOR THE YEAR | -             | -                         | -                            | -                        | 427,856   |                    |
| 5.05        | DESTINATIONS                    | -             | -                         | -                            | (611,925)                | -   |                    |
| 5.05.01     | DIVIDENDS                       | -             | -                         | -                            | (611,925)                | -   |                    |
| 5.05.02     | INTEREST ON<br>SHAREHOLDERS'    | -             | -                         | -                            | -                        | -   |                    |

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|            |  |           |         |   |         |         |   |
|------------|--|-----------|---------|---|---------|---------|---|
|            | EQUITY   |           |         |   |         |         |   |
| 5.05.03    | OTHER DESTINATIONS                                       | -         | -       | - | -       | -       | - |
| 5.05.03.01 | LEGAL RESERVE  | -         | -       | - | -       | -       | - |
| 5.08       | INCREASE/DECREASE CAPITAL                                | -         | -       | - | -       | -       | - |
| 5.08.01    | CAPITAL INCREASE - WITH RESERVES                         | -         | -       | - | -       | -       | - |
| 5.08.02    | CAPITAL INCREASE - SHARES MERGER                         | -         | -       | - | -       | -       | - |
| 5.12       | OTHER  | -         | -       | - | -       | -       | - |
| 5.12.01    | UNCLAIMED DIVIDENDS AND INTEREST ON SHAREHOLDERS' EQUITY | -         | -       | - | -       | -       | - |
| 5.13       | FINAL BALANCE  | 8,780,150 | 518,678 | - | 891,996 | 633,448 | ( |

**08.01 - BALANCE SHEET – CONSOLIDATED ASSETS (IN THOUSANDS OF REAIS)**

| 1 – CODE      | 2 - ACCOUNT DESCRIPTION                      | 3 – 06/30/2010 | 4 – 12/31/2009 |
|---------------|--|----------------|----------------|
| 1             | TOTAL ASSETS                                 | 20,616,996     | 21,127,793     |
| 1.01          | CURRENT ASSETS                               | 6,337,051      | 6,002,969      |
| 1.01.01       | CASH AND CASH EQUIVALENTS                    | 1,156,077      | 1,258,574      |
| 1.01.01.01    | CASH AND CASH EQUIVALENTS                    | 1,156,077      | 1,258,574      |
| 1.01.02       | CREDITS                                      | 2,546,119      | 2,546,806      |
| 1.01.02.01    | TRADE ACCOUNTS RECEIVABLE, NET               | 2,546,119      | 2,546,806      |
| 1.01.02.02    | OTHER CREDITS                                | -              | -              |
| 1.01.03       | INVENTORIES                                  | 398,312        | 423,634        |
| 1.01.04       | OTHER  | 2,236,543      | 1,773,955      |
| 1.01.04.01    | SHORT-TERM INVESTMENTS PLEDGED AS COLLATERAL | 36,820         | 39,197         |
| 1.01.04.02    | RECOVERABLE TAXES                            | 1,298,546      | 1,186,231      |
| 1.01.04.03    | DEPOSITS AND BLOCKAGES ESCROW                | 234,212        | 200,907        |
| 1.01.04.04    | DERIVATIVE CONTRACTS                         | 5,240          | 14,700         |
| 1.01.04.05    | PREPAID EXPENSES                             | 504,144        | 161,954        |
| 1.01.04.06    | OTHER ASSETS                                 | 157,581        | 170,966        |
| 1.02          | NONCURRENT ASSETS                            | 14,279,945     | 15,124,824     |
| 1.02.01       | LONG-TERM RECEIVABLES                        | 4,543,060      | 4,493,939      |
| 1.02.01.01    | OTHER CREDIT                                 | -              | -              |
| 1.02.01.02    | RECEIVABLES FROM RELATED PARTIES             | -              | -              |
| 1.02.01.02.01 | FROM ASSOCIATED COMPANIES                    | -              | -              |
| 1.02.01.02.02 | FROM SUBSIDIARY COMPANIES                    | -              | -              |
| 1.02.01.02.03 | FROM OTHER RELATED PARTIES                   | -              | -              |
| 1.02.01.03    | OTHER  | 4,543,060      | 4,493,939      |
| 1.02.01.03.01 | SHORT-TERM INVESTMENTS PLEDGED AS COLLATERAL | 53,210         | 51,344         |
| 1.02.01.03.02 | DEFERRED AND RECOVERABLE TAXES               | 3,461,606      | 3,670,121      |

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|               |                               |           |            |
|---------------|-------------------------------|-----------|------------|
| 1.02.01.03.03 | DEPOSITS AND BLOCKAGES ESCROW | 842,283   | 608,995    |
| 1.02.01.03.04 | DERIVATIVE CONTRACTS          | 157,652   | 137,060    |
| 1.02.01.03.05 | PREPAID EXPENSES              | 25,311    | 23,430     |
| 1.02.01.03.06 | OTHER ASSETS                  | 2,998     | 2,989      |
| 1.02.02       | PERMANENT ASSETS              | 9,736,885 | 10,630,885 |
| 1.02.02.01    | INVESTMENTS                   | 112       | 112        |
| 1.02.02.01.01 | ASSOCIATED COMPANIES          | -         | -          |
| 1.02.02.01.02 | SUBSIDIARY COMPANIES          | -         | -          |
| 1.02.02.01.03 | OTHER INVESTMENTS             | 112       | 112        |
| 1.02.02.02    | PROPERTY AND EQUIPMENT        | 5,699,554 | 6,408,504  |
| 1.02.02.03    | INTANGIBLE ASSETS             | 4,037,219 | 4,222,269  |
| 1.02.02.04    | DEFERRED CHARGES              | -         | -          |

**08.02 - BALANCE SHEET – CONSOLIDATED LIABILITIES AND SHAREHOLDERS' EQUITY (IN THOUSANDS OF REAIS)**

| 1 – CODE      | 2 - ACCOUNT DESCRIPTION                    | 3 –06/30/2010 | 4 –12/31/2009 |
|---------------|--|---------------|---------------|
| 2             | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 20,616,996    | 21,127,793    |
| 2.01          | CURRENT LIABILITIES                        | 6,521,071     | 6,451,455     |
| 2.01.01       | LOANS AND FINANCING                        | 962,764       | 688,397       |
| 2.01.02       | DEBENTURES                                 | 29,680        | 266,256       |
| 2.01.03       | SUPPLIERS                                  | 2,853,539     | 3,053,587     |
| 2.01.04       | TAXES PAYABLE                              | 1,096,499     | 953,355       |
| 2.01.05       | DIVIDENDS PAYABLE                          | 441,037       | 322,433       |
| 2.01.06       | PROVISIONS                                 | 125,806       | 134,181       |
| 2.01.06.01    | PROVISION FOR CONTINGENCIES                | 125,806       | 134,181       |
| 2.01.07       | PAYABLES TO RELATED PARTIES                | 2,251         | 1,180         |
| 2.01.08       | OTHER                                      | 1,009,495     | 1,032,066     |
| 2.01.08.01    | DERIVATIVE CONTRACTS                       | 37,989        | 30,970        |
| 2.01.08.02    | PAYROLL AND SOCIAL CHARGES                 | 164,871       | 161,366       |
| 2.01.08.03    | OTHER LIABILITIES                          | 806,635       | 839,730       |
| 2.02          | NONCURRENT LIABILITIES                     | 5,021,303     | 5,417,647     |
| 2.02.01       | LONG-TERM LIABILITIES                      | 5,021,303     | 5,417,647     |
| 2.02.01.01    | LOANS AND FINANCING                        | 2,185,072     | 2,306,632     |
| 2.02.01.02    | DEBENTURES                                 | 1,410,884     | 1,863,209     |
| 2.02.01.03    | PROVISIONS                                 | 159,062       | 143,962       |
| 2.02.01.03.01 | PROVISION FOR CONTINGENCIES                | 159,062       | 143,962       |
| 2.02.01.04    | PAYABLES TO RELATED PARTIES                | -             | -             |
| 2.02.01.05    | ADVANCE FOR FUTURE CAPITAL INCREASE        | -             | -             |
| 2.02.01.06    | OTHER                                      | 1,266,285     | 1,103,844     |
| 2.02.01.06.01 | TAXES PAYABLE                              | 920,082       | 764,971       |
| 2.02.01.06.02 | DERIVATIVE CONTRACTS                       | 101,131       | 131,418       |
| 2.02.01.06.03 | OTHER LIABILITIES                          | 245,072       | 207,455       |
| 2.03          | DEFERRED INCOME                            | -             | -             |
| 2.04          | MINORITY INTEREST                          | -             | -             |
| 2.05          | SHAREHOLDERS' EQUITY                       | 9,074,622     | 9,258,691     |
| 2.05.01       | CAPITAL STOCK                              | 8,780,150     | 8,780,150     |

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|               |   |             |             |
|---------------|---|-------------|-------------|
| 2.05.02       | CAPITAL RESERVES                            | 518,678     | 518,678     |
| 2.05.03       | REVALUATION RESERVE                         | -           | -           |
| 2.05.03.01    | OWN ASSETS                                  | -           | -           |
| 2.05.03.02    | SUBSIDIARY/ASSOCIATED COMPANIES             | -           | -           |
| 2.05.04       | INCOME RESERVES                             | 891,996     | 1,503,921   |
| 2.05.04.01    | LEGAL                                       | 164,524     | 164,524     |
| 2.05.04.02    | STATUTORY                                   | -           | -           |
| 2.05.04.03    | CONTINGENCIES                               | 11,070      | 11,070      |
| 2.05.04.04    | REALIZABLE PROFIT RESERVES                  | -           | -           |
| 2.05.04.05    | RETENTION OF PROFITS                        | -           | -           |
| 2.05.04.06    | SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS | -           | 611,925     |
| 2.05.04.07    | OTHER PROFIT RESERVES                       | 716,402     | 716,402     |
| 2.05.04.07.01 | TREASURY STOCK                              | (11,070)    | (11,070)    |
| 2.05.04.07.02 | RESERVE FOR EXPANSION                       | 727,472     | 727,472     |
| 2.05.05       | ADJUSTMENTS OF EQUITY EVALUATION            | (1,749,650) | (1,749,650) |
| 2.05.05.03    | ADJUSTMENTS BUSINESS COMBINATION            | (1,749,650) | (1,749,650) |
| 2.05.06       | RETAINED EARNINGS/ACCUMULATED DEFICIT       | 633,448     | 205,592     |
| 2.05.07       | ADVANCE FOR FUTURE CAPITAL INCREASE         | -           | -           |

**09.01 – CONSOLIDATED STATEMENT OF OPERATIONS (IN THOUSANDS OF REAIS)**

| 1 – CODE      | 2 – ACCOUNT DESCRIPTION                                   | 3 –04/01/2010<br>to<br>06/30/2010 | 4 –01/01/2010<br>to 06/30/2010 | 5 -<br>04/01/2009<br>to<br>06/30/2009 | 6 - 01/01/2009<br>to 06/30/2009 |
|---------------|---|-----------------------------------|--------------------------------|---------------------------------------|---------------------------------|
| 3.01          | GROSS SALES AND/OR SERVICES                               | 6,309,172                         | 12,312,668                     | 5,512,605                             | 11,127,584                      |
| 3.02          | DEDUCTIONS  | (1,907,570)                       | (3,677,841)                    | (1,506,000)                           | (3,080,628)                     |
| 3.03          | NET SALES AND/OR SERVICES                                 | 4,401,602                         | 8,634,827                      | 4,006,605                             | 8,046,956                       |
| 3.04          | COST OF SALES AND/OR SERVICES                             | (2,396,737)                       | (4,798,767)                    | (2,228,948)                           | (4,487,398)                     |
| 3.05          | GROSS PROFIT  | 2,004,865                         | 3,836,060                      | 1,777,657                             | 3,559,558                       |
| 3.06          | OPERATING EXPENSES/INCOME                                 | (1,603,458)                       | (3,090,561)                    | (1,496,824)                           | (3,011,840)                     |
| 3.06.01       | SELLING EXPENSES  | (1,231,422)                       | (2,343,447)                    | (1,124,880)                           | (2,113,883)                     |
| 3.06.02       | GENERAL AND ADMINISTRATIVE EXPENSES                       | (332,759)                         | (648,100)                      | (293,486)                             | (641,641)                       |
| 3.06.03       | FINANCIAL   | (101,169)                         | (159,442)                      | (121,767)                             | (286,652)                       |
| 3.06.03.01    | FINANCIAL INCOME  | 41,707                            | 151,734                        | 75,180                                | 160,700                         |
| 3.06.03.02    | FINANCIAL EXPENSES  | (142,876)                         | (311,176)                      | (196,947)                             | (447,352)                       |
| 3.06.03.02.01 | APPROPRIATED ON SHAREHOLDERS' EQUITY                      | -                                 | -                              | -                                     | -                               |
| 3.06.03.02.02 | FINANCIAL OPERATIONS EXPENSES                             | -                                 | -                              | -                                     | -                               |
| 3.06.04       | OTHER OPERATING INCOME                                    | 90,740                            | 182,777                        | 75,238                                | 160,022                         |
| 3.06.05       | OTHER OPERATING EXPENSES                                  | (28,848)                          | (122,349)                      | (31,929)                              | (129,686)                       |
| 3.06.06       | EQUITY IN EARNINGS OF SUBSIDIARY AND ASSOCIATED COMPANIES | -                                 | -                              | -                                     | -                               |
| 3.07          | OPERATING RESULT  | 401,407                           | 745,499                        | 280,833                               | 547,718                         |
| 3.08          | NONOPERATING INCOME                                       | -                                 | -                              | -                                     | -                               |

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|         |  |           |           |          |           |
|---------|--|-----------|-----------|----------|-----------|
| 3.08.01 | REVENUES   | -         | -         | -        | -         |
| 3.08.02 | EXPENSES   | -         | -         | -        | -         |
| 3.09    | RESULT BEFORE TAXES AND PROFIT SHARING             | 401,407   | 745,499   | 280,833  | 547,718   |
| 3.10    | PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES | (60,042)  | (168,346) | (31,260) | (100,620) |
| 3.11    | DEFERRED INCOME TAX                                | (105,366) | (149,297) | (54,061) | (104,941) |
| 3.12    | STATUTORY INTEREST/CONTRIBUTIONS                   | -         | -         | -        | -         |
| 3.12.01 | INTEREST   | -         | -         | -        | -         |
| 3.12.02 | CONTRIBUTIONS                                      | -         | -         | -        | -         |
| 3.13    | REVERSAL OF INTEREST ON SHAREHOLDERS' EQUITY       | -         | -         | -        | -         |
| 3.14    | MINORITY INTEREST                                  | -         | -         | (13,814) | (27,436)  |
| 3.15    | PROFIT/LOSS FOR THE PERIOD                         | 235,999   | 427,856   | 181,698  | 314,721   |
|         | NUMBER OF SHARES, EX-TREASURY (THOUSAND)           | 399,591   | 399,591   | 373,216  | 373,216   |
|         | EARNINGS PER SHARE                                 | 0.59060   | 1.07073   | 0.48684  | 0.84327   |
|         | LOSS PER SHARE                                     | -         | -         | -        | -         |

**10.01 – CONSOLIDATED STATEMENTS OF CASH FLOWS INDIRECT METHOD (IN THOUSANDS OF REAIS)**

| 1 - CODE   | 2 - ACCOUNT DESCRIPTION   | 3 –<br>04/01/2010<br>to<br>06/30/2010 | 4 – 01/01/2010<br>to 06/30/2010 | 5 -04/01/2009<br>to 06/30/2009 | 6-01/01/2009<br>to 06/30/2009 |
|------------|---|---------------------------------------|---------------------------------|--------------------------------|-------------------------------|
| 4.01       | NET CASH FLOW FROM OPERATING ACTIVITIES                         | 1,236,381                             | 1,629,252                       | 1,372,073                      | 2,111,498                     |
| 4.01.01    | CASH FLOW FROM OPERATING ACTIVITIES                             | 1,229,995                             | 2,523,089                       | 1,163,049                      | 2,345,036                     |
| 4.01.01.01 | NET INCOME(LOSS)  | 235,999                               | 427,856                         | 181,698                        | 314,721                       |
| 4.01.01.02 | RESULT OF INTEREST CORPORATE                                    | -                                     | -                               | 13,814                         | 27,436                        |
| 4.01.01.03 | DEPRECIATION AND AMORTIZATION                                   | 840,181                               | 1,711,514                       | 811,042                        | 1,606,211                     |
| 4.01.01.04 | LOSS ON INVESTMENT  | -                                     | -                               | -                              | 2,015                         |
| 4.01.01.05 | RESIDUAL COST OF FIXED ASSETS DISPOSALS                         | (2,511)                               | (2,251)                         | 46                             | 380                           |
| 4.01.01.06 | WRITE-OFF AND REVERSALS OF PROVISIONS FOR LOSSES ON INVENTORIES | (10,324)                              | (14,135)                        | (13,548)                       | (5,730)                       |
| 4.01.01.07 | LOSS(GAIN) IN FORWARD, SWAP AND OPTION CONTRACTS                | (14,385)                              | (35,379)                        | 257,933                        | 363,332                       |
| 4.01.01.08 | LOSS ON LOANS, FINANCING AND DEBENTURES                         | 28,991                                | 57,004                          | (222,879)                      | (280,794)                     |
| 4.01.01.09 | MONETARY AND VARIATION  | 6,787                                 | (16,468)                        | 9,367                          | 11,186                        |
| 4.01.01.10 | ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE                      | 36,286                                | 78,675                          | 65,275                         | 142,847                       |

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|            |   |           |             |             |             |
|------------|---|-----------|-------------|-------------|-------------|
| 4.01.01.11 | PLANS FOR POST-EMPLOYMENT BENEFITS                        | (293)     | (372)       | 611         | 1,222       |
| 4.01.01.12 | PROVISION FOR CONTINGENCIES                               | 30,825    | 63,188      | 34,123      | 69,805      |
| 4.01.01.13 | PROVISION(REVERSAL) FOR SUPPLIERS                         | (56,843)  | (25,524)    | (16,308)    | (65,522)    |
| 4.01.01.14 | PROVISION (REVERSAL) FOR DISPOSAL OF ASSETS               | (668)     | (3,024)     | -           | (795)       |
| 4.01.01.15 | PROVISION FOR TAXES                                       | 23,818    | 121,233     | 2,423       | 63,812      |
| 4.01.01.16 | PROVISION (RESERVAL) FIDELITY PROGRAM                     | 6,765     | 11,475      | (8,211)     | (11,327)    |
| 4.01.01.17 | PROVISION DEFERRED INCOME TAXES                           | 105,367   | 149,297     | 47,663      | 106,237     |
| 4.01.02    | CHANGES IN ASSETS AND LIABILITIES                         | 6,386     | (893,837)   | 209,024     | (233,538)   |
| 4.01.02.01 | TRADE ACCOUNTS RECEIVABLE                                 | (28,052)  | (77,988)    | (19,091)    | 100,212     |
| 4.01.02.02 | INVENTORIES   | (85,879)  | 39,457      | 75,320      | 363,471     |
| 4.01.02.03 | DEFERRED AND RECOVERABLE TAXES                            | (88,257)  | (54,458)    | (165,471)   | 48,335      |
| 4.01.02.04 | OTHER CURRENT AND NONCURRENT ASSETS                       | 173,395   | (519,182)   | 138,053     | (254,917)   |
| 4.01.02.05 | PAYROLL AND RELATED ACCRUALS                              | 8,772     | 3,505       | 23,805      | (29,771)    |
| 4.01.02.06 | TRADE ACCOUNTS PAYABLE                                    | (30,120)  | (263,248)   | 101,043     | (447,762)   |
| 4.01.02.07 | TAXES PAYABLE   | 101,487   | 130,276     | 125,370     | 23,735      |
| 4.01.02.08 | PROVISIONS FOR CONTINGENCIES (PAYMENTS)                   | (29,347)  | (60,545)    | (34,824)    | (58,922)    |
| 4.01.02.09 | CHARGES ON LOANS, FINANCING AND DEBENTURES                | (34,568)  | (59,559)    | (27,024)    | 81,380      |
| 4.01.02.10 | OTHER CURRENT AND NONCURRENT LIABILITIES                  | 18,955    | (32,095)    | (8,157)     | (59,299)    |
| 4.01.03    | OTHER   | -         | -           | -           | -           |
| 4.02       | NET CASH FLOW FROM INVESTING ACTIVITIES                   | (275,493) | (726,539)   | (536,058)   | (1,264,741) |
| 4.02.01    | ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE | (276,595) | (729,207)   | (537,663)   | (1,275,743) |
| 4.02.02    | RECEIVED FOR SUBSCRIPTION TO MINORITY                     | -         | -           | -           | 8,842       |
| 4.02.03    | RESOURCES FROM THE DISPOSAL OF FIXED ASSETS               | 1,102     | 2,668       | 1,605       | 2,160       |
| 4.03       | NET CASH FLOW FROM FINANCING ACTIVITIES                   | (610,667) | (1,005,210) | (864,501)   | (1,320,840) |
| 4.03.01    | LOANS, FINANCING AND DEBENTURES FUNDING                   | 361,924   | 471,924     | 124,571     | 334,571     |
| 4.03.02    | LOANS, FINANCING AND DEBENTURES PAID                      | (551,640) | (985,908)   | (1,076,597) | (1,627,189) |
| 4.03.03    | CASH RECEIVED OF FORWARD, SWAP AND OPTION CONTRACTS       | (3,998)   | 2,495       | 87,953      | 95,264      |

|         |   |           |           |          |           |
|---------|---|-----------|-----------|----------|-----------|
| 4.03.04 | PAYMENT OF THE REVERSE STOCK SPLIT                  | -         | (116)     | (348)    | (708)     |
| 4.03.05 | INTEREST ON SHAREHOLDERS' EQUITY AND DIVIDENDS PAID | (416,953) | (493,605) | (80)     | (122,778) |
| 4.05    | INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS     | 350,221   | (102,497) | (28,486) | (474,083) |
| 4.05.01 | OPENING BALANCE OF CASH AND EQUIVALENTS             | -         | 1,258,574 | -        | 2,182,913 |
| 4.05.02 | CLOSING BALANCE OF CASH AND EQUIVALENTS             | 350,221   | 1,156,077 | (28,486) | 1,708,830 |

**11.01 – CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FROM 04/01/2010 TO 06/30/2010 (IN THOUSANDS OF REAIS)**

| 1 - CODE   | 2 - ACCOUNT DESCRIPTION                                  | 3- CAPITAL | 4- CAPITAL RESERVES | 5- REVALUATION RESERVE | 6- INCOME RESERVES | 7-RETAINED EARNINGS ACCUMULATED EARNINGS | ADJU OF VALU |
|------------|--|------------|---------------------|------------------------|--------------------|--|--------------|
| 5.01       | OPENING BALANCE  | 8,780,150  | 518,678             | -                      | 1,503,921          | 397,449                                  | (            |
| 5.02       | PRIOR YEAR ADJUSTMENT                                    | -          | -                   | -                      | -                  | -  | -            |
| 5.03       | ADJUSTED BALANCE   | 8,780,150  | 518,678             | -                      | 1,503,921          | 397,449                                  | (            |
| 5.04       | NET INCOME/LOSS FOR THE YEAR                             | -          | -                   | -                      | -                  | 235,999                                  | -            |
| 5.05       | DESTINATIONS   | -          | -                   | -                      | (611,925)          | -  | -            |
| 5.05.01    | DIVIDENDS  | -          | -                   | -                      | (611,925)          | -  | -            |
| 5.05.02    | INTEREST ON SHAREHOLDERS' EQUITY                         | -          | -                   | -                      | -                  | -  | -            |
| 5.05.03    | OTHER DESTINATIONS                                       | -          | -                   | -                      | -                  | -  | -            |
| 5.05.03.01 | LEGAL RESERVE  | -          | -                   | -                      | -                  | -  | -            |
| 5.08       | INCREASE/DECREASE CAPITAL                                | -          | -                   | -                      | -                  | -  | -            |
| 5.08.01    | CAPITAL INCREASE - WITH RESERVES                         | -          | -                   | -                      | -                  | -  | -            |
| 5.08.02    | CAPITAL INCREASE - SHARES MERGER                         | -          | -                   | -                      | -                  | -  | -            |
| 5.12       | OTHER  | -          | -                   | -                      | -                  | -  | -            |
| 5.12.01    | UNCLAIMED DIVIDENDS AND INTEREST ON SHAREHOLDERS' EQUITY | -          | -                   | -                      | -                  | -  | -            |
| 5.13       | FINAL BALANCE  | 8,780,150  | 518,678             | -                      | 891,996            | 633,448                                  | (            |

**11.02 – CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2010 TO 06/30/2010 (IN THOUSANDS OF REAIS)**

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

| 1 -<br>CODE | 2 -<br>ACCOUNT<br>DESCRIPTION  | 3-<br>CAPITAL | 4-<br>CAPITAL<br>RESERVES | 5-<br>REVALUATION<br>RESERVE | 6-<br>INCOME<br>RESERVES | 7-RETAINED<br>EARNINGS<br>ACCUMULATED<br>EARNINGS | ADJU<br>OF<br>VALU |
|-------------|--|---------------|---------------------------|------------------------------|--------------------------|---|--------------------|
| 5.01        | OPENING BALANCE  | 8,780,150     | 518,678                   | -                            | 1,503,921                | 205,592   | (                  |
| 5.02        | PRIOR YEAR<br>ADJUSTMENT   | -             | -                         | -                            | -                        | -   |                    |
| 5.03        | ADJUSTED BALANCE   | 8,780,150     | 518,678                   | -                            | 1,503,921                | 205,592   | (                  |
| 5.04        | NET INCOME/LOSS<br>FOR THE YEAR                                      | -             | -                         | -                            | -                        | 427,856   |                    |
| 5.05        | DESTINATIONS   | -             | -                         | -                            | (611,925)                | -   |                    |
| 5.05.01     | DIVIDENDS  | -             | -                         | -                            | (611,925)                | -   |                    |
| 5.05.02     | INTEREST ON<br>SHAREHOLDERS'<br>EQUITY                               | -             | -                         | -                            | -                        | -   |                    |
| 5.05.03     | OTHER<br>DESTINATIONS  | -             | -                         | -                            | -                        | -   |                    |
| 5.05.03.01  | LEGAL RESERVE  | -             | -                         | -                            | -                        | -   |                    |
| 5.08        | INCREASE/DECREASE<br>CAPITAL   | -             | -                         | -                            | -                        | -   |                    |
| 5.08.01     | CAPITAL INCREASE -<br>WITH RESERVES                                  | -             | -                         | -                            | -                        | -   |                    |
| 5.08.02     | CAPITAL INCREASE -<br>SHARES MERGER                                  | -             | -                         | -                            | -                        | -   |                    |
| 5.12        | OTHER  | -             | -                         | -                            | -                        | -   |                    |
| 5.12.01     | UNCLAIMED<br>DIVIDENDS AND<br>INTEREST ON<br>SHAREHOLDERS'<br>EQUITY | -             | -                         | -                            | -                        | -   |                    |
| 5.13        | FINAL BALANCE  | 8,780,150     | 518,678                   | -                            | 891,996                  | 633,448   | (                  |

**A free translation from Portuguese into English of Report of Independent Auditors on Special Review of Quarterly Financial Information prepared in accordance with the accounting practices adopted in Brazil and with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), in conjunction with the National Association of State Boards of Accountancy (CFC).**

#### **Report of Independent Auditors on Special Review**

The Board of Directors and Shareholders  
**Vivo Participações S.A.**  
São Paulo - SP

1. We reviewed the Quarterly Financial Information - ITR, individual and consolidated, of Vivo Participações S.A. (the "Company") and its subsidiaries, for the quarter ended June 30, 2010, comprising the balance sheet, the statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows, the notes to financial information and the performance report, prepared under the responsibility of management.



2. Our review was conducted in accordance with the specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), in conjunction with the National Association of State Boards of Accountancy (CFC), comprising mainly: (a) inquiries of, and discussions with, the officials responsible for the accounting, financial and operational areas of the Company and its subsidiaries, relating to the main criteria adopted in the preparation of the quarterly financial information; and (b) review of information and subsequent events which have, or may have, significant effects on the financial position and results of operations of the Company and its subsidiaries.
3. Based on our review, we are not aware of any significant changes that should be made to the Quarterly Financial Information referred to in paragraph 1 for it to be in accordance with accounting practices adopted in Brazil and rules set forth by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information.
4. As mentioned in Note 2, in 2009, CVM approved several Accounting Pronouncements, Interpretations and Guidelines issued by Brazilian FASB (CPC), effective in 2010, which changed accounting practices adopted in Brazil. These changes were adopted by the Company and its subsidiaries in the preparation of the Quarterly Financial Information for the quarter ended June 30, 2010 and disclosed in Note 2b. Prior period quarterly financial information, presented for comparison purposes, was adjusted in order to include the changes in accounting practices adopted in Brazil in force in 2010.

São Paulo, July 21, 2010.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2-SP 015199/O-6

Luiz Carlos Passetti  
Accountant CRC-1-SP-144.343/O-3

Drayton Teixeira de Melo  
Accountant CRC-1-SP-236947/O-3

## VIVO PARTICIPAÇÕES S.A.

Explanatory Notes to the Quarterly Financial Statements – ITRs  
For the six-month period ended June 30, 2010  
(in thousand Reais, except as otherwise mentioned)

### 1. OPERATIONS

#### a. Equity Control

Vivo Participações S.A. (“Vivo Participações” or “Company”) is a publicly-held company that, at June 30, 2010 and December 31, 2009, has as controlling shareholders Brasilcel N.V. and its subsidiaries Portelcom Participações S.A. and TBS Celular Participações Ltda., which jointly hold, treasury shares excluded, 59.6% of the Company’s total capital stock.

Brasilcel N.V. is jointly controlled by Telefónica S.A. (50% of the total capital stock), PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.99% of the total capital stock) and Portugal Telecom, SGPS, S.A. (0.01% of the total capital).

#### b. Subsidiaries

At June 30, 2010 and December 31, 2009, the Company is the 100% controlling shareholder of Vivo S.A. (“Vivo” or “subsidiary”).

Until May 31, 2010, the Company was also the 100% controlling shareholder of Telemig Celular S.A. (“Telemig” or “subsidiary”), which was merged into the Company on June 01, 2010 (note 1c).

The Company and its subsidiaries engage in personal mobile telephone services, including activities that are necessary or useful for the performance of said services, in conformity with the authorizations granted to them.

### **c. Merger of Telemig into Vivo Participações**

At a Special Shareholders’ Meeting, held on June 01, 2010, the merger of Telemig into Vivo Participações and the consequent extinguishment of Telemig were approved. In conformity with the provisions in article 227 of Law no. 6.404/76, on that same date the Protocol of Justification and Merger of Telemig into Vivo Participações and the Appraisal Report for the net assets of Telemig, prepared by an independent company, were approved based on the book value at base date March 31, 2010. The net assets transferred to Vivo Participações at the base date totaled R\$1,003,766 and the equity changes occurred in Telemig between the base date and the effective date of the merger (June 01, 2010) were absorbed by Vivo Participações.

Such merger did not entail any increase of capital or change in the shareholding structure of the shareholders of Vivo Participações, given that there are not non-controlling shareholders of Telemig.

As a result of said merger, Telemig’s authorization licenses will be transferred timely to the Company, which started exploiting mobile telephony services, including those activities that are necessary or useful for the performance of such services in the State of Minas Gerais (region 1).

In a Relevant Fact disclosed on May 11, 2010, the Company informed that the future will be considered the possibility of the merger of Vivo into Vivo Participações, with a view to complete the corporate structure simplification process, will be examined, subject to the due necessary corporate and regulatory approvals. The referred merger will not entail any change to the shareholding structure, once Vivo is already a wholly-owned subsidiary of Vivo Participações.

### **d. Authorization and Frequencies**

The Company’s and its subsidiaries’ business, including the services they may provide, are regulated by the National Telecommunications Agency (“ANATEL”), the regulatory authority for telecommunication services in accordance with Law No. 9472, dated July 16, 1997 – General Telecommunications Law (LGT). Said agency implements its actions, as a rule, by enactment of regulations and supplementary plans.

The authorizations granted by ANATEL may be renewed just once, for a 15-year period, against payment every two years, after the first renewal, of rates equivalent to 2% (two percent) of its revenue for the year prior to that of the payment, net of taxes and mandatory social contributions related to the application of the Basic and Alternative Plans of Service.

### **e. Agreement between Telefónica S.A. and Telecom Itália**

In October 2007, TELCO S.p.A. (in which Telefónica S.A holds an interest of 42.3%), completed the acquisition of 23.6% of Telecom Itália. Telefónica S.A. has the shared control of Vivo Participações S.A., through its joint venture with Portugal Telecom. Telecom Italia holds an interest in TIM Participações S.A (“TIM”), which is a mobile telephone operator in Brazil. As a result of the acquisition of its interest in Telecom Itália, Telefónica S.A. does not have any direct involvement in the operations of TIM. Additionally, any transactions between the Company and its subsidiaries and TIM are transactions in the regular course of cellular telephone business, which are regulated by the ANATEL.

## **2. BASIS FOR PREPARATION AND PRESENTATION OF THE QUARTERLY FINANCIAL STATEMENTS**

### **2.a) Basis for Preparation and Presentation**

The individual and consolidated quarterly financial statements (ITRs) are presented in thousands of Brazilian reais (except as otherwise mentioned) and have been prepared based on the accounting practices adopted in Brazil, as well as on the rules issued by the Brazilian Securities and Exchange Commission (CVM), with due regard to the accounting standards set forth in the corporation law (Law no. 6404/76), which include the new provisions introduced, amended and revoked by Laws no. 11.638, dated December 28, 2007 and no. 11.941, dated May 27, 2009 (former Provisional Measure no. 449, dated December 03, 2008), with further regard, also, to the rules applicable to telecommunication service concessionaires.

The changes in the accounting practices arising from the application of Laws No. 11,638 and No. 11,941 have been measured and registered by the Company based on the following accounting pronouncements issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Brazilian Securities and Exchange Committee (CVM) and by the Federal Accounting Council (“CFC”).

Giving continuance with the process for compliance with the international accounting rules, on November 10, 2009 the CVM published CVM Resolution no. 603, which permitted the publicly-held companies to present their Quarterly Information Reports – ITRs during fiscal year 2010 pursuant to the accounting rules in effect until December 31, 2009. The Company decided not to adopt the permission referred to in said resolution and established January 01, 2009 as the “transition date” for adoption of the new accounting practices, issued in 2009 and the mandatory adoption of which is required for the fiscal year to be ended on December 31, 2010. The “transition date” is defined as being the departure point for the adoption of the changes to the accounting practices adopted in Brazil, and represents the base date on which the Company and its subsidiaries prepared their balance sheets adjusted to these new accounting rules. The pronouncements which produced impacts on the quarterly financial statements are commented in note 2b.

The authorization to complete the preparation of these Quarterly Financial Statements was given at the Executive Committee’s Meeting held on July 21, 2010.

The periods of disclosure of the subsidiaries’ information in the consolidated statements coincide with those of the controlling shareholder.

At June 30, 2010, the balances of the controlling company include: i) in the balance sheet, the merged amounts of Telemig, pursuant to the balance sheet prepared at March 31, 2010 and the equity changes until May 31, 2010; ii) in the income statement, the balances of the transactions carried out as from June 01, 2010 as the operator of region 1, State of Minas Gerais; and iii) the effects of that merger in cash flows.

In order to allow a better understanding of the information contained in the balance sheet of the controlling company, for the period ended on June 30, 2010, we have disclosed in note 33 balances of Telemig, as merged into the Company, base May 31, 2010.

All assets and liabilities balances, revenues and expenses arising out of transactions among the consolidated companies were eliminated in the consolidated statements.

No information by segment was stated, once the Company in one sole operating segment of provision of mobile telecommunication services.

The CVM determined that the IFRS must be adopted for consolidated financial statements of publicly-held companies from 2010 on. Consequently, for the fiscal year to be ended on December 31, 2010, the Company shall present its

consolidated financial statements in accordance with the IFRS, as issued by the International Accounting Standard Board – IASB.

## **2.b) Effect of the adjustments of the application of CPCs 15 to 40 and change to the accounting practices**

The accounting practices and the calculation methods were uniformly applied in the consolidated companies and are consistent with those used in the previous year, except for the application of the CPCs and interpretations issued during fiscal year 2009, whose impacts on the financial statements are detailed as follows:

2.b1) Deferred income and social contribution taxes: The amounts of deferred income and social contribution taxes were posted to current assets, to the extent of their expected realization. Upon the adoption of CPC 32, the total deferred income and social contribution taxes started being posted to non-current assets, including the deferred taxes ascertained in the application of the adjustments provided for in the CPCs (note 6).

2.b2) Inspection and Installation Rate (TFI): This rate corresponds to the amounts that are monthly paid on net additions of new customers. They were amortized during the estimated period of customer retention, equivalent to 24 months. Upon the adoption of the CPCs and with the purpose of making its accounting practices compliant with the best international practices, the Company and its subsidiaries started recognizing such amounts directly in the income statement in the “Cost of Services Rendered”, in item “Taxes, charges and contributions” (note 20). Due adjustments were made on a retrospective basis, as required in CPC 23.

2.b3) Court deposits: The amounts of court deposits granted as guarantee of civil, labor and tax proceedings were stated in the balance sheet as a reduction of the respective liabilities, complying with the provisions set forth in CVM Resolution no. 489/05. Upon the adoption of CPC 25 ( revoked CVM Resolution no. 489/05), the Company and its subsidiaries reclassified the referred court deposits to current assets and non-current assets, according to the expected realization term (note 7).

2.b4) Post-employment benefit plans: The Company and its subsidiaries started recognizing the net actuarial assets of the post-employment benefit plans, to the extent of the surplus recoverability restrictions applicable to sponsors of Brazilian pension plans. Such Net Actuarial Assts were not recognized prior to the adoption of CPC 33. Actuarial gains and losses referring to the post-employment benefit plans and the amounts referring to surplus recoverability limitations due to refunds or reductions in future contributions are being recognized as other comprehensive income, and do not impact any more the operating income (note 27).

2.b5) Capitalized financial charges: The financial charges provided for in certain loan and financing agreements relating to investment activities were capitalized based on the average amount of works in progress, pursuant to CVM resolution no. 193 (revoked by CVM Resolution no. 577) and Official Release CVM/SNC/SEP 01/2007. The capitalized financial charges were depreciated pursuant to the same criteria of useful life as determined for the item of property, plant & equipment to which they were attributed. However, upon the adoption of CPC 20 and after an analysis conducted by the Company, it was concluded that the maturation period of its works is not significant and that such charges should not be capitalized. Due adjustments were made on a prospective basis since January 01, 2009 (transition date), with the capitalized balance until December 31, 2008 remaining held in property, plant & equipment, which is depreciated according to the same criteria and useful life of the items of property, plant & equipment to which they were attributed (note 11).

2.b6) Acquisition of non-controlling shareholders' shares and premium: In accordance with the Brazilian accounting practices prior to CPC 15, a premium was recorded upon the acquisition of shares for prices in excess of the book value thereof. Upon the adoption of CPC 15, as from January 01, 2009 (transition date), the effects of all the transactions of acquisition of non-controlling shareholders' shares started being recorded in the shareholders' equity to the extent there is no change in the shareholding control. Consequently, such transactions do not generate premium or results any more and the premium previously generated in the acquisitions from non-controlling shareholders,

including expenses being capitalized in the process, was adjusted towards the shareholders' equity of the Company (note 18).

2.b7) Deferred Assets: Upon the adoption of CPC 13 on January 01, 2008, the Company and its subsidiaries elected to keep the recognized balances in the deferred asset group until the complete amortization thereof. The pre-operating expenses balance recorded as deferred assets prior to January 01, 2009 (transition date) refers to pre-operating expenses of Global Telecom (Vivo's predecessor company) and to the network formation costs in the Northeast region, which were amortized pursuant to the straight line method, within 10 years. After review by the Company, and with the purpose of making their accounting practices compliant with the best international practice, the Company and its subsidiaries elected to write-off such amounts as a counter-entry to the shareholders' equity. The due adjustments were made on a retrospective basis, as required in CPC 23.

2.b8) Recognition of multi-element transaction revenues: In order to meet the requirements in CPC 30, the amounts of minutes included in the multi-element transactions started being segregated and shown in the income statement as a service revenue to the extent such services were used by customers. The due adjustments were made on a prospective basis (note 17).

2.b9) Donations and Subventions Reserve: The amounts of network equipment donated by suppliers were posted to a specific reserve account, in the shareholders' equity. After review by the Company and with the purpose of making its accounting practices compliant with the best international practice and as set forth in Law no. 11.638/07, such amounts were transferred to "Other Liabilities - Deferred Revenue/Donation of Equipment" and are amortized for the term the equipment is in service. The due adjustments were made on a retrospective basis, as required in CPC 23.

2.b10) Supplementary Dividends: According to previous Brazilian law, Companies could recognize dividends supplementary to the minimum mandatory dividend as of the closing date of the fiscal year based on the proposal of Company Management for allocation of the net profit of the year. Upon the adoption of CPC 24 and ICPC 08, supplementary dividends must be recognized at the time they are approved by the competent managing bodies. Accordingly, the Company reversed the amounts of supplementary dividends which had been recorded at December 31, 2009 and were not yet approved at a General Shareholders Meeting that date. The supplementary dividends receivable from its subsidiaries and those payable to its shareholders were approved for payment in the General Shareholders Meetings held on March 31, 2010 and on April 16, 2010, respectively. Therefore, the supplementary dividends for fiscal year 2009 were allocated in the second quarter of 2010.

2.b11) Minority interest: This refers to the effects of the minority interest in the adjustments made by the Company, arising out of the adoption of the new accounting pronouncements.

2.b12) Shareholders' equity: This refers to the effects of the controlling shareholders' interest in the adjustments made by the Company, arising out of the adoption of the new accounting pronouncements (note 18).

2.b13) Equity Method Result: This refers to the amounts calculated pursuant to the equity method, arising out of the application of the adjustments made in the subsidiaries, as provided for in the CPCs (note 10).

2.b14) Disclosure of infrastructure swap costs and revenues: the amounts of revenues and costs referring to agreements contemplating mutual provision, among different operators, of network infrastructure assets with the same technical features, prices, contractual conditions and similar nature of use, started being disclosed on a net basis in the revenues and costs. The due adjustments were made on a prospective basis, as required in CPC 30 (notes 20 and 23).

2.b15) Roaming: The amounts referring to invoicing and transfer of domestic and international roaming, which were previously posted to the current assets and liabilities, are now considered as revenue, at the time of the invoicing, and as costs, at the time of the transfer, pursuant to the definition of agent and principal described in CPC 30. The due adjustments were made on a prospective basis, as required in CPC 30 (notes 19 and 20).

2.b16) Reclassifications in the income statement: As a result of the application of the CPCs and with the purpose of making its accounting practices compliant with best international practices, the Company and its subsidiaries made some reclassifications in their income statements, as described below:

- Rewarding program expenses and reversals: they were reclassified from “Other operating revenues (expenses), net” to “Gross telecommunication service revenues”.
- Recovery of network maintenance costs and other expenses: they were reclassified from “Other operating revenues (expenses), net” to “Cost of services rendered”, “Selling expenses” and “General and administrative expenses”;
- Recovery of tax credits on purchase of goods: they were reclassified from “Other operating revenues (expenses), net” to “Cost of goods sold”; and
- FUST and FUNTTEL Rates: they were reclassified from “Other operating revenues (expenses), net” to “Cost of services rendered”;
- Amortization of authorization licenses: they were reclassified from “General and administrative expenses” to “Cost of services rendered”.

The Company and its subsidiaries have chosen not to evaluate property, plant & equipment and intangible assets at fair value as assigned cost whereas: (i) the cost method, deducted of losses provision, is the best method to evaluate their property, plant & equipment and intangible assets; (ii) have a segregation of assets in well-defined classes and related to their operating activities; (iii) its area of operation is significantly impacted by technological development, require frequent revision of recoverable amounts and estimates of useful lives of assets, what is being done consistently and (iv) have effective controls about property, plant & equipment and intangible assets, enabling the identification of losses and changes in estimated useful life of assets. Therefore, the amount net presented in the property, plant & equipment and intangible assets are in accordance with accounting practices adopted in Brazil.

In the tables below, the Company presents the amounts corresponding to the impacts generated in the shareholders' equity for the period ended on December 31, 2009, and for comparison purposes, in the controlling company's and consolidated income statement for the six-month period ended on June 30, 2009. The accounting information for 2010 are already presented with the application of the referred adjustments and reclassifications.

#### Shareholders' equity

|  | Note   | Company           | Consolidated      |
|--|--------|-------------------|-------------------|
| <b>Shareholders' equity before the effects of applications of CPCs</b> |        | <b>10,190,824</b> | <b>10,190,824</b> |
| <b>Effects adjustments of that passing through by result</b>           |        |                   |                   |
| Fistel Fee   | 2.b2)  | -                 | (4,297)           |
| Post-employment benefit plans  | 2.b4)  | -                 | 10,797            |
| Interest on construction in progress                                   | 2.b5)  | -                 | (36,605)          |
| Capitalised expenditure on acquisition of investments                  | 2.b6)  | (4,913)           | (4,913)           |
| Deferred assets  | 2.b7)  | -                 | 25,529            |
| Prepaid services to be rendered  | 2.b8)  | -                 | (259)             |
| Donations of network equipment   | 2.b9)  | -                 | 4,768             |
| Income tax and social contribution                                     | 2.b1)  | -                 | 22                |
| Equity accounting  | 2.b13) | (45)              | -                 |
| Result of interest corporate   | 2.b11) | -                 | (1,787)           |
| <b>Effects adjustments of that not passing through by result</b>       |        |                   |                   |
| Fistel Fee   | 2.b2)  | -                 | (199,851)         |
| Post-employment benefit plans  | 2.b4)  | -                 | (9,454)           |

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|   |        |             |             |
|---|--------|-------------|-------------|
| Adjustments for non-controlling shareholdings before the merger of shares         | 2.b6)  | 3,617       | -           |
| Premium on acquisition of interest of noncontrolling                              | 2.b6)  | (1,749,650) | (1,749,650) |
| Reversal of amortization of premium on acquisition of interest in non-controlling | 2.b6)  | 406,348     | 406,348     |
| Deferred assets   | 2.b7)  | -           | (55,393)    |
| Prepaid services to be rendered   | 2.b8)  | -           | (4,229)     |
| Donations of network equipment  | 2.b9)  | -           | (33,218)    |
| Additional dividend   | 2.b10) | 611,925     | 611,925     |
| Income tax and social contribution  | 2.b1)  | -           | 102,728     |
| Equity accounting   | 2.b13) | (199,415)   | -           |
| Result of interest corporate  | 2.b11) | -           | 5,406       |

**Shareholders' equity after the effects of applications of CPCs** **9,258,691** **9,258,691**  
Income Statement

|                                       |                  | Company                                       |  |  |
|---------------------------------------|------------------|---|--|--|
|                                       | Note             | Income statement<br>released on<br>06.30.2009 | Adjustments and<br>reclassifications<br>CPCs | Income statement<br>on 06.30.09 -<br>resubmitted |
| General and administrative expenses   | 2.b16)           | (8,720)                                       | 1,404  | (7,316)  |
| Other operating expenses, net         | 2.b6) and 2.b16) | 3,493   | (3,419)                                      | 74   |
| Equity accounting                     | 2.b13)           | 411,105                                       | 20,820                                       | 431,925  |
| Income before financial expenses, net |                  | 405,878                                       | 18,805                                       | 424,683  |
| Financial expenses, net               |                  | (111,258)                                     | -  | (111,258)  |
| Income before taxes                   |                  | 294,620                                       | 18,805                                       | 313,425  |
| Income tax and social contribution    |                  | 1,296   | -  | 1,296  |
| Net income                            |                  | 295,916                                       | 18,805                                       | 314,721  |

|                             |                             | Consolidated                                  |  |  |
|-----------------------------|-----------------------------|---|--|--|
|                             | Note                        | Income statement<br>released on<br>06.30.2009 | Adjustments and<br>reclassifications<br>CPCs | Income statement<br>on 06.30.09 -<br>resubmitted |
| Telecommunications service  | 2.b8), 2.b15) and<br>2.b16) | 9,680,857                                     | 113,940                                      | 9,794,797  |
| Sale of goods               | 2.b8)                       | 1,402,631                                     | (69,844)                                     | 1,332,787  |
| Gross operating revenue     |                             | 11,083,488                                    | 44,096                                       | 11,127,584                                       |
| Deductions of gross revenue | 2.b8)                       | (3,127,665)                                   | 47,037                                       | (3,080,628)                                      |

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|                                       |   |             |          |             |
|---------------------------------------|---|-------------|----------|-------------|
| Net operating revenue                 |   | 7,955,823   | 91,133   | 8,046,956   |
| Cost of services rendered             | 2.b2), 2.b5), 2.b9),<br>2.b14), 2b15) and<br>2.b16) | (3,344,881) | (81,670) | (3,426,551) |
| Cost of goods sold                    | 2.b16)  | (1,064,105) | 3,258    | (1,060,847) |
| Gross income                          |   | 3,546,837   | 12,721   | 3,559,558   |
| Selling expenses                      | 2.b16)  | (2,115,404) | 1,521    | (2,113,883) |
| General and administrative expenses   | 2.b16)  | (690,047)   | 48,406   | (641,641)   |
| Other operating expenses, net         | 2.b4), 2.b6), 2.b7),<br>2.b14) and 2.b16)           | 33,563      | (3,227)  | 30,336      |
| Income before Financial expenses, net |   | 774,949     | 59,421   | 834,370     |
| Financial expenses, net               | 2.b5)   | (259,470)   | (27,182) | (286,652)   |
| Income before taxes and interest      |   | 515,479     | 32,239   | 547,718     |
| Income tax and social contribution    | 2.b1)   | (193,915)   | (11,646) | (205,561)   |
| Result of interest corporate          | 2.b11)  | (25,648)    | (1,788)  | (27,436)    |
| Net income                            |   | 295,916     | 18,805   | 314,721     |

### 3. CASH AND CASH EQUIVALENTS

|                        | Company  |          | Consolidated |           |
|------------------------|----------|----------|--------------|-----------|
|                        | 06.30.10 | 12.31.09 | 06.30.10     | 12.31.09  |
| Cash and banks         | 3,776    | 76       | 30,422       | 46,468    |
| Short-term investments | 162,258  | 257,035  | 1,125,655    | 1,212,106 |
| Total                  | 166,034  | 257,111  | 1,156,077    | 1,258,574 |

The financial investments refer to fixed income transactions, indexed to the variation of the Interbank Deposit Certificates (“CDI”), with immediate liquidity, held with first-category financial institutions.

### 4. TRADE ACCOUNTS RECEIVABLE, NET

|                                       | Company  |          | Consolidated |           |
|---------------------------------------|----------|----------|--------------|-----------|
|                                       | 06.30.10 | 12.31.09 | 06.30.10     | 12.31.09  |
| Receivables from billed services      | 94,802   | -        | 1,095,511    | 1,105,069 |
| Receivables from interconnection fees | 99,318   | -        | 726,927      | 784,524   |
| Receivables from unbilled services    | 97,956   | -        | 613,787      | 590,617   |
| Receivables from goods sold           | 28,269   | -        | 319,419      | 391,578   |
| (-) Allowance for doubtful accounts   | (23,818) | -        | (209,525)    | (324,982) |
| Total                                 | 296,527  | -        | 2,546,119    | 2,546,806 |

Following is the aging list for the gross accounts receivable at June 30, 2010 and December 31, 2009:

|                                       | Company  |          | Consolidated |           |
|---------------------------------------|----------|----------|--------------|-----------|
|                                       | 06.30.10 | 12.31.09 | 06.30.10     | 12.31.09  |
| Unbilled                              | 97,956   | -        | 613,787      | 590,617   |
| Falling due                           | 156,980  | -        | 1,518,383    | 1,561,644 |
| Overdue accounts – from 1 to 30 days  | 19,510   | -        | 220,479      | 208,393   |
| Overdue accounts – from 31 to 60 days | 5,984    | -        | 66,598       | 67,059    |



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|   |         |   |           |           |
|---|---------|---|-----------|-----------|
| Overdue accounts – from 61 to 90 days   | 5,729   | - | 49,186    | 51,485    |
| Overdue accounts – from 91 to 180 days  | 7,995   | - | 58,445    | 33,969    |
| Overdue accounts – from 181 to 360 days | 2,373   | - | 13,609    | 28,797    |
| Overdue accounts – more than 360 days   | -       | - | 5,632     | 4,842     |
| Total                                   | 296,527 | - | 2,546,119 | 2,546,806 |

There was not any customer representing more than 10% of the net accounts receivable at June 30, 2010 and December 31, 2009, except for Telecomunicações de São Paulo S.A. – Telesp, which accounted for 10.6% of the net accounts receivable at December 31, 2009. These amounts refer, basically, to interconnection and co-billing.

At June 30, 2010, the consolidated balance of accounts receivable includes R\$85,222 (R\$116,747 December 31, 2009) related to transfer of co-billing of other operators, the amounts of which were determined on the basis of statements of commitment, once the corresponding contracts have not yet been signed by the parties. Pending matters related to the definition of liability for losses resulting from fraud have not yet been resolved, and await decision by the regulatory agency as well as settlement between the parties. The Company does not expect financial losses with respect to this matter.

The changes in the allowance for doubtful debtors are as follows:

|   | Company |      | Consolidated |           |
|---|---------|------|--------------|-----------|
|   | 2010    | 2009 | 2010         | 2009      |
| Balance at January 01                             | -       | -    | 324,982      | 387,308   |
| Additional allowance in first half year (note 21) | 1,986   | -    | 78,675       | 142,847   |
| Write-offs in first half                          | (2,009) | -    | (194,132)    | (147,757) |
| Merger of Telemig (note 1)                        | 23,841  | -    | -            | -         |
| Balance at June 30                                | 23,818  | -    | 209,525      | 382,398   |
| Additional allowance in second half               |         |      |              | 70,388    |
| Write-offs in second half                         |         |      |              | (127,804) |
| Balance at December 31                            |         |      |              | 324,982   |

## 5. INVENTORIES

|                                | Company  |          | Consolidated |          |
|--------------------------------|----------|----------|--------------|----------|
|                                | 06.30.10 | 12.31.09 | 06.30.10     | 12.31.09 |
| Handsets                       | 20,590   | -        | 391,838      | 422,337  |
| Simcard (chip)                 | 2,278    | -        | 23,740       | 28,176   |
| Accessories and other          | 357      | -        | 4,680        | 9,033    |
| (-) Provision for obsolescence | (1,415)  | -        | (21,946)     | (35,912) |
| Total                          | 21,810   | -        | 398,312      | 423,634  |

Below are the changes in the provision for obsolescence:

|   | Company |      | Consolidated |         |
|---|---------|------|--------------|---------|
|   | 2010    | 2009 | 2010         | 2009    |
| Balance at January 01                         | -       | -    | 35,912       | 42,580  |
| Additional (reversal) allowance in first half | (1,245) | -    | (13,966)     | (6,165) |
| Merger of Telemig (note 1)                    | 2,660   | -    | -            | -       |
| Balance at June 30                            | 1,415   | -    | 21,946       | 36,415  |
| Reversal of provision in second half          |         |      |              | (503)   |
| Balance at December 31                        |         |      |              | 35,912  |

The costs of goods sold, which include the amounts of the provision for obsolescence, are shown in note 20.

**6. DEFERRABLE AND RECOVERABLE TAXES****6.1 Breakdown**

|   | Company   |                         | Consolidated |                         |
|---|-----------|-------------------------|--------------|-------------------------|
|   | 06.30.10  | 12.31.09<br>Resubmitted | 06.30.10     | 12.31.09<br>Resubmitted |
| Prepaid income and social contribution taxes  | 744,600   | 709,838                 | 899,737      | 814,218                 |
| Recoverable state VAT (ICMS)  | 62,164    | 199                     | 638,621      | 648,124                 |
| Recoverable Social Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and on Gross Revenue for Social Security Financing (COFINS) | 30,758    | 21,423                  | 283,055      | 315,981                 |
| Withholding income tax  | 7,499     | 6,495                   | 67,019       | 64,378                  |
| Other recoverable taxes   | 588       | 270                     | 23,795       | 23,913                  |
| Total recoverable taxes   | 845,609   | 738,225                 | 1,912,227    | 1,866,614               |
| Deferred income and social contribution taxes   | 612,919   | 428,086                 | 2,545,799    | 2,701,723               |
| ICMS to be allocated  | 32,447    | -                       | 302,126      | 288,015                 |
| Total   | 1,490,975 | 1,166,311               | 4,760,152    | 4,856,352               |
| Current   | 144,718   | 8,666                   | 1,298,546    | 1,186,231               |
| Noncurrent  | 1,346,257 | 1,157,645               | 3,461,606    | 3,670,121               |

The Company and Vivo are entitled to tax benefit of 75% reduction in the income tax calculated on the profit earned from activities in the tax incentive areas within the scope of the SUDENE (North of Minas Gerais and Vale do Jequitinhonha) and SUDAM (States of Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, Rondônia and Roraima), respectively.

The breakdown of deferred income and social contribution taxes is as follows:

|   | Company        |                         | Consolidated     |                         |
|---|----------------|-------------------------|------------------|-------------------------|
|   | 06.30.10       | 12.31.09<br>Resubmitted | 06.30.10         | 12.31.09<br>Resubmitted |
| Income and social contribution taxes loss carryforwards (a) | 419            | 419                     | 982,527          | 1,041,994               |
| Tax credit incorporated - corporate reorganization (b)      | 421,136        | 425,662                 | 510,248          | 591,850                 |
| Tax credits on temporary differences:(c)                    |                |                         |                  |                         |
| Contingencies and legal liability                           | 115,070        | 30                      | 262,387          | 227,842                 |
| Useful life changes - depreciation                          | -              | -                       | 222,499          | 222,405                 |
| Suppliers   | 14,668         | 174                     | 150,966          | 151,324                 |
| Valuation allowance and provision for losses-fixed assets   | 4,207          | -                       | 79,477           | 99,754                  |
| Doubtful accounts   | 8,106          | -                       | 71,246           | 110,494                 |
| Customer loyalty program                                    | 2,365          | -                       | 25,983           | 22,301                  |
| Derivative contracts  | 1,047          | 1,281                   | 21,699           | 9,962                   |
| Employee profit sharing                                     | 2,081          | -                       | 14,583           | 23,851                  |
| Provision for obsolescence                                  | 904            | -                       | 7,885            | 12,210                  |
| Adjustments CPCs (note 2)                                   | 11,353         | -                       | 100,825          | 102,728                 |
| Other amounts   | 31,563         | 520                     | 95,474           | 85,008                  |
| <b>Total deferred taxes on non-current assets</b>           | <b>612,919</b> | <b>428,086</b>          | <b>2,545,799</b> | <b>2,701,723</b>        |

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The deferred taxes were recorded assuming their future realization, as follows:

a) Tax loss and negative tax base: represents the amount recorded by the subsidiaries, which will be offset up to the limit of 30% of the tax base computed in the coming fiscal years and subject to no statute of limitations. The Company did not record the potential deferred income and social contribution tax credit that would arise from the use of the tax bases in the amount of R\$748,943 at June 30, 2010 (R\$688,023 at December 31, 2009), given the uncertainty, at this time, as to the Company's ability to generate future taxable results to ensure realization of these deferred taxes.

b) Tax credit incorporated: represented by the net balance of goodwill and provision for maintenance of the integrity of the shareholders' equity (note 6.2). Realization occurs proportionally to the amortization of the goodwill in its subsidiaries, in a period from 5 to 10 years. Studies performed by independent consultants hired during the corporate reorganization process support the recovery of such amounts within the above referred time.

c) Tax credits on temporary differences: their realization will occur upon the payment of the provisions, effective loss on bad debts or realization of inventories, as well as reversal of other provisions. The Company did not record the potential deferred income and social contribution tax credit that would arise from the use of the provisions in the amount of R\$220,923 at on June 30, 2010 (R\$154,757 at December 31, 2009), given the uncertainty, at this time, as to the Company's ability to generate future taxable results to ensure realization of these deferred taxes. Additionally, upon the merger of Telemig on June 01, 2010, the Company absorbed the assets of deferred income and social contribution taxes of Telemig in the amount of R\$176,505.

The Company and its subsidiaries prepared technical feasibility studies, approved by the Board of Directors, which indicated the full recovery of deferred tax amounts recognized at December 31, 2009. During the six-month period ended at June 30, 2010, no relevant fact occurred which might indicate any limitations to the full recovery of the amounts of deferred taxes recognized by Vivo and Telemig (company which was merged on June 1, 2010).

### 6.2 Tax credit incorporated – Corporate Reorganization

Prior to the mergers, provisions were booked for maintenance of the stockholders' equity of the merged company and, consequently, the net assets that were merged represent, essentially, the tax benefit arising out of the possibility of deduction of the incorporated goodwill.

Included in the accounting records held for corporate and tax purposes by the Company and its subsidiaries are specific accounts related to incorporated goodwill and provision and corresponding amortization, reversal and tax credit, the balances of which are as follows:

|  | Company          |                  |                |                  |                  |                |
|--|------------------|------------------|----------------|------------------|------------------|----------------|
|  | 06.30.10         |                  | Net            | 12.31.09         |                  | Net            |
| Goodwill   | Provision        | Goodwill         |                | Provision        |                  |                |
| Telemig Celular Participações S.A. - Corporate Restructuring | 1,135,331        | (749,319)        | 386,012        | 1,251,945        | (826,283)        | 425,662        |
| Telemig Celular S.A. - Corporate Restructuring               | 103,304          | (68,180)         | 35,124         | -                | -                | -              |
| <b>Total</b>   | <b>1,238,635</b> | <b>(817,499)</b> | <b>421,136</b> | <b>1,251,945</b> | <b>(826,283)</b> | <b>425,662</b> |
|  | Consolidated     |                  |                |                  |                  |                |
|  | 06.30.10         |                  | Net            | 12.31.09         |                  | Net            |
| Goodwill   | Provision        | Goodwill         |                | Provision        |                  |                |
| Telemig Celular Participações S.A. - Corporate Restructuring | 1,135,331        | (749,319)        | 386,012        | 1,251,945        | (826,283)        | 425,662        |

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|   |           |           |         |           |             |         |
|---|-----------|-----------|---------|-----------|-------------|---------|
| Global Telecom S.A. - Acquisition                     | 244,848   | (161,600) | 83,248  | 302,066   | (199,364)   | 102,702 |
| Telemig Celular S.A. - Corporate Restructuring        | 103,304   | (68,180)  | 35,124  | 113,501   | (74,911)    | 38,590  |
| Tele Centro Oeste Celular Participações - Acquisition | 6,648     | (4,388)   | 2,260   | 46,540    | (30,716)    | 15,824  |
| Tele Leste Celular Participações S.A. - Privatization | 10,603    | (6,999)   | 3,604   | 26,687    | (17,615)    | 9,072   |
| Total   | 1,500,734 | (990,486) | 510,248 | 1,740,739 | (1,148,889) | 591,850 |

The changes in tax credits for the six-month periods ended at June 30, 2010 and 2009 are as follows:

|                                  | Company   |      | Consolidated |           |
|----------------------------------|-----------|------|--------------|-----------|
|                                  | 2010      | 2009 | 2010         | 2009      |
| Results                          |           |      |              |           |
| Amortization of goodwill         | (118,313) | -    | (240,005)    | (614,667) |
| Reversal of provision            | 78,087    | -    | 158,403      | 405,681   |
| Tax credit                       | 40,226    | -    | 81,602       | 208,986   |
| Effect on statement of operation | -         | -    | -            | -         |

## 7. COURT DEPOSITS AND RESTRICTED AMOUNTS

The Company and its subsidiaries hold amounts in court deposit and subject to court restriction in relation to civil, labor and tax proceedings (notes 14 and 16), as shown below:

|                  | Company  |                         | Consolidated |                         |
|------------------|----------|-------------------------|--------------|-------------------------|
|                  | 06.30.10 | 12.31.09<br>Resubmitted | 06.30.10     | 12.31.09<br>Resubmitted |
| Escrow deposits  |          |                         |              |                         |
| Civil claims     | 2,092    | 419                     | 70,218       | 67,215                  |
| Labor            | 4,100    | 532                     | 43,041       | 39,167                  |
| Tax              | 582,125  | 5,042                   | 906,823      | 649,541                 |
| Total            | 588,317  | 5,993                   | 1,020,082    | 755,923                 |
| Escrow blockages | 6,727    | 1,006                   | 56,413       | 53,979                  |
| Total            | 595,044  | 6,999                   | 1,076,495    | 809,902                 |
| Current          | 8,820    | 1,072                   | 234,212      | 200,907                 |
| Noncurrent       | 586,224  | 5,927                   | 842,283      | 608,995                 |

Following is a brief description of the main court deposits in connection with tax proceedings:

### • PIS and COFINS

The Company and its subsidiaries are parties to judicial proceedings in connection with the following matters: i) debts arising out of the offsetting of tax credits resulting from overpayments not recognized by the tax authorities; ii) tax debt due to underpayment by reason of divergences in the accessory tax returns (DCTFs); and iii) discussions referring to changes in the tax rates and increase in the tax calculation bases set forth by Law no. 9718/98. At June 30, 2010, the subsidiaries held amounts in court deposits totaling R\$61,205 (R\$38,569 at December 31, 2009).

### • CIDE

The Company and its subsidiaries are parties to proceedings referring to administrative and judicial matters, aiming at discharging the assessment of the CIDE on remittances of funds abroad, in connection with agreements for transfer of technology, license of trademarks and software, etc. The balance of court deposits at June 30, 2010 was R\$91,741 (R\$63,695 at December 31, 2009).

• FISTEL (Telecommunications Inspection Fee)

Telemig (company which was merged on June 1, 2010) filed a writ of mandamus challenging its liability for the payment of the inspection fees on mobile stations not owned by it, and started booking a provision and effecting a deposit in court for the amounts referring to the TFF – Operation Inspection Fee and to the TFI – Installation Inspection Fee. The case is awaiting decision by the TRF Court of the 1st Region. June 30, 2010, Telemig held deposits in court totaling R\$529,415 (R\$416,625 at December 31, 2009).

• IRRF (Withholding Income Tax)

Telemig Participações (company which merged on November 13, 2009) filed writs of mandamus requesting the court to declare its right not to be assessed IRRF (Withholding Income Tax) at source on its receipts of interest on own capital of its subsidiary. At June 30, 2010, Telemig held deposits in court totaling R\$22,189 (R\$21,445 at December 31, 2009).

Vivo is party to other judicial proceedings relating to the following matters: i) IRRF levied on income earned from rent and royalties, salaried work and fixed income financial investments; ii) debts referring to offsetting of overpayments of IRPJ and CSLL not homologated by the Brazilian Federal Revenue Service and debt for late fine due as a result of untimely payment of the IRRF tax made on a voluntary basis; and iii) obtaining the CND (Debt Clearance Certificate) for purposes of discharging the referred debt as an impairment for obtaining debt clearance certificates in order to allow the company to have its name removed from the CADIN. At June 30, 2010, Vivo held deposits in court totaling R\$11,843 (R\$5,797 at December 31, 2009).

• IRPJ (Corporate Income Tax)

The Company was party to judicial proceedings relating to the following matters: i) renewal of the debt clearance certificate requesting authorization for depositing the fully updated amount of the debts; ii) requirement of IRPJ estimates and non-payment of debts with the SIEF; and iii) voluntary disclosure. At June 30, 2010, the deposits in court totaled R\$3,988 (R\$2,671 at December 31, 2009).

• Contribution to EBC

The SINDITELEBRASIL –Telephone Operators and Cellular and Personal Mobile Service Companies Union filed a writ of mandamus in order to challenge the Contribution for Boosting Public Broadcasting payable to EBC (Empresa Brasil de Comunicação), created by Law no. 11.652/2008. Vivo and Telemig (company which was merged on June 1, 2010), as Union members, deposited in court the amounts relating to said contribution, which totaled R\$124,782 and R\$15,205, respectively, at June 30, 2010 (R\$55,153 and R\$6,604, at December 31, 2009).

• ICMS

The Company and its subsidiaries are parties to judicial proceedings relating to the following matters: i) voluntary disclosure; ii) ICMS purportedly levied on the access, adhesion, qualification, availability and use of services, as well as those relating to supplementary services and additional facilities; right to credit for acquisition of property, plant & equipment and also electric power; and iii) prepaid service activation cards. At June 30, 2010, court deposits totaled R\$28,407 (R\$17,106 at December 31, 2009).

• Other taxes, charges and contributions

At June 30, 2010, the Company and its subsidiaries recorded deposits in court in the amount of R\$18,048 (R\$21,876 at December 31, 2009), relating to the discussion of the following matters: i) ISS tax on revenues arising out of number substitution, handset exchange, detailed bill, specific number selection, contact transfer, message number and

requested restriction of access, and assessment of ISS on cellular phone activation; ii) social contributions referring to purported absence of withholding of 11% on the amount of several invoices and receipts of service providers hired by means of labor assignment; iii) CPMF; and iv) PPNUM – Public Price for Numbering Resources Management by ANATEL.

## 8. PREPAID EXPENSES

|   | Company       |                         | Consolidated   |                         |
|---|---------------|-------------------------|----------------|-------------------------|
|   | 06.30.10      | 12.31.09<br>Resubmitted | 06.30.10       | 12.31.09<br>Resubmitted |
| FISTEL fee (*)                          | 40,744        | -                       | 353,764        | -                       |
| Advertising to be distributed           | 11,160        | -                       | 74,523         | 123,911                 |
| Rent                                    | 814           | -                       | 31,500         | 19,268                  |
| Post-employment benefit plans (note 27) | 2,864         | -                       | 6,680          | 3,822                   |
| Financial charges                       | 1,848         | 1,694                   | 6,627          | 6,747                   |
| Insurance premium                       | 599           | 314                     | 4,891          | 5,279                   |
| Software and other                      | 1,571         | 560                     | 51,470         | 26,357                  |
| <b>Total</b>                            | <b>59,600</b> | <b>2,568</b>            | <b>529,455</b> | <b>185,384</b>          |
| Current                                 | 54,494        | 998                     | 504,144        | 161,954                 |
| Noncurrent                              | 5,106         | 1,570                   | 25,311         | 23,430                  |

(\*) These refer to the amounts of the Inspection and Operation Fee for fiscal year 2010, which were paid in March and shall be amortized until the end of the fiscal year.

## 9. OTHER ASSETS

|                                     | Company      |                         | Consolidated   |                         |
|-------------------------------------|--------------|-------------------------|----------------|-------------------------|
|                                     | 06.30.10     | 12.31.09<br>Resubmitted | 06.30.10       | 12.31.09<br>Resubmitted |
| Related parties receivables         | -            | -                       | 78,385         | 79,276                  |
| Advances to employees and suppliers | 2,282        | 11                      | 34,084         | 10,562                  |
| Credits with suppliers              | 2,000        | -                       | 24,282         | 62,334                  |
| Subsidies on handsets sales         | -            | -                       | 12,590         | 10,411                  |
| Other assets                        | 2,713        | 872                     | 11,238         | 11,372                  |
| <b>Total</b>                        | <b>6,995</b> | <b>883</b>              | <b>160,579</b> | <b>173,955</b>          |
| Current                             | 6,446        | 334                     | 157,581        | 170,966                 |
| Noncurrent                          | 549          | 549                     | 2,998          | 2,989                   |

## 10. INVESTMENTS

### a) Subsidiaries information

|                                  | Vivo       | Telemig (**) | Telemig Participações (***) | Consolidated |
|----------------------------------|------------|--------------|-----------------------------|--------------|
| Total assets at 06.30.10         | 15,801,499 | -            | -                           | -            |
| Total assets at 12.31.09 (*)     | 16,181,420 | 2,165,761    | -                           | -            |
| Shareholders' equity at 06.30.10 | 7,401,413  | -            | -                           | -            |

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|  |           |         |         |
|--|-----------|---------|---------|
| Shareholders' equity at 12.31.09 (*)             | 7,920,374 | 944,359 | -       |
| Net operating revenue - January to June 2010     | 7,707,052 | -       | -       |
| Net operating revenue - January to June 2009 (*) | 7,240,655 | 809,459 | 809,459 |
| Net income - January to June 2010                | 396,391   | -       | -       |
| Net income - January to June 2009(*)             | 395,790   | 52,044  | 54,723  |

(\*) Resubmitted

(\*\*)Telemig was merged by the Company on 06/01/10.

(\*\*\*)Telemig Participações was merged by the Company on 11/13/09.

The Company holds equity interest in its subsidiaries, as table the following:

|                                      | Vivo     |          | Telemig  |          |
|--------------------------------------|----------|----------|----------|----------|
|                                      | 06.30.10 | 12.31.09 | 06.30.10 | 12.31.09 |
| Number of shares held (in thousands) |          |          |          |          |
| Common                               | 3,810    | 3,810    | -        | 2,372    |
| Interest in the voting capital       | 100.0%   | 100.0%   | -        | 100.0%   |
| Total Interest                       | 100.0%   | 100.0%   | -        | 100.0%   |

b) Breakdown

The balance of the controlling company's investments includes the interest held in the subsidiaries' equity, advances for future capital increase, as well as other investments, as shown below:

|   | Company   |                         | Consolidated |          |
|---|-----------|-------------------------|--------------|----------|
|   | 06.30.10  | 12.31.09<br>Resubmitted | 06.30.10     | 12.31.09 |
| Investment in subsidiaries  | 7,080,217 | 8,497,616               | -            | -        |
| Advance for future capital - special goodwill reserve in subsidiaries | 321,196   | 367,117                 | -            | -        |
| Other investments   | 104       | 104                     | 112          | 112      |
| Total   | 7,401,517 | 8,864,837               | 112          | 112      |

c) Changes

c.1) Investments in subsidiaries

The initial balances and the changes in investments relating to fiscal year 2009 are stated again in these financial statements (note 2).

|   | Vivo             | Telemig<br>Participações | Telemig       | Total            |
|---|------------------|--------------------------|---------------|------------------|
| <b>Balance at 12.31.08</b>                              | <b>6,506,881</b> | <b>698,929</b>           | <b>79,407</b> | <b>7,285,217</b> |
| Adjusting CPCs - Equity pick-up - 01.01.09              | (180,741)        | (6,061)                  | (923)         | (187,725)        |
| <b>Balance at 01.01.09</b>                              | <b>6,326,140</b> | <b>692,868</b>           | <b>78,484</b> | <b>7,097,492</b> |
| Equity pick-up on net income of subsidiaries            | 395,790          | 32,257                   | 3,878         | 431,925          |
| Dividends and interest on shareholders' equity intended | (101,130)        | -                        | -             | (101,130)        |
| Capital increase with special goodwill reserve          | 289,238          | 10,015                   | -             | 299,253          |
| Adjusting for dividends in 2008                         | -                | -                        | 559           | 559              |

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|  |                  |                |                |                  |
|--|------------------|----------------|----------------|------------------|
| Earnings generated in the capital increase with the special goodwill reserve | -                | 1,935          | -              | 1,935            |
| <b>Balance at 06.30.09</b>   | <b>6,910,038</b> | <b>737,075</b> | <b>82,921</b>  | <b>7,730,034</b> |
| Capital increase   | 300,000          | -              | -              | 300,000          |
| Shares merger  | -                | (112,305)      | 809,551        | 697,246          |
| Tax incentives   | 6,935            | -              | 2,202          | 9,137            |
| Unclaimed dividends and interest on shareholders' equity                     | 3,843            | -              | 928            | 4,771            |
| Dividends and interest on shareholders' equity intended                      | (296,793)        | (593,550)      | (19,281)       | (909,624)        |
| Equity pick-up on net income of subsidiaries                                 | 675,155          | (31,220)       | 22,117         | 666,052          |
| <b>Balance at 12.31.09</b>   | <b>7,599,178</b> | <b>-</b>       | <b>898,438</b> | <b>8,497,616</b> |
| Equity pick-up on net income of subsidiaries                                 | 396,391          | -              | 104,118        | 500,509          |
| Additional dividend for fiscal year 2009                                     | (915,352)        | -              | -              | (915,352)        |
| Dividends and interest on shareholders' equity intended                      | -                | -              | (52,595)       | (52,595)         |
| Write-off by merger of Telemig (note 1)                                      | -                | -              | (949,961)      | (949,961)        |
| <b>Balance at 06.30.10</b>   | <b>7,080,217</b> | <b>-</b>       | <b>-</b>       | <b>7,080,217</b> |
| c.2) Advance for future capital increase                                     |                  |                |                |                  |

The initial balances relating to fiscal year 2009 are stated again in these financial statements (note 2).

|  | Vivo           | Telemig Participações | Telemig       | Total            |
|--|----------------|-----------------------|---------------|------------------|
| <b>Balance at 01.01.09</b>                     | <b>610,434</b> | <b>561,209</b>        | <b>45,921</b> | <b>1,217,564</b> |
| Capital increase with special goodwill reserve | (289,238)      | (20,871)              | -             | (310,109)        |
| <b>Balance at 06.30.09</b>                     | <b>321,196</b> | <b>540,338</b>        | <b>45,921</b> | <b>907,455</b>   |
| Shares merger                                  | -              | (540,338)             | -             | (540,338)        |
| <b>Balance at 12.31.09</b>                     | <b>321,196</b> | <b>-</b>              | <b>45,921</b> | <b>367,117</b>   |
| Write-off by merger of Telemig (note 1)        | -              | -                     | (45,921)      | (45,921)         |
| <b>Balance at 06.30.10</b>                     | <b>321,196</b> | <b>-</b>              | <b>-</b>      | <b>321,196</b>   |

**11. PROPERTY, PLANT & EQUIPMENT, NET**

11.a) Breakdown

|           | Company   |                                    |                          |         | Company |          |                                    |
|-----------|-----------|------------------------------------|--------------------------|---------|---------|----------|------------------------------------|
|           | 06.30.10  | Property, plant and equipment, net | Accumulated depreciation |         | Cost    | 12.31.09 | Property, plant and equipment, net |
| Cost      |           |                                    |                          |         |         |          |                                    |
| 1,191,795 | (950,211) | 241,584                            | -                        | -       | -       | -        | -                                  |
| 418,340   | (269,186) | 149,154                            | 34                       | (34)    | -       | -        | -                                  |
| 346,752   | (254,282) | 92,470                             | -                        | -       | -       | -        | -                                  |
| 102,535   | (78,662)  | 23,873                             | 14                       | (14)    | -       | -        | -                                  |
| 12,086    | (5,830)   | 6,256                              | -                        | -       | -       | -        | -                                  |
| 3,055     | -         | 3,055                              | -                        | -       | -       | -        | -                                  |
| 239,412   | (180,006) | 59,406                             | 1,051                    | (1,049) | -       | -        | 2                                  |
| 64,344    | -         | 64,344                             | -                        | -       | -       | -        | -                                  |



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2,378,319 (1,738,177) 640,142 1,099 (1,097) 2

Consolidated

| Cost       | 06.30.10                 |                                    |            | 12.31.09 Resubmitted     |                                    |      |
|------------|--------------------------|------------------------------------|------------|--------------------------|------------------------------------|------|
|            | Accumulated depreciation | Property, plant and equipment, net | Cost       | Accumulated depreciation | Property, plant and equipment, net | Cost |
| 9,527,707  | (7,353,027)              | 2,174,680                          | 9,660,973  | (7,188,371)              | 2,472,602                          |      |
| 3,542,018  | (2,079,452)              | 1,462,566                          | 3,418,058  | (1,960,734)              | 1,457,324                          |      |
| 3,771,341  | (3,105,597)              | 665,744                            | 4,196,877  | (3,225,490)              | 971,387                            |      |
| 2,901,934  | (2,616,790)              | 285,144                            | 2,721,531  | (2,412,241)              | 309,290                            |      |
| 305,236    | (102,331)                | 202,905                            | 298,984    | (97,347)                 | 201,637                            |      |
| 101,080    | -                        | 101,080                            | 101,264    | -                        | 101,264                            |      |
| 1,979,304  | (1,427,349)              | 551,955                            | 1,948,183  | (1,372,115)              | 576,068                            |      |
| 255,480    | -                        | 255,480                            | 318,932    | -                        | 318,932                            |      |
| 22,384,100 | (16,684,546)             | 5,699,554                          | 22,664,802 | (16,256,298)             | 6,408,504                          |      |

11.b) Changes

The initial balances and the changes in fiscal year 2009 are stated again in these financial statements (note 2).

| Cost   | Company                |                |                     |                |               |              |   | Other assets   | Construction in progress | Total            |
|--|------------------------|----------------|---------------------|----------------|---------------|--------------|---|----------------|--------------------------|------------------|
|  | Transmission equipment | Infrastructure | Switching equipment | Terminals      | Buildings     | Land         |   |                |                          |                  |
| <b>Balances at 01.01.09</b>                    | -                      | -              | -                   | -              | -             | -            | - | <b>390</b>     | -                        | <b>390</b>       |
| <b>Balances at 06.30.09</b>                    | -                      | -              | -                   | -              | -             | -            | - | <b>390</b>     | -                        | <b>390</b>       |
| Incorporation of Telemig Celular Participações | -                      | 34             | -                   | 14             | -             | -            | - | 661            | -                        | 709              |
| <b>Balances at 12.31.09</b>                    | -                      | <b>34</b>      | -                   | <b>14</b>      | -             | -            | - | <b>1,051</b>   | -                        | <b>1,099</b>     |
| Additions                                      | 536                    | 13             | -                   | 2,892          | -             | -            | - | 474            | 21,788                   | 25,703           |
| Incorporation of Telemig (note 1)              | 1,184,180              | 416,829        | 345,946             | 99,629         | 12,086        | 3,055        | - | 232,816        | 60,400                   | 2,354,941        |
| Write-off                                      | (3,998)                | -              | -                   | -              | -             | -            | - | -              | -                        | (3,998)          |
| Transfer                                       | 11,077                 | 1,464          | 806                 | -              | -             | -            | - | 5,071          | (17,844)                 | 574              |
| <b>Balances at 06.30.10</b>                    | <b>1,191,795</b>       | <b>418,340</b> | <b>346,752</b>      | <b>102,535</b> | <b>12,086</b> | <b>3,055</b> | - | <b>239,412</b> | <b>64,344</b>            | <b>2,378,319</b> |
| <b>Depreciation Balances at 01.01.09</b>       | -                      | -              | -                   | -              | -             | -            | - | <b>(386)</b>   | -                        | <b>(386)</b>     |
| <b>Balances at 06.30.09</b>                    | -                      | -              | -                   | -              | -             | -            | - | <b>(386)</b>   | -                        | <b>(386)</b>     |
| Additions                                      | -                      | -              | -                   | -              | -             | -            | - | (2)            | -                        | (2)              |
| Incorporation of Telemig Celular               | -                      | (34)           | -                   | (14)           | -             | -            | - | (661)          | -                        | (709)            |

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|                                   |                  |                  |                  |                 |                |              |                  |               |                    |
|-----------------------------------|------------------|------------------|------------------|-----------------|----------------|--------------|------------------|---------------|--------------------|
| Participações                     |                  |                  |                  |                 |                |              |                  |               |                    |
| <b>Balances at 12.31.09</b>       | -                | (34)             | -                | (14)            | -              | -            | (1,049)          | -             | (1,097)            |
| Additions (*)                     | (3,952)          | (423)            | (1,454)          | (2,713)         | (53)           | -            | (1,044)          | -             | (9,639)            |
| Incorporation of Telemig (note 1) | (946,258)        | (268,739)        | (252,828)        | (75,935)        | (5,777)        | -            | (177,904)        | -             | (1,727,441)        |
| Transfer                          | (1)              | 10               | -                | -               | -              | -            | (9)              | -             | -                  |
| <b>Balances at 06.30.10</b>       | <b>(950,211)</b> | <b>(269,186)</b> | <b>(254,282)</b> | <b>(78,662)</b> | <b>(5,830)</b> | <b>-</b>     | <b>(180,006)</b> | <b>-</b>      | <b>(1,738,177)</b> |
| <b>Net balance at 12.31.09</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>        | <b>-</b>       | <b>-</b>     | <b>2</b>         | <b>-</b>      | <b>2</b>           |
| <b>Net balance at 06.30.10</b>    | <b>241,584</b>   | <b>149,154</b>   | <b>92,470</b>    | <b>23,873</b>   | <b>6,256</b>   | <b>3,055</b> | <b>59,406</b>    | <b>64,344</b> | <b>640,142</b>     |

| Cost                                   | Consolidated           |                    |                     |                    |                 |                |                    |                          | Total               |
|--|------------------------|--------------------|---------------------|--------------------|-----------------|----------------|--------------------|--------------------------|---------------------|
|  | Transmission equipment | Infrastructure     | Switching equipment | Terminals          | Buildings       | Land           | Other assets       | Construction in progress |                     |
| <b>Balances at 01.01.09</b>            | <b>8,979,713</b>       | <b>3,018,294</b>   | <b>4,243,681</b>    | <b>2,310,275</b>   | <b>296,670</b>  | <b>70,352</b>  | <b>1,767,321</b>   | <b>857,788</b>           | <b>21,544,094</b>   |
| Additions                              | 26,456                 | 5,688              | -                   | 209,652            | -               | -              | 27,837             | 583,044                  | 852,677             |
| Write-off                              | (176,428)              | (6,513)            | (61,094)            | (501)              | (70)            | (8)            | (9,131)            | -                        | (253,745)           |
| Transfer                               | 608,744                | 212,959            | 131,601             | 20,347             | 2,867           | 550            | 66,837             | (1,051,644)              | (7,739)             |
| <b>Balances at 06.30.09</b>            | <b>9,438,485</b>       | <b>3,230,428</b>   | <b>4,314,188</b>    | <b>2,539,773</b>   | <b>299,467</b>  | <b>70,894</b>  | <b>1,852,864</b>   | <b>389,188</b>           | <b>22,135,287</b>   |
| Additions                              | (38,609)               | 34,088             | -                   | 195,567            | -               | 30,696         | 71,596             | 621,363                  | 914,701             |
| Write-off                              | (135,839)              | (2,551)            | (10,983)            | (13,805)           | (462)           | (326)          | (10,047)           | -                        | (174,013)           |
| Transfer                               | 396,936                | 156,093            | (106,328)           | (4)                | (21)            | -              | 33,770             | (691,619)                | (211,173)           |
| <b>Balances at 12.31.09</b>            | <b>9,660,973</b>       | <b>3,418,058</b>   | <b>4,196,877</b>    | <b>2,721,531</b>   | <b>298,984</b>  | <b>101,264</b> | <b>1,948,183</b>   | <b>318,932</b>           | <b>22,664,802</b>   |
| Additions                              | 21,192                 | 7,964              | 680                 | 181,080            | 6,470           | -              | 31,336             | 373,397                  | 622,119             |
| Write-off                              | (400,792)              | (7,293)            | (463,168)           | (677)              | -               | (184)          | (32,755)           | -                        | (904,869)           |
| Transfer                               | 246,334                | 123,289            | 36,952              | -                  | (218)           | -              | 32,540             | (436,849)                | 2,048               |
| <b>Balances at 06.30.10</b>            | <b>9,527,707</b>       | <b>3,542,018</b>   | <b>3,771,341</b>    | <b>2,901,934</b>   | <b>305,236</b>  | <b>101,080</b> | <b>1,979,304</b>   | <b>255,480</b>           | <b>22,384,100</b>   |
| <b>Depreciation Saldos em 01.01.09</b> | <b>(6,647,993)</b>     | <b>(1,741,083)</b> | <b>(2,680,686)</b>  | <b>(2,005,070)</b> | <b>(87,318)</b> | <b>-</b>       | <b>(1,198,036)</b> | <b>-</b>                 | <b>(14,360,186)</b> |
| Additions (*)                          | (661,181)              | (107,574)          | (177,196)           | (201,136)          | (5,166)         | -              | (90,302)           | -                        | (1,242,555)         |
| Write-off                              | 196,209                | 5,139              | 42,155              | 449                | 71              | -              | 7,562              | -                        | 251,585             |
| Transfer                               | 399                    | 25                 | 1,204               | -                  | -               | -              | (1,349)            | -                        | 279                 |
| <b>Balances at 06.30.09</b>            | <b>(7,112,566)</b>     | <b>(1,843,493)</b> | <b>(2,814,523)</b>  | <b>(2,205,757)</b> | <b>(92,413)</b> | <b>-</b>       | <b>(1,282,125)</b> | <b>-</b>                 | <b>(15,350,877)</b> |
| Additions                              | (212,568)              | (119,614)          | (532,440)           | (220,289)          | (5,168)         | -              | (100,258)          | -                        | (1,190,337)         |
| Write-off                              | 133,161                | 2,432              | 9,144               | 13,805             | 230             | -              | 9,006              | -                        | 167,778             |
| Transfer                               | 3,602                  | (59)               | 112,329             | -                  | 4               | -              | 1,262              | -                        | 117,138             |

|                             |                    |                    |                    |                    |                  |          |                    |          |                     |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|------------------|----------|--------------------|----------|---------------------|
| <b>Balances at 12.31.09</b> | <b>(7,188,371)</b> | <b>(1,960,734)</b> | <b>(3,225,490)</b> | <b>(2,412,241)</b> | <b>(97,347)</b>  | <b>-</b> | <b>(1,372,115)</b> | <b>-</b> | <b>(16,256,298)</b> |
| Additions (*)               | (597,573)          | (123,995)          | (316,786)          | (205,201)          | (5,066)          | -        | (82,586)           | -        | (1,331,207)         |
| Write-off                   | 430,549            | 6,525              | 434,534            | 652                | -                | -        | 32,193             | -        | 904,453             |
| Transfer                    | 2,368              | (1,248)            | 2,145              | -                  | 82               | -        | (4,841)            | -        | (1,494)             |
| <b>Balances at 06.30.10</b> | <b>(7,353,027)</b> | <b>(2,079,452)</b> | <b>(3,105,597)</b> | <b>(2,616,790)</b> | <b>(102,331)</b> | <b>-</b> | <b>(1,427,349)</b> | <b>-</b> | <b>(16,684,546)</b> |

|                                |                  |                  |                |                |                |                |                |                |                  |
|--------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Net balance at 12.31.09</b> | <b>2,472,602</b> | <b>1,457,324</b> | <b>971,387</b> | <b>309,290</b> | <b>201,637</b> | <b>101,264</b> | <b>576,068</b> | <b>318,932</b> | <b>6,408,504</b> |
|--------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|

|                                |                  |                  |                |                |                |                |                |                |                  |
|--------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Net balance at 06.30.10</b> | <b>2,174,680</b> | <b>1,462,566</b> | <b>665,744</b> | <b>285,144</b> | <b>202,905</b> | <b>101,080</b> | <b>551,955</b> | <b>255,480</b> | <b>5,699,554</b> |
|--------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|

(\*)The sum of depreciation costs and expenses is shown in "Depreciation", in notes 20, 21 and 22.

The remaining balance in the transfers shown in the preceding table refers to transfers made between property, plant & equipment accounts and intangible assets accounts (note 12b).

#### 11.c) Depreciation rates

In conformity with ICPC 10, the Company and its subsidiaries effected evaluations of applied useful life in their property, plant & equipment, pursuant to the method of direct comparison to market data. The work conducted by a specialized company did not provide any material results in relation to the total net property, plant & equipment.

Property, plant & equipment are depreciated pursuant to the straight line method, at the annual rates shown below:

|                        | Yearly depreciation rates (%) |
|------------------------|-------------------------------|
| Transmission equipment | 14.29 to 20.00                |
| Infrastructure         | 2.87 to 20.00                 |
| Switching equipment    | 14.29 to 20.00                |
| Terminals              | 66.67                         |
| Buildings              | 2.86 to 4.00                  |
| Other assets           | 6.67 to 20.00                 |

#### 11.d) Interest on construction in progress

As informed in note 2, the Company and its subsidiaries have not capitalized financial expenses incurred in connection with loans and financing since January 01, 2009.

#### 11.e) Pledged assets

At June 30, 2010, the Company and its subsidiaries had items of property, plant & and equipment offered as collateral in lawsuits in the amount of R\$77,657 (R\$83,534 at December 31, 2009).

## 12. INTANGIBLE ASSETS, NET

#### 12.a) Breakdown

|  | Company  |                      |
|--|----------|----------------------|
|  | 06.30.10 | 12.31.09 Resubmitted |

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|   | Cost             | Accumulated<br>amortization | Intangible net   | Cost             | Accumulated<br>amortization | Intangible net   |
|---|------------------|-----------------------------|------------------|------------------|-----------------------------|------------------|
| Goodwill, negative goodwill and provision for losses on purchase of investments | 2,594,034        | (1,254,205)                 | 1,339,829        | 2,594,034        | (1,254,205)                 | 1,339,829        |
| Software use rights   | 588,865          | (455,346)                   | 133,519          | 385              | (385)                       | -                |
| Concession licenses   | 75,046           | (32,230)                    | 42,816           | -                | -                           | -                |
| Other assets  | 17,520           | (17,089)                    | 431              | 2,152            | (2,152)                     | -                |
| Construction in progress  | 15,116           | -                           | 15,116           | -                | -                           | -                |
| <b>Total</b>  | <b>3,290,581</b> | <b>(1,758,870)</b>          | <b>1,531,711</b> | <b>2,596,571</b> | <b>(1,256,742)</b>          | <b>1,339,829</b> |

Consolidated

|   | Cost              | 06.30.10<br>Accumulated<br>amortization | Intangible net   | Cost             | 12.31.09 Resubmitted<br>Accumulated<br>amortization | Intangible net   |
|---|-------------------|---|------------------|------------------|---|------------------|
| Goodwill, negative goodwill and provision for losses on purchase of investments | 2,678,299         | (1,322,319)                             | 1,355,980        | 2,678,299        | (1,322,319)   | 1,355,980        |
| Software use rights   | 5,064,894         | (3,730,249)                             | 1,334,645        | 4,851,880        | (3,435,616)   | 1,416,264        |
| Concession licenses   | 2,249,619         | (980,145)                               | 1,269,474        | 2,249,619        | (903,450)   | 1,346,169        |
| Other assets  | 35,622            | (28,339)                                | 7,283            | 35,338           | (26,906)  | 8,432            |
| Other assets  | 52,531            | (50,577)                                | 1,954            | 52,438           | (50,088)  | 2,350            |
| Construction in progress  | 67,883            | -                                       | 67,883           | 93,074           | -   | 93,074           |
| <b>Total</b>  | <b>10,148,848</b> | <b>(6,111,629)</b>                      | <b>4,037,219</b> | <b>9,960,648</b> | <b>(5,738,379)</b>                                  | <b>4,222,269</b> |

12.b) Changes

The initial balances and the changes in fiscal year 2009 are stated again in these financial statements, as described in note 2.

Company

| Goodwill,<br>negative<br>goodwill<br>and provision<br>for<br>losses on<br>purchase<br>of investments<br>(*) | Software<br>use rights | Concession<br>licenses | Other assets | Construction<br>in progress | Total |
|---|------------------------|------------------------|--------------|-----------------------------|-------|
|   |                        |                        |              |                             |       |

**Cost**

|  |                  |                |               |               |               |                  |
|--|------------------|----------------|---------------|---------------|---------------|------------------|
| <b>Balances at 01.01.09</b>                          | <b>2,594,034</b> | -              | -             | <b>2,152</b>  | -             | <b>2,596,186</b> |
| <b>Balances at 06.30.09</b>                          | <b>2,594,034</b> | -              | -             | <b>2,152</b>  | -             | <b>2,596,186</b> |
| Incorporation of<br>Telemig Celular<br>Participações | -                | 385            | -             | -             | -             | 385              |
| <b>Balances at 12.31.09</b>                          | <b>2,594,034</b> | <b>385</b>     | -             | <b>2,152</b>  | -             | <b>2,596,571</b> |
| Additions  | -                | 3,296          | -             | -             | 5,296         | 8,592            |
| Incorporation of<br>Telemig (note 1)                 | -                | 564,440        | 75,046        | 15,368        | 31,138        | 685,992          |
| Transfer   | -                | 20,744         | -             | -             | (21,318)      | (574)            |
| <b>Balances at 06.30.10</b>                          | <b>2,594,034</b> | <b>588,865</b> | <b>75,046</b> | <b>17,520</b> | <b>15,116</b> | <b>3,290,581</b> |

**Amortization**

|  |                    |                  |                 |                 |               |                    |
|--|--------------------|------------------|-----------------|-----------------|---------------|--------------------|
| <b>Balances at 01.01.09</b>                          | <b>(1,254,205)</b> | -                | -               | <b>(2,152)</b>  | -             | <b>(1,256,357)</b> |
| Additions (*)  | -                  | (2)              | -               | -               | -             | (2)                |
| Incorporation of<br>Telemig Celular<br>Participações | -                  | (383)            | -               | -               | -             | (383)              |
| <b>Balances at 06.30.09</b>                          | <b>(1,254,205)</b> | <b>(385)</b>     | -               | <b>(2,152)</b>  | -             | <b>(1,256,742)</b> |
| <b>Balances at 12.31.09</b>                          | <b>(1,254,205)</b> | <b>(385)</b>     | -               | <b>(2,152)</b>  | -             | <b>(1,256,742)</b> |
| Additions (*)  | -                  | (5,740)          | (377)           | (10)            | -             | (6,127)            |
| Incorporation of<br>Telemig (note 1)                 | -                  | (449,221)        | (31,853)        | (14,927)        | -             | (496,001)          |
| <b>Balances at 06.30.10</b>                          | <b>(1,254,205)</b> | <b>(455,346)</b> | <b>(32,230)</b> | <b>(17,089)</b> | -             | <b>(1,758,870)</b> |
| <b>Net balance at<br/>12.31.09</b>                   | <b>1,339,829</b>   | -                | -               | -               | -             | <b>1,339,829</b>   |
| <b>Net balance at<br/>06.30.10</b>                   | <b>1,339,829</b>   | <b>133,519</b>   | <b>42,816</b>   | <b>431</b>      | <b>15,116</b> | <b>1,531,711</b>   |

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|                             | Goodwill,<br>negative<br>goodwill and<br>provision for<br>losses on<br>purchase of<br>investments<br>(*) | Software<br>use rights | Concession<br>licenses | Goodwill        | Other<br>assets | Construction<br>in progress | Total              |
|-----------------------------|--|------------------------|------------------------|-----------------|-----------------|-----------------------------|--------------------|
| <b>Cost</b>                 |  |                        |                        |                 |                 |                             |                    |
| <b>Balances at 01.01.09</b> | <b>2,678,299</b>   | <b>3,974,243</b>       | <b>2,249,619</b>       | <b>31,962</b>   | <b>48,378</b>   | <b>198,573</b>              | <b>9,181,074</b>   |
| Additions                   | -  | 88,784                 | -                      | 825             | 2,148           | 172,919                     | 264,676            |
| Write-off                   | -  | (970)                  | -                      | -               | -               | -                           | (970)              |
| Transfer                    | -  | 248,249                | -                      | -               | 350             | (240,860)                   | 7,739              |
| <b>Balances at 06.30.09</b> | <b>2,678,299</b>   | <b>4,310,306</b>       | <b>2,249,619</b>       | <b>32,787</b>   | <b>50,876</b>   | <b>130,632</b>              | <b>9,452,519</b>   |
| Additions                   | -  | 130,683                | -                      | 2,551           | (589)           | 164,805                     | 297,450            |
| Write-off                   | -  | (494)                  | -                      | -               | -               | -                           | (494)              |
| Transfer                    | -  | 411,385                | -                      | -               | 2,151           | (202,363)                   | 211,173            |
| <b>Balances at 12.31.09</b> | <b>2,678,299</b>   | <b>4,851,880</b>       | <b>2,249,619</b>       | <b>35,338</b>   | <b>52,438</b>   | <b>93,074</b>               | <b>9,960,648</b>   |
| Additions                   | -  | 120,740                | -                      | 284             | 93              | 74,694                      | 195,811            |
| Write-off                   | -  | (5,563)                | -                      | -               | -               | -                           | (5,563)            |
| Transfer                    | -  | 97,837                 | -                      | -               | -               | (99,885)                    | (2,048)            |
| <b>Balances at 06.30.10</b> | <b>2,678,299</b>   | <b>5,064,894</b>       | <b>2,249,619</b>       | <b>35,622</b>   | <b>52,531</b>   | <b>67,883</b>               | <b>10,148,848</b>  |
| <b>Amortization</b>         |  |                        |                        |                 |                 |                             |                    |
| <b>Balances at 01.01.09</b> | <b>(1,322,319)</b>   | <b>(2,684,577)</b>     | <b>(751,018)</b>       | <b>(23,569)</b> | <b>(45,058)</b> | -                           | <b>(4,826,541)</b> |
| Additions (*)               | -  | (284,812)              | (75,619)               | (1,645)         | (1,580)         | -                           | (363,656)          |
| Write-off                   | -  | 970                    | -                      | -               | -               | -                           | 970                |
| Transfer                    | -  | (279)                  | -                      | -               | -               | -                           | (279)              |
| <b>Balances at 06.30.09</b> | <b>(1,322,319)</b>   | <b>(2,968,698)</b>     | <b>(826,637)</b>       | <b>(25,214)</b> | <b>(46,638)</b> | -                           | <b>(5,189,506)</b> |
| Additions                   | -  | (352,428)              | (76,813)               | (1,692)         | (1,298)         | -                           | (432,231)          |
| Write-off                   | -  | 496                    | -                      | -               | -               | -                           | 496                |
| Transfer                    | -  | (114,986)              | -                      | -               | (2,152)         | -                           | (117,138)          |
| <b>Balances at 12.31.09</b> | <b>(1,322,319)</b>   | <b>(3,435,616)</b>     | <b>(903,450)</b>       | <b>(26,906)</b> | <b>(50,088)</b> | -                           | <b>(5,738,379)</b> |
| Additions (*)               | -  | (301,690)              | (76,695)               | (1,433)         | (489)           | -                           | (380,307)          |
| Write-off                   | -  | 5,563                  | -                      | -               | -               | -                           | 5,563              |
| Transfer                    | -  | 1,494                  | -                      | -               | -               | -                           | 1,494              |
| <b>Balances at 06.30.10</b> | <b>(1,322,319)</b>   | <b>(3,730,249)</b>     | <b>(980,145)</b>       | <b>(28,339)</b> | <b>(50,577)</b> | -                           | <b>(6,111,629)</b> |
| Net balance at<br>12.31.09  | 1,355,980  | 1,416,264              | 1,346,169              | 8,432           | 2,350           | 93,074                      | 4,222,269          |
| Net balance at<br>06.30.10  | 1,355,980  | 1,334,645              | 1,269,474              | 7,283           | 1,954           | 67,883                      | 4,037,219          |

(\*)The sum of amortization costs and expenses are shown in "Amortization", in notes 20, 21 and 22.

The remaining balances in the transfers shown in the preceding table refer to the transfers made between property, plant & equipment accounts and intangible assets accounts (note 11b).

12.c) Amortization rates

Intangible assets with defined useful life are amortized pursuant to the straight line method at the annual rate show below:

|                     | <u>Yearly depreciation rate (%)</u> |
|---------------------|-------------------------------------|
| Software use rights | 20.00                               |
| Concession licenses | 6.67 to 20.00                       |
| Goodwill            | As contract terms                   |
| Other assets        | 10.00 to 20.00                      |

### 13. SUPPLIERS AND TRADE ACCOUNTS PAYABLE

|                                  | Company        |              | Consolidated     |                  |
|----------------------------------|----------------|--------------|------------------|------------------|
|                                  | 06.30.10       | 12.31.09     | 06.30.10         | 12.31.09         |
| Suppliers                        | 269,686        | 2,197        | 2,098,088        | 2,170,586        |
| Amounts to be transferred LD (a) | 47,009         | -            | 347,157          | 405,619          |
| Interconnection and linking      | 37,545         | -            | 267,392          | 324,078          |
| Technical assistance             | -              | -            | 85,756           | 100,484          |
| Other                            | 7,191          | 148          | 55,146           | 52,820           |
| <b>Total</b>                     | <b>361,431</b> | <b>2,345</b> | <b>2,853,539</b> | <b>3,053,587</b> |

(a) The amounts refer to VC2, VC3 and roaming charges, invoiced to the Company's and subsidiaries' customers and transferred to the long distance call operators.

### 14. TAXES, FEES AND CONTRIBUTIONS PAYABLE

|  | Company        |                         | Consolidated     |                         |
|--|----------------|-------------------------|------------------|-------------------------|
|  | 06.30.10       | 12.31.09<br>Resubmitted | 06.30.10         | 12.31.09<br>Resubmitted |
| ICMS (a)   | 47,386         | -                       | 809,830          | 767,466                 |
| FISTEL (b)                                       | 548,631        | -                       | 666,243          | 516,375                 |
| Current income and social contribution taxes (c) | 70,050         | 15,620                  | 205,926          | 117,565                 |
| PIS and COFINS                                   | 15,933         | 19,600                  | 155,666          | 164,329                 |
| CIDE (d)   | 120            | -                       | 112,517          | 80,933                  |
| Deferred Income tax and social contribution      | 14,266         | -                       | 30,453           | 28,837                  |
| FUST and FUNTTEL                                 | 1,240          | -                       | 12,250           | 11,658                  |
| Other taxes, fees and mandatory contributions    | 7,805          | 1,389                   | 23,696           | 31,163                  |
| <b>Total</b>                                     | <b>705,431</b> | <b>36,609</b>           | <b>2,016,581</b> | <b>1,718,326</b>        |
| Current  | 122,165        | 36,609                  | 1,096,499        | 953,355                 |
| Noncurrent                                       | 583,266        | -                       | 920,082          | 764,971                 |

(a) The amounts of R\$313,148, at June 30, 2010 (R\$271,611 at December 31, 2009) are included in the consolidated statements, referring to the ICMS - More Jobs for Paraná Program, resulting from an agreement with the Paraná State Government involving the deferral of ICMS tax payment. Such Agreement provides for that the ICMS becomes due always in the 49th month following that in which the ICMS tax is calculated. This amount is adjusted to the variation of the Annual Indexation Factor (FCA).

(b) They include the amounts referring to the writ of mandamus Telemig (company which was merged on June 1, 2010) filed, challenging the liability for the payment of the inspection fees on mobile stations which are not owned by it, and started booking a provision and effecting a deposit in court for the amounts referring to the TFF – Operation Inspection Fee and to the TFI – Installation Inspection Fee. The case is awaiting decision by the TRF Court of the 1st Region. In the opinion of its legal counsels, the chances of loss in these proceedings are possible. Although being a

case for which probable loss is possible, the Company kept a provision because it considered the same as a legal liability, having made deposits in court totaling R\$529,415 at June 30, 2010 (R\$416,625 at December 31, 2009), note 7.

(c) They include Telemig Participações (company which was merged on November 13, 2009 ), filed writs of mandamus requesting the court to declare its right not to be assessed IRRF (Withholding Income Tax) at source on its receipts of interest on own capital of its subsidiary. Based on the opinion of its legal counsels, said proceedings are classified as possible risk. Although being a case for which probable loss is possible, the Company kept a provision because it considered the same as a legal liability, having made deposits in court totaling R\$22,189 at June 30, 2010 (R\$21,445 at December 31, 2009), note 7.

(d) They include the amounts of administrative and judicial proceedings, seeking to discharge the assessment of the CIDE on remittances of funds abroad, in connection with agreements for transfer of technology, license of trademarks and software, etc. The Company and its subsidiaries recorded court deposits in the amount of R\$112,517 at June 30, 2010 (R\$80,933 at December 31, 2009), having made deposits in court totaling R\$91,741 (R\$63,695 at December 31, 2009), note 7.

## 15. LOANS, FINANCING AND DEBENTURES

### 15.a) Debt breakdown

#### a.1) Loans and financing

| Description                          | Currency   | Interest                           | Maturity                | Company  |          | Consolidated |           |
|--------------------------------------|------------|------------------------------------|-------------------------|----------|----------|--------------|-----------|
|                                      |            |                                    |                         | 06.30.10 | 12.31.09 | 06.30.10     | 12.31.09  |
| BNDES                                | URTJLP (*) | TJLP + 4,30% p.a.<br>to 4,60% p.a. | 07/15/10 to<br>08/15/14 | -        | -        | 1,305,680    | 1,470,063 |
| Banco Europeu de Investimentos - BEI | USD        | 4,18% p.a to<br>4,47% p.a.         | 08/30/10 to<br>03/02/15 | -        | -        | 676,467      | 635,066   |
| Banco do Nordeste do Brasil - BNB    | R\$        | 10,00% p.a                         | 07/29/10 to<br>10/30/16 | -        | -        | 568,477      | 587,627   |
| Caixa Geral de Depósitos             | USD        | LIBOR +<br>1,20% p.a.              | 10/19/10                | -        | -        | 270,862      | -         |
| Nota de Crédito Comercial            | R\$        | 103,8% of the<br>CDI               | 08/03/2010              | -        | -        | 113,957      | -         |
| Resolução 2770                       | USD        | 5,94% p.a                          | 07/23/2010              | -        | -        | 99,415       | 95,327    |
| BNDES PSI                            | R\$        | 4,50% p.a                          | 07/15/10 to<br>03/15/20 | 12,935   | -        | 80,716       | -         |
| Resolução 2770                       | JPY        | 2,60% p.a                          | 01/18/2011              | -        | -        | 28,982       | 26,415    |
| BNDES                                | UMBND (**) | 8,89% p.a                          | 07/15/10 to<br>07/15/11 | -        | -        | 3,077        | 4,327     |
| Comissão BBVA                        | -          | 0,43% p.a.                         | 08/30/10 to<br>02/28/15 | -        | -        | 203          | 188       |
| Resolução 2770                       | R\$        |                                    |                         | -        | -        | -            | 176,016   |
| Total                                |            |                                    |                         | 12,935   | -        | 3,147,836    | 2,995,029 |
| Current                              |            |                                    |                         | 105      | -        | 962,764      | 688,397   |
| Noncurrent                           |            |                                    |                         | 12,830   | -        | 2,185,072    | 2,306,632 |

(\*) URTJLP – Long term interest rate reference unit, used by the BNDES as the contract currency in loan agreements.



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(\*\*) UMBND – Monetary unit, based on a currency basket used by the BNDES as the contract currency in loan agreements.

At May 14, 2010, funds were released from an indirect credit facility granted by the BNDES (PSI Program) in the total amount of R\$99,679. These funds are being used for the acquisition of domestic equipment, registered with the BNDES (Finame) in projects designed for network capacity expansion. Because it is subsidized financing by BNDES they refer to a financing at a rate lower than the market standard (4.5% p.a.) and falling within the CPC 07 - Governmental Subsidy and Assistance concepts. Thus, using the effective interest method defined by the CPC 38 Financial Instruments: Acknowledgment and Measurement The following considerations were made: was realized a comparative between i) the total value of debt calculated with the rates fixed by contract and ii) the total debt calculated using the rates charged by the market (fair value). Based on this comparative, the subsidy granted by BNDES adjusted to present value was R\$19,555, this amount being recorded in the group “Other Liabilities – Deferred Revenues/Government Subvention”, and is deferred for the useful life of the asset being financed and appropriate in the group “Other operating revenue (expenses), net”.

a.2) Debentures

| Description                    | Currency | Interest                    | Maturity             | Company   |           | Consolidated |           |
|--------------------------------|----------|-----------------------------|----------------------|-----------|-----------|--------------|-----------|
|                                |          |                             |                      | 06.30.10  | 12.31.09  | 06.30.10     | 12.31.09  |
| Debentures (2nd Issue)         | R\$      | 106,0% to 120,0% of the CDI | 4/5/2015             | 549,295   | 1,014,631 | 549,295      | 1,014,631 |
| Debentures (3rd Issue)         | R\$      |                             |                      | -         | 232,279   | -            | 232,279   |
| Debentures (4th Issue)         | R\$      | 108,0% to 112,0% of the CDI | 10/15/10 to 10/15/13 | 753,489   | 752,447   | 753,489      | 752,447   |
| Debentures (4th Issue)         | R\$      | IPCA + 7,00%                | 10/15/10 to 10/15/14 | 79,901    | 74,911    | 79,901       | 74,911    |
| Debentures (1st Issue Telemig) | R\$      | IPCA + 0,50% p.a            | 5/7/2021             | 61,718    | -         | 61,718       | 59,600    |
| Issuance costs                 | R\$      |                             |                      | (3,839)   | (4,403)   | (3,839)      | (4,403)   |
| Total                          |          |                             |                      | 1,440,564 | 2,069,865 | 1,440,564    | 2,129,465 |
| Current                        |          |                             |                      | 29,680    | 266,256   | 29,680       | 266,256   |
| Noncurrent                     |          |                             |                      | 1,410,884 | 1,803,609 | 1,410,884    | 1,863,209 |

15.b) Repayment schedule

At June 30, 2010, the non-current portion of loans, financing and debentures were broken down by maturity year as follows:

| Year | Company | Consolidated |
|------|---------|--------------|
| 2011 | 4,848   | 223,796      |
| 2012 | 443,949 | 889,745      |
| 2013 | 643,218 | 1,089,346    |
| 2014 | 62,776  | 557,126      |

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|            |           |           |
|------------|-----------|-----------|
| 2015       | 201,985   | 688,068   |
| After 2015 | 66,938    | 147,875   |
| Total      | 1,423,714 | 3,595,956 |

15.c) Loan covenants

Vivo has loans and financing borrowed from Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the balance of which at June 30, 2010 was R\$1,389,473 (R\$1,474,390 at December 31, 2009). In accordance with the contracts, there are several economic and financial indexes that must be calculated on a six-month and yearly basis. At the same date, all economic and financial indexes established in the contracts were met.

The 4th issue debentures, the balance of which net of issue costs at June 30, 2010 was R\$829,551 (R\$822,955 at December 31, 2009), have economic and financial indexes which must be calculated on a quarterly basis. At that same date, all the economic and financial indexes established in the contracts were met.

The service agreement entered into by Telemig (company which was merged on June 1, 2010) with the State Department of Economic Development in relation to the debentures, the balance of which at June 30, 2010 was R\$61,718 (R\$59,600 at December 31, 2009), sets forth covenants on petitions for judicial and extrajudicial recovery, liquidation, dissolution, insolvency, voluntary bankruptcy or decree of bankruptcy, payment default, non-compliance with non-fiduciary obligations and compliance with a certain financial. At that same date, all covenants were fulfilled by Telemig.

15.d) Guarantees

At June 30, 2010, guarantees were granted for part of the Company's and its subsidiaries' loans and financing, according to the table below:

| <u>Banks</u>                           | <u>Loan / financing balance</u>  | <u>Guarantees</u>   |
|--|--|---|
| BNDES                                  | R\$1,305,680 (URTJLP)<br>R\$3,077 (UMBNDDES)<br>R\$80,716 (PSI Contract) | <ul style="list-style-type: none"> <li>• Agreement (Vivo) R\$1,286,465: Accounts receivable granted as guarantee of 15% of the outstanding balance or four (4) times the amount of the highest installment, whichever is higher.</li> <li>• Agreement (Vivo) R\$22,291: pledge of 15% of the accounts receivable referring to the services revenue.</li> <li>• Agreement (Vivo/Vivo Participações) R\$80,716: disposal of the financed assets, relating to the Investment Support Program – PSI.</li> <li>• Vivo Participações is the intervening guarantor.</li> </ul> |
| Banco Europeu de Investimento – BEI    | R\$676,467   | <ul style="list-style-type: none"> <li>• Commercial risk guaranteed by Banco BBVA Portugal.</li> </ul>  |
| Banco do Nordeste do Brasil S.A. – BNB | R\$568,477   | <ul style="list-style-type: none"> <li>• Bank security granted by Banco Bradesco S.A. in the amount equal to 100% of the outstanding loan debt.</li> <li>• Creation of a liquidity fund represented by financial investments in the amount equal to three (3) amortization installments, based on the post-grace period average installment.</li> <li>• Vivo Participações is the intervening guarantor.</li> </ul>   |

15.e) Debentures

e.1) Fund raising by the company

2nd Issue

Within the scope of the first securities distribution program in the amount of R\$2 billion, announced on August 20, 2004, the Company issued debentures related to the 2nd Issue of the Company, in the amount of R\$1 billion, on May 01, 2005, with a term of ten years, counted as from the issue date, that is, May 01, 2005.

Such offering consisted of the issue in two series, being R\$ 200 million in the first series, and R\$800 million in the second series, with final maturity on May 4, 2015. The debentures accrue interest, payable on a semiannual basis, corresponding to 120.0% (first series) and 104.2% (second series) of the accumulated daily average rates for the DI (one-day Interbank, extra group deposits) (DI rates), as calculated and published by the CETIP.

Rescheduling

1st Series

In May 2009, the debentures of the 1st Series of the 2nd Issue of the Company, as approved by the Board of Directors of the Company on March 30, 2009, were rescheduled. The new effective term of remuneration is 24 months, counted from May 01, 2009, during which time the remuneration conditions defined herein shall remain unchanged. During this second term of remuneration, the debentures of the 1st Series of the 2nd Issue of the Company shall be entitled to a remuneration of 120.0% of the average rate of the one-day Interfinancial Deposits – the DI over extra-group rate, calculated in accordance with the formula contained in clause 4.9 of the “2nd issue Indenture”. The payments of remuneration of the debentures shall be made on November 01, 2010 and May 01, 2011.

Rescheduling of the debentures remuneration is expected to occur on May 01, 2011 (first series).

2nd Series

At the meetings of the Board of Directors of the Company held on April 25, 2005 and on May 13, 2005 the details of the 2nd Series of the 2nd Issue of the Company were approved.

In May 2010, the debentures of the 2nd Series of the 2nd Issue of the Company were renegotiated in accordance with all the conditions approved by the Board of Directors held on May 29, 2010. The total rescheduled amount was R\$340,230, being the portion of R\$459,770 was settled by the Company with dissenting debenture holders. The new term is of 24 months, beginning on May 01, 2010, during which time the remuneration conditions set forth herein shall remain unchanged. During the second term of remuneration (until May 01, 2012), the debentures of the Company will be entitled to a remuneration of 106.00% (one hundred and six per cent) of the average rate of the one-day Interfinancial Deposits, called extra group DI Rate, calculated in accordance with the formula contained in section 4.9 of the “2nd Issue Indenture”. The payments of remuneration of the debentures shall be made on November 01, 2010, May 02, 2011, November 01, 2011 and May 04, 2012.

3rd Issue

At January 11, 2010, the Company settled the simple, non-convertible, unsecured, sole series debentures of the 3rd public issue, totaling R\$210 million, earning interest of 113.55% of the Interfinancial Deposits (DI) in the amount of R\$23 million.

4th Issue

On September 04, 2009, the Board of Directors approved the 4th public issue, by the Company, of simple, unsecured debentures not convertible into stock, all of them registered and of book-entry type, with tenor of 10 years.

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The total amount of the issue was R\$810 million, of which the basic offering corresponds to R\$600 million, added by R\$210 million due to the full exercise of the additional debentures option.

A total of eight hundred and ten thousand (810,000) debentures were issued in three (3) series, being 98,000 debentures in the 1st series, 640,000 in the 2nd series and 72,000 in the 3rd series. The amount of debentures allocated to each of the series was decided in mutual agreement between the Company and the Leader Arranger of the Offering, after the conclusion of the Bookbuilding procedure.

The interest payment for the 1st series will be of 108.00% of the CDI, for the 2nd series of 112.00% of the CDI and for the 3rd series, coupon of 7.00% yearly (on the nominal value adjusted to the variation of the IPCA index). These debentures earn interest with semiannual payments in the 1st and 2nd series and annual payments in the 3rd series.

Rescheduling of each series is provided for as follows: 1st series, on October 15, 2012, 2nd series, on October 15, 2013, and 3rd series, on October 15, 2014.

The proceeds raised from the issue of the offering were used for full payment of the principal of the debt represented by the 6th issue of commercial promissory notes of the Company and supplementation of the working capital of the Company.

The transaction costs in connection with this issue in the amount of R\$3,839 at June 30, 2010 were appropriated to a liabilities reduction account as costs to be incurred, and are recorded as financial expenses of the Company (note 24), pursuant to the contractual terms of this issue. The actual rate of this issue, considering the transaction costs, is of 112.13% of the CDI.

e.2) Fund raising by Telemig (company which was merged on June 1, 2010)

### 1st Issue

In compliance with the Contract for Provision of SMP Services, in conformity with the Public Selection No 001/07, the State of Minas Gerais, acting through the State Department for Economic Development, has undertaken to subscribe debentures issued by Telemig (company which was merged on June 1, 2010), within the scope of the “Minas Comunica” Program, using proceeds from the Fund for Universalization of Access to Telecommunications Services (Fundo de Universalização do Acesso a Serviços de Telecomunicações) - FUNDOMIC. Under the terms of this Program, Telemig Celular would make the SMP service available to 134 locations in the areas recorded as 34, 35 and 38.

Also according to the program, 5,550 simple, unsecured, nonconvertible, registered, book-entry type debentures would be issued, without stock certificates being issued, in up to five series.

In consideration for the certification by the State Department of Economic Development of the service to be provided to 15 locations, 621 debentures were issued in the 1st Series of the 1st issue, amounting to R\$ 6,210. In March 2008, for the service at 42 locations, 1,739 debentures were issued in the 2nd Series of the 1st issue, valued at R\$ 17,390. At December 31, 2008, for the service at 77 locations, 3,190 debentures were issued in the 3rd Series of the 1st issue, valued at R\$31,900, thus completing the program for providing service to 134 locations inside the state of Minas Gerais.

## 16. PROVISION FOR CONTINGENCIES

The Company and its subsidiaries are parties to lawsuits that generate administrative and judicial contingencies related to labor, tax and civil claims. Relevant accounting provisions have been booked with respect to such lawsuits in which the chance of loss was deemed as probable.

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16.1) Breakdown

The breakdown of the balances of such provisions at March 31, 2010 and December 31, 2009 was as follows:

|              | Company       |                         | Consolidated   |                         |
|--------------|---------------|-------------------------|----------------|-------------------------|
|              | 06.30.10      | 12.31.09<br>Resubmitted | 06.30.10       | 12.31.09<br>Resubmitted |
| Civil        | 18,579        | 1,509                   | 147,755        | 150,490                 |
| Labor        | 7,780         | -                       | 84,251         | 78,875                  |
| Tax          | 3,694         | -                       | 36,367         | 31,314                  |
| Regulatory   | 2,894         | -                       | 16,495         | 17,464                  |
| <b>Total</b> | <b>32,947</b> | <b>1,509</b>            | <b>284,868</b> | <b>278,143</b>          |
| Current      | 16,784        | 1,168                   | 125,806        | 134,181                 |
| Noncurrent   | 16,163        | 341                     | 159,062        | 143,962                 |

16.2) Changes:

The initial balances and the changes to the provisions for contingencies are stated again in these financial statements (note 2).

|   | Company       |              |              |              |               |
|---|---------------|--------------|--------------|--------------|---------------|
|   | Civil         | Regulatory   | Labor        | Tax          | Total         |
| <b>Balance at 01. 01.09</b>                     | <b>1,705</b>  | -            | <b>11</b>    | -            | <b>1,716</b>  |
| Provisions recorded, net of reversals (note 23) | (159)         | -            | -            | -            | (159)         |
| Payments  | (7)           | -            | -            | -            | (7)           |
| <b>Balance at 06.30.09</b>                      | <b>1,539</b>  | -            | <b>11</b>    | -            | <b>1,550</b>  |
| Provisions recorded, net of reversals           | (21)          | -            | (11)         | -            | (32)          |
| Payments  | (9)           | -            | -            | -            | (9)           |
| <b>Balance at 12.31.09</b>                      | <b>1,509</b>  | -            | -            | -            | <b>1,509</b>  |
| Provisions recorded, net of reversals (note 23) | 964           | -            | 1,824        | 145          | 2,933         |
| Monetary variation                              | -             | -            | -            | 2            | 2             |
| Incorporation Telemig (note 1)                  | 16,586        | 2,894        | 6,243        | 3,547        | 29,270        |
| Payments  | (480)         | -            | (287)        | -            | (767)         |
| <b>Balance at 06.30.10</b>                      | <b>18,579</b> | <b>2,894</b> | <b>7,780</b> | <b>3,694</b> | <b>32,947</b> |
| Current   | 9,730         | 2,894        | 4,160        | -            | 16,784        |
| Noncurrent                                      | 8,849         | -            | 3,620        | 3,694        | 16,163        |

  

|   | Consolidated   |               |               |               |                |
|---|----------------|---------------|---------------|---------------|----------------|
|   | Civil          | Regulatory    | Labor         | Tax           | Total          |
| <b>Balance at 01. 01.09</b>                     | <b>155,306</b> | <b>15,369</b> | <b>72,687</b> | <b>30,799</b> | <b>274,161</b> |
| Provisions recorded, net of reversals (note 23) | 48,720         | 7,286         | 14,733        | (934)         | 69,805         |
| Monetary variation                              | -              | 686           | -             | 438           | 1,124          |
| Payments  | (49,085)       | (1,473)       | (8,227)       | (137)         | (58,922)       |
| <b>Balance at 06.30.09</b>                      | <b>154,941</b> | <b>21,868</b> | <b>79,193</b> | <b>30,166</b> | <b>286,168</b> |
| Provisions recorded, net of reversals           | 51,801         | (187)         | 11,992        | 1,241         | 64,847         |
| Monetary variation                              | -              | (1,060)       | -             | 333           | (727)          |
| Payments  | (56,252)       | (3,157)       | (12,310)      | (426)         | (72,145)       |

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|  |                |               |               |               |                |
|--|----------------|---------------|---------------|---------------|----------------|
| <b>Saldos em 31.12.09</b>                          | <b>150,490</b> | <b>17,464</b> | <b>78,875</b> | <b>31,314</b> | <b>278,143</b> |
| Provisions recorded, net of reversals<br>(note 23) | 43,253         | 3,768         | 15,163        | 1,004         | 63,188         |
| Monetary variation                                 | -              | (144)         | -             | 4,226         | 4,082          |
| Payments   | (45,988)       | (4,593)       | (9,787)       | (177)         | (60,545)       |
| <b>Balance at 06.30.10</b>                         | <b>147,755</b> | <b>16,495</b> | <b>84,251</b> | <b>36,367</b> | <b>284,868</b> |
| Current  | 83,830         | 16,495        | 22,382        | 3,099         | 125,806        |
| Noncurrent   | 63,925         | -             | 61,869        | 33,268        | 159,062        |

16.3) Comments/Details

16.3.1 Probable Loss

a) Tax Proceedings

State Taxes

At June 30, 2010, Vivo (RJ, SP, AM and RR) was holding administrative and legal discussions on ICMS taxes that, based on the opinion of its legal advisors, are classified as probable loss and therefore are provisioned at R\$28,990 (R\$24,759 at December 31, 2009).

Federal Taxes

At June 30, 2010, Vivo was holding administrative discussions on federal taxes (IRPJ/PIS/COFINS) that, based on the opinion of its legal advisors, are provisioned at R\$730 (R\$2,824 at December 31, 2009).

Other Taxes

At June 30, 2010, Vivo was holding administrative discussions on other taxes amounting to R\$3,100 (R\$184 at December 31, 2009), which were provisioned based on the opinion of its legal advisors.

b) Civil Proceedings

Civil proceedings include civil claims, on several levels, and as previously shown, a provision considered sufficient to cover probable losses in those proceedings was accounted for.

Consumers

The Company and its subsidiaries are facing several legal proceedings filed by individual consumers or by civil associations representing the rights of consumers who claim non-fulfillment of services and/or products sold. On an individual basis, none of those proceedings is considered relevant.

At June 30, 2010, based on the opinion of its external legal advisors, R\$133,106 (R\$145,756 at December 31, 2009) were provisioned, and such amount was considered sufficient to cover probable losses in those proceedings.

Other cases

They refer to proceedings of other natures, all of them relating to the regular business course. At June 30, 2010, based on the opinion of its external legal advisors, R\$14,649 (R\$4,734 at December 31, 2009) were provisioned, and such amount was considered sufficient to cover probable losses in those proceedings.

c) Regulatory Proceedings

The Company and its subsidiaries are facing several administrative proceedings filed by ANATEL relating to a purported noncompliance with the Regulation regarding the Personal Mobile Service - SMP. At June 30, 2010 R\$16,495 (R\$17,464 at December 31, 2009) were provisioned, and such amount was considered sufficient to cover probable losses in those proceedings.

d) Labor Claims

They include several labor claims, and as previously shown, a provision considered sufficient to cover probable losses in those proceedings was accounted for.

16.3.2 Possible Loss

Based on the opinion of its legal advisors, the Company Management believes that the settlement of the issues listed below will not produce any material adverse effects on its financial condition.

At June 30, 2010 and December 31, 2009, the amounts of lawsuits of such nature, classified as possible loss, were as follows:

|            | Consolidated |           |
|------------|--------------|-----------|
|            | 06.30.10     | 12.31.09  |
| Civil      | 534,820      | 534,602   |
| Consumers  | 454,050      | 492,819   |
| Others     | 80,770       | 41,783    |
| Regulatory | 9,224        | 7,570     |
| Labor      | 211,612      | 205,501   |
| Tax (*)    | 4,288,644    | 3,842,217 |
| Total      | 5,044,300    | 4,589,890 |

(\*) These refer to administrative and judicial claims in connection with the following taxes: ICMS, PIS, COFINS, ISS, IRPJ, IRRF, CSLL, IOF, CPMF, FUST, FUNTTEL, FISTEL and Contribution for Boosting Public Broadcasting (EBC) and Social Contributions. Relevant lawsuits filed in this half refer to the same matters already in course at December 31, 2009.

At July 02, 2002, a delinquency notice was issued against Telemig by the National Social Security Institute (INSS) relating to the joint and several liability for the payment of the contribution to the INSS of service providers and the 11% withholding provided for in Law no. 9711/98. Although this is a case with possible chance of loss, at June 30, 2010 and December 31, 2009 Telemig held a provision in the amount of R\$3,547 in order to cover eventual losses arising out of the referred delinquency notice, based on the opinion of its legal counsels. The proceedings are awaiting decision in the administrative sphere.

The Company is involved in discussions relating to the return to its customers of amounts liquidated as contributions to Social Security Financing (COFINS) and Social Integration Program (PIS).

16.4) Guarantees

At June 30, 2010, the Company posted guarantees to proceedings of a tax, civil and labor nature, as follows:

Consolidated

|                  | Property and<br>Equipment | Escrow Deposits | Letter Guarantee | Total          |
|------------------|---------------------------|-----------------|------------------|----------------|
| Civil and labors | 13,717                    | 113,259         | 12,753           | 139,729        |
| Tax              | 63,940                    | 3,547           | 353,980          | 421,467        |
| <b>Total</b>     | <b>77,657</b>             | <b>116,806</b>  | <b>366,733</b>   | <b>561,196</b> |

In addition to the above mentioned guarantees, at June 30, 2010, the Company and its subsidiaries had amounts recorded as guarantee of lawsuits (blocked deposits in court) totaling R\$56,413 (R\$53,979 at December 31, 2009) (note 7).

#### 16.5) Tax Audits

According to the current Brazilian law, federal, state and municipal taxes and social contributions are subject to review by the proper authorities for periods ranging from 5 to 30 years.

### 17. OTHER LIABILITIES

|   | Company        |                         | Consolidated     |                         |
|---|----------------|-------------------------|------------------|-------------------------|
|   | 06.30.10       | 12.31.09<br>Resubmitted | 06.30.10         | 12.31.09<br>Resubmitted |
| Deferred Revenue                            | 56,096         | -                       | 532,357          | 559,116                 |
| Deferred revenue - Services and goods       | 53,071         | -                       | 480,820          | 526,106                 |
| (a)   |                |                         |                  |                         |
| Deferred revenue - donations (b)            | -              | -                       | 32,151           | 33,010                  |
| Deferred revenue - government grants        | 3,025          | -                       | 19,386           | -                       |
| (c)   |                |                         |                  |                         |
| Reverse stock split (d)                     | 203,140        | 190,489                 | 246,697          | 246,930                 |
| Provision for disposal of assets (e)        | 28,086         | -                       | 172,111          | 153,739                 |
| Provision fidelity program                  | 7,601          | -                       | 77,066           | 65,591                  |
| Provision for post-employment benefit plans | 9,696          | -                       | 20,656           | 18,171                  |
| Liabilities with intercompany               | 451            | 327                     | 2,251            | 1,180                   |
| Others                                      | 865            | 471                     | 2,820            | 3,638                   |
| <b>Total</b>                                | <b>305,935</b> | <b>191,287</b>          | <b>1,053,958</b> | <b>1,048,365</b>        |
| Current                                     | 264,717        | 190,951                 | 808,886          | 840,910                 |
| Noncurrent                                  | 41,218         | 336                     | 245,072          | 207,455                 |

a) They refer to the amounts of recharge of prepaid customers and multi-element revenue contracts, both being appropriated to the income to the extent to which services are provided to customers (note 2).

b) They refer to donations of network equipment by suppliers, which are amortized for the term of the useful life of the referred equipment (note 2).

c) They refer to the government subsidy arising out of the proceeds of the a credit facility granted by the BNDES (PSI Program), used in the acquisition of domestic equipment registered with the BNDES (Finame) and used in projects for network capacity expansion, and which are amortized during the term of the useful life of the equipment (note 15).

d) They refer to credit made available to the holders of shares remaining as a result of the reverse stock split of the capital stock of the Company and of its subsidiaries.

e) They refer to the costs to be incurred in connection with the eventual need of giving back the sites (locations for installation of Radio Base Stations – RBS of the subsidiaries) to their owners in the same conditions as they were found



at the time of the execution of the initial lease contracts thereof.

Following are the changes in the consolidated provisions referring to the table above:

|  | Provision<br>for disposal<br>of assets | Company<br>Provision<br>fidelity<br>program | Provision for<br>post-employment<br>benefit plans | Provision<br>for disposal<br>of assets | Consolidated<br>Provision<br>fidelity<br>program | Provision for<br>post-employment<br>benefit plans |
|--|--|---|---|--|--|---|
| Balance at 01.01.09                      | -                                      | -   | -   | 183,387                                | 117,590  | 12,620  |
| Provisions recorded, net<br>of reversals | -                                      | -   | -   | 15,107                                 | (11,327)   | 1,028   |
| Monetary variation                       | -                                      | -   | -   | 536                                    | -  | -   |
| Balance at 06.30.09                      | -                                      | -   | -   | 199,030                                | 106,263  | 13,648  |
| Provisions recorded, net<br>of reversals | -                                      | -   | -   | (20,049)                               | (40,672)   | (1,738)   |
| Monetary variation                       | -                                      | -   | -   | (25,242)                               | -  | -   |
| Actuarial gains and<br>losses, net       | -                                      | -   | -   | -                                      | -  | 15,551  |
| Adjustments limits on<br>surplus plans   | -                                      | -   | -   | -                                      | -  | (9,290)   |
| Balance at 12.31.09                      | -                                      | -   | -   | 153,739                                | 65,591   | 18,171  |
| Provisions recorded, net<br>of reversals | 33                                     | 644   | 85  | 7,918                                  | 11,475   | 2,485   |
| Incorporation of Telemig<br>(note 1)     | 27,394                                 | 6,957                                       | 9,611   | -                                      | -  | -   |
| Monetary variation                       | 659                                    | -   | -   | 10,454                                 | -  | -   |
| Balance at 06.30.10                      | 28,086                                 | 7,601                                       | 9,696   | 172,111                                | 77,066   | 20,656  |

## 18. SHAREHOLDERS' EQUITY

### a) Capital Stock

Pursuant to the Articles of Incorporation, the Company may increase its capital stock up to the limit of seven hundred and fifty million (750,000,000) shares (authorized capital), either common or preferred, regardless of the amendment to the articles of incorporation, with the Board of Directors being the competent body to resolve on the increase and the consequent issue of new shares up to the referred limit.

At June 30, 2010 and December 31, 2009 the subscribed and paid-up capital stock of the Company was R\$8,780,150, represented by shares with no face value, distributed among the shareholders as follows:

| Shareholders                          | Common             | %           | Preferred          | %           | Total              | %,<br>includes<br>treasury<br>shares | %, except<br>treasury<br>shares |
|---------------------------------------|--------------------|-------------|--------------------|-------------|--------------------|--------------------------------------|---------------------------------|
| Brasilcel, NV                         | 52,731,031         | 38.4        | 91,087,513         | 34.6        | 143,818,544        | 35.9                                 | 36.0                            |
| Portelcom<br>Participações S.A.       | 52,116,302         | 38.0        | 24,669,191         | 9.4         | 76,785,493         | 19.2                                 | 19.2                            |
| TBS Celular<br>Participações Ltda     | 17,204,638         | 12.5        | 291,449            | 0.1         | 17,496,087         | 4.4                                  | 4.4                             |
| <b>Sub total group<br/>controller</b> | <b>122,051,971</b> | <b>88.9</b> | <b>116,048,153</b> | <b>44.1</b> | <b>238,100,124</b> | <b>59.4</b>                          | <b>59.6</b>                     |

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|                    |                    |              |                    |              |                    |              |              |
|--------------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------|
| Treasury shares    | -                  | -            | 1,123,725          | 0.4          | 1,123,725          | 0.3          | -            |
| Other shareholders | 15,217,217         | 11.1         | 146,272,761        | 55.5         | 161,489,978        | 40.3         | 40.4         |
| <b>Total</b>       | <b>137,269,188</b> | <b>100.0</b> | <b>263,444,639</b> | <b>100.0</b> | <b>400,713,827</b> | <b>100.0</b> | <b>100.0</b> |

b) Premium on the acquisition of minority interest

Pursuant to the Brazilian accounting practices prior to CPC 15, a premium was recorded at the time of the acquisition of shares for prices above their book value, generated by the difference between the book value of the shares purchased and the fair value of the transaction. After the adoption of CPC 15, the transition date of which is January 01, 2009, the effects of all the transactions of acquisition of shares held by minority shareholders started being recorded in the shareholders' equity when there is no change in the shareholding control. Consequently, such transactions do not generate any premium or results now and the premium previously generated in the acquisitions from minority shareholders, including expenses capitalized in the process, were adjusted towards the shareholders' equity of the Company, in the amount of R\$1,749,650, according to the transactions described below:

- The amount of R\$1,258,853, referring to the premium generated from the merger of shares (exchange of shares) of Telemig, Telemig Participações and Vivo Participações and the capitalized expenses relating to such process.
- The amount of R\$490,797, referring to the premium generated in the process of acquisition of minority interest of Tele Centro Oeste Celular Participações S.A., in 2004 and 2005. As permitted in the Brazilian law, before the adoption of CPC 15 such goodwill was amortized until December 31, 2007.

c) Capital Reserves

c.1) Premium reserve

This reserve represents the excess of value at the time of the issuance or capitalization in relation to the basic value of the share at the issuance date.

c.2) Special Premium reserve

This reserve was booked as a result of the corporate reorganization processes described in note 6.2, as a counter-entry to the net assets transferred, and represents the future tax benefit to be earned by amortization of the premium transferred. The portion of special premium reserve corresponding to the benefit may be, at the end of each fiscal year, capitalized to the benefit of the controlling shareholder, with the issue of new shares. The capital increase is subject to the preemptive rights of the non-controlling shareholders, proportionally to their respective interests, by kind and class of share, at the time of the issue, with the amounts paid upon the exercise of such right to be directly delivered to the controlling shareholder, pursuant to the provisions in CVM Instruction no. 319/99.

With the capitalization effected in the first quarter of 2009, all the amount of tax benefit was capitalized to the benefit of the controlling shareholders; consequently, there will be no new capitalizations relating to these specific tax benefits in the future.

c.3) Tax Incentives

These represent the amounts invested in tax incentives in previous fiscal years. The balance recorded by the Company was originated from the merger of Tele Centro Oeste Celular Participações S.A., occurred on February 22, 2006.

d) Profit Reserves

d.1) Legal Reserve

The legal reserve is booked by allocation of 5% of the net profit for the year, up to the limit of 20% of the paid-up capital stock or 30% of the capital stock added by the capital reserves. As from such limit, allocations to this reserve are no longer mandatory, as set forth in Art. 193 of Law no. 6404/76.

d.2) Reserve for Expansion

The reserve for expansion was booked with the purpose of holding funds for financing additional investments of fixed and current capital by allocation of up to 100% of the remaining net profit, after the legal determinations and the balance of the retained profits account. This reserve is supported by a capital budget approved at the shareholders' meetings.

d.3) Reserve for Contingencies and Treasury Shares

The amounts recorded result from the spin-off of Companhia Riograndense de Telecomunicações – CRT and are designed to guarantee an eventual court decision rendered with respect to judicial actions concerning capitalizations for fiscal years 1996 and 1997 occurred in that company.

e) Retained Earnings

As described in note 2, the adjustments to the balances at the transition date, for compliance with the CPCs issued during fiscal year 2009, applicable as from 2010, were appropriated to this item, totaling the amount of R\$344,370.

Pursuant to a change introduced by Law no. 11.638/07, the net profit for the year shall be fully allocated in conformity with the provisions set forth in articles 193 to 197 of Law no. 6.404/76.

f) Dividends and Interest on the Own Capital

The preferred shares do not have voting rights, except in the cases stipulated in articles 9 and 10 of the Bylaws, but are ensured priority in the reimbursement of the capital stock, without premium, the right to participate in the dividend to be distributed, corresponding to a minimum of 25% of net income for the fiscal year, calculated in accordance with article 202 of Brazilian Corporation law, and priority in receiving minimum non-cumulative dividends equivalent to the higher of the following amounts:

f.1) 6% (six per cent) per year on the amount resulting from the division of the subscribed capital by the total number of Company's shares;

f.2) 3% (three per cent) per year on the amount resulting from the division of the shareholders' equity by the total number of Company's shares, and also the right to participate in distributed profit under the same conditions applicable to common shares, after the common shares have been ensured of a dividend equal to the minimum priority dividend established for the preferred shares.

Because the interest on own capital added to the amounts of the per share dividends, as decided in the General Shareholders' Meeting held on March 19, 2009, total the minimum mandatory value, as from December 02, 2009, starting date for payment of the dividends for fiscal year 2008, the holders of preferred shares are no longer entitled to full vote right.

At a Regular and Special Shareholders' Meeting, held on April 16, 2010, the allocation of the net profit for fiscal year 2009 was approved in the amount of R\$871,394, with R\$43,569 being allocated to the Legal Reserve and R\$827,825 being allocated as dividends and interest on the own capital, as follows: R\$104,136 as gross interest on the own

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capital (R\$88,516, net of the withheld income tax) and R\$723,689 as dividends. Additionally, a total of R\$6,676 was allocated as supplementary dividends. At April 19, 2010, the Company paid 50% of such amount and the balance shall be paid to the shareholders on October 25, 2010.

Interest on own capital and dividends not claimed by the shareholders are forfeited in 3 (three) years, counted from the date of the beginning of payment, as set forth in article 287, subparagraph II, item a), of Law No. 6404/76.

g) Other comprehensive income

The amount of R\$138,778, recorded as other comprehensive income, refers to the adjustment arising out of the post-employment benefit plans (note 27).

**19. NET OPERATING REVENUE**

|   | Company  |          | Consolidated |                         |
|---|----------|----------|--------------|-------------------------|
|   | 06.30.10 | 06.30.09 | 06.30.10     | 06.30.09<br>Resubmitted |
| Franchise and use   | 117,292  | -        | 5,464,356    | 5,256,775               |
| Interconnection   | 66,167   | -        | 3,110,553    | 3,110,773               |
| Data and value-added services                                   | 36,183   | -        | 2,255,986    | 1,328,608               |
| Other services  | 3,766    | -        | 110,175      | 98,641                  |
| Gross revenue from service                                      | 223,408  | -        | 10,941,070   | 9,794,797               |
| Taxes on services   | (42,620) | -        | (2,367,493)  | (1,992,494)             |
| Discounts granted   | (20,218) | -        | (514,316)    | (360,011)               |
| Deductions of gross revenue from services                       | (62,838) | -        | (2,881,809)  | (2,352,505)             |
| Net operating income from services                              | 160,570  | -        | 8,059,261    | 7,442,292               |
| Gross income from handsets and accessories                      | 22,095   | -        | 1,371,598    | 1,332,787               |
| Taxes on goods  | (2,321)  | -        | (210,121)    | (203,226)               |
| Returns of goods  | (381)    | -        | (62,358)     | (77,757)                |
| Discounts granted   | (12,748) | -        | (523,553)    | (447,140)               |
| Deductions of gross income the sale of handsets and accessories | (15,450) | -        | (796,032)    | (728,123)               |
|   |          | -        | 575,566      | 604,664                 |

Net operating income from sale of handsets  
and accessories 6,645

Total net operating income 167,215 - 8,634,827 8,046,956

There was not any customer who has contributed more than 10% of the gross operating revenue for the six-month periods ended June 30, 2010 and 2009.

All the amounts comprised in the Company's consolidated net revenues make up the base for income and social contribution taxes calculation.

## 20. COSTS OF GOODS SOLD AND SERVICES RENDERED

|  | Company  |          | Consolidated |                         |
|--|----------|----------|--------------|-------------------------|
|  | 06.30.10 | 06.30.09 | 06.30.10     | 06.30.09<br>Resubmitted |
| Interconnection                              | (30,233) | -        | (1,322,713)  | (1,105,726)             |
| Depreciation                                 | (6,109)  | -        | (1,052,926)  | (959,267)               |
| Taxes and contributions                      | (10,508) | -        | (569,729)    | (445,721)               |
| Outside services                             | (5,830)  | -        | (350,883)    | (288,881)               |
| Amortization                                 | (3,024)  | -        | (230,445)    | (196,993)               |
| Rent, insurance and condominium fees<br>(* ) | (4,525)  | -        | (188,337)    | (172,101)               |
| Leased lines                                 | (4,332)  | -        | (168,802)    | (156,382)               |
| Personnel                                    | (1,814)  | -        | (67,541)     | (73,432)                |
| Other consumables                            | (503)    | -        | (20,221)     | (28,048)                |
| Cost of services rendered                    | (66,878) | -        | (3,971,597)  | (3,426,551)             |
| Cost of goods sold                           | (13,070) | -        | (827,170)    | (1,060,847)             |
| Total  | (79,948) | -        | (4,798,767)  | (4,487,398)             |

(\* ) The amounts of infrastructure swap revenues, falling within item 2b14, which are not stated as costs or revenues for the six-month periods ended on June 30, 2010 and 2009, were R\$9,143 and R\$2,468, respectively (note 23).

## 21. SELLING EXPENSES

|                     | Company  |          | Consolidated |                         |
|---------------------|----------|----------|--------------|-------------------------|
|                     | 06.30.10 | 06.30.09 | 06.30.10     | 06.30.09<br>Resubmitted |
| Outsourced services | (13,646) | -        | (1,182,932)  | (989,154)               |
| Personnel           |          | -        | (276,110)    | (188,947)               |

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|   |          |   |             |             |
|---|----------|---|-------------|-------------|
|   | (6,327)  |   |             |             |
| Advertising                                   | (4,348)  | - | (248,212)   | (207,609)   |
| Depreciation                                  | (3,191)  | - | (223,383)   | (219,387)   |
| Donations                                     | (801)    | - | (193,811)   | (216,578)   |
| Allowance for doubtful accounts               | (1,986)  | - | (78,675)    | (142,847)   |
| Amortization                                  | (255)    | - | (44,171)    | (45,394)    |
| Rent, insurance and condominium expenses fees | (577)    | - | (37,533)    | (35,741)    |
| Other supplies                                | (935)    | - | (58,620)    | (68,226)    |
| Total   | (32,066) | - | (2,343,447) | (2,113,883) |

**22. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                      | Company  |                         | Consolidated |                         |
|--------------------------------------|----------|-------------------------|--------------|-------------------------|
|                                      | 06.30.10 | 06.30.09<br>Resubmitted | 06.30.10     | 06.30.09<br>Resubmitted |
| Outsourced services                  | (14,247) | (5,983)                 | (259,343)    | (237,943)               |
| Personnel                            | (4,467)  | (1,208)                 | (166,295)    | (162,414)               |
| Amortization                         | (2,848)  | -                       | (105,691)    | (121,268)               |
| Depreciation                         | (339)    | -                       | (54,898)     | (63,902)                |
| Rent, insurance and condominium fees | (459)    | -                       | (44,527)     | (43,923)                |
| Other supplies                       | (1,560)  | (125)                   | (17,346)     | (12,191)                |
| Total                                | (23,920) | (7,316)                 | (648,100)    | (641,641)               |

**23. OTHER OPERATING REVENUE (EXPENSES), NET**

|   | Company  |                         | Consolidated |                         |
|---|----------|-------------------------|--------------|-------------------------|
|   | 06.30.10 | 06.30.09<br>Resubmitted | 06.30.10     | 06.30.09<br>Resubmitted |
| Shared infrastructure - EILD (*)              | 2,269    | -                       | 88,028       | 51,859                  |
| Fines   | 433      | -                       | 75,615       | 58,284                  |
| Recovered expenses                            | 55       | -                       | 1,941        | 13,709                  |
| Rental properties                             | -        | -                       | 8,944        | 7,457                   |
| Provision for contingencies, net              | (2,933)  | 159                     | (63,188)     | (69,805)                |
| ICMS on other expenses                        | (164)    | -                       | (26,565)     | (27,420)                |
| PIS and COFINS                                | (236)    | (18)                    | (19,403)     | (26,645)                |
| Other taxes, fees and mandatory contributions | (217)    | (17)                    | (13,193)     | (5,816)                 |

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|   |         |      |        |        |
|---|---------|------|--------|--------|
| Sale and provision for lost on asset    | (3,976) | (80) | 2,251  | 126    |
| Other operating revenue (expenses), net | (65)    | 30   | 5,998  | 28,587 |
| Total                                   | (4,834) | 74   | 60,428 | 30,336 |

(\*)The amounts of infrastructure swap revenues, falling within item 2b14, which are not stated as costs or revenues for the six-month periods ended on June 30, 2010 and 2009, were R\$9,143 and R\$2,468, respectively (note 20).

**24. FINANCIAL EXPENSES, NET**

|  | Company         |                         | Consolidated     |                         |
|--|-----------------|-------------------------|------------------|-------------------------|
|  | 06.30.10        | 06.30.09<br>Resubmitted | 06.30.10         | 06.30.09<br>Resubmitted |
| <u>Financial income:</u>   |                 |                         |                  |                         |
| Income from financial transactions                                 | 2,298           | 9,961                   | 45,390           | 109,910                 |
| Taxes, court deposits, customers and other financial operations    | 20,544          | 20,048                  | 105,323          | 37,199                  |
| (-) PIS and COFINS   | (1,600)         | (9,354)                 | (1,600)          | (9,354)                 |
| Total  | 21,242          | 20,655                  | 149,113          | 137,755                 |
| <u>Financial expenses:</u>   |                 |                         |                  |                         |
| Loans, financing and debentures                                    | (77,844)        | (123,950)               | (195,314)        | (256,834)               |
| Derivative transactions  | (921)           | (1,438)                 | (18,426)         | (59,529)                |
| Charges 3G licenses  | -               | -                       | -                | (76,010)                |
| Suppliers, taxes, contingencies and other operations               | (1,291)         | (2,714)                 | (77,047)         | (37,003)                |
| Total  | (80,056)        | (128,102)               | (290,787)        | (429,376)               |
| <u>Monetary and exchange variations:</u>                           |                 |                         |                  |                         |
| Loans, financing and debentures                                    | (2,542)         | -                       | (47,815)         | 387,293                 |
| Derivative transactions  | 2,542           | -                       | 38,104           | (389,511)               |
| Suppliers and other operations                                     | (294)           | -                       | (10,678)         | 25,163                  |
| Total  | (294)           | -                       | (20,389)         | 22,945                  |
| <u>Effects of Fair Value and Adjustments of the present value:</u> |                 |                         |                  |                         |
| Loans, financing and debentures                                    | 134             | -                       | (16,795)         | (106,499)               |
| Derivative transactions  | 271             | (3,811)                 | 15,700           | 85,708                  |
| Other operations   | (338)           | -                       | 3,716            | 2,815                   |
| Total  | 67              | (3,811)                 | 2,621            | (17,976)                |
| <b>Financial expenses, net</b>                                     | <b>(59,041)</b> | <b>(111,258)</b>        | <b>(159,442)</b> | <b>(286,652)</b>        |

**25. INCOME AND SOCIAL CONTRIBUTION TAXES**

The Company and its subsidiaries monthly record provisions for income and social contribution taxes, on an accrual basis, paying the taxes based on the monthly estimate. The deferred taxes are recognized on the temporary differences and tax loss and negative base of the social contribution, as mentioned in note 6. The breakdown of expenses with income and social contribution taxes is shown below:

|  | Company  |          | Consolidated |                         |
|--|----------|----------|--------------|-------------------------|
|  | 06.30.10 | 06.30.09 | 06.30.10     | 06.30.09<br>Resubmitted |
|  |          | -        | (81,602)     | (208,986)               |

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|   |          |       |           |           |
|---|----------|-------|-----------|-----------|
| Income and social contribution tax on goodwill amortization | (40,226) |       |           |           |
| Income and social contribution tax                          | 560      | -     | (168,346) | (100,620) |
| Deferred income and social contribution tax                 | (393)    | 1,296 | (67,695)  | 104,045   |
| Total   | (40,059) | 1,296 | (317,643) | (205,561) |

The table below presents a reconciliation of the expense with income taxes stated, eliminating the effects of the tax benefit arising out from the premium, and the amounts calculated by application of the official rates combined to a rate of 34%:

|   | Company   |                         | Consolidated |                         |
|---|-----------|-------------------------|--------------|-------------------------|
|   | 06.30.10  | 06.30.09<br>Resubmitted | 06.30.10     | 06.30.09<br>Resubmitted |
| Income before taxes                                     | 467,915   | 313,425                 | 745,499      | 547,718                 |
| Tax credit (debt) at combined statutory rate (34%)      | (159,091) | (106,565)               | (253,470)    | (186,225)               |
| Permanent additions (exclusions):                       |           |                         |              |                         |
| Donations, fines, souvenirs and pension plans           | (43)      | -                       | (14,338)     | (17,093)                |
| Income Tax Adjustments                                  | 468       | -                       | 4,777        | (899)                   |
| Equity, net of tax of interest on capital               | 164,290   | 112,470                 | -            | -                       |
| Goodwill amortization - exchange of shares              | 29,841    | -                       | 29,841       | -                       |
| Telemig and Telemig Participações                       |           |                         |              |                         |
| Other additions (exclusions)                            | (122)     | 6,559                   | (9,051)      | 6,696                   |
| Deduction 30% of the tax due with unrecognized tax loss | (75,402)  | (11,168)                | (75,402)     | (8,040)                 |
| Tax credit (debt)                                       | (40,059)  | 1,296                   | (317,643)    | (205,561)               |

**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONSOLIDATED)**

The Company and its subsidiaries are engaged in transactions involving financial instruments. The risks of which are actively managed by means of a set of initiatives, procedures and comprehensive operating policies.

The financial instruments of the Company and its subsidiaries are presented in compliance with CVM Resolution no. 604, dated November 19, 2009, which approved Technical Pronouncements CPCs 38, 39 and 40, and with CVM Instruction 475, dated December 17, 2008.

The Company and its subsidiaries have proceeded to the evaluation of their financial assets and liabilities against market values, using the available information and proper evaluation methodologies. However, the interpretation of market data and the selection of evaluation methods require considerable discretion and estimates in order to calculate the most adequate realization value. In consequence, the estimates presented do not necessarily indicate the amounts realizable in the current market. The use of different market hypothesis and/or methodologies may have a material effect on the estimated realization values.

a) General considerations

At June 30, 2010 and December 31, 2009, the main financial instruments, and their respective values by category, are as follows:



|  | <b>Company</b>                            |                           |              |   |                           |              |
|--|---|---------------------------|--------------|---|---------------------------|--------------|
|  | <b>06.30.10</b>                           |                           |              | <b>12.31.09</b>                           |                           |              |
|  | <b>Fair value<br/>through<br/>results</b> | <b>Amortized<br/>cost</b> | <b>Total</b> | <b>Fair value<br/>through<br/>results</b> | <b>Amortized<br/>cost</b> | <b>Total</b> |
| <b>Assets</b>                                  |   |                           |              |   |                           |              |
| Cash and cash equivalents (note 3)             | 166,034                                   | -                         | 166,034      | 257,111                                   | -                         | 257,111      |
| Short-term investments pledged as collateral   | 2,278                                     |                           | 2,278        | -   | -                         | -            |
| Trade accounts receivable, net (note 4)        |   | 296,527                   | 296,527      | -   | -                         | -            |
| Interest on shareholders' equity and dividends | -   | 185,967                   | 185,967      | -   | 246,092                   | 246,092      |
| Deposits and blockages escrow (note 7)         | -   | 595,044                   | 595,044      | -   | 6,999                     | 6,999        |
| Derivative contracts (note 26)                 | 8,971                                     | -                         | 8,971        | 8,208                                     | -                         | 8,208        |
| Other assets (note 6)                          |   | 6,995                     | 6,995        |   | 883                       | 883          |
| <b>Liabilities</b>                             |   |                           |              |   |                           |              |
| Payroll and related accruals                   | -   | 21,085                    | 21,085       | -   | 393                       | 393          |
| Trade accounts payable (note 13)               | -   | 361,431                   | 361,431      | -   | 2,345                     | 2,345        |
| Taxes payable (note 14)                        | -   | 705,431                   | 705,431      | -   | 36,609                    | 36,609       |
| Loans and financing (note 15)                  | -   | 12,935                    | 12,935       | -   | -                         | -            |
| Debentures (note 15)                           | -   | 1,440,564                 | 1,440,564    | -   | 2,069,865                 | 2,069,865    |
| Interest on shareholders' equity and dividends | -   | 441,037                   | 441,037      | -   | 319,287                   | 319,287      |
| Derivative contracts (note 26)                 | 11,584                                    | -                         | 11,584       | 12,854                                    | -                         | 12,854       |
| Other liabilities (note 17)                    | -   | 305,935                   | 305,935      | -   | 191,287                   | 191,287      |

|  | <b>Consolidated</b>                       |                           |              |   |                           |              |
|--|---|---------------------------|--------------|---|---------------------------|--------------|
|  | <b>06.30.10</b>                           |                           |              | <b>12.31.09</b>                           |                           |              |
|  | <b>Fair value<br/>through<br/>results</b> | <b>Amortized<br/>cost</b> | <b>Total</b> | <b>Fair value<br/>through<br/>results</b> | <b>Amortized<br/>cost</b> | <b>Total</b> |
| <b>Assets</b>                                |   |                           |              |   |                           |              |
| Cash and cash equivalents (note 3)           | 1,156,077                                 | -                         | 1,156,077    | 1,258,574                                 | -                         | 1,258,574    |
| Short-term investments pledged as collateral | 90,030                                    | -                         | 90,030       | 90,541                                    | -                         | 90,541       |
| Trade accounts receivable, net (note 4)      | -   | 2,546,119                 | 2,546,119    | -   | 2,546,806                 | 2,546,806    |
| Deposits and blockages escrow (note 7)       | -   | 1,076,495                 | 1,076,495    | -   | 809,902                   | 809,902      |

|   |           |           |           |         |           |           |
|---|-----------|-----------|-----------|---------|-----------|-----------|
| Derivative contracts<br>(note 26)                 | 162,892   | -         | 162,892   | 151,760 | -         | 151,760   |
| Other assets (note 6)                             |           | 160,579   | 160,579   | -       | 173,955   | 173,955   |
| <b>Liabilities</b>                                |           |           |           |         |           |           |
| Payroll and related<br>accruals                   | -         | 164,871   | 164,871   | -       | 161,366   | 161,366   |
| Trade accounts payable<br>(note 13)               | -         | 2,853,539 | 2,853,539 | -       | 3,053,587 | 3,053,587 |
| Taxes payable (note 14)                           | -         | 2,016,581 | 2,016,581 | -       | 1,718,326 | 1,718,326 |
| Loans and financing<br>(note 15)                  | 1,075,726 | 2,072,110 | 3,147,836 | 932,824 | 2,062,205 | 2,995,029 |
| Debentures (note 15)                              | -         | 1,440,564 | 1,440,564 | -       | 2,129,465 | 2,129,465 |
| Interest on shareholders'<br>equity and dividends | -         | 441,037   | 441,037   | -       | 322,433   | 322,433   |
| Derivative contracts<br>(note 26)                 | 139,120   | -         | 139,120   | 162,388 | -         | 162,388   |
| Other liabilities (note 17)                       | -         | 1,053,958 | 1,053,958 | -       | 1,048,365 | 1,048,365 |

b) Considerations on risk factors which may affect the business of the Company and of its subsidiaries

The main market risks to which the Company and its subsidiaries are exposed in the conduct of their activities are:

b.1) Liquidity Risk

The liquidity risks consist of the Company and its subsidiaries eventually lacking of sufficient funds for meeting their commitments due to the different currencies and settlement terms of their rights and obligations.

The Company and its subsidiaries structure the maturity dates of the non-derivative financial agreements, as shown in note 15, and of their respective derivatives as shown in the payments schedule disclosed in the referred note, in such manner as not to affect its liquidity.

The control of the liquidity and of the cash flow of the Company and of its subsidiaries is daily monitored by the Company's Management, in such way as to ensure that the operating cash generation and the previous fund raising, as necessary, are sufficient to meet its schedule of commitments, not generating liquidity risks to the Company and its subsidiaries.

b.2) Credit Risk

The credit risk arises out of the eventual difficulty to collect the amounts payable by its customers for the services rendered to them and the sales of handsets to the distributors network.

The Company and its subsidiaries are also subject to the credit risk related to their financial investments and accounts receivable for swap transactions.

The credit risk involved in the collection of values of services is minimized by a rigid control default of the customer base and proactive management of credit policies regarding the sale of post-paid services. The customer base of its subsidiaries has, predominantly, a prepaid system, which requires the prior charging and consequently entails no credit risk.

The credit risk in the sale of handsets and “pre-activated” prepaid cards is managed under a conservative credit policy, by means of modern management methods, including the application of “credit scoring” techniques, analysis of financial statements and information, and consultation to commercial data bases, in addition to request of guarantees.

In relation to the credit risk in connection with the financial institutions, the Company and its subsidiaries act in such a manner as to diversify this exposure among various world-class financial institutions.

**b.3) Interest Rate and Inflation Risk**

The interest rate risk arises out of the portion of the debt referenced to the CDI rate and of the liability positions in derivatives (exchange hedge and IPCA) contracted at floating rates, which may have a negative effect on the financial expenses in case of an unfavorable change in the interest rates. The balance of financial investments, indexed at the CDI rate, partially offsets such effect.

The debt to the BNDES is indexed to the TJLP rate. In July 2009, a reduction in the rate to 6.00% per year was announced, with a positive impact on such portion of the debt. Until June 30, 2010 the rate remained at 6.00% per year.

The inflation rate risk arises out of the debentures of Telemig, indexed to the IPCA, which may negatively affect the financial expenses in case of an unfavorable change in such index.

In order to reduce the exposure to the local variable interest rate (CDI), the Company and its subsidiaries invest the cash surplus of R\$1,178,865, mainly, in short term financial investments (Bank Deposit Certificates) indexed to the CDI rate.

**b.4) Exchange Rate Risk**

This risk arises out of the possibility of losses on account of exchange rate fluctuations, which may increase the liabilities and expenses arising out of loans and purchase commitments or which may decrease the arising assets of accounts receivable in foreign currency.

The Company and its subsidiaries have contracted financial derivative transactions (exchange hedge) so as to protect themselves against exchange rate fluctuations arising out of foreign currency loans. From the month of May 2010, coverage transactions were contracted to minimize the risk of exchange rate changes on the part of its assets and financial liabilities not related to rights and obligations in foreign currency. The instruments used were swap contracts.

The table below summarizes the net exposure of the Company and its subsidiaries to the exchange rate factor at June 30, 2010 and December 31, 2009:

|                                      | 06.30.10  |         | Consolidated |           | 12.31.09          |  |
|--------------------------------------|-----------|---------|--------------|-----------|-------------------|--|
|                                      | US\$      | Euros   | ¥            | US\$      | In thousands of ¥ |  |
| Loans and financing                  | (581,153) | -       | (1,422,102)  | (419,584) | (1,404,398)       |  |
| Loans and financing - UMBNDES (*)    | (1,708)   | -       | -            | (2,485)   | -                 |  |
| Derivative instruments               | 582,318   | (1,332) | 1,422,102    | 421,070   | 1,404,398         |  |
| Customers and suppliers              | (482)     | 1,309   | -            | -         | -                 |  |
| Total excess (insufficient coverage) | (1,025)   | (23)    | -            | (999)     | -                 |  |

(\*) UMBNDES is a monetary unit prepared by the BNDES, made-up of a foreign currencies basket, the main currency being the North-American Dollar, for which reason the Company and its subsidiaries consider it upon reviewing the risk coverage related to the exchange rate fluctuations.

In addition to the amounts informed above, Vivo records non-financial liabilities in foreign currency referring to other obligations to its suppliers. At June 30, 2010 and December 31, 2009, the balances of other liabilities in foreign currency were US\$32,925 thousand and €11,961 thousand.

c) Transactions with Derivatives

The Company and Vivo entered into swap contracts in foreign currency at several exchange rates, in notional amounts at June 30, 2010 of US\$565,468 thousand, and JPY 1,338,853, (US\$415,637 thousand, and JPY 1,338,853 thousand at December 31, 2009).

At October 15, 2009, a swap contract was entered into, which was indexed to the IPCA as for assets, and to the CDI, as for liabilities, in the notional amount of R\$72,000, in order to cover the exposure of the flows of the 3rd series of the 4th Issue of debentures to the variation of the IPCA rate. Upon being contracted, this swap was recognized as a fair value hedge.

As required by Law no. 11,638/07, the Company and Vivo started applying CPC 14 (amended by CPCs 38, 39 and 40) since the transition date on January 01, 2007. CPC 14, as well as CPCs 38, 29 and 40, must be applied to all derivative instruments, and requires that such instruments are stated in the balance sheet at their fair value. Changes to the fair value of the derivatives are recognized in the income statement, save in case of compliance with specific criteria such as hedge accounting.

The derivative financial instruments intended for hedge and the respective items subject matter of hedge are monthly adjusted to the fair value. For those financial instruments classified as fair value hedge and evaluated as effective, the valuation or devaluation of the fair value of the item which is the hedge instrument and of the item subject matter of hedge must be recorded as a counter-entry to a proper revenue or expense account, in the income of the year.

The Company and Vivo calculate the effectiveness of these hedges on a continuous basis (at least quarterly) and, at June 30, 2010, the contracted hedges showed to be effective in relation to the debts subject matter of such coverage. According to the fair value hedge rules, as long as the Company has elected to identify such derivative contracts and hedge accounting, the covered debt is also adjusted to the fair value.

The CVM, by Resolution no. 550, issued on October 17, 2008, and by Instruction no. 475, issued on December 17, 2008, provided for that publicly-held companies are required to disclose, in a specific explanatory note, qualitative and quantitative information about all their derivative financial instruments, either recognized or not as assets or liabilities in their balance sheet.

d) Risk Management Policy

All contracting of derivative financial instruments of the Company and of Vivo is intended for protection against foreign exchange risk and variations in foreign and inflation interest rates arising out of debts, pursuant to a corporate policy of risk management. Accordingly, eventual variations in the risk factors generate an inverse effect on the subject matter they are intended to protect. Therefore, there are no derivative financial instruments for speculation purposes and 99.8% of the financial exchange liabilities are hedged.

The Company and Vivo keep internal controls in relation to their derivative instruments which, in the opinion of the Management, are adequate for controlling risks associated to each strategy of market action. The results obtained by the Company and by Vivo in relation to their derivative financial instruments show that the Management has properly managed risks.

e) Fair values of the derivative instruments

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The valuation method used for calculating the market value of the loans, financing, debentures and derivatives was the discounted cash flow, considering expectancy of settlement or receipt of liabilities and assets at the market rates prevailing at June 30, 2010.

The fair values are calculated by projecting the future flows of the transactions, using the BM&F Bovespa curves and bringing them to present value using market DI rates for swaps disclosed by the BM&F Bovespa.

The market values of the exchange coupon swaps x CDI were obtained using the market exchange rates in effect at June 30, 2010 and the rates projected by the market which were obtained from the currency coupon curves. For calculating the coupon of the positions indexed in foreign currency the linear convention of 360 calendar days was adopted and for calculating the coupon of the positions indexed to the CDI the exponential convention of 252 business days was adopted.

The financial instruments disclosed below are recorded with the CETIP, all of them being classified as swaps, not requiring a margin deposit.

| Description<br>"Swap" of contract | Notional         |                  | Consolidated<br>Fair Value |                  | Cumulative effect<br>Amount receivable<br>(payable) |                |
|-----------------------------------|------------------|------------------|----------------------------|------------------|---|----------------|
|                                   | 06.30.10         | 12.31.09         | 06.30.10                   | 12.31.09         | 06.30.10  | 12.31.09       |
| <b>Asset position</b>             |                  |                  |                            |                  |   |                |
| <b>(1) Foreign currency</b>       | <b>989,520</b>   | <b>728,040</b>   | <b>1,078,028</b>           | <b>759,581</b>   | <b>181,423</b>                                      | <b>158,117</b> |
| Abn Amro USD                      | 78,079           | 78,079           | 99,415                     | 95,327           | 2,890   | 3,026          |
| Banco do Brasil JPY               | 22,225           | 22,225           | 28,982                     | 26,415           | 288   | -              |
| Citibank USD                      | 181,230          | 181,230          | 185,334                    | 174,296          | 40,934  | 36,070         |
| Caixa Geral de Depósitos USD      | 262,245          | -                | 270,862                    | -                | 3,326   | -              |
| Itaú USD                          | 385              | -                | 384                        | -                | -   | -              |
| JP Morgan USD                     | 443,207          | 443,207          | 491,133                    | 460,769          | 133,985   | 119,021        |
| Votorantim USD                    | 2,149            | 3,299            | 1,918                      | 2,774            | -   | -              |
| <b>(2) Inflation Rate</b>         | <b>72,000</b>    | <b>182,000</b>   | <b>79,901</b>              | <b>250,927</b>   | <b>11,214</b>                                       | <b>24,948</b>  |
| Itaú IPCA                         | 72,000           | 72,000           | 79,901                     | 74,911           | 11,214  | 10,591         |
| Unibanco IGPM                     | -                | 110,000          | -                          | 176,016          | -   | 14,357         |
| <b>(3) Post Rate (CDI)</b>        | <b>2,984</b>     | <b>-</b>         | <b>2,988</b>               | <b>-</b>         | <b>44</b>   | <b>-</b>       |
| HSBC CDI                          | 2,984            | -                | 2,988                      | -                | 44  | -              |
| <b>Liabilities position</b>       |                  |                  |                            |                  |   |                |
| <b>Post Rate (CDI)</b>            | <b>(989,520)</b> | <b>(728,040)</b> | <b>(1,024,142)</b>         | <b>(750,997)</b> | <b>127,536</b>                                      | <b>149,534</b> |
| Abn Amro CDI                      | (78,079)         | (78,079)         | (96,525)                   | (92,301)         | -   | -              |
| Banco do Brasil CDI               | (22,225)         | (22,225)         | (28,695)                   | (27,453)         | -   | 1,038          |
| Citibank CDI                      | (181,230)        | (181,230)        | (178,315)                  | (177,852)        | 33,916  | 39,626         |
| Caixa Geral de Depósitos CDI      | (262,245)        | -                | (267,536)                  | -                | -   | -              |
| Itaú CDI                          | (385)            | -                | (384)                      | -                | -   | -              |
| JP Morgan CDI                     | (443,207)        | (443,207)        | (448,203)                  | (446,791)        | 91,055  | 105,043        |
| Votorantim CDI                    | (2,149)          | (3,299)          | (4,484)                    | (6,600)          | 2,565   | 3,827          |

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|                  |   |         |           |          |           |           |           |
|------------------|---|---------|-----------|----------|-----------|-----------|-----------|
| Post Rate (CDI)  |   | -       | (182,000) | (80,271) | (238,833) | 11,584    | 12,854    |
| Itaú             | CDI   | -       | (72,000)  | (80,271) | (77,174)  | 11,584    | 12,854    |
| Unibanco         | CDI   | -       | (110,000) | -        | (161,659) | -         | -         |
| Foreign currency |   | (2,984) | -         | (2,944)  | -         | -         | -         |
| HSBC             | EUR   | (2,984) | -         | (2,944)  | -         | -         | -         |
|                  | Asset position                                      |         |           |          |           | 192,681   | 183,065   |
|                  | Provision withholding income tax                    |         |           |          |           | (29,789)  | (31,305)  |
|                  | Liabilities position                                |         |           |          |           | (139,120) | (162,388) |
|                  | Amount receivable (payable), net of withholding tax |         |           |          |           | 23,772    | (10,628)  |

(1) Foreign currency swap x CDI (R\$1,078,028) – swap transactions contracted with maturity dates until 2015, for protection against exchange variation risk in financing transactions in foreign currency (book value of R\$1,079,873).

(2) Swap IPCA x CDI percentage (R\$79,901) – swap transactions contracted with maturity dates until 2014 with the purpose of protecting the flow identical to the debentures' (4th issue – 3rd series) indexed to the IPCA (book value of R\$79,901).

(3) Foreign currency x CDI percentage (R\$2,944) – swap transactions contracted with maturity date until January 3, 2011 with the purpose of protecting against exchange variation risk in receipts in foreign currency (book value of R\$2,894).

At June 30, 2010, the Company and Vivo recorded balances in assets (net of IRRF – withholding income tax) in the amount of R\$162,892 (R\$151,760 at December 31, 2009) and in liabilities in the amount of R\$139,201 (R\$162,388 at December 31, 2009), stated in the financial statements in order to reflect the derivatives positions.

Gains and losses in the six-month period ended on June 30, 2010, grouped by contracts executed, were recorded in the income accounts (note 24), as required in CVM Resolution 550/08.

Below is a breakdown of the maturity dates of the amounts (payable) and receivable arising out of swap contracts at June 30, 2010:

| "Swap" of contract       | Consolidated |          |          |            | Amount receivable (payable) 06.30.10 |
|--------------------------|--------------|----------|----------|------------|--------------------------------------|
|                          | Maturity     |          |          |            |                                      |
|                          | 2010         | 2011     | 2012     | After 2013 |                                      |
| Foreign currency x CDI   |              |          |          |            |                                      |
| Abn Amro                 | 2,890        | -        | -        | -          | 2,890                                |
| Banco do Brasil          | -            | 288      | -        | -          | 288                                  |
| Citibank                 | (5,027)      | (10,300) | (8,617)  | 30,962     | 7,018                                |
| Caixa Geral de Depósitos | 3,326        | -        | -        | -          | 3,326                                |
| JP Morgan                | (9,901)      | (25,843) | (22,353) | 101,027    | 42,930                               |
| Votorantim               | (1,266)      | (1,299)  | -        | -          | (2,565)                              |
| Total                    | (9,978)      | (37,154) | (30,970) | 131,989    | 53,887                               |

IPCA x CDI

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|                        |          |                                       |          |         |          |
|------------------------|----------|---------------------------------------|----------|---------|----------|
| Itaú                   | (2,252)  | (3,692)                               | (3,166)  | 8,740   | (370)    |
| Total                  | (2,252)  | (3,692)                               | (3,166)  | 8,740   | (370)    |
| CDI x Foreign currency |          |                                       |          |         |          |
| HSBC                   | -        | 44                                    | -        | -       | 44       |
| Total                  | -        | 44                                    | -        | -       | 44       |
| Total                  | (12,230) | (40,802)                              | (34,136) | 140,729 |          |
|                        |          | Asset Position                        |          |         | 56,496   |
|                        |          | Liabilities Position                  |          |         | (2,935)  |
|                        |          | Balance before withholding income tax |          |         | 53,561   |
|                        |          | Provision withholding income tax      |          |         | (29,789) |
|                        |          | Balance sheet adjustments             |          |         | 23,772   |

f) Analysis of sensibility to the risk variables of the Company and its subsidiaries

CVM Instruction 475, dated December 17, 2008, provides for that publicly-held companies are required to disclose a statement of sensibility analysis for each type of market risk deemed by the management to be material, to which the entity is exposed at the closing date of each period, including all the transactions with derivative financial instruments.

In compliance with the provisions above, each of the transactions with financial derivatives was evaluated considering a probable realization scenario and two scenarios which may generate adverse results to the Company and to Vivo.

In the probable scenario, the premise of realizing what the market has been signaling in the future market curves (currency and interest) of the BM&F Bovespa was considered. Thus, in the probable scenario, there is no impact on the fair value of the financial instruments already presented above. For the adverse scenarios, deterioration of 25% and 50%, respectively, was considered in the risk variables until the maturity date of the financial instruments.

The table below, changes in the scenarios, the derivative instruments are accompanied by the respective hedge objects, thus showing that the effects thereof are almost null. At June 30, 2010, for financial transactions and the rights and obligations in foreign currency, the Company stated the balance of the subject matter (debt) and of the derivative financial instrument (hedge) in separate lines of the sensibility analysis table, in order to inform on the net exposure of the Company, in each of the three mentioned scenarios, as shown below:

| Operation              | Risk                             | Probable    | Consolidated<br>Deterioration<br>25% | Deterioration 50% |
|------------------------|----------------------------------|-------------|--------------------------------------|-------------------|
| Hedge (Asset position) | Derivatives (Risk reduction USD) | 1,048,662   | 1,345,222                            | 1,657,706         |
| Debt in USD            | Debt (Risk increase USD)         | (1,050,138) | (1,347,020)                          | (1,659,829)       |
|                        | Net expousure                    | (1,476)     | (1,798)                              | (2,123)           |
| Hedge (Asset position) | Derivatives (Risk reduction JPY) | 28,982      | 36,263                               | 43,560            |
| Debt in JPY            | Debt (Risk increase JPY)         | (28,982)    | (36,263)                             | (43,560)          |
|                        | Net expousure                    | -           | -                                    | -                 |
| Hedge (Asset position) | Derivatives (Risk reduction USD) | 384         | 481                                  | 5,774             |

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|                                |   |                    |                    |                    |
|--------------------------------|---|--------------------|--------------------|--------------------|
| Debt Intragroup in USD         | Debt (Risk increase USD)                  | (868)              | (1,084)            | (1,301)            |
|                                | Net expousure                             | (484)              | (603)              | 4,473              |
| Hedge (Liability position)     | Derivatives (Risk increase Euro)          | (2,944)            | (3,690)            | (4,578)            |
| Asset intragroup in Euros      | Asset (Risk reduction Euro)               | 2,894              | 3,617              | 4,340              |
|                                | Net expousure                             | (50)               | (73)               | (238)              |
| Hedge (Asset position)         | Derivatives (Risk reduction IPCA)         | 79,901             | 84,698             | 89,861             |
| Debt in IPCA                   | Debt (Risk increase IPCA)                 | (79,901)           | (84,698)           | (89,861)           |
|                                | Net expousure                             | -                  | -                  | -                  |
| Hedge (CDI Liability position) | Derivatives (Risk increase CDI)           | (1,101,425)        | (1,171,487)        | (1,240,778)        |
|                                | Net expousure                             | (1,101,425)        | (1,171,487)        | (1,240,778)        |
|                                | <b>Net exposure in each scenario</b>      | <b>(1,103,435)</b> | <b>(1,173,961)</b> | <b>(1,238,666)</b> |
|                                | <b>Net effect of change in fair value</b> |                    | <b>(70,526)</b>    | <b>(135,231)</b>   |

Premises for the sensibility analysis

| <u>Risk Variable</u> | Probable | Deterioration 25% | Deterioration 50% |
|----------------------|----------|-------------------|-------------------|
| USD                  | 1,7810   | 2,2263            | 2,6715            |
| JPY                  | 0,0191   | 0,0238            | 0,0286            |
| IPCA                 | 4,83%    | 6,04%             | 9,06%             |
| CDI                  | 8,59%    | 10,74%            | 12,89%            |

The net exposure in CDI shown in the sensibility analysis does not reflect all the exposure of the Company and of Vivo to the local interest rate, once, as mentioned before, the Company and Vivo have debts indexed to the CDI, which has a natural hedge, and has short term financial investments based on the variation of the CDI (R\$1,178,865 at June 30, 2010).

For calculation of the net exposure, all the derivatives were considered at their fair value, as well as the associated debts (hedged elements).

The fair values, shown in the table above, depart from a portfolio position at June 30, 2010, however they do not reflect an estimate of realization due to the market dynamism, constantly monitored by the Company and by Vivo. The use of different premises may significantly affect the estimates.

## 27. POST-EMPLOYMENT BENEFIT PLANS

The table below describes the plans which the Company and its subsidiaries sponsor with the respective types of benefits.

| <u>Plan</u> | <u>Type (1)</u> | <u>Entity</u> | <u>Sponsor</u>  |
|-------------|-----------------|---------------|---|
| PBS-A       | BD              | Sistel        | Vivo and Telemig, together with other companies belonging to the former Telebrás System |
| PAMA        | BD              | Sistel        |   |



|           |        |           |   |
|-----------|--------|-----------|---|
|           |        |           | Vivo and Telemig, together with other companies belonging to the former Telebrás System |
| PBS       | BD     | VisãoPrev | Vivo, Telemig and Vivo Participações  |
| VIVO PREV | Hybrid | VisãoPrev | Vivo  |
| TCOPREV   | Hybrid | VisãoPrev | Vivo  |
| VISÃO     | Hybrid | VisãoPrev | Vivo  |
| CELPREV   | Hybrid | Sistel    | Telemig and Vivo Participações  |

(1) BD = Defined Benefit Plan;

(1) Hybrid Plan = A benefit plan that offers both structured benefits by way of defined benefits, as well as defined contributions. Only the assets and liabilities relating to the portion of defined benefits of these plans are stated in the reconciliations in compliance with CVM Resolution no. 600.

Vivo, together with other companies belonging to the former Telebrás System, sponsor private pension plans and medical assistance plans for retired employees under the same conditions as published for the last fiscal year, as follows: i) PBS-A; ii) PAMA; iii) PBS- Telesp Celular, PBS-TCO, PBS Tele Sudeste Celular and PBS Tele Leste Celular; iv) TCP Prev and TCO Prev Plans; v) Visão Celular Benefit Plans - Celular CRT, Telerj Celular, Telest Celular, Telebahia Celular and Telergipe Celular.

The PBS-A and PAMA plans are managed by Fundação SISTEL de Seguridade Social – SISTEL.

Vivo sponsors the Vivo-Prev plan, which is an individual plan of defined contribution, managed by Visão Prev. Vivo's contributions to this plan are equal to the participants' contributions, varying from 0% to 8% of the participation wage, as a function of the percentage chosen by the participant.

Vivo, through its actuarial consultants, has prepared studies considering the impact of ordinary action no. 04/081.668-0, brought by ASTEL against Fundação Sistel de Seguridade Social, in which Telefonica and Telesp Celular (a company that was merged into Vivo) are mentioned, in addition to SISTEL, which action is related to the change in the costing system and review of other PAMA benefits. Based on the opinion of its tax consultants, the Management believes that at this time there is no payment risk, and at June 30, 2010 the chance of loss was classified as possible. At June 30, 2010 the amount in question was R\$1,708 (R\$1,517 at December 31, 2009).

Telemig individually sponsors a defined retirement benefits plan - Plano PBS Telemig. Besides the benefit of supplementation, medical assistance (PAMA) is provided to retired employees and to their dependents, at shared cost.

Telemig also sponsors the CelPrev, a defined contribution plan. Three types of contributions may be made by the participant, namely: (a) basic regular contribution: variable percentage from 0% to 2% of his/her participation wage; (b) additional regular contribution: variable percentage from 0% to 6% of the portion of his/her participation wage that exceeds 10 Standard Reference Units of the Plan; and (c) voluntary contribution: percentage to be freely chosen by the participant and applied on his/her participation wage. Four types of contributions may be made by the sponsor, namely: (a) basic regular contribution: contribution equal to the participant's basic regular contribution, after deduction of the contribution for defraying the cost of the sickness allowance benefit and the contribution for defraying administrative expenses; (b) additional regular contribution: equal to the participant's additional regular contribution, deducted by the administrative expense; (c) eventual contribution: voluntary contribution, at such frequency as may be determined by the sponsor; and (d) special contribution: contribution exclusively intended to those sponsor's employees who are not members of the PBS plan and who were admitted in the plan within 90 days after the effective date of the CelPrev.

All revenues and expenses relating to the defined benefit plans and to the hybrid benefit plans, such as employer's contributions, current service costs, interest cost and expected return on the assets of the plans are directly recognized in the income of the Company.

The actuarial gains and losses referring to the defined benefit plans and hybrid benefit plans, in addition to the limits on surplus recoverability due to refunds or reduction in future contributions, are being immediately recognized as other comprehensive income, not generating any impact on the operating profit of the Company.

Actuarial provisions relating to the plans mentioned above are recorded in "Other liabilities" (Note 17) or "Prepaid Expenses" (note 8), as applicable.

## 28. TRANSACTIONS WITH RELATED PARTIES

### 28.a) Subsidiaries

The financial statements include financial information related to the subsidiaries (note 10), as follows:

| <u>Company</u>       | <u>Interest</u> |                 |
|----------------------|-----------------|-----------------|
|                      | <u>06.30.10</u> | <u>12.31.09</u> |
| Vivo S.A.            | 100.00%         | 100.00%         |
| Telemig Celular S.A. | -               | 100.00%         |

The transactions between the controlling company and its subsidiaries refer, basically, to payments of dividends and interest on the own capital.

### 28.b) Terms and conditions of transactions with related parties:

a) Communication via local cellular phone and to long distance and use of network: these transactions are carried out with companies of the same controlling group: Telecomunicações de São Paulo S.A. - TELESP and subsidiaries. Part of these transactions was carried out in conformity with agreements entered into between TELEBRAS and the concessionaires prior to the privatization, under conditions regulated by ANATEL. It includes roaming services to customers of Telecomunicações Móveis Nacionais – TMN and several companies related to the Telefónica Group in the Company's network.

b) Technical Assistance: this refers to corporate management consulting services provided by PT SGPS and technical assistance services provided by Telefónica S.A., Telefónica International S.A., calculated on the basis of a formula provided for in the contracts that includes the variation in the LAIR (Profit Before the Income Tax) and the variation in PN and ON shares, which determine a rate that is applied to the service revenues. In the case of the operation of the branch office in Rio Grande do Sul, its contract provides for only a fixed percentage on the service revenue. The above referred contracts were terminated on August 04, 2008.

c) Rendering of corporate services: these were transferred to the subsidiaries at the cost actually incurred in these services.

d) Telephone assistance and sales promotion services: services provided by Atento Brasil S.A. and Mobitel S.A. – Dedic to users of telecommunication services. The service was contracted for 12 months, renewable for an equal period.

e) System development and maintenance services: rendered by Portugal Telecom Inovação Brasil S.A. and Telefonica Pesquisa e Desenvolvimento do Brasil Ltda.

f) Logistics operator, message, motoboy and financial-accounting consultancy services: rendered by Telefonica Serviços Empresariais do Brasil Ltda.

g) Voice portal content provider services: rendered by Terra Networks Brasil S.A.

h) International roaming services: provided by companies belonging to the Telefónica Group and Telecomunicações Móveis Nacionais – TMN.

i) Collection services: rendered by Cobros Gestão de Serviços and Atento Brasil S.A.

j) Lease of data circuits and internet access services: rendered by Telefonica Empresas do Brasil Ltda and Telefonica International Wholesale Brasil, ATelecom and Telefonica Engenharia e Segurança.

k) Property lease and sales of Call Center assets: lease of the owned buildings where the Call Center infrastructure is installed and sales of property, plant & equipment used in the operation of the call center to the companies Mobitel S.A. – Dedic, Atento Brasil S.A. and Cobros Gestão de Serviços.

l) Mobile telephone services: mobile communication services rendered to companies of the Telefónica Group and Portugal Telecom, pursuant to agreements executed between the parties.

For the transactions above, the prices charged and other commercial conditions are agreed to in contracts between the parties.

We summarize below balances and transactions with related parties:

| Company  | Nature of Transation | Assets Current | Company - 06.30.10  |                        | Result Income | Result Expenses |
|--|----------------------|----------------|---------------------|------------------------|---------------|-----------------|
|  |                      |                | Liabilities Current | Liabilities Noncurrent |               |                 |
| Telecomunicações de São Paulo - Telesp                     | a)                   | 16,006         | 13,699              | -                      | 13,625        | (1,456)         |
| Atento Brasil S.A.   | l) / d) / i)         | 388            | 2,900               | -                      | 356           | (2,900)         |
| Mobitel S.A. - Dedic                                       | d)                   | -              | 1,236               | -                      | -             | (1,236)         |
| Telefônica Data S/A (Antes Telefônica Empresas S/A Brasil) | j)                   | -              | 70                  | -                      | -             | -               |
| Telefonica Serviços Empresariais do Brasil Ltda            | f)                   | -              | 36                  | -                      | -             | (492)           |
| Operadoras Grupo Telefonica (Roaming internacional)        | h)                   | -              | 51                  | -                      | -             | (100)           |
| Portugal Telecom Inovação do Brasil Ltda                   | e)                   | -              | 2,385               | -                      | -             | -               |
| Telefonica Móviles Espana S.A.                             | h)                   | 5              | -                   | -                      | 26            | -               |
| Atelecom S/A   | l)                   | 10             | -                   | -                      | 14            | -               |
| Vivo S.A.  | a)                   | 3,508          | 1,187               | -                      | 1,690         | (472)           |
| <b>Total</b>   |                      | <b>19,917</b>  | <b>21,564</b>       | <b>-</b>               | <b>15,711</b> | <b>(6,656)</b>  |

Company

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| Company   | Nature of Transation | Assets Current | 12.31.09 |                        | 06.30.09 |                 |
|---|----------------------|----------------|----------|------------------------|----------|-----------------|
|   |                      |                | Current  | Liabilities Noncurrent | Income   | Result Expenses |
| -   |                      |                |          |                        |          |                 |
| Telecomunicações de São Paulo - Telesp          | c)                   | -              | 220      | 15                     | -        | (331)           |
| Telefonica Serviços Empresariais do Brasil Ltda | f)                   | -              | -        | -                      | -        | (384)           |
| Vivo S.A.                                       | c)                   | -              | 92       | -                      | -        | -               |
| Total   |                      | -              | 312      | 15                     | -        | (715)           |

| Company  | Nature of Transation | Consolidated - 06.30.10 |                     |           |                           |
|--|----------------------|-------------------------|---------------------|-----------|---------------------------|
|  |                      | Assets Current          | Liabilities Current | Income    | Result Costs and Expenses |
| Telecomunicações de São Paulo - Telesp               | a) / c) / j) / l)    | 299,322                 | 241,040             | 1,045,079 | (200,458)                 |
| Telefonica Móviles Espana S.A.                       | h)                   | 3,321                   | 632                 | 1,397     | (5,310)                   |
| Portugal Telecom Inovação do Brasil Ltda             | e) / l)              | 6                       | 43,689              | 16        | (17,041)                  |
| Telecomunicações Móveis Nacionais - TMN              | h)                   | 360                     | -                   | -         | (1,263)                   |
| Telefonica Serviços Empresariais do Brasil Ltda      | f)                   | 227                     | 15,692              | 859       | (30,932)                  |
| Telefonica International Wholesale                   | j)                   | -                       | 45                  | -         | (196)                     |
| Telefonica International Wholesale Brasil            | j) / l)              | 16                      | 1,348               | 67        | (2,652)                   |
| Portugal Telecom, SGPS, S.A.                         | b)                   | 2,596                   | 26,441              | 3,561     | -                         |
| Telefonica Internacional S.A.                        | b)                   | -                       | 13,936              | -         | (466)                     |
| Telefonica S.A.                                      | b)                   | 2,264                   | 46,701              | -         | (1,587)                   |
| Cobros Gestão de Serviços                            | i) / k)              | 21                      | 490                 | 55        | (730)                     |
| Atento Brasil S.A.                                   | d) / k) / i)         | 5,299                   | 44,432              | 7,763     | (135,288)                 |
| Mobitel S.A. - Dedic                                 | d) / k)              | 1,539                   | 56,582              | 1,572     | (155,287)                 |
| Terra Networks S.A.                                  | g) / l)              | 1,276                   | 484                 | 922       | -                         |
| Atelecom S/A   | j) / l)              | 71                      | 2,338               | 935       | (6,174)                   |
| Telefonica Engenharia e Segurança                    | l) / j)              | 4                       | 72                  | 40        | (115)                     |
| Telefonica Pesquisa e Desenvolvimento do Brasil Ltda | e) / i)              | 8                       | 158                 | 35        | (415)                     |

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|  |         |         |         |           |           |
|--|---------|---------|---------|-----------|-----------|
| Telefônica Data S/A (Antes Telefônica Empresas S/A Brasil) | a) / j) | 375     | 11,042  | 915       | (6,590)   |
| Operadoras Grupo Telefonica (Roaming internacional)        | h)      | 2,623   | 241     | -         | (4,789)   |
| Telefônica Sistema de televisão S/A (Antes Light Tree S/A) | l) / d) | 8       | 1       | 50        | -         |
| Total  |         | 319,336 | 505,364 | 1,063,266 | (569,293) |

| Company  | Nature of Transaction | Consolidated                  |                        |                              |                    |
|--|-----------------------|-------------------------------|------------------------|------------------------------|--------------------|
|  |                       | 12.31.09<br>Assets<br>Current | Liabilities<br>Current | 06.30.09<br>Result<br>Income | Costs and Expenses |
| Telecomunicações de São Paulo - Telesp               | a) / c) / j) / l)     | 340,215                       | 299,512                | 1,035,706                    | (136,226)          |
| Telefonica Móviles Espana S.A.                       | h)                    | 2,608                         | 2,071                  | 1,247                        | (172)              |
| Portugal Telecom Inovação do Brasil Ltda             | e) / l)               | 8                             | 44,002                 | 9                            | (7,125)            |
| Telecomunicações Móveis Nacionais - TMN              | h)                    | 979                           | 575                    | 344                          | (39)               |
| Telefonica Serviços Empresariais do Brasil Ltda      | f)                    | 1,451                         | 17,149                 | 388                          | (26,921)           |
| Telefonica International Wholesale                   | j)                    | -                             | 24                     | -                            | -                  |
| Telefonica International Wholesale Brasil            | j) / l)               | 9                             | 2,095                  | -                            | (3,651)            |
| Portugal Telecom, SGPS, S.A.                         | b)                    | 2,622                         | 33,771                 | 9,902                        | -                  |
| Telefonica Internacional S.A.                        | b)                    | -                             | 13,470                 | 2,981                        | -                  |
| Telefonica S.A.                                      | b)                    | 2,148                         | 45,113                 | 9,777                        | (84)               |
| Cobros Gestão de Serviços                            | i) / k)               | 1                             | 561                    |                              | (1,092)            |
| Atento Brasil S.A.                                   | d) / k) / i)          | 6,922                         | 43,420                 | 6,046                        | (151,215)          |
| Mobitel S.A. - Dedic                                 | d) / k)               | 1,699                         | 34,811                 | 120                          | (149,329)          |
| Terra Networks S.A.                                  | g) / l)               | 724                           | 592                    |                              | (1,139)            |
| Atelecom S/A   | j) / l)               | 338                           | 2,829                  | 2,537                        | (6,909)            |
| Telefonica Sistemas do Brasil Ltda                   | l)                    | 6                             | 1                      | -                            | -                  |
| Telefonica Engenharia e Segurança                    | l) / j)               | 5                             | 52                     | 38                           | -                  |
| Telefonica Pesquisa e Desenvolvimento do Brasil Ltda | e) / i)               | -                             | 1,143                  | 1                            | (897)              |
| TBS Celular Participações Ltda                       | b)                    | -                             |                        | -                            | -                  |

|   |         |         |         |           |           |
|---|---------|---------|---------|-----------|-----------|
|   |         |         | 13,152  |           |           |
| Telefônica Data S/A (Antes<br>Telefônica Empresas S/A Brasil) | a) / j) | 3,475   | 11,825  | 3,152     | (8,154)   |
| Operadoras Grupo Telefonica<br>(Roaming internacional)        | h)      | 4,606   | 2,734   | 5,224     | -         |
| Primesys Soluções Empresariais<br>S.A.                        | h)      | -       | -       | 113       | (127)     |
| T. Personales Unifon  | c)      | -       | 168     | -         | -         |
| Total   |         | 367,816 | 569,070 | 1,077,585 | (493,080) |

#### 28.c) Remuneration of key Management officers

During the six-month periods ended June 30, 2010 and 2009, the remuneration of the key Management officers, including fees and short term benefits, payroll charges, bonus and other benefits, totaled R\$1,272 and R\$1,492 in the controlling company and R\$11,471 and R\$11,049 in the consolidated amount, respectively, and were posted as expenses.

### 29. INSURANCE (CONSOLIDATED)

The Company and its subsidiaries adopted a policy of monitoring risks inherent to their transactions. For this reason, at June 30, 2010, the Company and its subsidiaries had insurance contracts in place for coverage of operating risks, civil liability, health risks, etc. The Management of the Company and of its subsidiaries considers that the amounts of such contracts are sufficient to cover potential losses. The main assets, liabilities or interests covered by insurance and their respective amounts are shown below:

| <u>Type of Insurance</u>     | <u>Insured amounts</u> |
|------------------------------|------------------------|
| Operating risks              | R\$16,953,576          |
| General Civil Liability– RCG | R\$6,110               |

### 30. AMERICAN DEPOSITARY RECEIPTS (“ADRs”) PROGRAM

On November 16, 1998, the Company started trading ADRs on the New York Stock Exchange (NYSE) under ticker symbol "TCP" and since March 31, 2006 under ticker symbol "VIV" (in accordance with the decision by the Special Shareholders' Meeting of February 22, 2006), with the following main characteristics:

- Type of share: preferred
- Each ADR represents 1 (one) preferred share
- The shares are traded in the form of ADRs on the New York Stock Exchange under ticker symbol "VIV"
- Foreign depository bank: The Bank of New York
- Custodian bank in Brazil: Banco Itaú S.A.

### 31. LIENS, EVENTUAL LIABILITIES AND COMMITMENTS

The Company and its subsidiaries have undertaken commitments with lessees of several stores and sites where the radio-base stations (ERB's) are located, already contracted at June 30, 2010, in the amount of R\$3,628,018, as shown below:

| <u>Year</u>                      | <u>Amount</u> |
|----------------------------------|---------------|
| Up to one year                   | 669,562       |
| More than one year to five years | 2,583,888     |

|                      |           |
|----------------------|-----------|
| More than five years | 374,568   |
| Total                | 3,628,018 |

**32. COMPREHENSIVE INCOME**

In compliance with CPC 26, the Company shows below the changes in the total consolidated comprehensive income for the periods presented in the explanatory notes.

|  |                |
|--|----------------|
| Equity pick up on adjustments of pension plans in the subsidiaries at 01.01.09 | (102.860)      |
| Net income for the six months ended June 30, 2009                              | 314.721        |
| <b>Consolidated total comprehensive income in June 30, 2009</b>                | <b>211.861</b> |

|   |                |
|---|----------------|
| Equity pick up on adjustments of pension plans in the subsidiaries - merger of the shares | (26.394)       |
| Equity pick up on adjustments of pension plans in the subsidiaries- actuarial reports     | (9.524)        |
| Net income for the six months ended December 31, 2009                                     | 536.020        |
| <b>Consolidated total comprehensive income in December 31, 2009</b>                       | <b>711.963</b> |

|   |                |
|---|----------------|
| <b>Consolidated total comprehensive income in June 30, 2010</b> | <b>427.856</b> |
|---|----------------|

**33. BALANCE SHEET OF TELEMIG CELULAR S.A – AT 05/31/2010**

As described in note 1, below we present the balance sheet of Telemig, as of May 31, 2010, used for purpose of its merger into the Company.

| ASSETS                                       |                  | LIABILITIES and SHAREHOLDERS' EQUITY              |                  |
|--|------------------|---|------------------|
| <b>Current</b>                               |                  | <b>Current</b>                                    |                  |
| Cash and cash equivalents                    | 122,813          | Payroll and social charges                        | 17,799           |
| Short-term investments pledged as collateral | 2,264            | Trade accounts payable                            | 329,273          |
| Trade accounts receivable, net               | 300,563          | Taxes payable                                     | 122,464          |
| Inventories                                  | 19,978           | Loans and financing                               | 47               |
| Deferred and recoverable taxes               | 117,472          | Interest on shareholders and dividends            | 11,820           |
| Deposits and blockages escrow                | 7,228            | Provision for contingencies                       | 14,382           |
| Prepaid expenses                             | 65,049           | Other liabilities                                 | 82,627           |
| Other assets                                 | 5,221            | <b>Total current liabilities</b>                  | <b>578,412</b>   |
| <b>Total current assets</b>                  | <b>640,588</b>   |   |                  |
| <b>Noncurrent</b>                            |                  | <b>Noncurrent</b>                                 |                  |
| Long-term receivables:                       |                  | Long-term liabilities:                            |                  |
| Deferred and recoverable taxes               | 245,023          | Taxes payable                                     | 575,245          |
| Deposits and blockages escrow                | 572,330          | Loans and financing                               | 12,830           |
| Prepaid expenses                             | 3,544            | Debentures  | 61,588           |
| Other assets                                 | 15               | Provision for contingencies                       | 14,888           |
| Property and equipment, net                  | 627,500          | Other liabilities                                 | 40,146           |
| Intangible assets, net                       | 189,991          | <b>Total noncurrent liabilities</b>               | <b>704,697</b>   |
| <b>Total noncurrent assets</b>               | <b>1,638,403</b> |   |                  |
|  |                  | <b>Shareholders' equity</b>                       | <b>995,882</b>   |
| <b>Total assets</b>                          | <b>2,278,991</b> | <b>Total liabilities and shareholder's equity</b> | <b>2,278,991</b> |

**34. ADDITIONAL INFORMATION**

**Telefonica's offer for acquisition of 50% interest held by Portugal Telecom in Brasilcel, N.V..**

At May 10, Portugal Telecom SGPS S.A. (PT) communicated that it received a non-solicited offer from Telefónica S.A. (Telefonica) for the acquisition of 50% of its interest in Brasilcel for the amount of €5.7 billion. Valid until June 6, such offer was rejected by the Board of Directors of PT.

On June 01, PT informed to have received a new firm and unconditional proposal from Telefonica, increasing the offer value to €6.5 billion, with two alternatives, being one for the total immediate sale and the other a three-year deferred sale. Said offer was valid until June 30 and could be extended, in case the Board of Directors decided to submit it to the General Shareholders' Meeting for examination. The Board of Directors of PT, considering that the offer did not reflect the strategic value to Telefonica, decided to call a General Shareholders' Meeting for PT shareholders to decide on the offer.

On June 29, PT communicated to have received a revised offer from Telefonica, then increasing the value to €7.15 billion, valid until July 02, with all other conditions of the offer remaining unchanged. Such offer was examined by the General Shareholders' Meeting held on June 30. At that meeting, out of the 62.9% shareholders attending the meeting who were entitled to vote, 73.9% voted for accepting the offer. Even though the majority of the shareholders accepted the offer, this acceptance was rejected by the Portuguese Government through their "A" shares (Golden Share).

Following the General Shareholders' Meeting held on June 30, 2010 Telefonica communicated Portugal Telecom that the offer was extended until July 16, 2010.

On July 08, 2010 the court of Justice of the European Union declared illegal the right of rejection, through the Golden Share, given to the Portuguese Government in the statutes of Portugal Telecom.

At July 17, Telefonica informed that, since the offer was not accepted within the valid date, it expired at 11:59 p.m. of July 16, 2010.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 3, 2010

VIVO PARTICIPAÇÕES S.A.

By:           /s/ Cristiane Barretto Sales

**Cristiane Barretto Sales**  
**Investor Relations Officer**

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**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition,



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liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.